

## Briefing Paper

Committee: ECOFIN

Topic: The Question of Reducing the Economic Impact of Illicit Resource Extraction in Sub-Saharan Africa

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### Summary

Illicit resource extraction in Sub-Saharan Africa, including the illegal mining of gold, diamond, coltan, and rare earth minerals, has severe economic consequences on countries in the region. These actions rob governments of tax revenue and often fuel armed conflicts, undermining development and stability. Illicit resource extraction contributes to estimated illicit financial flows of over \$40 billion annually across Sub-Saharan Africa (totalling \$1.3 trillion between 1980 and 2018). However, in addition it also causes environmental damage which affects agriculture and the capacity of local communities to maintain their livelihoods. This in turn decreases investor confidence, further damaging the economy of countries in the region. Addressing this issue requires international cooperation to strengthen governance, enforce supply chain transparency and support sustainable resource management. This issue has links to poverty, inequality and insecurity.

### Definition of Key Terms

**Illicit Resource Extraction** – The illegal removal of natural resources, i.e. minerals, oil, timber, metals, without proper authorisation, regulation or taxation.

**Sub-Saharan Africa** – The region of Africa located south of the Saharan Desert. It encompasses 46 countries, many of which are resource-rich but economically vulnerable.

**Conflict Minerals** – Minerals such as gold, tungsten, tin and coltan mined in conflict-ridden areas, whose sale funds armed groups, fuels human rights and perpetuates instability.

**Illicit Financial Flows (IFFs)** – Cross-border movement of illegally earned money, often linked to corruption and tax evasion.

**Supply Chain Transparency** – The practice of making the origin and movement of resources visible and traceable, preventing illegal sourcing.

**Artisanal and Small-Scale Mining (ASM)** – Mining conducted by individuals or small groups, using basic tools and techniques. It is often informal and mostly unregulated.

**Beneficial Ownership** – The person or people who ultimately own or control a company or asset, regardless of the name it is registered under.

Trade Mis-invoicing – Manipulation of invoice values to evade taxes or illegally move money across borders.

Extractive Industries Transparency Initiative (EITI) – A global standard promoting transparency for sustainable mineral resource development.

Chemical Fingerprinting – A scientific method to trace the origin of minerals by analysing their chemical composition.

## **Background Information**

Sub-Saharan Africa is home to huge reserves of minerals and rare earth elements, which are crucial to global industries such as electronics and renewable energy. However, a history of weak governance structure, unpatrolled borders and limited enforcement capabilities have made the region susceptible to illegal extraction. These activities are most common in fragile states and conflict areas. A UN Panel of Experts reported in 2001-2002, highlighting systematic illegal resource exploitation in the DRC.

The Illicit financial flows associated with the illegal mining undermine progress towards the UN Sustainable Development Goals (SDGs), particularly Goal 8 and 16 ('Decent Work and Economic Growth' and 'Peace, Justice and Strong Institutions' respectively.)

These resources have global significance due to their necessity in modern technologies. For example, cobalt is needed for batteries and coltan is needed for electronics.

## **Major Countries and Organizations Involved**

The Democratic Republic of Congo (DRC) is a major source of cobalt, coltan and gold, and a country where illegal mining is a large funder of armed groups. In the Central African Republic (CAR) and Chad, illegal gold and diamond mining is a significant source of funding for armed terrorist groups. South Africa struggles with widespread illegal gold and platinum mining, whereas Nigeria struggles with the theft of oil that reduces government revenue due to the loss of tax revenue. Ghana and Zimbabwe are also heavily impacted by illegal gold mining, and Angola has historically had conflict over diamonds.

International and regional organisations play a key role in addressing this issue. Through bodies such as the Security Council and UNDP, the United Nations emphasise resource governance and conflict prevention. The African Union promotes sustainable management through the African Mining Vision, whilst the Kimberley Process Certification Scheme works to eliminate conflict diamonds from global markets. The Extractive Industries Transparency Initiative (EITI) advocates for full transparency in resources revenues, while organisations like the World Bank and IMF provide financial and policy support for government reforms. Law enforcement also coordinate effort to combat smuggling and to strengthen cross-border enforcement, with agencies such as INTERPOL, alongside regional groups like ECOWAS (Economic Community of West African States) and SADC (Southern African Development Community) coordinating efforts.

## Timeline of Events (Relevant UN Treaties)

- 1998 – UNSC Resolution 1173: Imposed sanctions on Angolan diamonds to cut rebel financing.
- 2000 – UNSC Resolution 1306: Banned imports of Sierra Leone diamonds without certification to curb conflict diamonds.
- 2000 – UNTOC Adopted (GA Res. 55/25): UN Convention against Transnational Organised crime, targeting money laundering and smuggling. (Entered into force in 2003)
- 2003 – UNSC Resolution 1459: Kimberley Process adopted in 2002 (Global certification for rough diamonds.) Resolution 1459 endorsed Kimberley Process and GA urged broad participation.
- 2003 – UNCAC Adopted (GA Res. 58/4): UN Convention against corruption, addressing bribery and corruption in extractives. (Entered into force in 2005)
- 2004 - 2008 – DRC Sanctions Framework: UNSC Resolutions 1533, 1807, and 1857 imposed measures on armed groups financed by illicit mineral extraction.
- 2015 – AU/UNECA Illicit Financial Flows Report: A report by the African Union and the UN Economic Commission for Africa, which estimated that Africa loses over \$50 billion annually to illicit financial flows, much of which is linked to extractive industries.
- 2015 – SDGs Adopted (A/RES/70/1): Includes Target 16.4 to reduce illicit financial flows and strengthen governance.
- 2020 – UNCTAD Report: Linked illicit financial flows from extractives to reduced development spending.

## Previous Attempts to Solve the Issue

The Kimberley Process Certification Scheme (KPCS), initiated in 2002, was a joint initiative by governments and industry to prevent the trade of conflict diamonds, and therefore discourage their illicit extraction, demonstrating an attempt to solve the issue. Whilst it has reduced the share of conflict diamonds from over 15% to under 1%, it still lacks comprehensive oversight and remains susceptible to loopholes. A weakness is that the Kimberley Process solely focussed on diamonds, leaving all other minerals vulnerable. These schemes also lacked enforcement power, and companies were able to exploit weak auditing standards.

The Extractive Industries Transparency Initiative (EITI), promoted transparency in extractive sectors, and has been adopted by many Sub-Saharan nations, enhancing reporting mechanisms and ownership disclosures. However, without broader governance reforms, transparency alone has limited economic impact. This is because many Sub-Saharan states lack robust regulatory frameworks and have limited enforcement capacity. Additionally, corruption within government often undermines reforms, showing how transparency was not enough to address the issue of illicit mining, because the general weakness and lack of governance reforms allow simple

workarounds, or for the findings of this increased transparency to be ignored entirely. Another problem is that many multinational corporations often turn a blind eye to sourcing from illicit supply chains, as it gives them cost advantages and allows them to have better profit margins.

The Formalisation of Artisanal and Small-Scale Mining (ASM) was when governments and agencies tried to legalise and then regulate ASM, providing access to finance, training and safety techniques. Although these have shown progress in certain places such as Ghana, Niger, and Cote d'Ivoire, in general the efforts struggle due to bureaucratic hurdles and insufficient backing from credit facilities. These hurdles included matters such as the slow process of licensing, as well as multiple ministries becoming involved, creating overlapping steps and a very inefficient process, preventing an effective rollout of ASM to combat illicit resource extraction. High legal fees to navigate this extensive application process made ASM entry unrealistic for most, leaving the problem unsolved. Coordination between agencies was weak, which delayed joint operations and left many cases ignored due to technicalities. These bureaucratic hurdles meant there was limited open, reliable sharing of data, and poor inter-agency cooperation, meaning that potentially viable solutions to address the issue were unable to be executed properly.

Between July and October 2024, INTERPOL coordinated a four-country crackdown (Burkina Faso, Guinea, Gambia and Senegal.) Operation "Sanu" resulted in 200 arrests and seizure of cyanide, mercury, explosives and illegal drugs, helping to disrupt the networks responsible for illegal gold and sand mining. However this was a single operation where INTERPOL ensured a well organised and coordinated effort, but as a whole, operations in Sub-Saharan Africa are uncoordinated and poorly executed, leaving criminal networks easy ways to exploit jurisdictional inconsistencies, and capitalise on the porous and poorly monitored borders. Regional groups such as ECOWAS and SADC do not have harmonised customs protocols, enabling smuggling.

In July 2025, the World Bank and World Gold Council supported Cote d'Ivoire's efforts to formalise informal gold mining through Multistakeholder Partnership for Sustainable and Responsible Small-Scale Mining (MSPI.) This World Bank and industry partnership aims to improve safety, stop illicit trading and integrate ASM into the formal economy, nullifying the illicit resource extraction industry. However, a barrier to the success of this attempt was that artisanal and small scale miners often rely on illicit extraction to make a living and survive, due to a lack of alternative livelihoods. Attempts to formalise ASM failed because, as mentioned, licensing remained costly and bureaucratic, and high global demands for rare minerals incentivised smuggling networks, and the general poverty of people in the region, coupled with the economic incentives portrayed by the illicit miners, made them easily persuaded to cooperate.

The economic state of many nations in Sub-Saharan Africa means that they are often unable to deploy advanced monitoring systems, or make use of satellite imagery, chemical fingerprinting, blockchain based traceability and other powerful technologies. This allows illegal operations to remain undetected.

## Possible Solutions

Strengthening governance and enforcement is likely one of the most important factors in addressing this issue. This includes the improvement of border control and customs capacity to reduce smuggling, and therefore hinder Illicit Financial Flows. Monitoring and penalties of illegal mining operations could be changed, and new technology could be integrated into illegal extraction detection. The creation of specialised extractives enforcement units that collaborate with analysis given by authorities, anti-corruption agencies and local police to investigate crimes such as mineral smuggling and tax evasion could shorten investigation cycles by reducing inter-agency delays, something which criminals often exploit. This could help produce tangible links to mining firms and traders, increasing the efficiency of the enforcement process as well as improving its capabilities. Modern technology has immense capabilities, most of which are heavily underutilised in addressing the issue of illicit resource extraction. For example, satellite imagery could be used to identify unlicensed operations, or digital certification using chemical fingerprinting, which could be used to track the origin of resources such as gold. The governance enforced should be coupled with due process and economic alternatives, so that broad sanctions do not unintentionally hit artisanal livelihoods, which history in the DRC proves is likely. Measures should be targeted to financing networks, rather than entire districts.

An enhancement of supply chain transparency, for example EITI frameworks, to promote traceability tools for mineral and precious metals would help ensure ethical practices and cause illicit resource extraction to become much less appealing. A possible change could be making it a requirement for the disclosure of beneficial ownership of license holders and trading houses, and the subsequent publishing of export volumes and prices with evidence of payment flows. This transparency would narrow the space for closed door transactions or false price representation. Third party audits for high risk minerals could also be integrated into this transparency framework for greater assurance and confidence.

Further efforts to encourage Artisanal and Small-Scale Mining, by providing legal frameworks and training for ASM miners, would stabilise and regulate the extraction industry, taking away the reliance on and profits for illicit extraction groups. ASM could be integrated into formal economies, taking a larger role. This could be done by simplifying the licensing process, or providing tailored finance for ASM miners; allowing for tiered permits whereby different levels of mining is permitted, so that the smallest scale encounter the least hurdles to begin extraction. Cooperation between industrial organisations and the ASM groups could enable structured training and agreements, allowing for efficient site rehabilitation and the use of best practice for small scale mining. Cote d'Ivoire's recent multi-stakeholder partnership demonstrates how smuggling can be reduced by traceability and formal offtake.

Strengthened collaboration between nations, agencies, and regional blocs could be useful in expanding joint enforcement operations, allowing for effective crackdowns on the issue; for example, INTERPOL'S operation Sanu. Large scale joint operations could help disrupt logistics

and the chemical and explosives supply chains used by illegal mining groups. Within ECOWAS and SADC, border protocols could be standardised, with mutual acceptance of official and due-diligence documents, preventing jurisdictions workarounds by the illegal miners and smuggling groups.

Combat of illicit financial flows would hinder the actions of illegal mining groups, allowing for better containment and the eventual ending of illicit resource extraction. Anti-money laundering measures could be implemented, as well as adopted of UN conventions for corruption and organised crime. Enhances analytics of trade pricing and custom data could be used to detect mis-invoicing. Beneficial ownership registries could be made to pierce shell companies, increasing transparency and hindering illicit financial flows.

Sustaining compliance could be achieved by real efforts for local community development. A portion of revenue could be reserved for investment into local infrastructure, for example developing roads, schools and medical facilities. Local benefits could be used to reduce the incentive for people to work with illicit miners. Re-training and micro grants could be implemented in periods of heavy enforcement to ensure that workers aren't pushed back in to illegal circles, creating a sustainable solution to tackle the issue at hand in the long run.

## Useful Links

1. [AMV - Africa Mining Vision | African Union](#)
2. [Kimberley Process | Ensuring Conflict-Free Diamonds Worldwide](#)
3. [Extractive Industries Transparency Initiative | EITI](#)
4. [Eleanor-Beevor-A-blunt-tool-for-a-delicate-task-Kimberley-Process-and-illicit-markets-in-CARGI-TOC-March-2024.pdf](#)
5. [Côte d'Ivoire Moves to Formalize Its Vast Informal Gold Mining Sector](#)

## Bibliography

1. [Illicit financial flows drain Africa's mineral wealth - Greenpeace](#)
2. Kimberley Process Stats: [6740bdd50dc99.pdf](#)
3. [An assessment of the Extractive Industries Transparency Initiative | Good Governance Africa](#)
4. [Africa loses \\$50 billion a year through tax avoidance and fraud, report states | United Nations Economic Commission for Africa](#)
5. [INTERPOL operation highlights the human and environmental impact of illegal mining in Western Africa](#)