



SARHA LEZINSEY - ENOUGH PROJECT

# Criminal exploitation of gold production and trade

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# Organisation for Economic Cooperation and Development (OECD)

- Established in 1961
- 36 governments
- International network entailing :
  - >250 committees
  - 40 000 governmental representatives
  - 2 500 staff
- Includes institutional representatives of unions and civil society





# AGENDA

## Overview:

- Why and how is the OECD involved in countering international trafficking of mineral resources?
- Where is the OECD working on these issues?
  - Focus on West Africa

## Key themes:

- Smuggling of currency equivalents: focus on gold
- Vulnerabilities of customs offices
- Suggestions for concrete actions



# Addressing conflict and serious human rights abuses in mineral supply chains

- Exploitation and trade of mineral resources is a source of growth, but **can be associated with significant adverse impacts, including**
  - Serious human rights impacts (e.g. child labour, forced labour)
  - Financing conflict
  - Money-laundering, terrorist financing & sanctions violations
  - Bribery
- **Global issue** (Africa, Asia, Latin America, Europe)
- Affects **all mineral resources** (tin, tantalum, tungsten, gold, cobalt, precious stones, coal, oil & gas, etc.)
- For mining, affects to **different extent ASM and LSM**



## **Artisanal gold from the Sahel**

- *Informally and/or illegally mined*
- *Estimated annual output: ~50 tonnes (average estimate)*
- ***Vast majority is smuggled out of the country***
- *Estimated market value: \$2 billion*

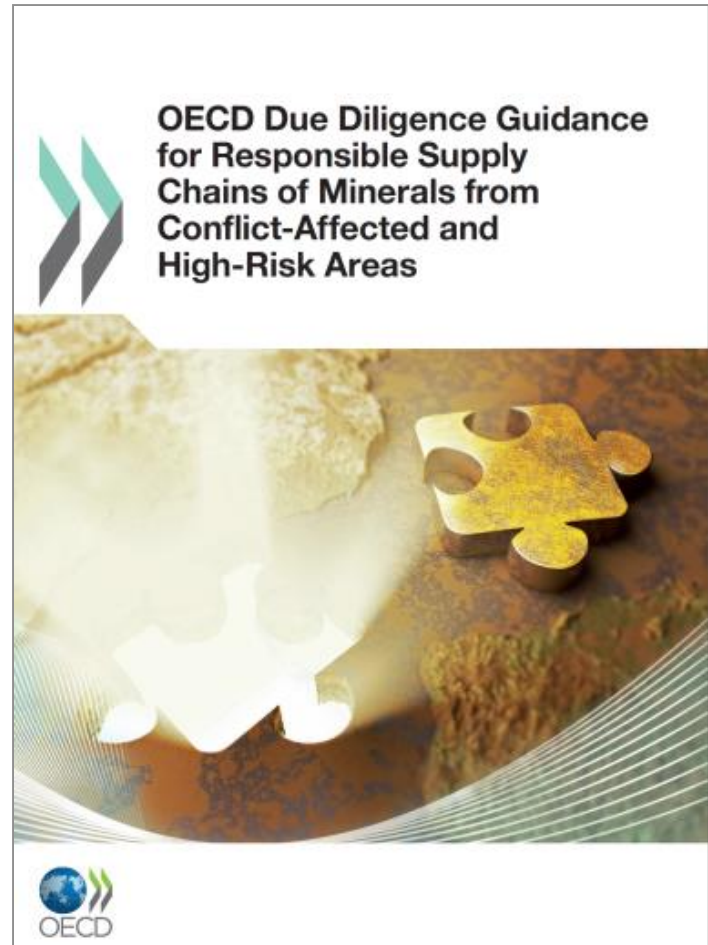


# OECD Guidance aims to promote responsible investment!

## The objective is twofold:

Developed through a multi-stakeholder process, the Guidance

1. clarifies **how companies can identify and better manage risks** throughout the entire mineral supply chain, from miners, local exporters and mineral processors to the manufacturing and brand-name companies that use these minerals in their products.
2. **Aims to promote responsible investments in mineral resources production and trade** to support its contribution to sustainable development of producing countries

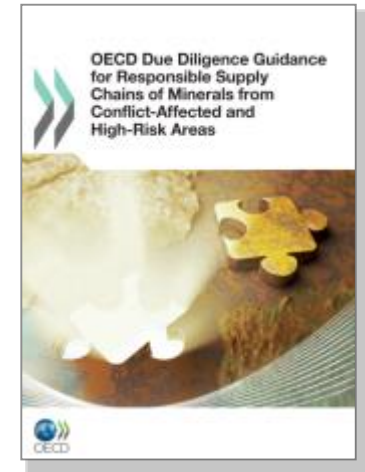




# OECD Due Diligence Guidance for Responsible Mineral Supply Chains

## Objective

- ✓ To provide **clear, practical guidance for companies** to ensure responsible operations and sources of supply:
  - **No** support to non-state armed groups, **No** “serious abuses”
  - **Prevent & mitigate** support to public security forces, bribery, tax evasion, money-laundering and fraud in supply chains
  - **Strengthen** internal controls, due diligence systems, engagement with suppliers (e.g. supplier upgrading)



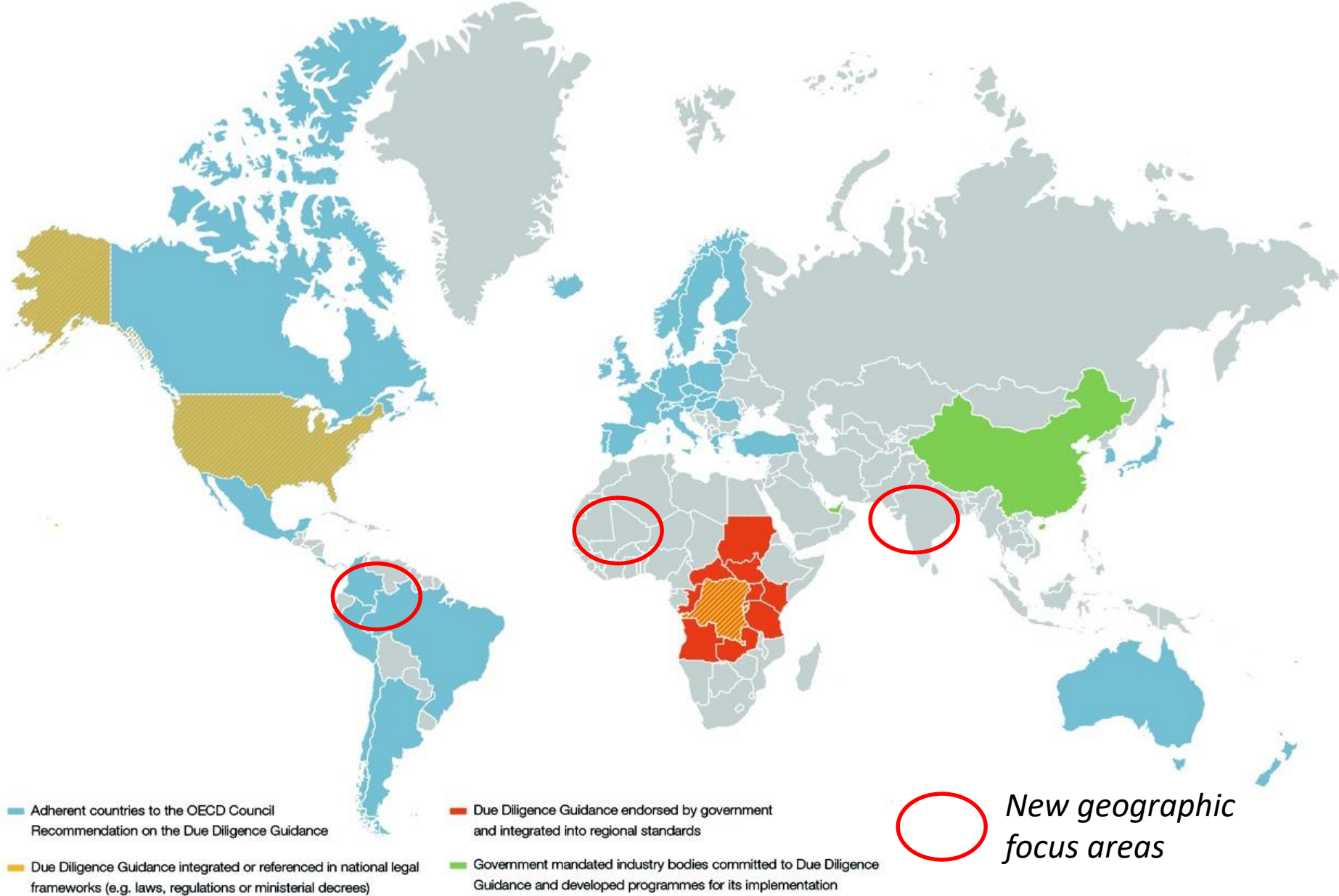
## Method and scope

- ✓ **5-step risk-based due diligence process**, applies to **all minerals & all companies** throughout the entire mineral supply chain that **potentially contribute to conflict, serious abuses, bribery, tax evasion and money laundering** through mining or mineral sourcing practices

## The Guidance

- ✓ **5-step due diligence framework for all minerals (Annex I)**
- ✓ **Model Supply Chain Policy (Annex II) outlining key risks and appropriate responses**
- ✓ **Measures for Risk Mitigation (Annex III)**
- ✓ **Supplement on 3Ts; Supplement on Gold**
- ✓ **Appendix on Artisanal and Small-Scale Mining**

# Working with the rest of the world to implement the OECD Guidance





## Focus on West Africa OECD report on gold production & trade

- ASM production likely to represent around **50t/y** worth around **2Bn\$**
- Involves around **6 millions people** across the **3 countries**
- Preliminary indications of **multiplying interferences of terrorist networks** in **3 countries**
- Gold is a currency – widely used for money laundering purposes and to circumvent West African exchange-control regulations and the





# Getting a Grip on Central Sahel's Gold Rush

*In Mali, Burkina Faso and Niger, a gold boom is offering a new source of funding and potentially even recruits to several armed groups, including jihadists. Sahelian states should reassert their presence in mining areas and take steps to formalise artisanal gold mining.*



## Money Laundering and Terrorist Financing Linked to the Extractive Industry / Mining Sector in West Africa

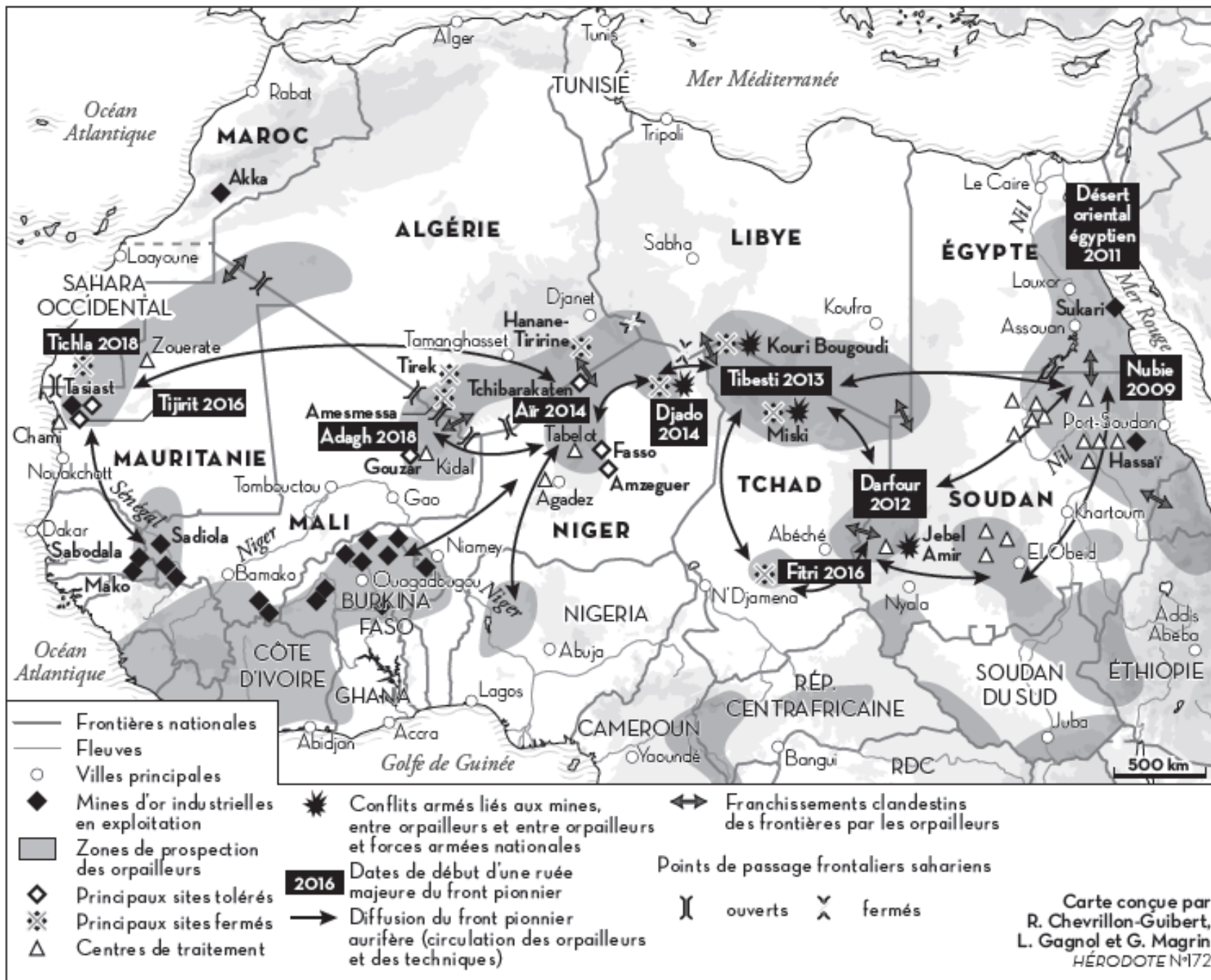


October 2019

## How jihadists struck gold in Africa's Sahel

A REUTERS SPECIAL REPORT

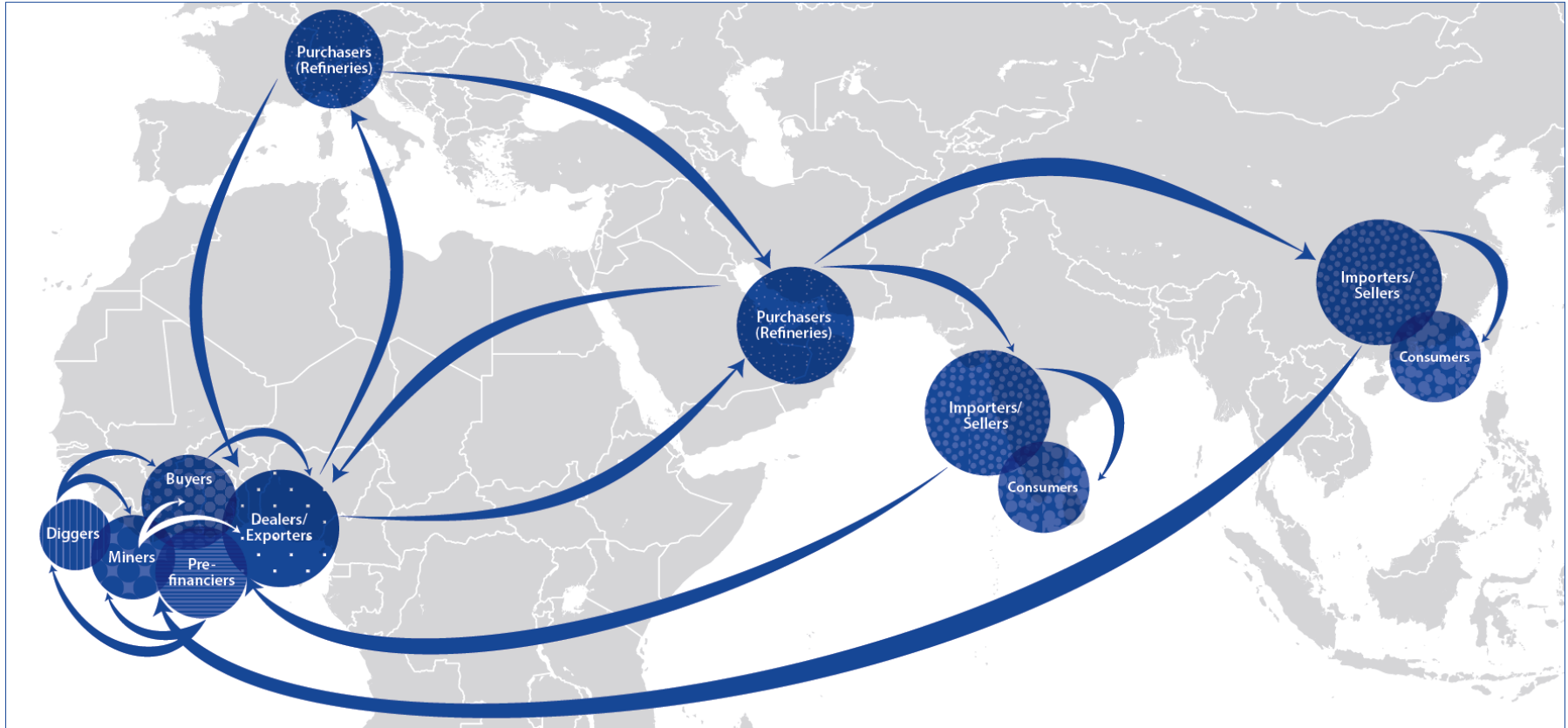






# Illicit gold flows from West Africa

*Complex networks; approx. \$3 billion in illicit gold / year (Liberia & Ghana)*





# THEMATIC FOCUS

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- Smuggling of currency equivalent: focus on gold
- Vulnerabilities of customs offices
- Suggestions for concrete actions



# Gold: the other currency

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- **Gold is**
  - highly liquid and can be converted to cash in almost any currency with relative ease.
  - extracted in all parts of the world (therefore directly accessible to local populations, contrary to paper currency)
  - High-value, low volume so easily movable (contrary to bulk cash) and challenging to trace
- **Gold is valued in countries where**
  - confidence in paper currency is low
  - Economy is highly informal, and offer of banking services (and access to finance) is limited



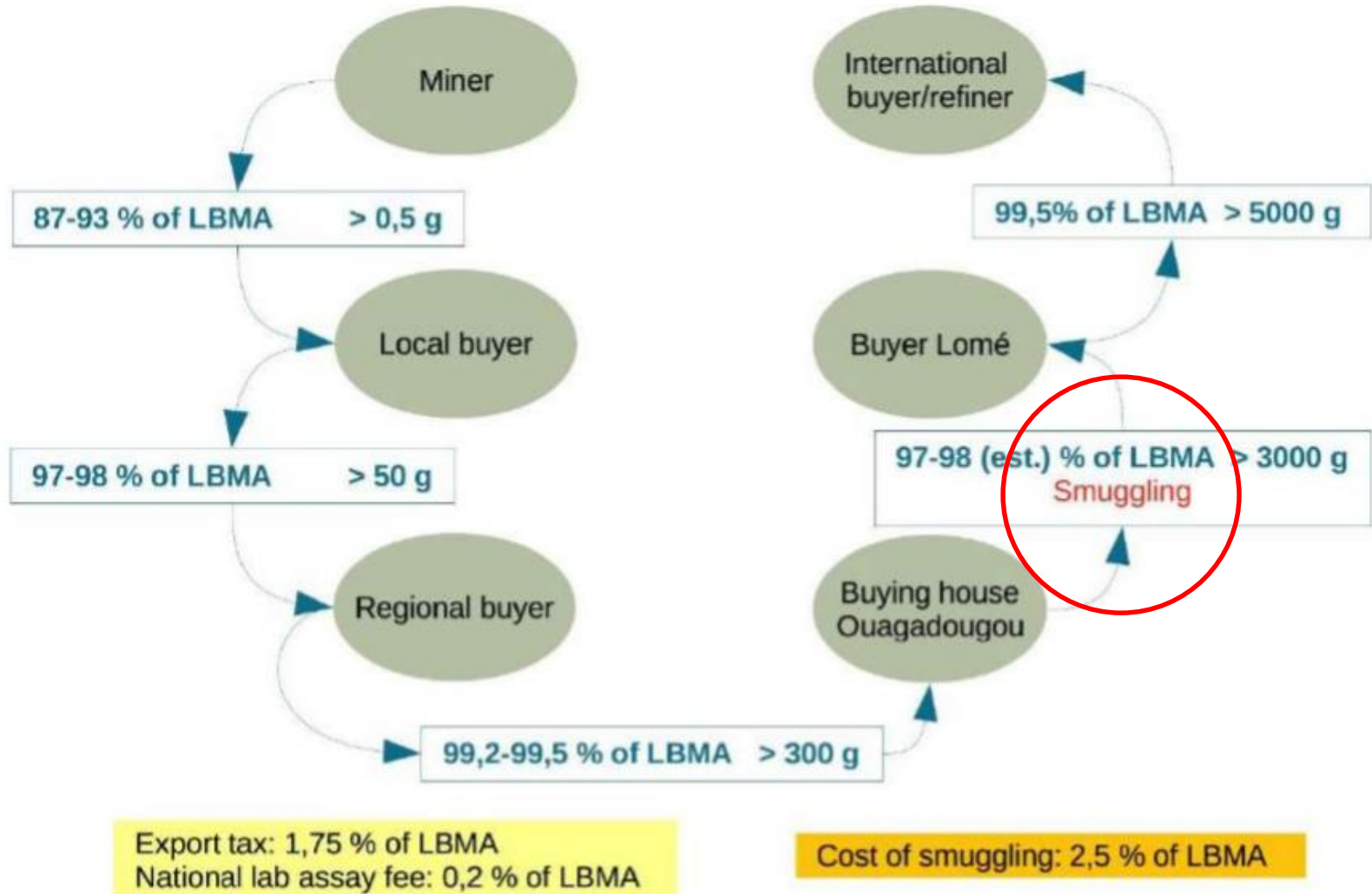
## Gold as a currency and financing instrument - examples

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- In mining communities, financial institutions like banks are often completely absent. **Predatory networks step in to provide credit to artisanal miners in exchange for gold** and on unfavourable terms.
- In big cities, **wholesalers & shop owners:**
  - source gold in order to avoid going through official banking channels
  - Smuggle gold across border to move value (losing money on the gold trade)
  - re-import under-valued goods (making a benefit)



# Gold is a preferred instrument to transfer value across borders





## Gold: the other currency

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- **Narco-traffickers:** the use of precious metal and stones has been widely reported as a preferred means of ML for narco-traffickers
- **Example linking Latin American and West Africa**
  - Smuggle and sell drugs in West Africa
  - Source gold locally and smuggle it back in Latin America
  - Sell gold locally using legal mining licences but with no actual extractive operation





## How is gold smuggled?

- Gold is high value, low volume thereby easily concealable
- Can be transported by any type of vehicle, or even more simply by individuals
  - This gold-bearing belt can transport up to 6kg of gold (around 264€)





## Airplane is the preferred way

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- Gold is mostly **exported to major international consuming markets** (i.e. US, EU, UAE, Turkey, India) **by airplane** either in cargo or hand carry
- It is not possible to use the conventional airport X-ray scanners to identify gold – it will only detect metals.
- Suspicious passengers **may book multiple seats** to be able to travel with additional luggage (concealing gold)
- Gold smugglers **may also travel** in groups of 6 or 7 to limit risks of seizures



Try and search « gold seized airport »  
on internet...

## Venezuelans arrested with \$5 million worth of smuggled gold at Broward airport, feds say

BY NICHOLAS NEHAMAS

SEPTEMBER 24, 2019 12:26 PM, UPDATED SEPTEMBER 25, 2019 08:31 AM

## Almost \$5 million worth of gold bars seized at Heathrow Airport

The gold bars weighed in at almost 230 pounds.

## Man Tries To Smuggle Gold Bars In His Shoes From Dubai, Arrested In Delhi

A detailed search resulted in the recovery of eight gold bars weighing 933 grams which were concealed inside the shoes worn by the accused.

Delhi | Press Trust of India | Updated: October 18, 2019 14:54 IST

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## Gold seized at airport

TNN | Updated: Oct 11, 2019, 0:36 IST



A-

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Mangaluru: Customs at Mangalore International Airport on Wednesday seized gold weighing 487.12 grams in the possession of a passenger



# Customs vulnerabilities

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- **Hand carry gold**
  - **Equipment in airports** in particular not necessarily adapted to detect gold in luggage
- Gold shipped **via cargo through free trade** or export processing zones
- **Silver painted** gold bars
- **Crudely crafted jewellery** of low purity
- **“Round-tripping”** – exporting scrap gold, to be melted down in a producing country and re-imported to take advantage of tax exemptions
- Gold bars **containing copper**, not gold
- **Customs offices closed** when flights land– dangerous to hang around for a couple of hours waiting for the office to open, if you hand carry gold and want to declare it
- **Lack awareness** on the trade, potential criminality (i.e. gold illegally exported, without payment of taxes) and threats of material imported



Cooperation with law enforcement agencies (FIUs, customs, police)





# Promoting exchange of information / intelligence

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- Objective:
  - Bring more attention on minerals related crime and enable exchanges of experience on existing regulatory frameworks, concrete case studies, known patterns of international smuggling, common challenges.
  - Identify weakness in the current national and international framework for combating minerals related crime
  - Develop training / capacity building of law enforcement agencies
  - Develop red flag indicators to help customs prioritise enforcement and focus operations
  - Enhance information cooperation between LEA/private sector/CSO
  - Prepare the groundwork to organise a joint operation focusing on networks smuggling precious metals and precious stones
- Organizations involved: WCO, UNODC, FATF, INTERPOL and GIABA



## Cooperation with LEAs – fostering mutual legal assistance and information sharing

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### Events to date:

- 1<sup>st</sup> Meeting of the Informal Law Enforcement Network on Minerals Related Crimes, Paris, April 2019
- 1<sup>st</sup> regional meeting on cooperation between law enforcement agencies in West Africa, Niamey, November 2019
- Upcoming 2<sup>nd</sup> meeting of the Informal Law Enforcement Network on Minerals Related Crimes, Brussels, December 2019



## 2<sup>nd</sup> meeting of the Informal Law Enforcement

Network on Minerals Related Crimes — Brussels, 9&10 December  
2019

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- **Over 20 countries** (USA, Belgium, Uganda, Mali, Colombia, etc.) and international organisations (INTERPOL, UNODC, OECD, etc.) involved
- **Mainly involved customs**, but also financial intelligence units and police
- Workshop touched on issues like
  - African based refineries and associated risks and vulnerabilities
  - Presentation on latest smuggling patterns in Africa, Latin America and Europe
  - Presentation and discussions of investigations
- Dedicated session to foster exchange of information with investigative civil society organisations and representatives of the private sector





# Working with major airline companies

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- In the context of the Great Lakes Region of Central Africa, in coordination with the UN Group of Expert on the DRC, OECD organised in March 2018 **a consultative meeting with airlines on detection and control of hand carry gold**. Objectives were:
  - To expose the magnitude of hand-carry gold in the Great Lakes Region, based on UN GoE findings and discuss illegal gold transport patterns from conflict and high risk areas to destination markets;
  - To inform companies on existing international standards on responsible business conduct in global mineral supply chains, including transportation of minerals;
  - To create a space for sharing among various stakeholders involved in hand-carry gold control and transport;
  - To discuss existing policies to enable airline companies to detect / control systematically hand-carry gold and discuss specific challenges related to the control of hand-carry gold by airlines;



# Thank you

For further information on the OECD's work on  
Responsible Business Conduct

<http://mneguidelines.oecd.org/>

<http://www.oecd.org/corporate/mne/mining.htm>

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