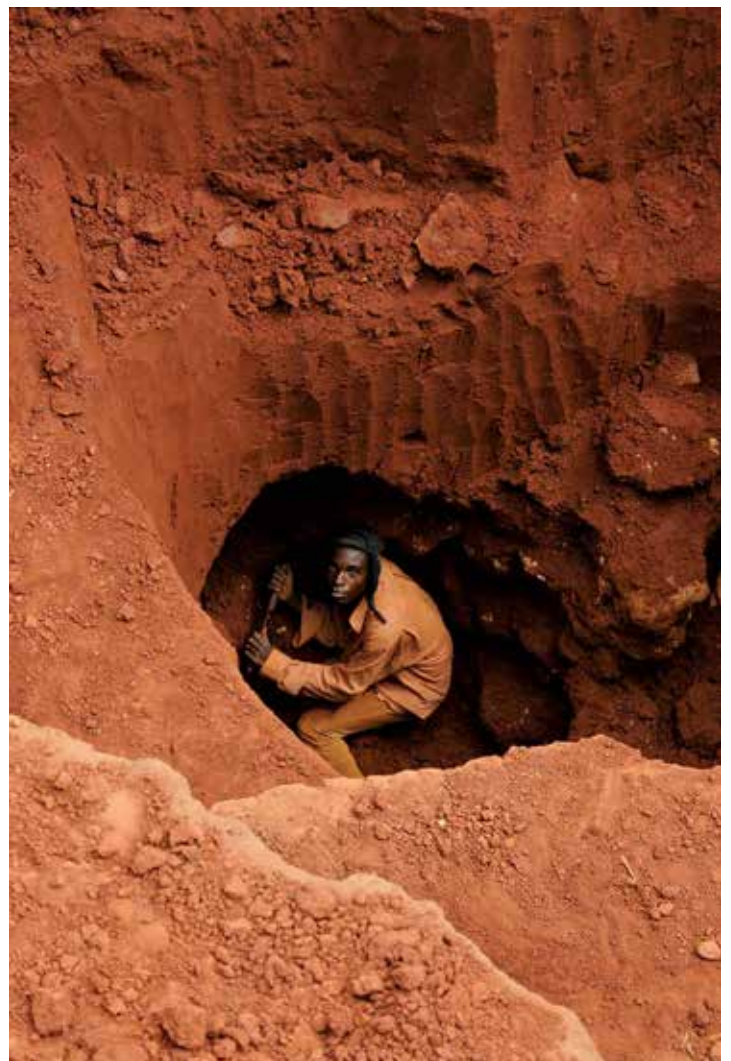




Money Laundering and Terrorist Financing Linked to the Extractive Industry / Mining Sector in West Africa



October 2019



The Inter-Governmental Action Group against Money Laundering (GIABA) is a specialized institution of ECOWAS and a FATF Style Regional Body that promotes policies to protect member States' financial system against money laundering, terrorist financing and the financing of the proliferation of weapons of mass destruction. The FATF Recommendations are recognized as the global anti-money laundering (AML) and counter terrorist financing (CTF) standard.

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GIABA Secretariat

EXECUTIVE SUMMARY

1. The extractive industry of Africa is one of the largest in the world. For many African countries, the extraction and production of minerals constitutes significant parts of their economies, accounting for a high share of gross domestic product (GDP) or total exports. The sector remains the key to future economic growth in the region despite all challenges. It is a fact that the sector is marred with irregularities such as illicit artisanal mining, tax evasion, fraudulent contracts, high-level corruption and organised crime - all of these contributing to a considerable amount of proceeds being laundered or siphoned each year. Enforcement agencies are not well equipped to deal with the very high degree of sophistication of the criminal elements operating in the extractive industry.
2. The extractive sectors remains the main foreign exchange earner and forms the backbone of eleven of the fifteen member States economies in West Africa. The sector remains handicapped by a complicated mix of weak regulatory institutions that can be highly amenable to corruption due to lack of integrity safeguards. Inappropriate political interference and low level of political will to strengthen legal frameworks, provide safeguards or improve management has persisted despite the growing calls for good governance in the extractive sector. In some countries, poor management of the sector has perpetuated insecurity and even destabilized governments. Traditional mining in West Africa occurs through formal and informal (illegal) methods. The spread of artisanal mining activities and the porousness of national borders provides opportunity for illegal cross-border flow of these minerals and present serious challenges for governments to control. Under-resourced customs agencies, corruption, and porous borders contribute to the ineffectiveness of measures to halt smuggling of precious minerals.
3. According to publically available information, especially as provided by international bodies working to improve governance & transparency in the sector, it is reasonable to conclude that corruption is one of the most serious predicate offense in the extractive sector, through which large amounts of illicit proceeds are laundered. Considering the amount of documented incidences of large-scale corruption in the sector, which could not have been carried out without the complicity of high-level officials, it is also, reasonable to conclude that corruption is likely the most destructive predicate offense hampering the development of the sector and contributes to large-scale illicit financial flows (IFFs).
4. The implementation of the Financial Action Task Force (FATF)'s anti-money laundering and counter financing terrorism (AML/CFT) standards are a key component to effectively combating money laundering and terrorist financing. Effective implementation of these standards can also improve the transparency of transactions and provide useful tools critical for combatting corruption. These tools can also be beneficial to improving transparency, oversight and regulatory supervision of the sector. The primary objective of implementing an AML/CFT framework is to detect the proceeds generated from predicate crimes such as fraud, drug trafficking, terrorist financing, arms smuggling or corruption. Initiatives to improve regulation and oversight of the extractive industry/mining sector are critical to effectively combatting money laundering and terrorist financing, and do have positive impacts on governance and the collection of government revenue from mining sector activities.
5. The Kimberley Process Certification Scheme, established by the United Nations in 2003, is one of the mechanisms put in place to check the precarious situation. While valuable advice

and technical assistance are being provided to countries that have committed to comply with transparency requirements of the Extractives Industry Transparency Initiative, (EITI) by NGOs, donors and development partners in order to improve transparency of regulatory management of the extractive sector, effective progress toward compliance with these standards has been slow, particularly in view of EITI's target deadline for compliance (Jan. 1, 2020). Transparency and accountability challenges continue unabated and significant progress has only been noticed in a few countries, due to a combination of low levels of political will (despite the fact that countries have voluntarily committed to meet EITI obligations), lack of know-how and, to a more limited extent, resources. Economic operators carrying out mining activities continue to evade compliance with applicable laws due to poor regulatory management, weak enforcement mechanisms and limited appetite among officials for effective regulatory transparency.

6. Undoubtedly, both the sub-region and the international community are concerned and have taken commendable steps to address the problem. Despite their efforts, the phenomenon still persists. Therefore, it is in this context that this typologies exercise was considered imperative so as to find out the linkages between the sector and ML/TF and to explore more practical options that could help to address the problem in a sustainable manner.
7. The study therefore assessed the money laundering (ML) and terrorist financing (TF) risks, methods, and trends in the extractive industry/mining sector in West Africa with the view to providing practical evidence for better policy formulation and coordination of regional efforts to deal with the problem holistically within the ECOWAS region.
8. This report benefitted from the contributions of experts and practitioners from the countries that were involved in field work and who have equally publicly committed themselves to upholding EITI standard within the region (Burkina Faso, Cote d'Ivoire, Ghana, Guinea, Liberia, Mali, Niger, Nigeria, Senegal, Sierra

Leone and Togo). The experts were supported by members of the GIABA Risk, Trends and Methods Group (RTMG).

9. After conducting a comprehensive literature/desk review, the project team, with the support of the GIABA Secretariat, administered and analysed responses to questionnaires, including key informant interviews conducted with a range of relevant stakeholders, such as dealers of precious minerals, regulatory and supervisory agencies, and law enforcement agencies, as well as victims of mineral scam and other vulnerable individuals in the region.
10. The report comprises of six chapters. Chapter one introduces the issues and set out the background, justification and objectives of the study; chapter two summarises the literature review; chapter three gives an analysis of the state of the sector in the region; chapter four is composed of case studies, which have been grouped into typologies; chapter five identifies key indicators and red flags; and chapter six concludes the report with a set of recommendations.
11. Seven typologies were identified out of the 28 cases of money laundering and potential terrorist financing provided by competent authorities. The typologies vary - from proceeds of crime being laundered through the mining sector, to using cross border trade-based ML; also cases showing the use of the financial sector to launder illicit mining proceeds, tax evasion, the use of precious minerals in scamming foreign nationals as well as the use of front companies to launder proceeds of corruption and mining fraud feature in the report, amongst others.
12. There are a number of indicators and possible red flags that were identified from the analysis of the cases and typologies. The indicators and red flags differ depending on the extent of the money laundering or terrorist financing incidence. While the indicators represent events that may or may not indicate the existence of money laundering or terrorist financing, red flags represent events that provide clearer evidence of money laundering or terrorist financing.

13. The sector is linked to illicit financial flows resulting from corruption, drug trafficking, arms smuggling, and other illegal methods of generating illicit funds. The sector has been identified as a major source of conflict and unrest in the past and this trend, though slowing down, still persists. While it has not been sufficiently explored via this study, there are reports, including in the media, suggesting that organized crime groups, terrorist cells and insurgent groups benefit from the illicit proceeds generated from mines operated in conflict zone. The sector is also misused by scammers to defraud, mostly, foreign individuals. Precious minerals, particularly gold and diamonds, are used to move value as they are as liquid as cash, and easy to conceal and they facilitate trade-based money laundering as well.

14. Although most West African countries have committed to improving transparency and accountability in the extractive industry / mining sector, progress has been limited, and most countries are not likely to meet EITI's January 2020 deadline for complying with transparency and disclosure obligations, including public disclosure of the identity of beneficial owners and PEPs linked to extractive licensees. Regulatory and law enforcement efforts in the sector are yet to yield the desired result due to the vulnerabilities the sector is exposed to. The major obstacles to improving AML/CFT measures and similar initiatives in the sector are the weak regulation of the sector, and low level of political will to take the required steps to improve the governance in the sector. Additional contributing factors include the informal nature of the economies in the region where transactions are widely done in cash, porous borders and under-resourced and poorly trained law enforcement agents, as well as wide-ranging corruption.

15. In the light of the above outlined vulnerabilities and challenges, a set of recommendations have been put forward, to address the challenges and manage the sectoral risks as summarized below:

FATF Standards and AML/CFT good practices

- i) Countries should prioritize the implementation of the FATF Standards and related good practices including:
 - Assessing ML/TF risks in the extractive industry, i.e., by understanding the nature of formal and informal mining, the types of minerals that are being extracted or traded and mapping mineral supply chains and actors within the chain - (R.1).
 - Apply AML/CFT requirements to a wide range of dealers in precious metals and stones as provided in the FATF Risk Based Approach Guidance for Dealers in Precious Metals and Stones) - (R.22-23).
 - Designate competent national authorities to supervise dealers in precious metals and stones, raise awareness on the industry and monitor compliance with AML/CFT requirements - (R.28, R.34).
 - Extend the cash courier measures (R.32) to precious stones and metals or put in place another mechanism to capture information on the cross-border movement of precious metals and stones.
 - Incorporate relevant AML/CFT standards in the WAEMU Community Mining Code.
 - Initiate changes in specific legislations on the extractive industry and mining sector to take into account their AML/CFT compliance obligations and other relevant provisions.
- ii) Put in place an interagency mechanism for countering ML/TF and other relevant predicate offences linked to the extractive industry -
 - Understand clearly the risks that need to be addressed (e.g., corruption in large-scale mining contracts or smuggling of minerals extracted through artisanal mining);
 - Map the role of different agencies (FIU, Ministry of Mines, Tax and Customs agencies, Police, Anti-corruption agencies, Intelligence Services, etc.) and identify mechanisms for improving information sharing;
 - Create a network of officials in each agency responsible for developing expertise on minerals related matters.

iii) Improve the capacity of the FIU to be able to receive, analyze and disseminate suspicious transactions emanating from the extractive industry

- Undertake or contribute to a risk assessment of the extractive sector, including the analysis of STRs from dealers in precious metals and stones and relevant reports from the financial sector on actors in the supply chain.
- Enhance the knowledge and understanding of Financial Intelligence Units (FIUs) on the mineral supply chain.
- Where necessary, consider hiring or seconding specialized staff from other relevant agencies.
- Build a network of informal contacts with officials in other relevant jurisdictions (including neighboring jurisdictions and transit hubs) based on the results of the risk assessment.

Measures to support transparency and the effectiveness of the AML/CFT system via other extractive sector initiatives

iv) Encourage or require companies in the extractive industry to implement OECD's supply chain due diligence guidance for minerals.

- Require the private sector to assess the risks of money laundering and terrorist financing in their mineral supply chains.

- Consider requiring dealers of precious minerals and stones to provide data to authorities on the source of materials, amounts received and traded, and the destination of the minerals to enable the country to better assess risks.
- Commence a dialogue with the private sector to help them to understand the risks and to obtain useful input on the risks that the sector faces.

v) Expedite necessary amendments to mining and other relevant laws to fully and effectively implement all EITI standards on transparency and disclosure of:

- legal & institutional frameworks, allocation of contracts and disclosure of beneficial owners and politically exposed persons linked to extractive licensees (Requirement #2);
- extractives exploration and production activities (Requirement #3);
- extractive taxes/revenues, State-Owned Enterprise (SOE) transactions and sub-national payments (Requirement #4);
- revenue distributions, sub-national transfers and revenue management and expenditures (Requirement #5).



GLOSSARY OF TERMS

| | |
|---------|--|
| AML: | Anti-Money Laundering |
| BVI: | British Virgin Island |
| CFT: | Counter Financing Terrorism |
| ECOWAS: | Economic Community of West African States |
| EFCC: | Economic and Financial Crime Commission |
| FATF: | Financial Action Task Force |
| GABAC: | The Task Force on Money Laundering in Central Africa |
| GDP: | Gross Domestic Product |
| GIABA: | Intergovernmental Action Group against Money Laundering in West Africa |
| IFF: | Illicit Financial Flows |
| ISIL: | The Islamic State in Iraq and Levant |
| KPCS: | Kimberly Process Certification Scheme |
| ML: | Money Laundering |
| NA: | Not Applicable |
| NNPC: | Nigeria National Petroleum Corporation |
| NPDC: | Nigeria Petroleum Development Company |
| OFAC: | US Office of Foreign Assets and Control |
| OPL: | Oil Prospecting License |
| PGM: | Platinum-group metal |
| PMS: | Premium Motor Spirit |
| PPRA: | Petroleum Products Pricing Regulatory Agency |
| RTMG: | Risks, Trends and Methods Group |
| SAA: | Strategic Alliance Agreement |
| STR: | Suspicious Transaction Report |
| TF: | Terrorist Financing |
| UK: | United Kingdom |
| UN: | United Nations |
| US: | United States |
| WAEMU: | West African Economic and Monetary Union |
| WB: | World Bank |

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CHAPTER 1: INTRODUCTION

Background

- 16.** The mineral industry of Africa is one of the largest in the world. For many African countries, the extraction and production of minerals constitutes significant parts of their economies and remain key to future economic growth. Africa is richly endowed with mineral reserves and ranks first or second in quantity of world reserves of industrial diamonds and platinum-group metals (PGM). Gold mining is also a significant mining resource, producing an estimated \$19 billion in gold per year. Africa also produces an estimated \$6 billion worth of diamonds. One third of which are, however, laundered or siphoned each year.
- 17.** According to Emmanuel Mathias, an International Monetary Fund (IMF) Senior Financial Sector Expert, the trade in precious minerals, especially diamonds, has been linked to illicit financial flows, corruption, drug trafficking, arms smuggling, terrorist financing, and other illegal activities accompanying the generation of wealth and economic growth. The history of African rough diamond mining and trade has always been associated with so-called “conflict” or “blood” diamonds. This term refers to diamonds mined in war zones and sold to finance terrorism, insurgency, war efforts of invading armies, or a warlord’s activities. Diamonds are linked to funding of brutal conflicts in Liberia, Sierra Leone, Côte d’Ivoire and other African countries that resulted in the death and displacement of millions of people.
- 18.** Diamonds are one of the most valuable commodities in the world. Weak and opaque governance and regulatory oversight, along with the high value of diamonds and similar commodities has been the driving force behind dictators and revolutionaries, especially in Africa, using slave and child labour to mine diamonds to fund conflicts. According to an International Crime Threat Assessment issued by the United States (US) government in 2000, trafficking in gold and precious stones such as emeralds and uncut diamonds is one of the main sources of revenue for organized crime groups, terrorist cells and insurgent groups. It also reduces the amount of money flowing back into mineral producing communities, depriving the government of tax revenues needed for basic services according to newscientist.com.
- 19.** African gold dust and rough diamonds scams have duped hundreds of people world-wide. Not only do ignorant poor people get defrauded through scams that falsely present a profitable deal but also many businessmen have become bankrupt and lost their wealth. The scammers are mostly from Burkina Faso, Ghana, Guinea, Mali, Nigeria, Senegal, and Sierra Leone to list.
- 20.** Similarly, emerging evidence from around the world shows that conventional civil wars associated with conflict minerals have substantially given way to Jihadist violence and terrorism. Global terrorist organisations such as Al Qaeda, the Islamic State in Iraq and the Levant (ISIL) and their affiliates relied on the illegal exploitation of strategic mineral resources – particularly, petroleum oil, phosphate, phosphorus, sulphur, salt and cement – to meet organisational costs and fund operations as traditional sources of funds are being disrupted by law enforcement (FATF 2015a). Either by forcefully seizing mineral producing territories and illegally exploiting and trading the resources directly or working with transnational organised crime networks (such as smuggling rings) specialised in illegal exploitation and/or trade in minerals (FATF 2015b), terrorist organisations are now able to raise substantial revenues through conflict minerals. In East Africa for example, the UN reported that the terrorist organisation Al

Shabab generates between 38 and 56 million dollars annually from the illicit trafficking in charcoal and taxing of the illicit trade (UNEP, 2014: 4-8).

- 21.** Enforcement agencies are not well equipped to deal with the high degree of sophistication of the criminal elements operating in the extractive industry. These issues and the unregulated nature of the rough diamonds and gold trade continue to exacerbate the situation. According to Mathias, “notably for some of these countries, diamonds or gold accounts for a high share of GDP or total exports with underdeveloped formal financial systems. This is true for the plethora of minerals found in the West African region. Improving the regulation and transparency of the extractive industry/mining sector will not only help these countries combat these phenomena, but also boost revenues and improve their fiscal situation.”
- 22.** “The lack of transparency of transactions in the extractive industry/mining sector has been identified as a major obstacle to tax collection,” according to Matthew Byrne, an IMF Senior Counsel. He commented that “the implementation of the FATF standard enhances the transparency of transactions and should be beneficial to the general supervision of dealers in precious stones and metals, including for tax audit.”
- 23.** The primary objective of implementing an AML/CFT framework is to detect and/or deter the occurrence of predicate crimes such as fraud, drug trafficking, arms smuggling or corruption. Better regulations and oversight of the extractive industry/mining sector should also result in revenue increases for governments and have a positive impact on their fiscal situation.
- 24.** According to various media and international organizations’ reports reviewed, linkages develop between money laundering and illegal minerals exports such as diamonds. Diamonds and gold are widely used as a means of moving cash in economies where currency no longer had value. They offer
- an attractive alternative to hard currency, often in short supply in Africa. Lebanese traders and other foreign nationals in Sierra Leone, for example, have for decades been smuggling diamonds out of the country as a way of repatriating profits, or of obtaining the hard currency needed to buy and import goods: vehicles, petroleum products, rice and other foodstuffs. A number of other laundering techniques are used in relation to diamonds, for instance, the undervaluation of diamond exports and use of double invoicing are common means of transferring value.
- 25.** Analysts and counter-terrorism experts point to the fact that the terrorist groups, al Qaeda and Hezbollah, have used rough diamonds in West Africa to finance their activities. The think-tank, Global Witness, has presented evidence that al Qaeda has been involved in the rough diamond trade since the 1990s. Terrorists can either profit from the trade in gold and diamonds themselves, or can use them in lieu of cash to move funds.
- 26.** In support of the above assertion, a US Office of Foreign Assets and Control (OFAC) report linked certain West African residents with Middle East descents living in the Gambia, Ghana and Sierra Leone provide support to terrorist organizations such as al-Qaeda and Hezbollah. These nationals have formed large communities and are effectively key players in the economy. One trend that has been suspected over time is that some of them have links either directly or indirectly with Hezbollah. They have been part and parcel of their resident communities for decades and are involved in other legitimate businesses which allow them to co-mingle funds, thereby giving them tremendous leverage in the repatriation of foreign currency to destinations classified as high risk jurisdictions.
- 27.** The publication of the Panama Papers has brought to the fore serious flaws, through the leaked trade data released by Mossack Fonseca, a law firm, the dubious transactions associated with the extractive industry/mining sector of some West Africa countries.

28. The impact of this criminal activity on economic and social stability of society, as well as state security is of serious concern. Studies on the trends and methods of the phenomenon have not so far provided lasting options for dealing with the problem; hence as government continues to deal with the problem, its patterns, methods and impact continue to change over time.

Purpose of the Study

29. The extractive industry/mining sector constitute a major source of money laundering and terrorist financing (ML/TF).

30. Dealers in precious metals and stones are listed as designated businesses in the FATF AML/CFT standards and countries are required to ensure that business operators are made to comply with the relevant provisions of the standard that apply to them.

31. Undoubtedly, both the West African region and the international community are intensely concerned and have taken commendable steps and recorded some progress over the years in addressing the problem. In spite of all the efforts, the phenomenon still persists. It is in this context that this typologies exercise was considered imperative in order to find out why the phenomenon remain attractive and to explore practical options that may help to address the problem in a sustainable manner.

32. This typologies study therefore set out to comprehensively assess the ML/TF risks, methods, and trends linked to the extractive industry/mining sector in order to provide practical evidence for better policy formulation and coordination of regional efforts to deal with the problem holistically within the Economic Community of West African States (ECOWAS) region.

Objective

The objective of this typologies study is to understand the risks, trends methods of money laundering and terrorist financing in the extrac-

tive industry/mining sector of West Africa. The specific objectives of the study are to:

- i) Assess the adequacy of the existing legal framework for the regulation and supervision of the extractive/mining industry and for the prevention, deterrence, investigation and punishment of illegal exploitation of the industry in countries of the region.
- ii) Assess the adequacy of the existing supervisory and regulatory framework in the sector and the general preventive measures in place to safeguard the industry from illegal exploitation.
- iii) Assess the adequacy of the existing law enforcement capabilities for deterring, detecting, investigating ML/TF related criminal activity in the sector.
- iv) Determine the main impediments to effective implementation of AML/CFT standards in the extractive industry/mining sector in the region.
- v) Assess and determine the most common methods used to launder illegal proceeds generated within the extractive industry/mining sector in the region.
- vi) Assess and determine the main techniques employed to raise, move and utilize illicit funds from the sector for the financing of terrorist activities.
- vii) Collect and analyze ML/TF cases, and possibly, generate typologies, as it relates to the sector.
- viii) Determine the main indicators and red flags related to the cases detected in order to assist financial institutions, DNFBPs and other reporting entities in identifying launderers, terrorist financiers and their assets.
- ix) Provide practical options and recommendations to be considered and adopted in order to address the challenges of ML/TF in the sector.

33. The study is aimed at addressing the following questions:

- i) How adequate are the existing legal, supervisory and regulatory framework in the sector and general preventive measures to safeguard the industry from illegal exploitation?
- ii) Are the existing law enforcement capabilities adequate for deterring, detecting,

investigating ML/TF related criminal activity in the sector?

- iii) What are the most common methods used to launder illegal proceeds generated within the extractive industry/mining sector in the region?
- iv) What are the possible techniques employed to raise, move and use funds from the sector for the financing of terrorist activities?
- v) What are the impediments to effective implementation of AML/CFT standards in the extractive industry/mining sector in the region?
- vi) What types of ML/TF cases, and possibly, typologies, that have been processed by law enforcement in relation to the sector?
- vii) What are the main indicators and red flags derived from the cases that may assist financial institutions, DNFBPs and other reporting entities in identifying launderers, terrorist financiers and their assets? and
- viii) What are the best options to be considered in order to address the challenges of ML/TF in the sector?

Methodology and Work Plan

34. In order to address the objective and provide answers to the above questions, the methodology adopted involves the following approaches:

- A project team, mostly experts and practitioners from the region (Burkina Faso, Cote d'Ivoire, Ghana, Guinea, Liberia, Mali, Niger, Nigeria, Senegal, Sierra Leone and Togo) was formed, supported by members of the GIABA RTMG and the Secretariat;
- A literature/desk review of reports, journals and press documents was conducted;

- The project team, with the support of the GIABA Secretariat, administered and analysed responses to questionnaires, including conducting in-depth interviews with a range of relevant stakeholders, including, dealers, regulatory and supervisory agencies and law enforcement agencies, as well as victims and other vulnerable individuals in the region;
- Each member of the team conducted extensive local research on the patterns, methods, techniques and impacts of the phenomenon in his/her country and provided a critical analysis of the findings;
- Each member of the team drafted a comprehensive report, including providing specific and general recommendations that will assist tackling the issues found at the national, regional and international levels;
- A typologies workshop was held in September 2017, with the participation of the members of the project team, other experts from the member States, members of the GIABA RTMG, and staff of the GIABA Secretariat, to review the country reports, including case studies, discuss on the initial findings and proposed ways by which the country research report could be improved, particularly with regards to the case studies provided;
- The draft report was circulated to GIABA delegates and partners for comments;
- Finally, a draft regional report was put together and considered by the RTMG during the GIABA 28th Plenary meetings held in Abuja, Nigeria, November 2017. An updated report was presented to the RTMG at the GIABA 29th Plenary meeting in Saly, May 2018 for adoption; and
- A consultative workshop was held with competent authorities and other stakeholders to further look at the report and come up with practical recommendations before the report was finalised and published.

CHAPTER 2: LITERATURE REVIEW

- 35.** The quest by West African countries to get the most revenues out of the extractive industry is existential. This is because the extractive industry constitutes the livewire of the economy of most countries in the region. In particular, the oil, gas and mining sectors are typically the highest foreign exchange earner and the most significant component of the gross domestic product (GDP). Yet, due to its important role in the economy, the extractive sector is very vulnerable to organised crime, including financial crimes.
- 36.** Countries in the region have continued to grapple with illicit activities and unwholesome practices that disrupt production and undermine revenues that accrue to government. Combating bribery, corruption, fraud, tax evasion, trade mispricing and other unwholesome practices, and improving governance in the sector, are, therefore, matters of survival for governments in the region in the face of prevalent underdevelopment, extreme poverty and humanitarian emergencies.
- 37.** Beyond, but intricately tied to, economic survival, the exploitation of mineral resources is also a matter of national security and political stability. As the literature shows, most of the deadly armed conflicts that wrecked the region and elsewhere, notably through the 1990s, had their roots in or were fuelled by illicit exploitation and/or trade in minerals. The militarisation of mining by the region's despots and the attendant violation of human and group rights, and the rebels and militia groups' reliance on mineral resources to fund violent claims on the state, have combined to accentuate the curse of resource endowment in West Africa.
- 38.** However, it is not only African governments and rebels that have stakes in the exploitation of the region's minerals. Organised criminal groups have become increasingly attracted to the value chain between exploitation of minerals and their trade. Transnational organised criminal groups now have the capacity to forge alliances with transnational corporations, rebels and terrorists to illegally exploit mines and traffic minerals within and cross borders for profits.
- 39.** The devastating impacts of unwholesome mineral exploitation on human development and security in the region, particularly through the decade of the 1990s, are globally acknowledged, resulting in some very important international responses since the end of that decade into the dawn of the Millennium. The three most notable of those responses are the Extractive Industries Transparency International (EITI), established in 2002; the Kimberly Process Certification Scheme (KPCS) for rough diamonds, which came into being in 2003; and most recently the OECD Due Diligence Guidance for Responsible Mineral Supply Chains, originally developed to help address conflict financing and human rights abuses in Central Africa, but global in scope.
- 40.** Yet, laudable as they are, these international normative frameworks have not delivered on the promise of improved governance of resource exploitation that could transform the region's economies. Nor have they resulted in the elimination of political violence, crisis and instability associated with the exploitation of the region's mineral resources. For instance, less than a decade after its establishment, the Kimberly Process came under blistering criticism for failing on its mission to halt trade in conflict diamonds, and for becoming a smokescreen and accomplice for diamond laundering (Global Witness, 2011). Pulling out in 2011, a central founding member of the Kimberly Process, Global Witness, declared that the «the scheme has failed three tests:

- It failed to deal with the trade in conflict diamonds from Ivory Coast, was unwilling to take serious action in the face of blatant breaches of the rules over a number of years by Venezuela and has proved unwilling to stop diamonds fuelling corruption and violence in Zimbabwe.» Another founding member, IMPACT, also left in 2017.

41. On the other hand, EITI has made significant impact in helping to direct the attention of the international community to the extractive sector; however, this impact is recent. Before 2010, it has not made any significant impact to counter corruption in the sector (Olcer, 2009: 5). This is mainly because the mandate of the initiative focuses narrowly on revenue flows between extractive companies and governments (Le Billon 2011: 12), leaving out government expenditure where most corruption occurs (Kostald & Wiig, 2009). Furthermore, the initiative relies on insufficient disaggregation and standardisation of financial disclosure to guarantee effective transparency (Gillies, 2011), and on insufficient civil society mechanisms to ensure government accountability (Aaronson, 2011).

42. Recognizing that ineffective and opaque licensing regimes significantly contribute to extractive sector corruption risks, the World Bank has published a manual aimed at helping countries strengthen these regulatory processes to reduce extractive sector corruption. This publication tailors the financial sector integrity due diligence principle of “fit and proper” licensing, taken from the Basel Core Principles of Effective Banking Supervision for use in extractive sector licensing. The manual can help countries improve transparency and regulatory effectiveness in licensing systems, as well as help countries to comply with the EITI requirements.

43. Rather, what has become increasingly observable in post-Civil War West Africa is the emergence of what can be framed as a vicious triangle of crime, corruption and conflict (the 3Cs) around the extractives sector. The sector has, in recent times, been engulfed

by international bribery scandals, involving a complex web of multinational corporations, as well as political, business and military elites. A most recent case is the spectacular Malabu Oil Scam, involving multinational oil companies (Shell and Eni) and senior government officials (including ministers) in Nigeria. The scam, which defrauded the Nigerian petroleum sector of more than a billion US dollars, relied on company ownership anonymity, shell companies, offshore tax havens and other schemes to mask grand corruption, international bribery, tax evasion and money laundering, across multiple jurisdictions. However, the Malabu oil scam is only an instance of many other possible illicit financial flows in the extractive industries of West African countries. Yet, there is very little, if any, existing analysis that systematically captures the methods and techniques used to launder the illicit financial proceeds generated from activities associated with the mineral extraction in the region. From the perspective of law enforcement, such understanding is *sine qua non* to developing patterns and trends in money laundering associated with the industry, such as would enable the appropriate AML measures.

44. There is no reason not to believe that West African terrorist organisations also raise substantial income from the illegal exploitation of mineral resources or conflict minerals. Already, several raids by the Nigerian security forces on the camps of fleeing Boko Haram terrorist have revealed large stockpiles of refined petroleum oil, either used to fuel vehicles and other machinery or trafficked to generate revenues for operation and upkeep (Sahara Reporters 2015a; 2015b; Premium Times 2015 & 2018). Furthermore, with the launch of attacks by affiliates of ISIL and AL Qaeda in Burkina Faso, Cote d'Ivoire and Niger from early 2016, West Africa appears to have been turned into an important axis of global terrorism. Incidentally, the region is also host to some of the world's most known conflict minerals and it is highly likely that globally affiliated terror organisations would cease the opportunity and apply the experience and skills of illegal mineral ex-

exploitation acquired from operations from the Middle East in West Africa. Yet, the link between resource exploitation and terrorism in the region has not been established in the literature. The recent joint typologies study by the FATF, GIABA & GABAC (2016: 25) made a passing reference to oil smuggling and bunkering, but admitted failure to confirm a direct connection to the region's terror groups.

- 45.** From the foregoing, it is evident that the risks of money laundering and terrorism from the illegal exploitation of natural resources are high in West Africa. Yet, existing knowledge of money laundering and terrorist financing in the extractive industry in the region, or even the globe at large, is limited. Such knowledge is slowly emerging as an offshoot of the wider literature on crime, corruption and conflict in the exploitation of natural resources.
- 46.** It is already known that the blessing of natural resource endowments has not always been accompanied by the expected prosperity and development. Rather, dependence on such resources is observed to have often been associated with the resource curse of civil war (Collier & Hoeffler 1998; Faeron & Laitin; Ross 2003). An important part of the explanation is that such civil wars are driven by greed for profits from the illegal markets of natural resources (Berdal & Malone, 2000; Collier, 2000; Bazaar, 2002; Collier & Hoeffler, 2002; Ross, 2004). This insight is significant as it provides the basis for probing further the constituents of the illegal markets of natural resources.
- 47.** Petroleum oil extraction has been very controversial as it has been associated with political instability and violent conflict in producing countries. Countries that depend mainly on petroleum oil, or petro-states, are observed to suffer the paradox of plenty (Karl, 1999) in which vast petro-dollar revenues produces and perpetuates a persistent circle of violent conflict of civil war. The paradox of plenty, oil dependence and political instability, holds particularly true in countries with low per capita income from oil export (Basedau & Lacher, 2006). In such countries, weak governance and endemic corruption may heavily skew the distribution of the vast oil rents, and exacerbate social inequality, alienation, grievances, repression and violent conflict.
- 48.** Beyond petroleum, much has been revealed about conflict and underdevelopment in relation to most natural resources. There is now more information on how the illicit trade in diamonds (Global Witness, 2006), oil (Asuni, 2009) and other resources (Wenar, 2016), such as gold, copper, etc., fuelled brutal wars, unaccountable autocracies and sustained poverty across fragile, mineral producing developing countries. Asuni (2009) in particular, lays out how organised oil bunkering (oil theft) in Nigeria, involving local youth, the military and political class, and international ship owners, fuel the Niger Delta insurgency in the context of endemic corruption. The revelations of massive looting of oil revenues by senior government officials, including ministers, as well as military and security chiefs, in Nigeria after the general elections of 2015, lend further credence to this observation. The proceeds of such complex massive looting have been laundered within Nigeria and overseas, mostly in the real estate and luxury goods sector, as many ongoing court cases reveal.
- 49.** These observations are not limited to oil theft in Nigeria alone. They are prevalent across the region, where natural resource-dependent countries have experienced brutal civil wars or are experiencing political instability, repression, and poverty, and where security forces and political elites have been implicated. The civil wars and insurgencies related the extractive industries in West Africa, such as the wars in Liberia and Sierra Leone and the oil conflict in Nigeria's Niger Delta, have waned significantly. However, the sector remains highly relevant in the analysis and understanding of illicit financial flows and armed conflict.

50. A mapping of the links between the extractives sector and ML/TF revealed the following areas of potential vulnerabilities:

- Licencing and/or contract awards in a country with weak governance, Policy, legal and Institutional frameworks
- Exploration and production with respect registration and licencing, acquisition of landed property, facilities and operational equipment, effective regulation, non-diligent inspection and approvals, importation, duty concession, misuse of expatriates quota, violations of local content policies and laws, misuse of labour, corrupt management, misuse of corporate social responsibility and local community issues, etc.
- Service Contracts with regard to procurement processes, conflict of interest, transfer pricing, etc.
- Marketing, pricing and flow of proceeds with regard to under declaration, value

addition claims, concessions, overnight and futures pricing, exploitation of price fluctuations, involvement of cartels and the improper use of market quota, exploitation of exchange rate regimes, improper tracking of profit leading to exploitation, conflict of interest, etc.

51. The results of the study are presented and analysed in the subsequent chapters, with the hope that the findings will lead to new knowledge and understanding of the links between the extractive industry/mining sector of West Africa and ML/TF. The result is built on the primary data collected from the field and the concluded or on-going ML/TF cases resulting from such practices in resource extraction in the region. As a typologies study, the analyses seek to establish the patterns and trends, across time and space, in the behaviour of the actors involved in ML/TF in the extractives sector.

CHAPTER 3: AN ANALYSIS OF THE STATE OF THE EXTRACTIVE INDUSTRY / MINING SECTOR IN WEST AFRICA

52. This chapter gives an analysis of questionnaire responses on the state of the extractive industry / mining sector in West Africa received from regulators/supervisors, sector operators, civil society organisations within the sector and other sectoral stakeholders. The analysis looked at the adequacy of the legal framework; transparency and objectivity issues in awarding licences; granting concessions; effectiveness of regulation and supervision of the sector; and issues surrounding subcontracting to other providers of services, inputs / needed commodities to facilitate the operations of licenced companies. Also, the analysis presents issues bordering on revenue repatriation (financial flows); whether countries are getting their fair share of revenues; accountability surrounding revenues; the impact of governance on how revenues are managed; and to what extent international best practices have influenced or impacted on the existing revenue management framework. It is worth noting that the

responses represent the opinions of the various stakeholders targeted for the survey.

Adequacy of Legal Frameworks

53. The table below shows the summary of the responses of different stakeholders in the extractive industry / mining sector of West Africa on the adequacy of laws guiding the regulatory and operational framework of the sector. Almost all the countries, with the exception of Cote d'Ivoire and to some extent Burkina Faso, responded that the legal framework is inadequate. There is the need to review and revise most of the extractive industry / mining sector laws to address the key challenges the sector is facing. The legal framework is fundamental to the success and survival of the sector and, for the sector to realise its full potential and impact on the economy and its people, countries must get the legal framework right.

Opinion of Stakeholders on the adequacy or otherwise of the existing legal framework governing the oil/gas/mining sector(s) in their countries

| Respondents | Burkina Faso | Cote d'Ivoire | Ghana | Guinea | Liberia | Mali | Niger | Nigeria | Senegal | Togo |
|-----------------------------|--------------|---------------|------------|--------|------------|------------|------------|------------|------------|------------|
| Regulators/ Supervisors | Adequate | Adequate | - | - | Inadequate | Inadequate | Inadequate | Inadequate | Inadequate | Inadequate |
| Operators | Inadequate | Adequate | Inadequate | - | - | - | - | Inadequate | Inadequate | Inadequate |
| Civil Society Organisations | Adequate | Adequate | Inadequate | - | - | Inadequate | - | Inadequate | Inadequate | Inadequate |
| Others | Inadequate | NA | Inadequate | NA | Inadequate | Inadequate | NA | Inadequate | Inadequate | NA |

Transparency and Objectivity in the Awards of Licences and Contracts

54. The lack of transparency and objectivity in awarding licences and contracts in the governance of the extractives sector has for a long time led the discourse in the sector. There have been several initiatives meant to improve transparency in the sector, notably the Extractive Industry Transparency Initiative, the Kimberley Process Certification Scheme, the FATF standard, including initiatives

on improving transparency of Beneficial Ownership, amongst others. However, the impact of these initiatives on the sector and the economy depends on the extent to which such initiatives are being adopted and implemented by countries. According to the respondents from Cote d'Ivoire, Guinea, Liberia and Nigeria, the measures put in place to ensure objectivity and transparency in awarding contracts and licences are largely adequate, unlike the rest of the countries that responded to the contrary (see table below).

Opinion of Stakeholders on the transparency and objectivity of the processes for the award of licences and contracts for the exploration and production of oil and Gas/ extraction of minerals in their countries

| Respondents | Burkina Faso | Cote d'Ivoire | Ghana | Guinea | Liberia | Mali | Niger | Nigeria | Senegal | Togo |
|-------------------------|--------------|---------------|------------|----------|----------|------------|----------|------------|------------|------------|
| Regulators/ Supervisors | Adequate | Adequate | - | Adequate | Adequate | Adequate | Adequate | Adequate | Adequate | Inadequate |
| Operators | - | Adequate | Adequate | Adequate | - | - | - | Adequate | Inadequate | Inadequate |
| CSOs | Inadequate | Adequate | Inadequate | Adequate | - | Inadequate | - | Inadequate | Inadequate | Inadequate |
| Others | Inadequate | Adequate | Weak | - | - | Weak | - | - | Inadequate | - |

Transparency of Concessions

55. From the table below, only respondents from Cote d'Ivoire and Togo agreed that their country have adequate and effective process of giving concessions to companies in the extractive industry, all other countries responded that the process is somehow

inadequate. While regulators and supervisors are generally of the opinion that the process is adequate, other categories of respondents differed. The issue of concession is one area where revenue in the form of tax is being compromised for the most cases. West African countries need to take a second look at how concessions are granted to ensure that the state is not short-changed.

Opinion of Stakeholders on various types of concessions (mining, duty free, etc.) given to firms/contractors and how transparent and objective the processes are within the industry

| Respondents | Burkina Faso | Cote d'Ivoire | Ghana | Guinea | Liberia | Niger | Nigeria | Senegal | Togo |
|-------------------------|--------------|---------------|------------|----------|----------|----------|------------|------------|----------|
| Regulators/ Supervisors | Adequate | Adequate | - | Adequate | Adequate | Adequate | - | Adequate | Adequate |
| Operators | Inadequate | Adequate | Inadequate | - | - | - | Inadequate | Inadequate | Adequate |
| CSOs | Inadequate | Adequate | Adequate | - | - | - | Adequate | Adequate | Adequate |
| Others | - | - | Adequate | - | - | - | - | Inadequate | - |

Effectiveness of Regulation and Supervision

56. The responses on effectiveness of regulation and supervision of the extractives sector is mixed. Respondents from Burkina Faso, Cote d'Ivoire, Ghana and Senegal responded

of having some form of adequate or effective regulatory framework, supervision is said to be inadequate in all the countries in the region. The reasons for the inadequacy include capacity gap, low remuneration, inadequate tools, etc., to be able to effectively supervise the sector.

| Opinion of Stakeholders on Regulation | | | | | | | | | |
|---------------------------------------|------------|---------------|------------|----------|------------|----------|------------|----------|------------|
| Respondents | B/ Faso | Cote d'Ivoire | Ghana | Guinea | Mali | Niger | Nigeria | Senegal | Togo |
| Regulator/ Supervisors | Adequate | Adequate | NA | Adequate | Inadequate | Adequate | NA | Adequate | Adequate |
| Operators | NA | Adequate | Adequate | NA | NA | NA | Adequate | Adequate | Adequate |
| CSOs | Adequate | Adequate | Adequate | NA | Inadequate | NA | Inadequate | Adequate | Inadequate |
| Others | Inadequate | NA | Inadequate | NA | Inadequate | NA | NA | NA | NA |

| Opinion of Stakeholders Supervision | | | | | | | | | | |
|-------------------------------------|------------|---------------|------------|----------|------------|------------|----------|------------|----------|------------|
| Respondents | B/ Faso | Cote d'Ivoire | Ghana | Guinea | Liberia | Mali | Niger | Nigeria | Senegal | Togo |
| Regulator/ Supervisor | Inadequate | Adequate | - | Adequate | Inadequate | Inadequate | Adequate | - | Adequate | Inadequate |
| Operators | - | Adequate | Adequate | - | - | - | - | Adequate | - | Inadequate |
| CSOs | Inadequate | Adequate | Inadequate | - | - | Inadequate | - | Inadequate | - | Inadequate |
| Others | Inadequate | - | Inadequate | - | - | Inadequate | - | - | - | - |

57. Subcontracting to other providers of goods and services by licensed companies for the supply of services, inputs and other logistical needs to facilitate their operations is another grey area companies used, with the help of public officials who have been compromised, to hide their profit through over-invoicing. The

cost of inputs and services provided to them is sometimes bloated on paper to reduce their imputed profit margin for tax purposes. The table below presents the responses received, showing that most of the process of subcontracting lack credibility.

| Opinion of Stakeholders on Regulation/Supervision – Subcontracting | | | | | | | | | |
|--|---------------|---------------|---------------|----------|----------|---------------|---------------|---------------|---------------|
| Respondents | B/ Faso | Cote d'Ivoire | Ghana | Guinea | Liberia | Mali | Niger | Nigeria | Togo |
| Regulators/ Supervisors | Less credible | Credible | - | Credible | credible | Less credible | Less credible | - | Credible |
| Operators | - | Less credible | Less credible | - | - | - | - | Less credible | Less credible |
| CSOs | Less credible | Credible | - | - | - | Less credible | - | Less credible | Less credible |
| Others | - | - | Less credible | - | - | Less credible | - | - | - |

Governance of revenues

- 58.** On the revenue front, there is a well governed process in place in Cote d'Ivoire and Nigeria, and to some extent in Ghana and Liberia

where in financial flows of revenue from the mining sector is being managed. This is lacking in the other member States of West Africa as depicted in the table below.

| Opinion of Stakeholders on Revenue – Financial Flows | | | | | | | | | |
|--|-----------------|---------------|---------------|-----------------|---------------|---------------|-----------------|-----------------|-----------------|
| Respondents | B/ Faso | Cote d'Ivoire | Ghana | Guinea | Liberia | Mali | Niger | Nigeria | Togo |
| Regulators/ Supervisors | Poorly governed | Well governed | - | Poorly governed | Well governed | Well governed | Poorly governed | Well governed | Poorly governed |
| Operators | - | Well governed | Well governed | - | - | - | - | Well governed | Poorly governed |
| CSOs | Poorly governed | Well governed | - | - | - | Not governed | - | Poorly governed | Poorly governed |
| Others | - | - | - | - | - | Well governed | - | - | - |

Fairness in the sharing of revenues

- 59.** The table below shows the opinion of respondents on whether their countries are getting their fair share of revenues derived from

the extractives sector. Only Cote d'Ivoire responded in the affirmative, while Burkina Faso, Guinea, Mali, Niger, Nigeria and Senegal responded partially. Respondents in the remaining countries did provide an opinion.

| Opinion of Stakeholders on Country's fair share of Revenue | | | | | | | | |
|--|--------|---------------|--------|------|-------|-----------|---------|-----------|
| Respondents | B/Faso | Cote d'Ivoire | Guinea | Mali | Niger | Nigeria | Senegal | Togo |
| Regulators / Supervisors | No | Yes | Yes | Yes | Yes | Partially | Yes | No |
| Operators | No | Yes | - | - | - | Yes | - | Partially |
| CSOs | No | Yes | - | No | - | Partially | - | Partially |
| Others | Yes | NA | - | No | - | - | - | - |

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- 60.** In the case of accountability in the sector, only Cote d'Ivoire reported effectiveness in accountability, while Burkina Faso, Liberia, Mali, Niger, Nigeria, Senegal and Togo responded that accountability is ineffective.

This shows that international efforts to bring transparency and accountability in to the sector's activity is yet to yield result in most of the countries. Countries need to bolster their stance on transparency and accountability issues in the mining sector.

| Opinion of Stakeholders on Accountability of Revenue | | | | | | | | |
|--|---------------------|---------------|---------------------|---------------------|---------------------|----------------------|---------------------|----------------------|
| Respondents | B/ Faso | Cote d'Ivoire | Liberia | Mali | Niger | Nigeria | Senegal | Togo |
| Regulators/ Supervisors | Lack accountability | Accountable | Lack accountability | Lack accountability | Lack accountability | Lack accountability | Lack accountability | Lack accountability |
| Operators | Lack accountability | Accountable | - | - | - | Lack accountability | - | Lack accountability |
| Civil Society Organisations | Lack accountability | Accountable | - | Lack accountability | - | Somewhat Accountable | - | Somewhat Accountable |
| Others | Lack accountability | - | - | - | - | - | - | - |

Impact of Revenues on Governance

61. On the question of whether revenue from the extractive industry has impacted on governance or not, only regulators / supervisors

sors from Cote d'Ivoire, Liberia, Mali, Nigeria and Senegal responded in the affirmative, all other respondents believed that the impact has been little if at all.

| Opinion of Stakeholders on the Impact of Revenues on Governance | | | | | | | | | |
|---|---------|---------------|--------|----------|----------|-------|----------|---------|----------|
| Governance | B/ Faso | Cote d'Ivoire | Guinea | Liberia | Mali | Niger | Nigeria | Senegal | Togo |
| Regulators/ Supervisors | Low | High | Low | Moderate | Moderate | Low | - | High | Low |
| Operators | Low | Moderate | - | - | - | - | - | - | Moderate |
| CSOs | Low | High | - | - | Low | - | Moderate | - | - |
| Others | Low | - | - | - | Moderate | - | - | - | - |

Impact of International Standards and best Practices

62. The table below shows the opinion of respondents on how the adoption of international best practices has impacted on revenue generation and mobilisation from the sector. In the opinion of regulators / supervisors from Guinea, Liberia, Mali and Senegal the adoption of international standards

and best practices had moderate to high impact on revenues. Operators and CSOs from Nigeria and Togo are of the opinion that international standards and best practices have had high impact or has resulted to increase in revenue generation and mobilisation. How such standards and best practices are domesticated and implemented, being mindful of local peculiarities, often determines the extent of the impact.

| Opinion of Stakeholders on Revenue – Impact of International Best Practices | | | | | | | | | |
|---|--------------|----------|---------|------|-------|----------|----------|------|--|
| Best Practices | Burkina Faso | Guinea | Liberia | Mali | Niger | Nigeria | Senegal | Togo | |
| Regulators/ Supervisors | Low | Moderate | High | High | Low | Moderate | Moderate | Low | |
| Operators | - | - | - | - | - | High | - | High | |
| CSOs | Low | - | - | Low | - | High | - | High | |
| Others | - | - | - | - | - | - | - | - | |

63. Countries in the region are at different stages in their implementation of various international frameworks and policies meant to enhance the overall governance infrastructure that defines the extractive industry / mining sector. Although coun-

tries have made progress on domesticating most of these frameworks, there are still administrative challenges, particularly with regards to general supervision and enforcement, including with regard to AML/CFT.

CHAPTER 4: TYPOLOGIES AND CASE STUDIES

64. This chapter presents the typologies identified out of the 28 cases of money laundering and potential terrorist financing provided by competent authorities. The typologies vary - from proceeds of crime being laundered through the mining sector, to using cross border trade-based ML; also cases showing the use of the financial sector to launder illicit mining proceeds, tax evasion, the use of precious minerals in scamming foreign nationals as well as the use of front companies to launder proceeds of corruption and mining fraud were identified.

Typology 1: Laundering the proceeds of crime through the extractive industry / mining sector⁵

65. The following cases demonstrate how proceeds generated from other ML predicate offences, including illicit drug trafficking and corruption, are laundered through the extractive industry / mining sector. Precious minerals in particular have been used as an instrument for money laundering and possible terrorist financing in the region.

Case 1: Trade in gold and related equipment to launder anonymous illicit funds

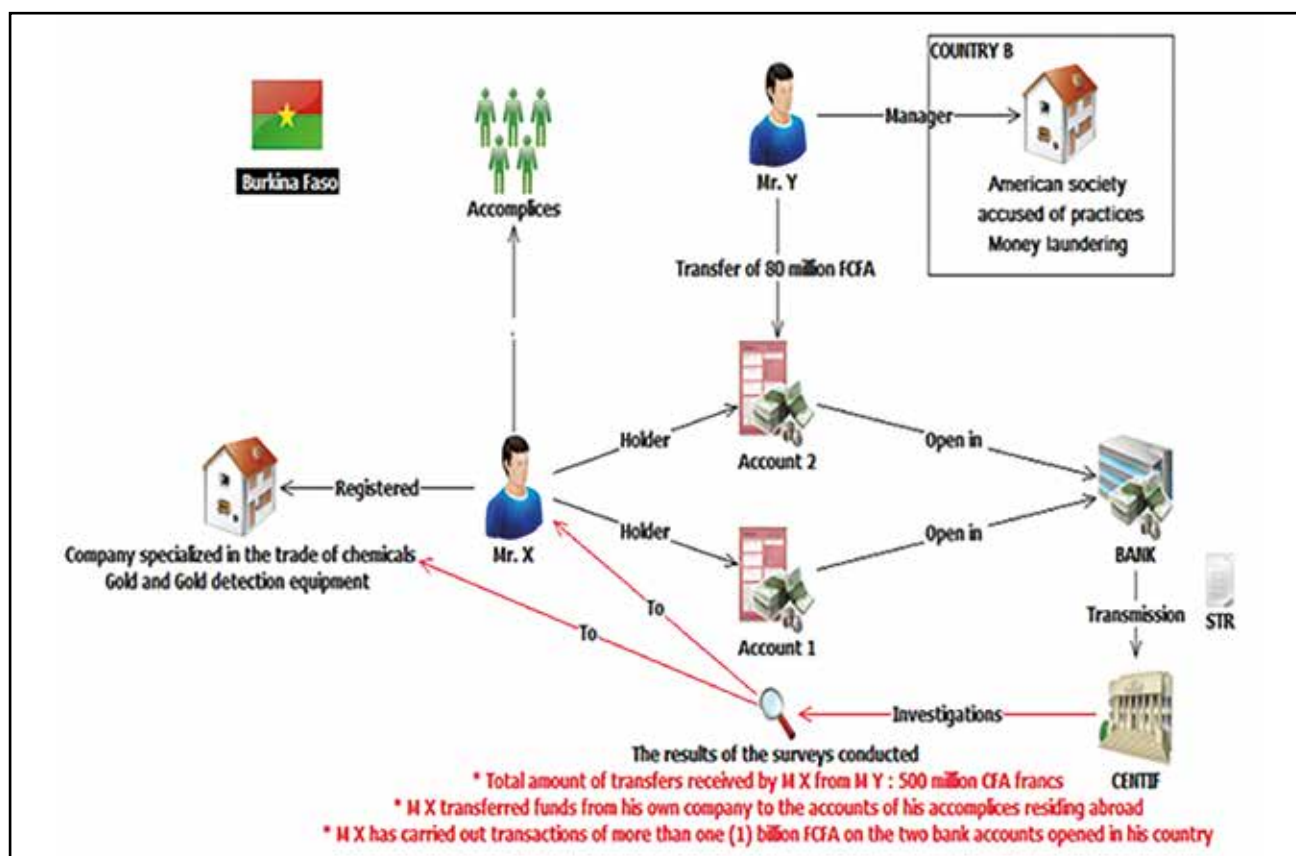
Mr. X registered a company in his home country to trade in chemicals, gold and gold detection equipment and opened two separate bank accounts. Mr. X received in one of his accounts a transfer of 80 million FCFA from an accomplice, a Mr. Y, who manages a US company operating in a neighbouring country B, and who also is being accused of money laundering in country B. Upon launching an investigation, it was discovered that Mr. X had received funds transfers totaling over 500 million FCFA from Mr Y. Mr. X was prosecuted for money laundering in his country. Mr. X transferred funds from his own company to the accounts of his accomplices living abroad. Thus, in nine months of the existence of his company, he carried out transactions of over One (1) billion FCFA through the two bank accounts opened in his country. The case dates from 2015 and was being investigated by the courts as at the time this report was finalised.

Source: Burkina Faso

Techniques / methods and highlights of the case

- Receipt of significant money transfers from abroad and for which the client is accused of money laundering

- Cash payments involving large amounts transacted through bank account
- Doubtful origin and destination of funds received through bank account
- High risk activities performed by the client (trade in chemicals, gold and gold detection equipment)



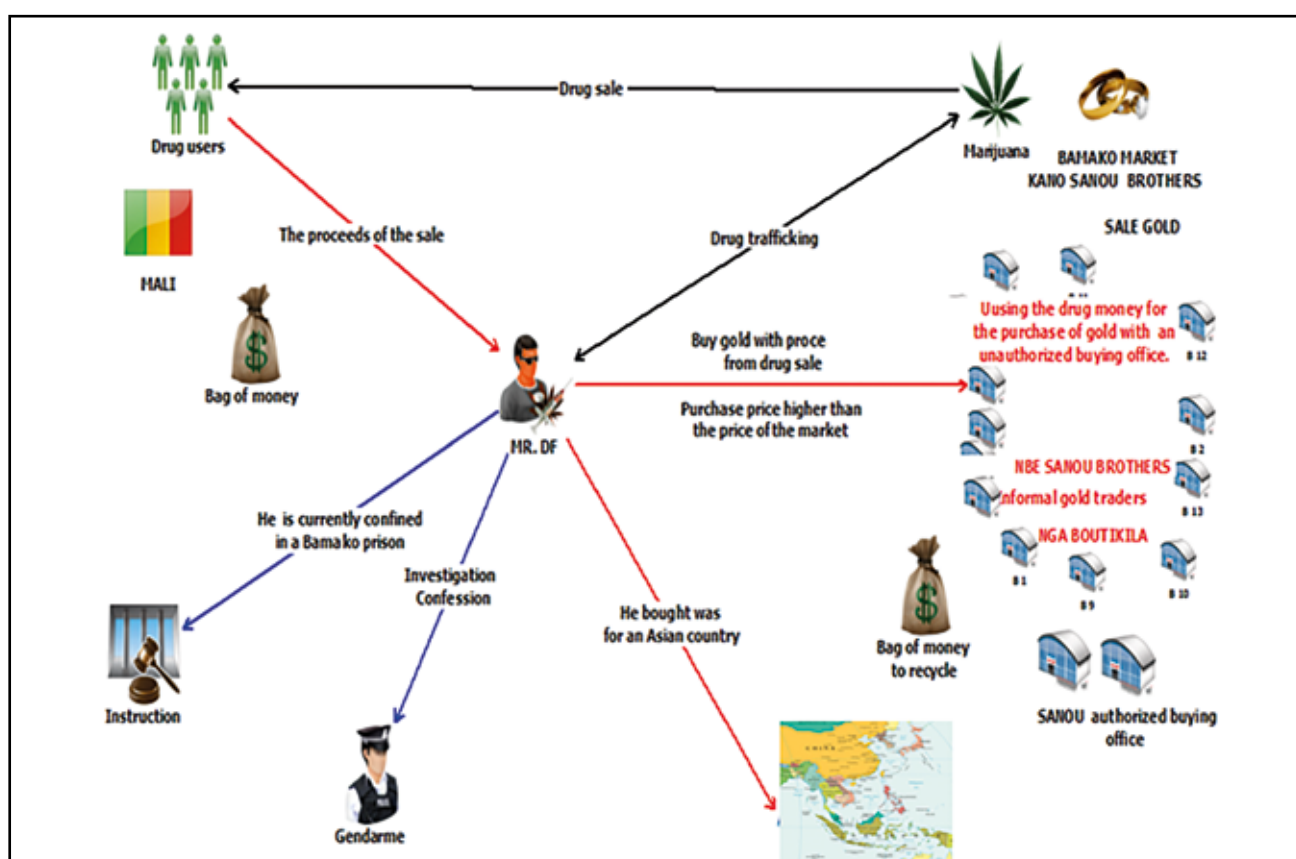
Case 2: Laundering the proceeds of illicit drug trafficking through trade in gold

DF is a buyer of gold at the Bamako market. There are over a hundred shops buying gold in the Bamako market but only a dozen of these shops have approval from the government. Most of the traders operate illegally in the market. Mr DF is a drug dealer. In 2017, Mr DF bought a quantity of gold at a price exceeding the market price from an illegal gold trader in the Bamako market. The overvalued gold purchased with the proceeds from drug trafficking was destined for an Asian country. Following a tip-off, there was a police raid on the market and DF was arrested. His arrest led to the seizure of a large amount of money and illicit drugs. During the investigation, DF confessed that he was using the drug money to purchase gold from unauthorized trader. DF also confessed that the gold he bought was destined to the Asian country in reference. DF is currently under custody while the case is being prosecuted in the court.

Source: Mali

Techniques / methods and highlights of the case

- Using money derived from drug trafficking to purchase minerals
- Overvaluation of the price of gold
- Use of unauthorized traders
- Transferring huge sums of money through precious minerals



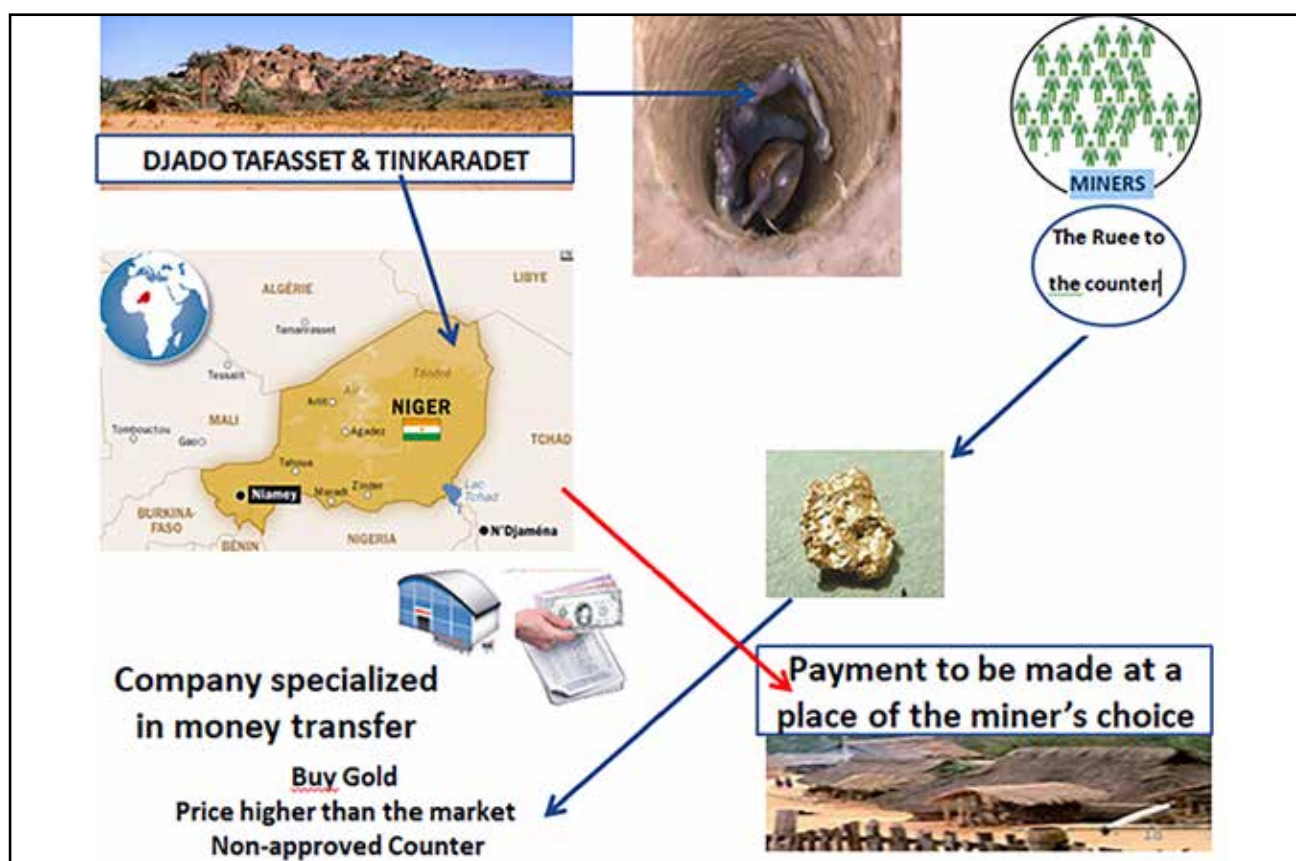
Case 3: Laundering the proceeds of crime through artisanal gold mining

Between 2015 to 2016, it was reported that a company specialized in money transfer was operating at the gold mining site in the northern part of Niger without license. The company had set up offices for the purchase of gold in very insecure areas in Djado Tafassasset and Tinkaradet. The buyers attracted many of the producers due to the price offered, which was above market price. The purchase was done on site with the option for payment to be made at a place of the miner's choice, since the company was operating throughout the country.

Source: Niger

Techniques / methods and highlights of the case

- Buying precious mineral above the average market price;
- Mineral product taken toward the Libyan border or to other places for export to Dubai with no documentation;
- Money transfer company operating in an insecure mining area and also acting as a gold purchasing centre;
- Illicit gold buying offices with huge cash payment made to miners in any part of the country at miner's choice



Typology 2: Laundering the proceeds of illicit mining and mining products through the financial sector

66. The second set of cases reveal how illicit proceeds generated from the extractive industry / mining sector, including precious minerals, are being laundered through the financial sector. As detailed below, banks, money and value transfer services and bureaus, etc. are used for laundering the proceeds.

Case 4: The use of banks to launder the proceeds of illicit gold mining

Lady D, a national of a neighbouring country, facilitate the establishment of a cooperative, operating at an unauthorized gold mining site near a border in Cote d'Ivoire. The Cooperative opened an account in February 2014 with bank B. Lady D is into buying and selling of gold and was in a business relationship with the cooperative she helped to establish. She then opened an account in a bank A in order to deposit the proceeds derived from commercial activities related to the sales of various goods. During the opening of the account, she stated that she was employed in company S, which is involved in the buying and selling of gold. The account manager noted the frequent cash deposits made by 4 individuals, with no apparent connection to the account holder.

In August 2015, the volume of these payments amounted to 1.8 billion FCFA. These unusual transactions and the volume of funds prompted the bank to submit a STR to the FIU. The FIU analysis revealed that 4 people with no apparent links to the account of Lady D, made several cash payments, totalling 3.7 billion FCFA on August 31, 2015. These funds were successively withdrawn in cash by Lady D, immediately after the deposits were made. Lady D has no proven connection to company S, which she purported to be her employer. She received no remuneration and had no transactions from company S.

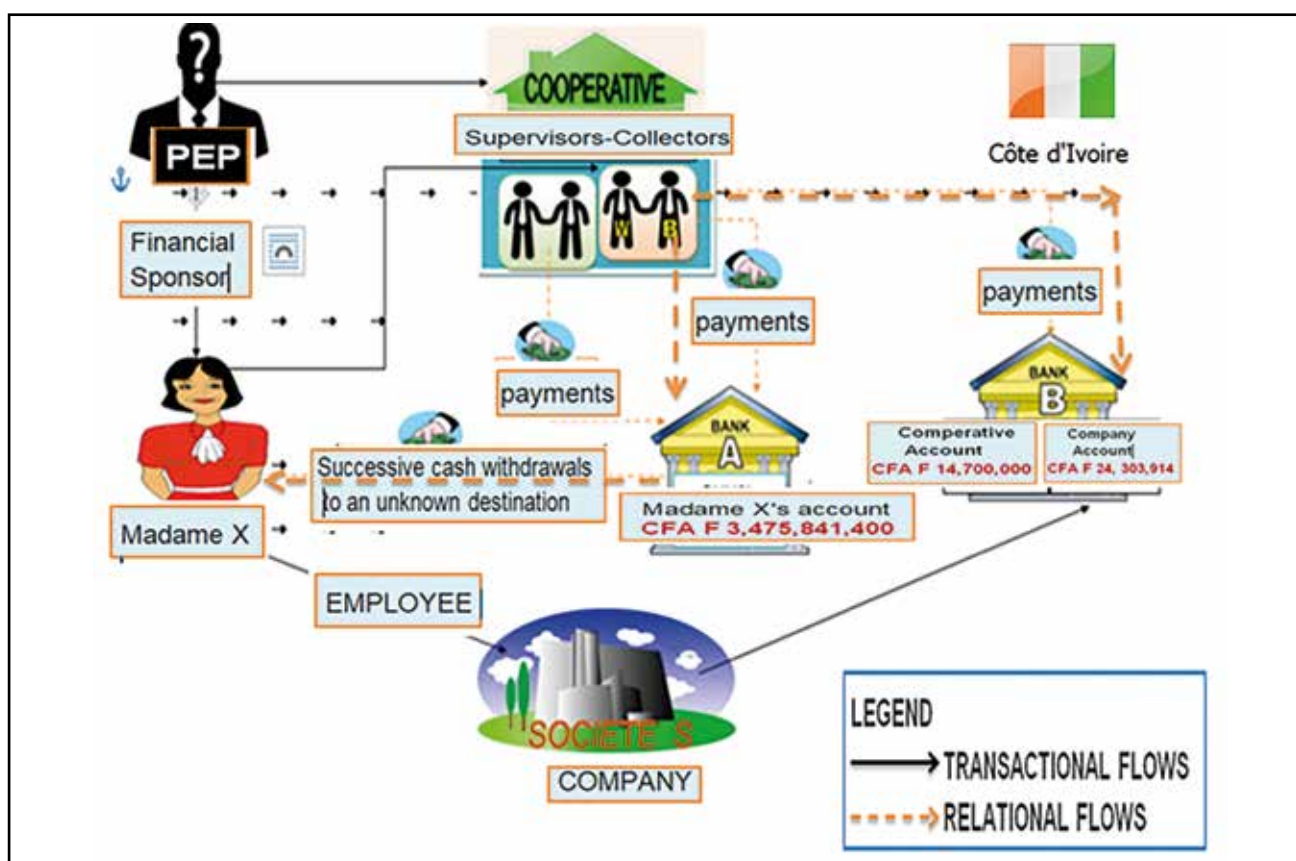
The Financial Intelligence Unit (FIU) analysis and law enforcement investigation also revealed that company S was incorporated in year 2000, with a share capital of one million FCFA and specialized in the purchase and sale of gold. Also, Company S opened an account in February 2008 with bank B and closed it in June 2014, after deposits of up to 28 million FCFA were made into the account. It was discovered that 2 other people also made deposits into the account on behalf of the cooperative. The 2 people in question made a total cash deposits of 18.7 million FCFA into the account, in addition to other deposits made.

Investigation was still ongoing as at the time this case was reported here.

Source: Mali

Techniques / methods and highlights of the case

- Sale of undeclared gold;
- Potentially, the initial funding was provided by a politically exposed person (PEP);
- Large cash deposits made into an individual account by third parties;
- Successive cash withdrawals as soon as deposits were made;
- Closing the gold mining company's account which had modest transactions for such activity without apparent reason;
- Willingness to conceal and remove funds from their illicit origin characterized by cash withdrawals.



Case 5: Laundering the proceeds of illicit/unregulated artisanal gold mining

In 2014, the Police, acting on anonymous information received, discovered a massive presence of gold miners in a small northern village K of Côte d'Ivoire. Investigation revealed that in January 2012, Mr MO, a citizen of a neighbouring country, arrived in village K looking for an abandoned gold mining site. With the authorization of the village authorities, he managed to secure five mining sites, after concluding a gold production sharing agreement with the community.

Few weeks later, and to the surprise of the community, a group of about 500 miners, most of them from neighbouring countries, were deployed on the sites.

After several months of mining, it was discovered that the miners, using a cooperative represented by Mr MO, opened an account in the name of the cooperative, in a microfinance institution in order to deposit income from the sale of gold. The account recorded only small cash transactions estimated at 27.7 million FCFA, from March 2012 to December 2013.

In addition, two other accounts were opened over the same period, on behalf of Mr MO and a Mr CA, which revealed substantial cash transactions followed by withdrawals. When they were questioned about the source of the funds and the destination after the successive withdrawals, the suspects consistently told the branch manager of the microfinance community that the funds were generated from the sale of undeclared quantities of gold extracted from various sites in village K. They added that with the funds being secured from microfinance institutions, they could safely apply the distribution formula of the income generated to all stakeholders and especially, to protect themselves against insecurity around the extraction sites.

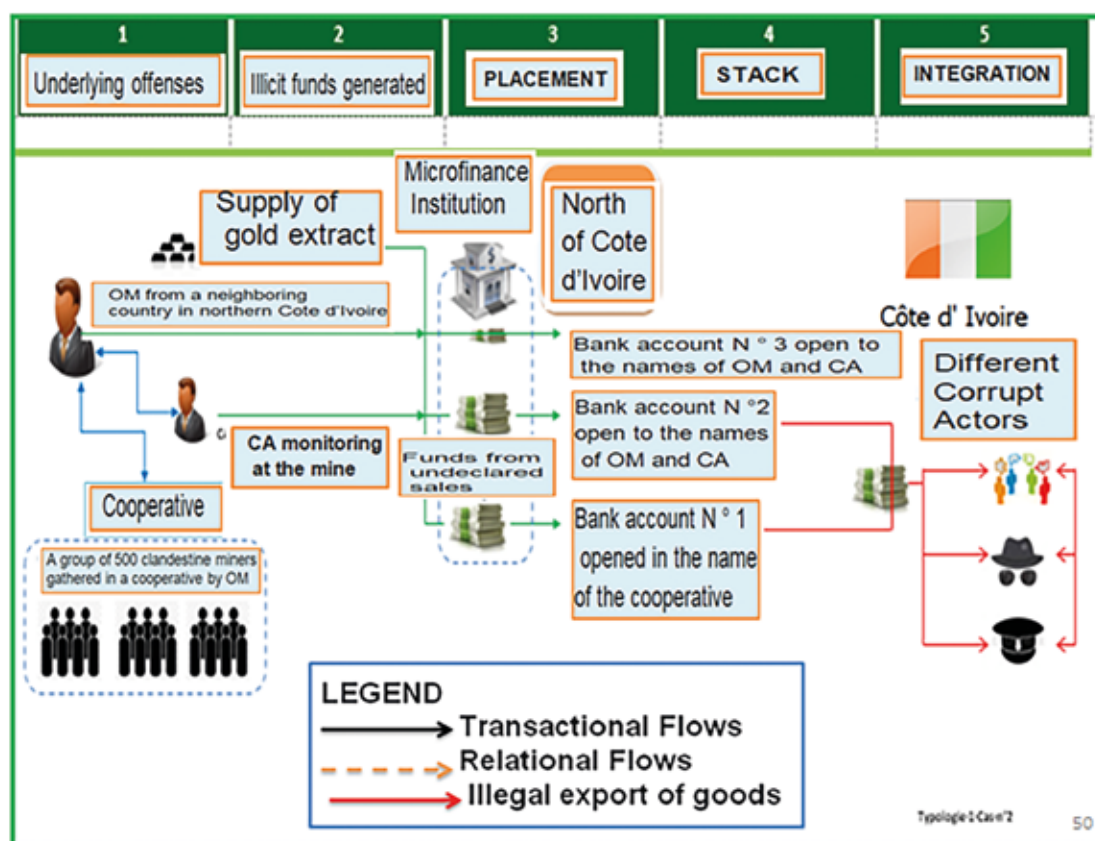
Following a visit by an envoy of the district Police Commissioner to the Head of the microfinance agency, and subsequently under the instructions of his supervisors, the microfinance institution stated that it did not file suspicious transaction reports (STRs) to the FIU despite noticing these atypical operations.

Investigation was not concluded as at the time this report was compiled.

Source: Cote d'Ivoire

Techniques / methods and highlights of the case

- Sale of smuggled gold;
- Substantial cash deposits followed by successive withdrawals from individual accounts;
- Bypassing the main account of the cooperative because of the volume of funds involved;
- Interference by an administrative authority in the implementation of due diligence measures in a financial institution;
- Suspicion of corrupt practices by the financial institution's staff;
- Suspicion of obstruction of justice.



Case 6: Laundering the proceeds of illicit dealings in petrol through banks and commerce

In October 2011, Bank A received a payment order of 200 million FCFA on behalf of Trader C, who sold Hydrocarbon products. Payments and transfers were made by third parties into the account in Bank A. Cash payment orders were made after a day or two by the account holder. Bank A met with its client regarding the payment order, as was the case for prior payment orders, to propose various banking services (such as wire transfer from one account to another or fund transfer). From the interview, client C apparently continued to withdraw cash, claiming that the funds were intended to secure some foreign exchange to make purchases at country P. The account transaction balance from May to October 2011 revealed cash payments of 2.4 billion FCFA and withdrawals of 2 billion FCFA.

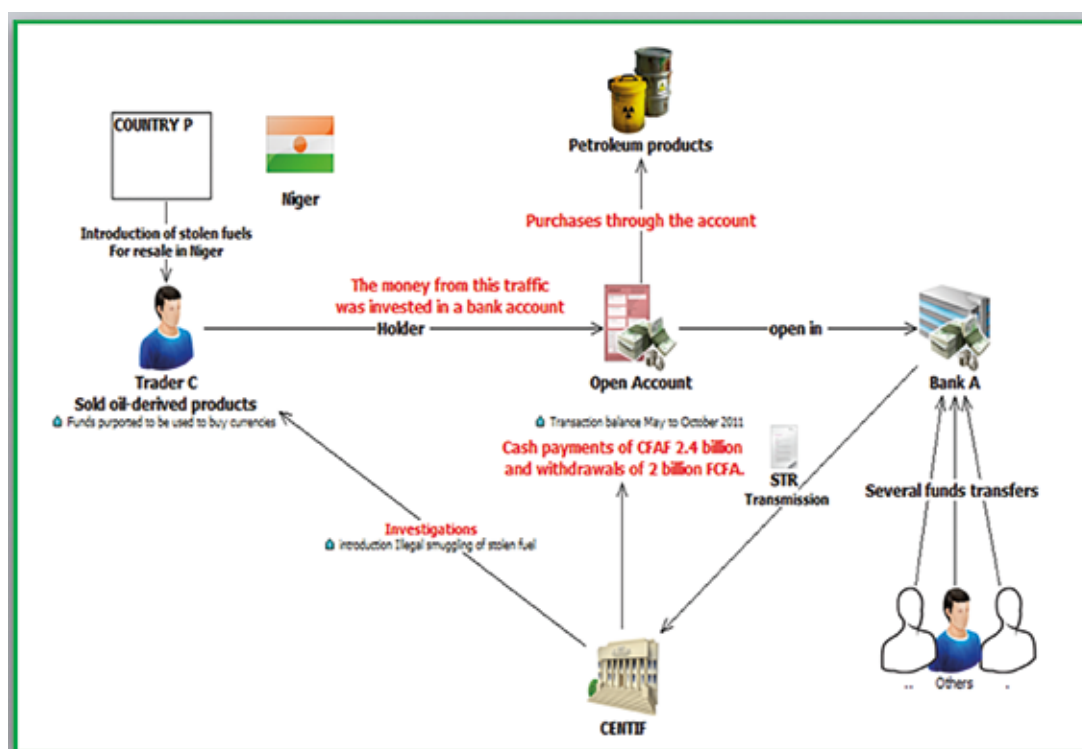
Investigation revealed that client C illicitly imported petrol derived from theft and oil fraud from country P, for resale in Niger. The money from the illegal activity was invested in a bank account and then withdrawn, before it was re-injected into the economy to purchase goods including tanners and petrol stations in country P in order to give the funds some legitimacy.

The case was reported to the FIU and forwarded to the Prosecutor's office.

Source: Niger

Techniques / methods and highlights of the case

- Importation of petrol without an import license;
- Opening a bank account in client C's name in Niger with the help of the branch manager of bank A;
- The price per litre of petrol sold by the suspect in Niger was cheaper than in Country P, the producing country.



Typology 3: Cross border trade based money laundering in gold and gold mining

67. The cases under this typology revealed how trade based money laundering is being used to launder illicit proceeds from gold and gold mining

across borders. Gold as a precious metal in itself is easy to conceal, smuggle, under declare and carry across to neighbouring countries or overseas where it is sold.

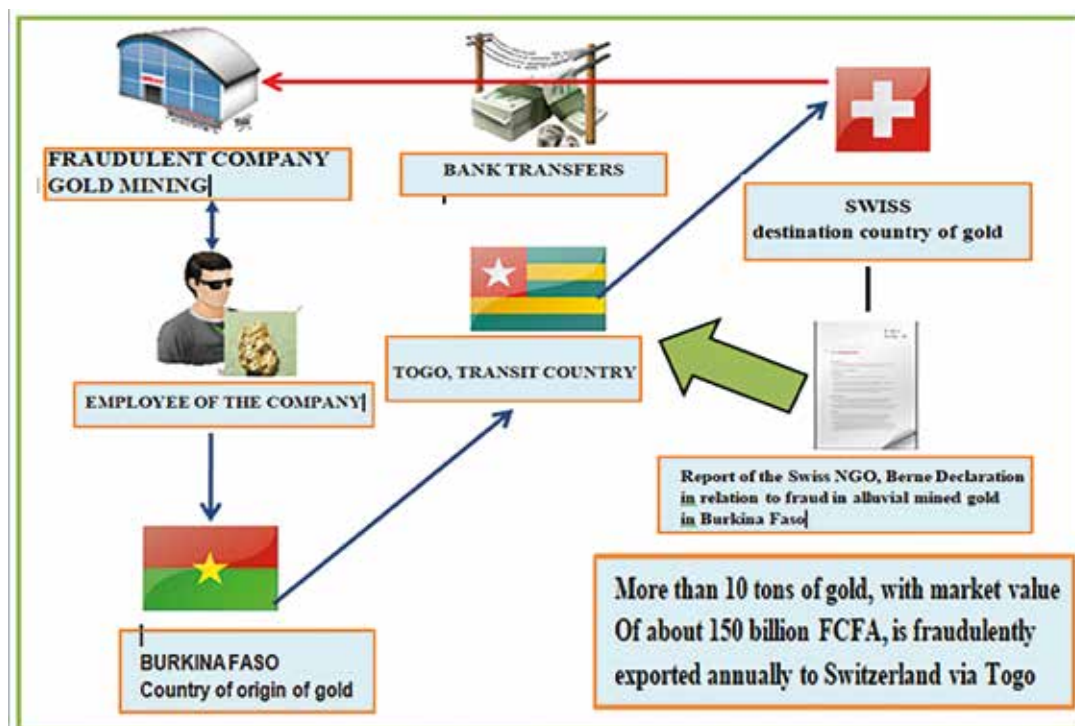
Case 7: The use of cross-border trade (Trade-based ML) to launder the proceeds of gold smuggling

This case dates back to 2015. Mr P is an agent of a fraudulent company based in Togo. Mr P buys gold from Burkina Faso, bribed and smuggled officials in order to get to Togo. Report by the Swiss NGO, the Public Eye (formally Berne Declaration) in relation to fraud in alluvial mined gold in Burkina Faso, disclosed that the gold was being exported to Switzerland and sold as if it originated from Togo. More than 10 tons of gold, with market value of about 150 billion FCFA, was being fraudulently exported annually to Switzerland via Togo. The proceeds from the sale of the gold are used to buy goods in the name of companies based in Burkina Faso, owned by the proprietor of the Togolese based company.

Source: Burkina Faso

Techniques / methods and highlights of the case

- Bribes/attempted corruption of officials, third parties, possible influence of PEPs on investigation;
- Use of proceeds derived from the extractive industry/mining sector to purchase goods/ instruments in order to conceal their true source and move value without detection;
- Use of shell companies to conceal the identity of persons involved in the illegal activities.



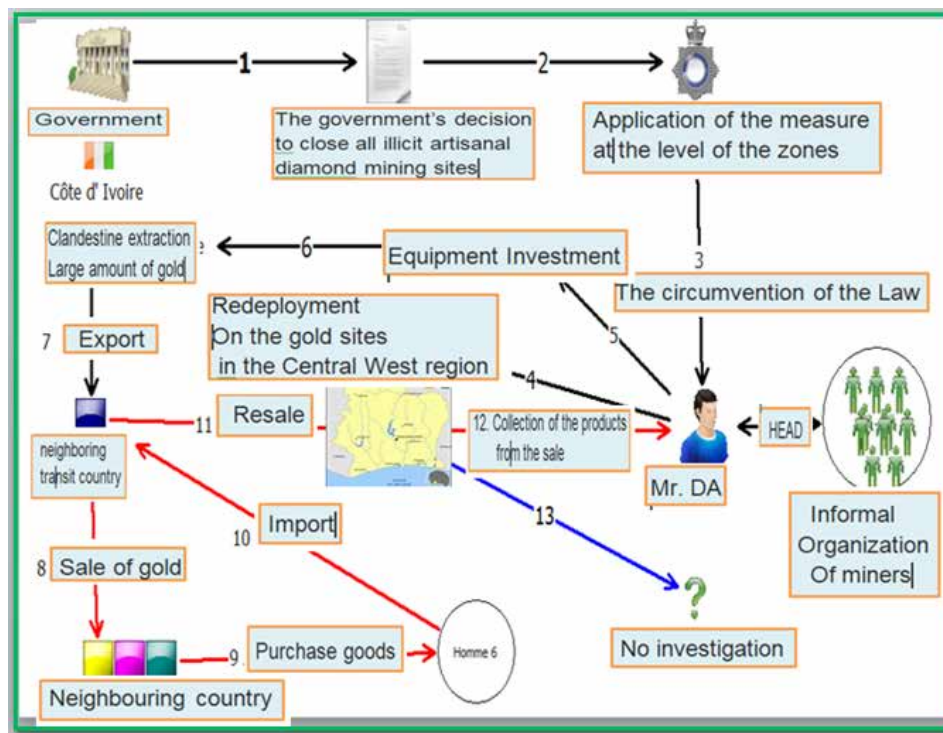
Case 8: The use of cross-border trade (Trade-based ML) to launder proceeds from illicit gold mining

Following the government's decision to close all illicit artisanal diamond mining sites, Mr DA, head of an informal organization of stakeholder miners, moved to and occupy several other sites in the Central West region, with the complicity of some officials. Relying on the support of the officials, Mr DA invested millions of FCFA on equipment, in order to maximize the extraction of gold. Accordingly, huge amounts of gold were collected and smuggled to a neighbouring country and later exported through gold merchants in the neighbouring country to, mostly, countries in the Middle East. The exporters in the neighbouring and transit countries receive goods, the equivalent in value of gold export as payment. Part of the goods consisting of various products is then smuggled into Cote d'Ivoire and sold. Investigation has not been concluded.

Source: Cote d'Ivoire

Techniques / methods and highlights of the case

- Illicit activity of mineral extraction;
- Suspicion of bribery of public officials;
- Export of smuggled mineral products to neighbouring countries;
- Expensive marketing of minerals;
- Export to a particular countries in the Middle East;
- Payment in goods of equivalent value of the minerals;
- Importation of goods through a transit country in order to conceal the source of the goods;



Case 9: Smuggling gold through mining equipment and spare parts

In 2013, the Police Department received information that led to the arrest of a «smuggler» aged 17 at the airport on a flight to a Middle Eastern country. This smuggler was a high school student in the country and had several boxes of used truck spare parts in his luggage. After the seizure and opening of the said luggage in his presence, eleven (11) gold bars weighing 31.24 kg and currencies valued at 194,000 Euros, were found hidden in the used spare parts. When questioned, the smuggler acknowledged that he had regularly been transporting this kind of packages on behalf of his cousin Y, without knowing the content. He added that he had been doing the same for his mother, Lady J.

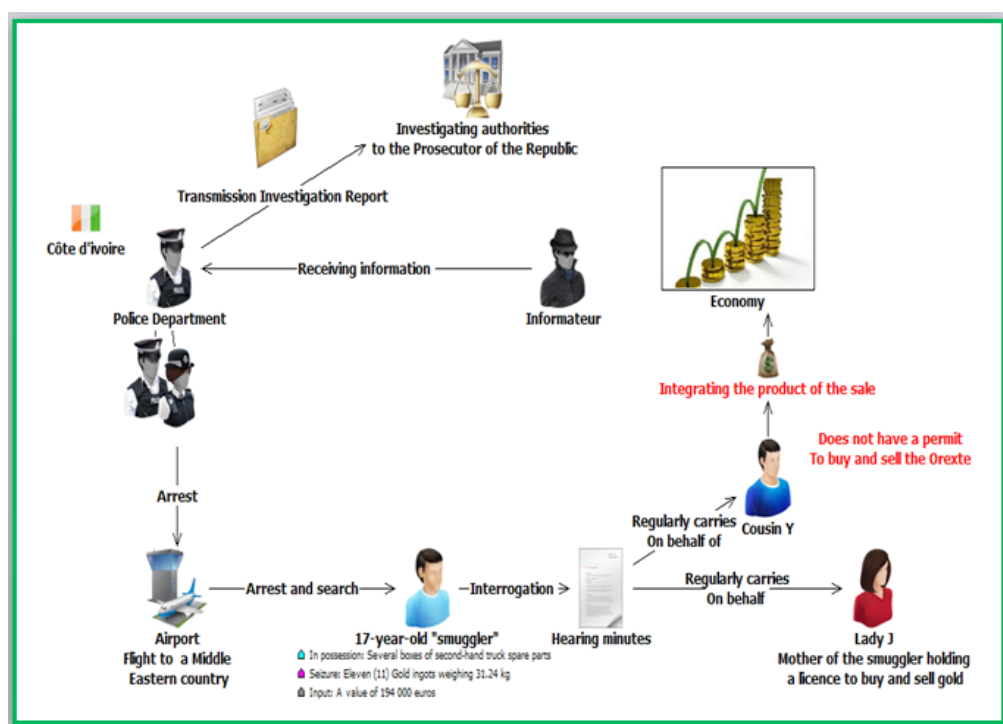
The cousin Y and the mother, Lady J, who had a valid license for the purchase and sale of gold, both confirmed to be the owners of the gold and currencies seized, and added that they had smuggled several quantities of gold via the Airport. Cousin Y admitted that he had no license to buy and sale gold. He repeatedly carried out this activity and had significantly invested in the business in the country.

The gold bars and 194,000 Euros were seized and prosecution initiated following the transmission of the report by the investigation authorities to the State Prosecutor.

Source: Cote d'Ivoire

Techniques / methods and highlights of the case

- Illicit gold purchase;
- Smuggling;
- Tax fraud;
- Illicit cross-border transportation of cash;
- Non repatriation of export earnings;
- Disguise of income in buying gold from illicit gold mining;
- Integration of the proceeds of the sale into the economy of the criminal's country of origin.



Typology 4: Tax evasion and fraud in the extractive industry / mining sector

- 68.** The most common and pervasive trend witnessed in the extractive industry / mining sector with regard to generating illicit funds,

particularly when public officials are being compromised, is through tax evasion and fraud. West African economies are losing huge amounts in revenues due to tax evasion and fraud. The cases below illustrate this phenomena.

Case 10: Tax evasion and smuggling of Gold

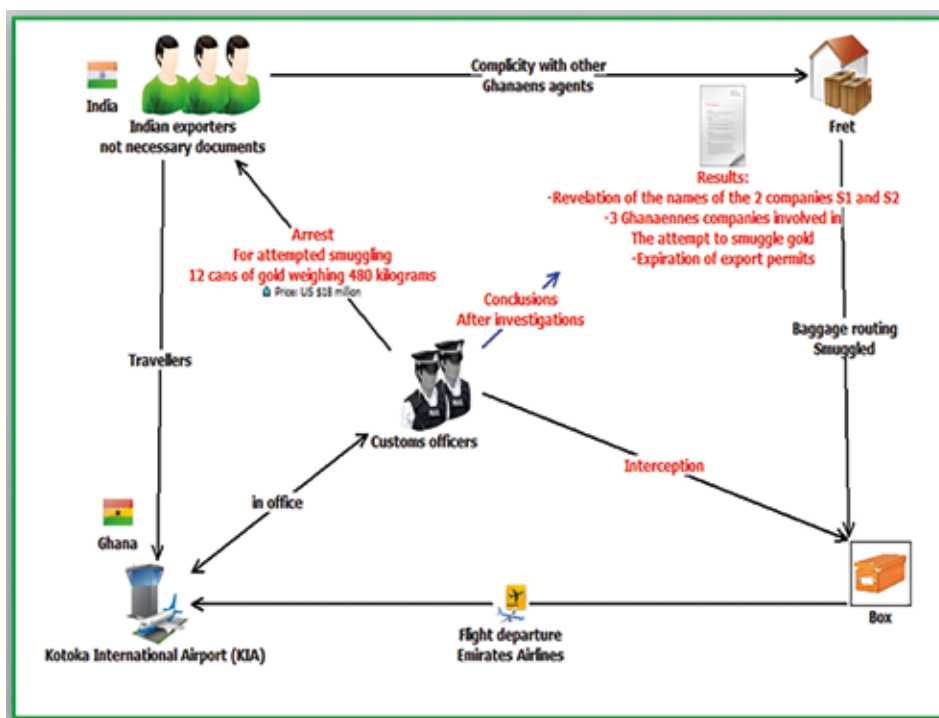
In February 2016, customs officials stationed at Kotoka International Airport (KIA) arrested some Indian exporters attempting to smuggle 12 boxes of gold weighing 480 kilograms and priced at US\$18 million. The boxes were smuggled through the cargo section of the airport, and were not accompanied with the necessary documentation.

The Indian exporters, through the connivance of some Ghanaians, were flying the US\$18 million gold on board a popular Middle Eastern airline without any form of inspection or payment of taxes. The two Indian companies involved in the attempted smuggling were; BGC International and K. K. Enterprises. The names of their Ghanaian collaborating companies were given as A.A. Minerals, Italtec Ghana Limited, and Guldrest Resources. The names of the company owners, office locations and contact address particularly those of the criminally-minded Ghanaians, were not provided. AA. Minerals, a private Licensed Gold Exporter, whose license had expired a year before the incidence, allegedly connived with the Indian gold buyers, to ship these minerals out without the payment of relevant taxes

Source: Ghana

Techniques / methods and highlights of the case

- Concealed boxes passing through the cargo section of the airport without proper documentation;
- Exporters holding expired license;
- Customs officials at the airport being compromised;
- Undisclosed large quantity gold not going through any inspection and without any proof of taxes paid.



Case 11: Tax evasion on transactions relating to products and equipment for mining and extractive industries

The mining Code under certain conditions grants exemption from customs duties, including VAT, to mining companies during the exploration or mining phase on the importation of equipment, materials, machinery and spare parts as covered in an approval and intended solely for mining operations. The holder of the operating license retains the right to sell the equipment, materials, imported machinery and equipment in Cote d'Ivoire, subject to the payment of the duties and taxes applicable as at the date of the transaction on the sale value, and completion of all formalities prescribed by the regulation in force. The materials, machinery and equipment imported by the holder of an exploration or mining license can be exported or transferred after use.

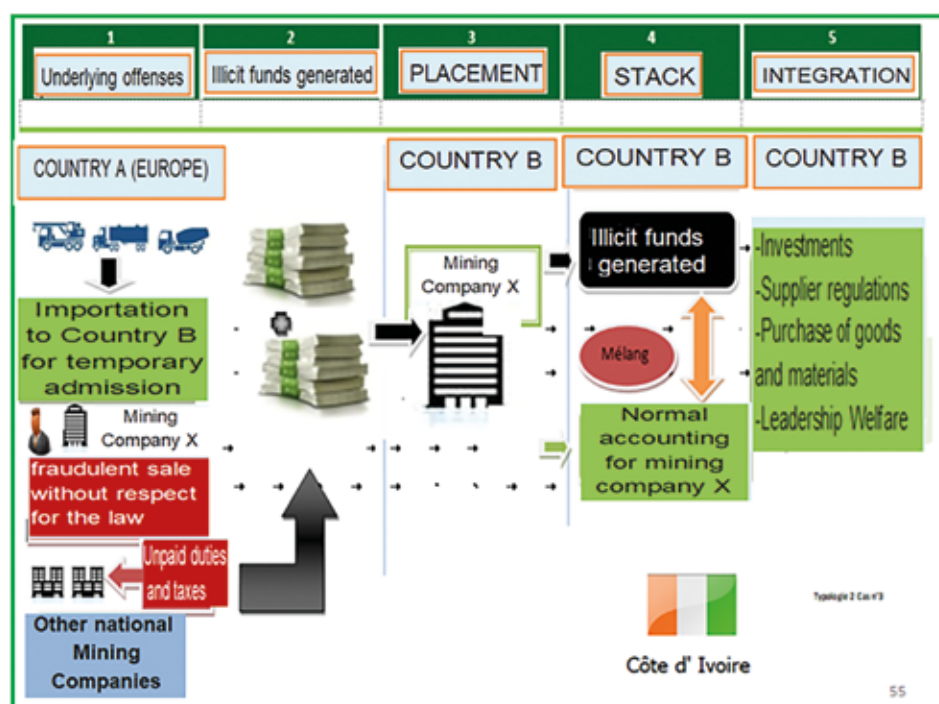
In May 2017, during one of their post-clearance checks, the officials of the Customs Investigations Department discovered that a mining company in full operation sold to other national companies some equipment imported under the waiver approval without informing the Government or paying duties. The proceeds of the unauthorized sale and the amount of unpaid duties and taxes were co-mingled with revenue derived from legitimate activity.

Having noted the violations and non-compliance with the commitments made on importation, following the relevant transaction without declaration of prohibited products, the Customs charged the outstanding duties and penalties on the products.

Source: Cote d'Ivoire

Techniques / methods and highlights of the case

- Non-adherence by mining companies to commitments made with the Customs Administration;
- Laundering of revenues from customs offences and tax fraud;
- Co-mingling of the proceeds of illegal sales of equipment imported under waivers received with the legal funds in the company's accounts.



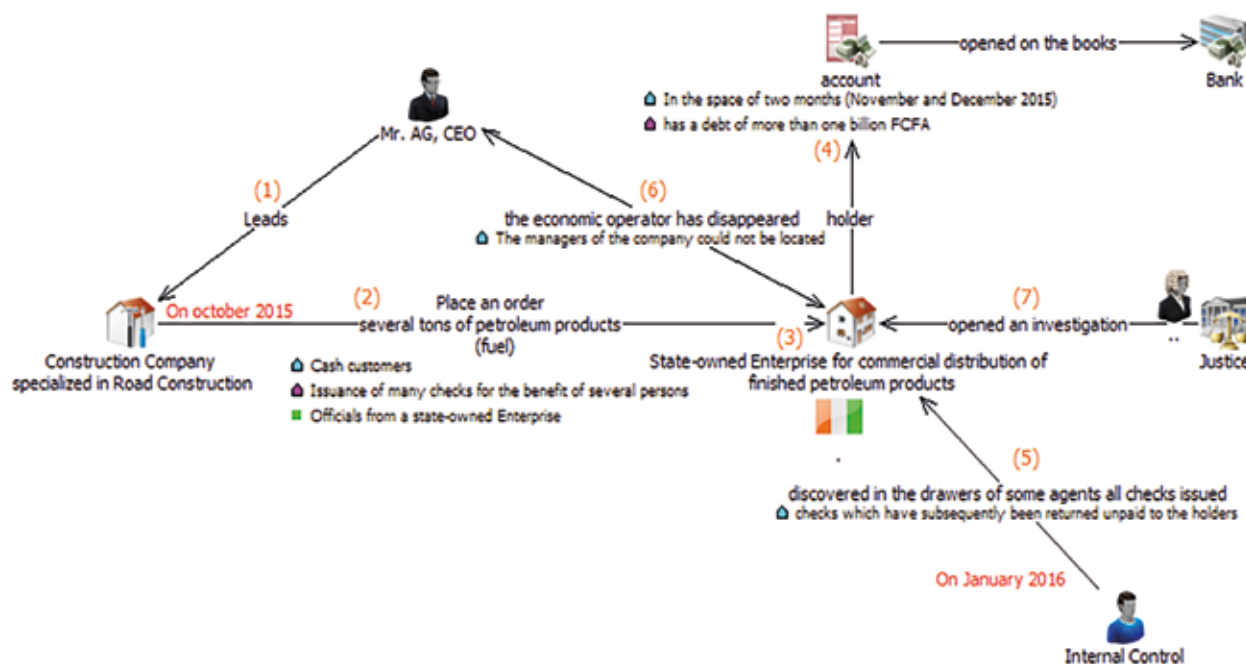
Case 12: Laundering proceeds derived from the diversion and sale of refined petroleum products using front companies

In October 2015, Mr AG, CEO of a construction company specialized in road construction, purported to have a contract in northern Cote d'Ivoire. He ordered several tons of petrol from a State company in charge of commercial distribution of finished petroleum products. He was classified in the category of Cash Customers, i.e., cash payment for every delivered product. At the outset, Mr. AG had been taking delivery of oil products (petrol), without being required to present a guarantee in the contract that bound him to the State owned-company. As he was required to pay cash, Mr. AG issued several cheques, but were locked in the drawers of some officials of the State Company instead of being deposited in the bank to be cashed. Meanwhile, Mr. AG continued to order and was regularly supplied with petrol, with the support of the State company official. Deliveries were made two to three times a day without any concern raised by any official about the destination of the product. Within two months (November and December 2015) the customer's account in the books of the State Company posted a debt of over one billion FCFA. In January 2016, internal controls of the State-owned company led to the discovery of all the cheques issued by Mr. AG in the drawers of some of the officials. The cheques were dishonoured when they were presented to the bank and Mr. AG disappeared. The company officials could neither locate the road construction company, nor verify the existence of the site for which the fuel supply contract was signed. When contacted by the officials of the State-owned company, the prosecutor launched an investigation, and was still ongoing as at the time this report was compiled.

Source: Cote d'Ivoire

Techniques / methods and highlights of the case

- False public works contracts to be executed;
- Diversion of petroleum products;
- Corruption of public officials;
- Issuance of invalid cheques;
- Issued cheques were not presented to the bank by the officials immediately upon receipt (fraud);
- Funds from the sale of petroleum products acquired illicitly.



Case 13: Illicit financial arrangements and customs fraud in the oil and gas sector

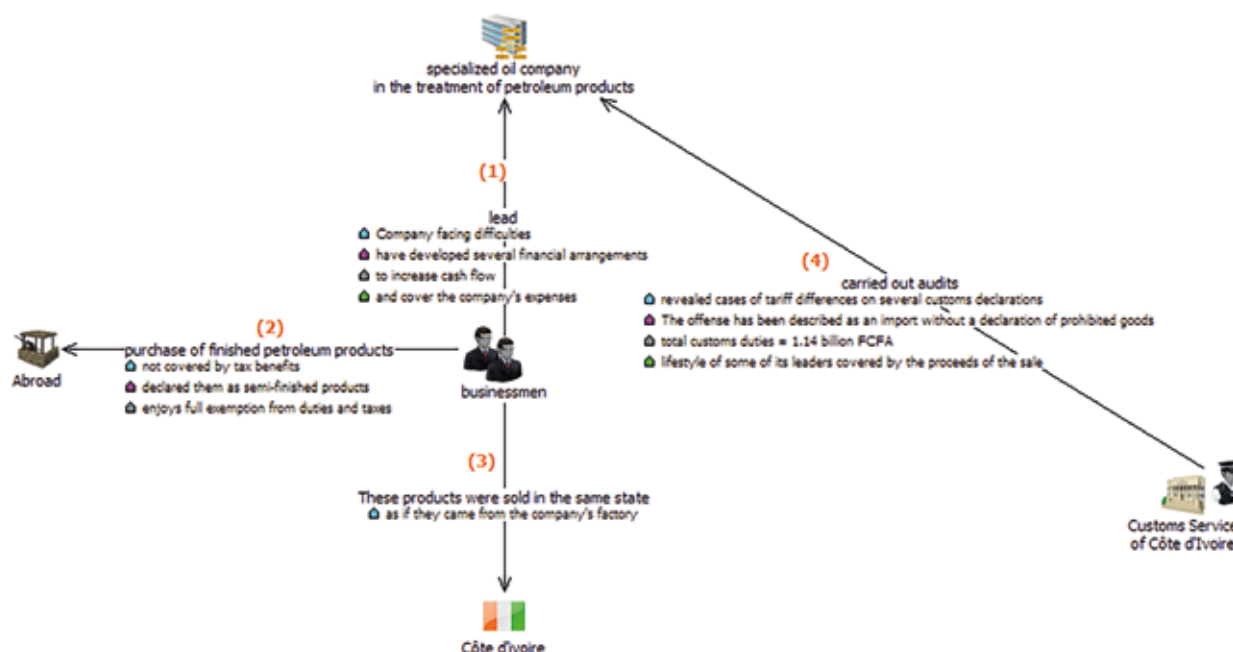
The Managers of an oil company specialized in the processing of petroleum products, grappling with some difficulties, devised several financial arrangements to improve cash flow and meet the company's expenses. One of these arrangements was to illicitly exploit the tax benefits providing full exemption from duties and taxes on semi-finished products. This company imported finished petroleum products which were not covered by the tax benefits and declared them as semi-finished products, thereby benefiting from a total exemption from duties and taxes. These products were sold in the same country as if they came from the company's factory. In 2014, audits conducted by the Customs service revealed cases of tariff discrepancy on several customs declarations. The offence was described as import without declaration of prohibited goods. The total fees for the duties involved for the audited period amounted to 1.14 billion FCFA. The amount of duties and taxes as well as the sale of products not only served to improve the cash flow and sustain the company's expenses, but also helped to maintain the lifestyle of some of the company's officials.

Source: Cote d'Ivoire

Techniques / methods and highlights of the case

- Tariff discrepancy or false cash declaration;
- Illicit proceeds derived from customs offence;

- Repayment of illicit funds into the accounts to balance the company's financial Statement and fund the lifestyle of its officials.



Case 14: Collusion, Corruption and bribery of public officials in artisanal gold mining

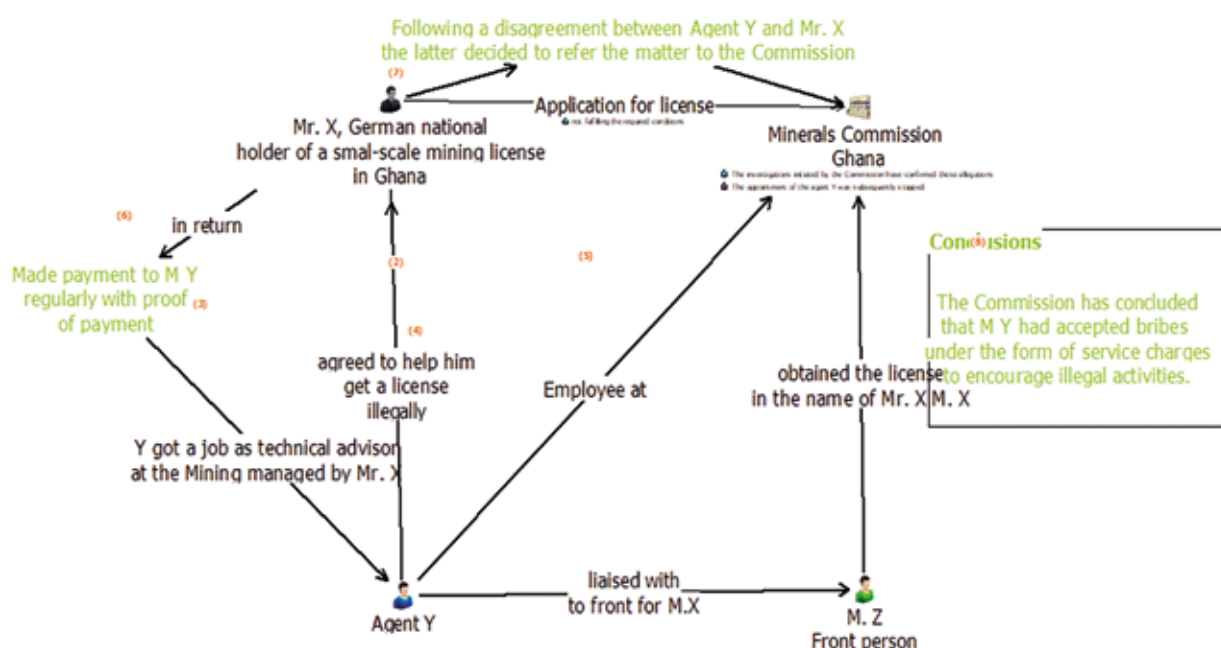
A small scale mining licensee X attempted to apply for a license at the Minerals Commission in Ghana. Licensee X was a German national, hence did not qualify to lawfully apply for a license. Officer Y at the Minerals Commission therefore accepted to help Licensee X acquire the license knowing well that it was illegal. Consequently, officer Y facilitated the process by contacting another person, Mr. Z, whom he knew, to front for Licensee X. Mr Z acquired the license on behalf of Licensee X with the facilitation of officer Y.

After the acquisition of the licence, officer Y was given a job as a technical adviser to the mining operation manager by licensee X and was paid regularly as established upon the review of the payroll. After a disagreement between officer Y and licensee X, the latter decided to report the matter to the Commission. Investigations launched by the Commission confirmed these allegations and officer Y's appointment was later terminated. The Commission found that he had taken bribes in form of service fees to abet illegal activity. Officer Y threatened to take the Ministry and the Commission to court but later withdrew the case.

Source: Ghana

Techniques / methods and highlights of the case

- Public officer working as a technical adviser to a small scale mining company;
- Owner of a small scale mining company is a foreigner contrary to the provisions of the law;
- Government official's name found on the payroll of a mining company;
- Use of companies account to transfer money into a government official's account;
- Government officials taking keen interest in a licence application and fast tracking award process.



Case 15: Tax evasion, customs fraud and forgery associated with trade in gold

Suspect X, a Chinese national who resides in Ghana established banking relationship with Bank A, and on March 16, 2016 was assigned USD and Ghana Cedi (GHS) accounts. Suspect X's expected income as stated in the account opening documents was approximately GHS 5,000.00. However, a review of suspect X's account revealed that he made cash deposits directly into his account and also had third parties deposit funds on his behalf which ranged from GHS 500.00 (125 USD) to GHS 1,050,000.00. (250,000 USD)

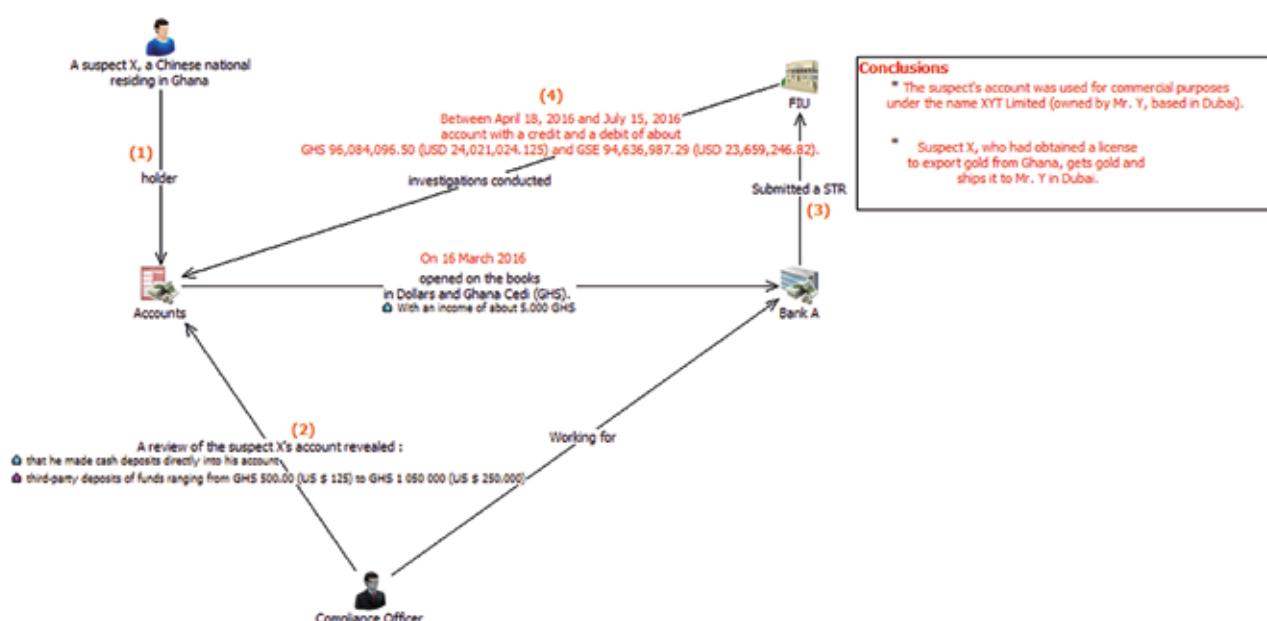
Between April 18, 2016 and July 15, 2016, Mr X's 2 accounts had recorded a credit and debit turnovers of approximately GHS 96,084,096.50 (24,021,024.125 USD) and GHS 94,636,987.29 (23,659,246.82 USD), respectively. Investigation revealed that the accounts were being used for business purposes under the business name XYT limited, a company owned by one Mr Y, based in Dubai. Suspect X, who had obtained a license to export gold from Ghana was purchasing gold and shipping it to Mr Y in Dubai.

Investigation in respect of the third parties' deposits revealed that some of the individuals/companies deposited money into the account of Suspect X on behalf of individuals based in China. In the course of investigation, Suspect X who was under bail, absconded and abandoned his apartment. During investigations, it was revealed that suspect forged his resident permit. Suspect X was still at large as at the time of compiling this report.

Source: Ghana

Techniques / methods and highlights of the case

- Large cash deposits into an account without any accompanying documentations;
- Large annual credit and debit turnovers in an account;
- Local account being used by a foreign registered company;
- Use of non-business account to run business.



Case 16: Laundering the proceeds from law enforcement racketeering / extortion, using the real estate sector

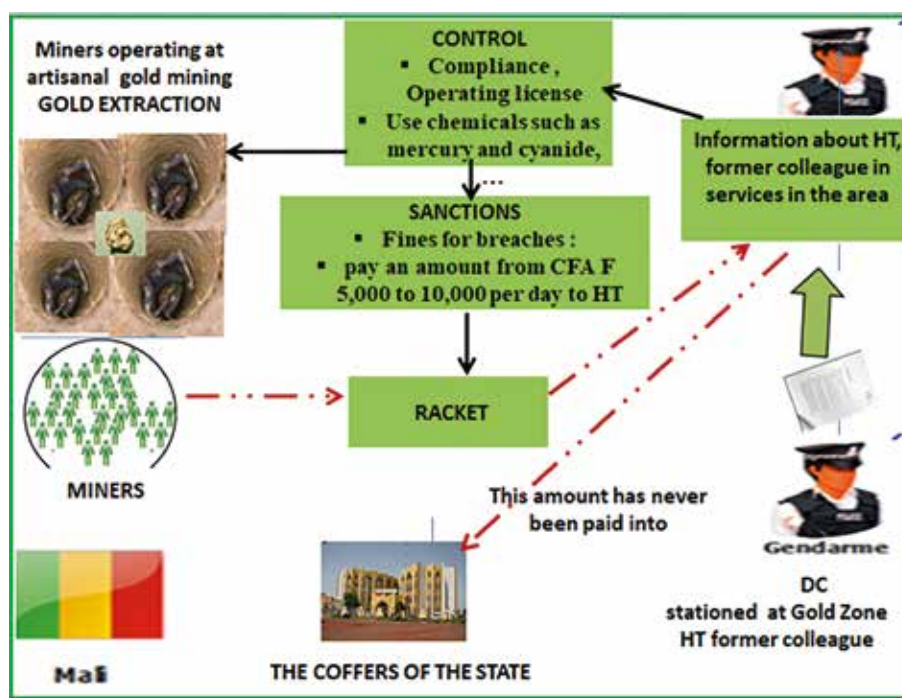
An officer from the gendarmerie called Mr. DC stated that a former colleague, Mr. HT, had amassed fortunes from the racketeering of miners operating at gold mining sites. Mr. HT is supposed to monitor miners that do not have permission and ensure the non-application of chemicals such as mercury and cyanide at the mining sites. Miners found not to be in compliance are required to pay a fine of between 5000 to 10,000 FCFA per day to Mr. HT. This amount has never been paid into the coffers of the State and no payment receipt is issued to miners. HT has built houses in one of the cities in Mali where he collects monthly rents. In addition, he has bought equipment (crushers) which he leases at the gold mining sites he supervises for an amount paid on a daily basis.

No action was reported as taken against Mr. HT.

Source: Mali

Techniques / methods and highlights of the case

- Misuse of authority and embezzlement of public funds;
- Laundering of illicit funds derived from the mining sector in real estate;
- Investing illicit funds made from the mining business into the same business through the purchase and leasing of mining equipment;
- Integration of illicit funds into the formal economy.



Typology 5: The use of precious minerals to defraud foreign individuals

- 69.** Scammers and other criminals in West Africa frequently use precious minerals to lure their targets, mostly foreign nationals from Europe and North America, to defraud them. They

have established fake companies, forged documents, sometimes using imposters as well as compromise some public officials who facilitate their act. The internet scam (419 scheme) is still prevalent in the region. Below are cases associated with the scheme.

Case 17: Tax evasion and internet fraud associated with trade in gold

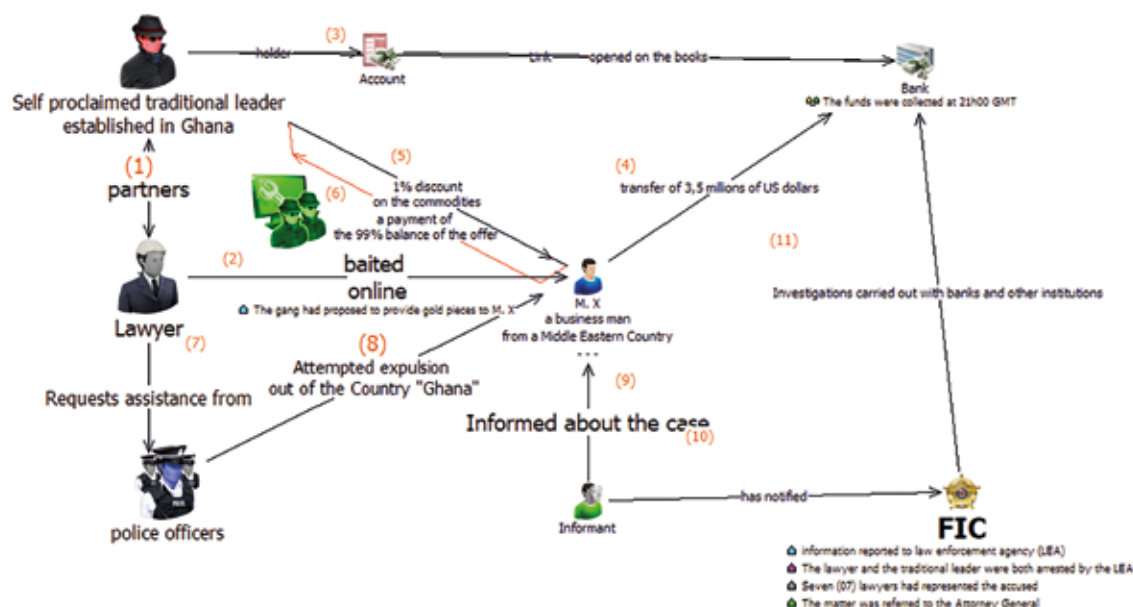
A lawyer who doubled as a traditional chief operating on the internet lured Mr. X, a businessman from a Middle Eastern country, to Ghana in August 2011. The gang offered to supply gold to Mr. X. The lawyer was representing both the buyer and the seller of the gold. Mr X transferred US\$ 3.5 million to bank A in Ghana. The money was cashed at 21:00 hrs. GMT at the bank and 1% of the agreed quantum of gold was supplied at the first instance. When buyer demanded the 99% balance of the gold supply, the gang started mentioning names to him, including the Head of State. The gang solicited the help of policemen to chase the businessman out of the country. Informant notified the FIU, which then demanded for the details of the suspects from various banks. Details of the lawyer's operations were obtained from other jurisdictions.

The case was analysed by the FIU and intelligence disseminated to a competent authority for investigation. The Lawyer and the chief were both arrested. Seven (7) lawyers represented the accused. The Accused was remanded in prison custody for two (2) weeks. The Docket on the case was sent to the Attorney General's Office and it was realized that there were many loopholes in the docket. Since 2012, the new docket has not been submitted to the AGs Office by the investigators as at the time of compiling this report.

Source: Ghana

Techniques / methods and highlights of the case

- Sudden receipt of foreign transfers into an account without any documentation;
- Sudden withdrawal of large sums of monies in cash;
- Large annual credit and debit turnovers in an account.



Case 18: Advance fee fraud, forgery and extortion associated with trade in gold

The FIU obtained information that a suspect, Mr. A, received an inflow of US\$ 129,995.17 from the USA in August 2012. FIU enquiries revealed that Mr A maintained four (4) different accounts in one bank. All accounts were dormant prior to the transaction.

Mr. A had established a company but could not provide evidence to support his gold business although he alleged that he had been in the business for the 4 years. He claimed that the inflows were from his partners in the USA who had jewellery shops in Europe. Mr. A said he buys gold from the black market to send to the USA.

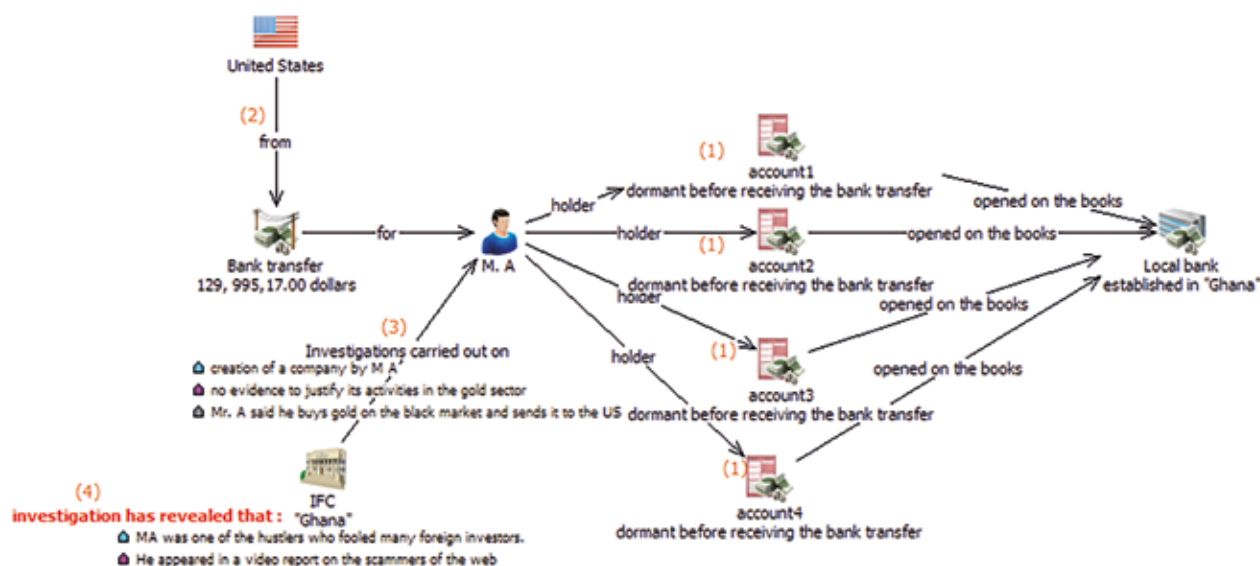
Web searches revealed that Mr. A is part of a gang of fraudsters who duped several foreign investors. He was featured in a video filmed by an Investigative Journalist and broadcast by an international media company. The case was later forwarded to competent authorities for further investigation and prosecution.

Source: Ghana

Techniques / methods and highlights of the case

- Sudden receipt of foreign transfers into suspects account without any documentation;
- Lack of evidence documentations to

- prove suspects claims;
- Purchase of gold without lawful authorizations;
- Lack of proof of business relationships with foreign partners;
- Large annual credit and debit turnovers in suspects account.



Case 19: False declaration / under-invoicing associated with trade in gold

In 2016, at the Bamako international airport, the Customs Department seized some quantities of gold which were to be fraudulently exported by two different companies:

a) A consignment belonging to company MS was seized at the airport with a quantity of 64.85 Kg of gold bound for export. The gold was valued at 335,000,500 FCFA (Euros 510,671). During interrogation, the Customs realized that the Company MS did not have any genuine export license. To obtain an export license, the exporter should pay 3% of the gold value to the State's Lands Department. To avoid paying the 3%, the exporter preferred to obtain a false export license in connivance with some officials of the Ministry of Trade. The entire amount of gold was seized by Customs and MS was ordered to pay a fine of 15% of the value of the gold seized. MS acknowledged the facts that the company did not have a valid export licence and paid the fine of 15% as well as the 3% payment regularization to the relevant State departments.

b) Another consignment belonging to company GT was also seized at the Bamako airport with a quantity of gold estimated at 150.7 Kg. The corresponding value of the gold was FCFA 1,243,275,000 (Euros 1,895,236).

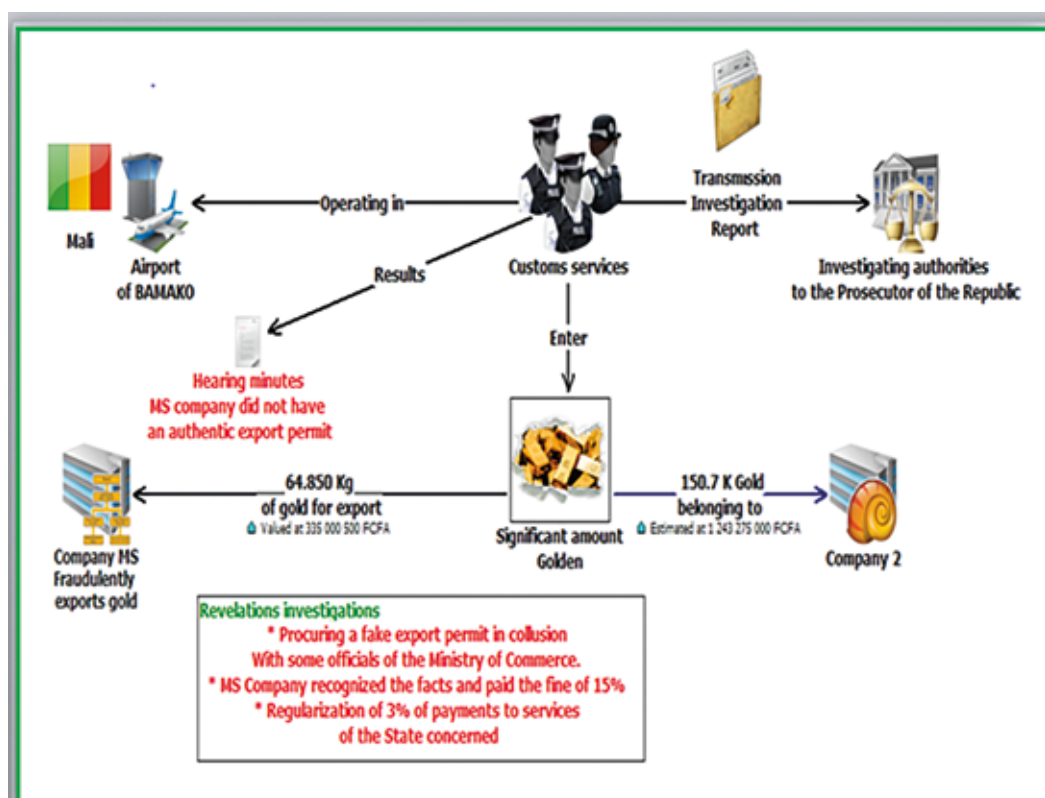
With a total of 150.7 Kg for export, GT had a valid export license for only 100 kg while 50.7 kg were fraudulently concealed, i.e., undeclared. As a result, the quantity actually declared did not cover the total amount earmarked for export. Under Section 354 of the Customs Code the violation is a customs offence.

GT acknowledged offence and was ordered to regularize its export license to cover the 50.7kg at the rate of 3% and pay the 15% fine to Customs for false declaration. Investigations was still on to identify the accomplices involved in the issuance of the false declaration as at the time this report was compiled.

Source: Mali

Techniques / methods and highlights of the case

- Concealment of gold and false declaration in order to avoid tax payments;
- Bribing of officials to obtain a false declaration form.



Case 19: False declaration / under-invoicing associated with trade in gold

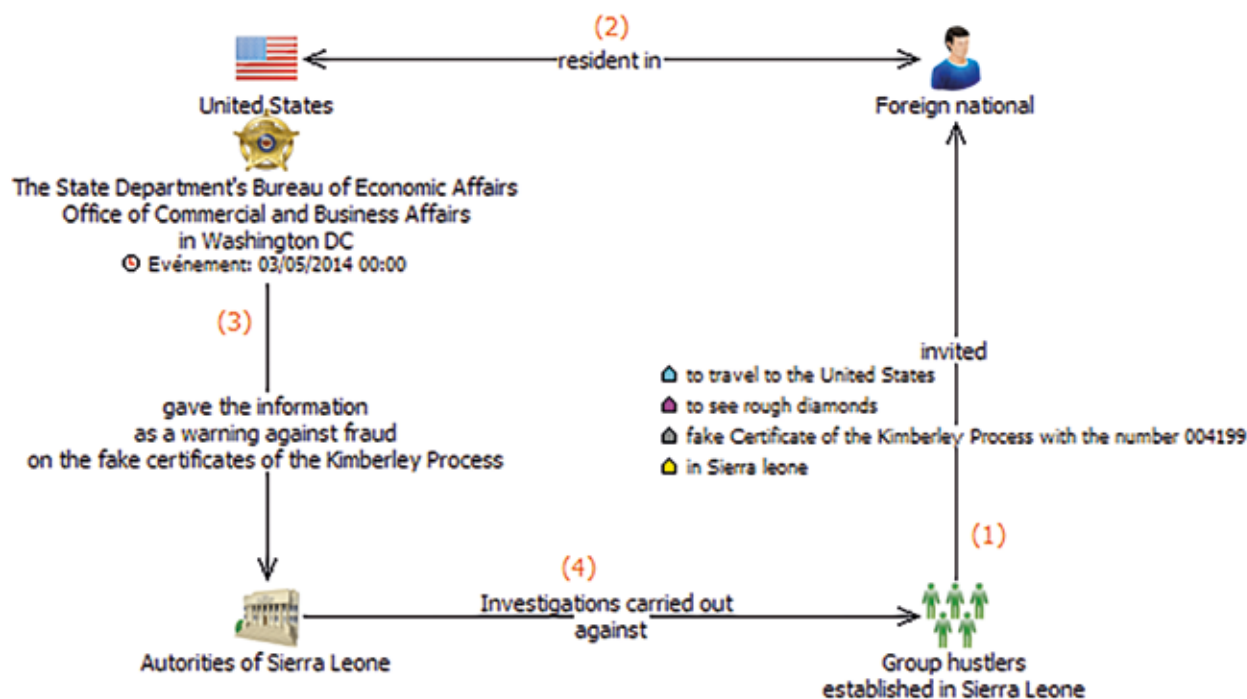
In May 2014, scammers in Sierra Leone invited a foreign national from the USA to the country to inspect rough diamonds that was issued with a fake Kimberley Process Certificate numbered Sierra Leone 004199, that were later evaluated as fake stones. The suspects pretended to represent a company, Kukku Diamond PTY Ltd. while faking to export a parcel of 230.7 carats of diamonds.

This led to the issuance of fraud warning by the Bureau of Economic and Business Affairs of US Department of State on May 9 2014, on Fake Kimberley Process Certificates from Sierra Leone, Ghana and Guinea.

Source: Sierra Leone

Techniques / methods and highlights of the case

- Falsification of the Kimberly Process Certificate;
- The use of fake precious minerals/gem stones to defraud unsuspecting business people or greedy ones;
- The use of fake companies to carry out illegal business in diamonds.



Case 21: The use of front companies to defraud foreigners, associated with precious minerals

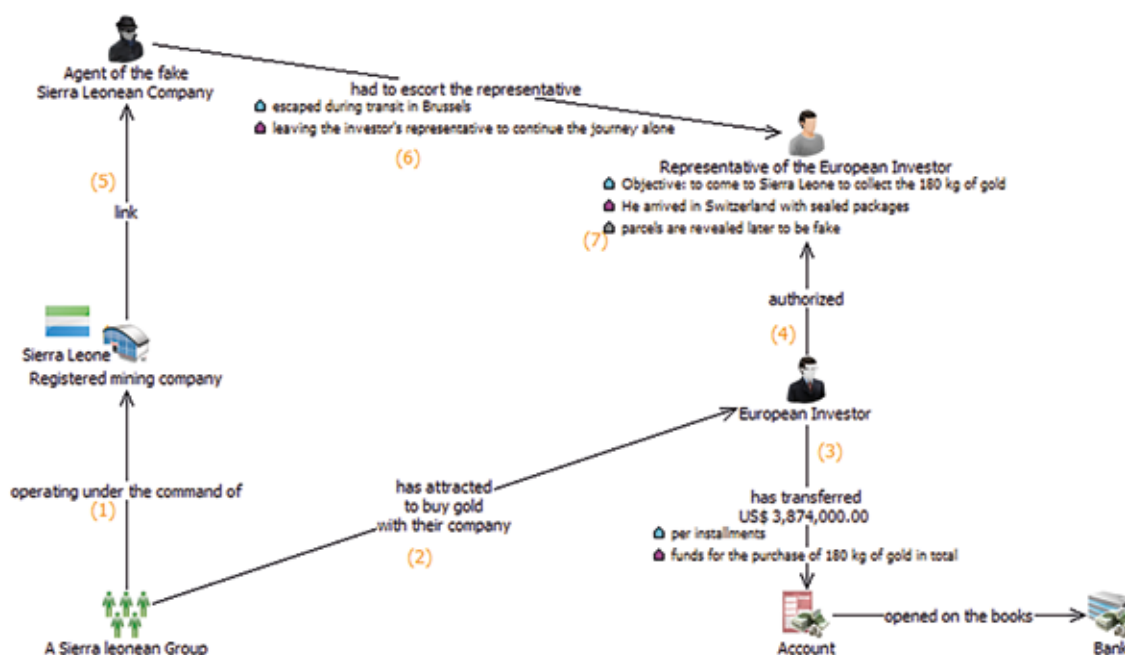
A group of Sierra Leoneans operating under the guise of a registered mining company lured a European investor into the country to buy gold from their company. A total sum of US\$ 3,874,000.00 was transferred in tranches over a period of time from Europe to the account of the company in Sierra Leone, for the purchase of a total of 180 kg of Gold. A representative of the European investor came to Sierra Leone to collect the 180kg of gold. The representative of the investor was to be escorted by one of the Operatives of the fake Sierra Leonean company. While travelling to their destination, the Sierra Leonean escaped during transit in Brussels leaving the Representative of the investor to continue the journey. He arrived in Switzerland with the sealed parcels which was later found to be fake.

Source: Sierra Leone

Techniques / methods and highlights of the case

- The use of front companies for fraudulent schemes;

- The use of fake precious minerals to scam foreign nationals;
- Transfer of huge sums of money in tranches through the banking system to a local account, especially with abnormal/ no previous business transaction records.



Typology 6: The use of front companies to launder the proceeds of corruption and fraud in the extractive/mining sector

70. Corruption and fraud remain the twin scourges used to deny West African economies of a

major source of fund, which are needed for development. Highly placed government officials give tax holidays and other mining concessions to multinationals of their interest, after being compromised and at the expense of the country. The economies always stand to lose the much needed funds for development. The cases below illustrates this typology.

Case 22: Fraudulent acquisition of licences in the oil and gas sector

Due to lack of clear guidelines in the awards of licences and acreages of plots, and the lack of information on beneficial ownership disclosure in the oil & gas sector, a previous government gave licences to politically exposed individuals working within the government. The most controversial example, OPL 245, an offshore oil block with an estimated 9 billion barrels in reserves, was acquired by a former Minister of Petroleum in Nigeria as the ultimate beneficial owner of Malabu. In 2011, OPL 245 was subsequently acquired by Shell and ENI for \$1.3 billion and the proceeds went to the Minister and other government officials.

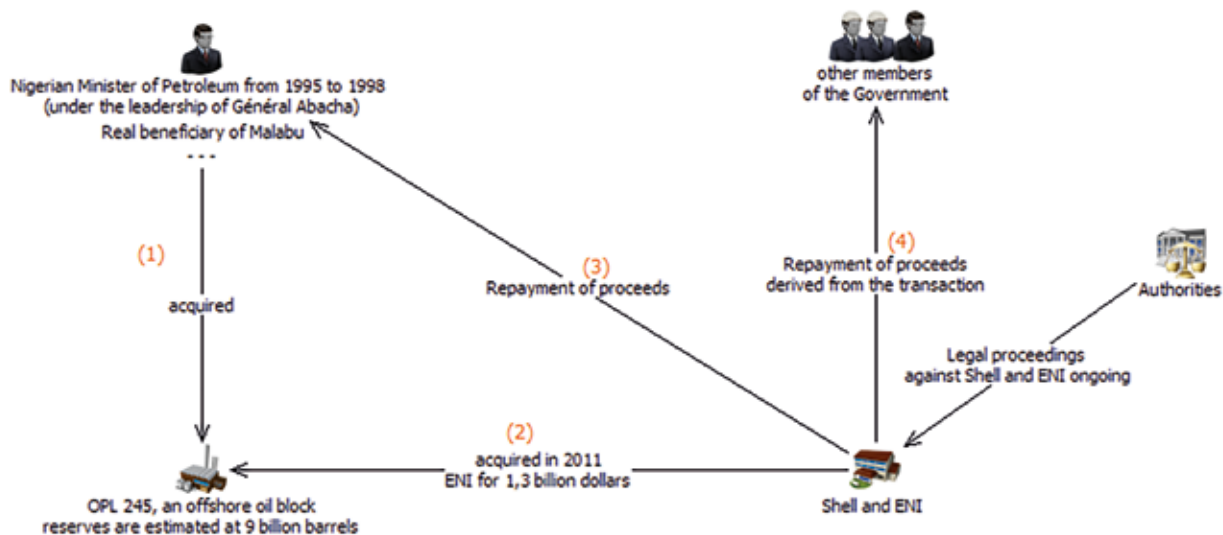
Source: Nigeria

Techniques / methods and highlights of the case

- Conflict of interest of highly placed state officials;
- State officials accumulating exorbitant

wealth within the shortest period (unexplained wealth);

- Breach of procurement procedures in awarding contracts;
- Bribery and corruption involving multinational companies.



Case 23: The use of shell companies to launder illicit proceeds from the oil and gas sector

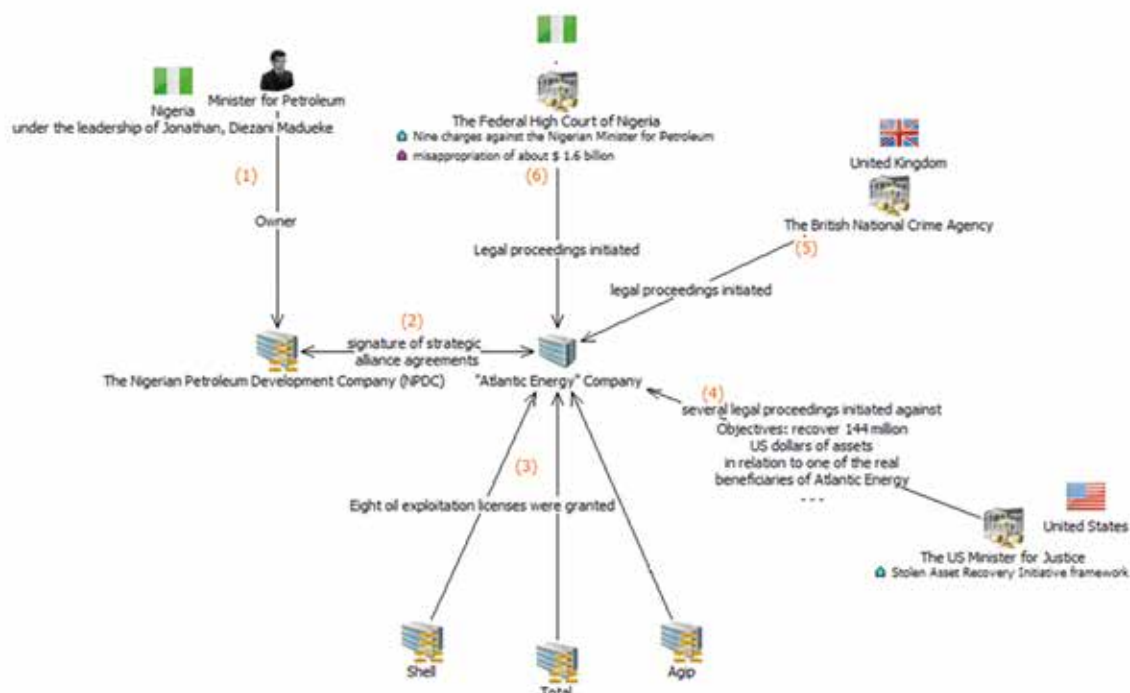
The Nigerian Petroleum Development Company (NPDC), a subsidiary of the Nigerian National Petroleum Corporation (NNPC), under the direction of the then oil minister of the Jonathan administration, Diezani Madueke, signed the Strategic Alliance Agreements (SAAs) with Atlantic Energy. Eight Oil Mining Licences (26, 30, 34, 42, 60, 61, 62 and 63) blocks divested by Shell, Agip and Total were signed off through these SAAs to a company with no industry track record. These deals have ended up in several legal processes in the US Department of Justice Kleptocracy Asset Recovery Initiative, which is seeking to recover US\$144 million in assets associated with one of Atlantic Energy's beneficial owners; the UK's National Crime Agency; and the Federal High Court in Nigeria, where Diezani Madueke and two other plaintiffs (Kolawole Akanni Aluko and Olajide Omokore) have been charged on nine counts of criminal charges, including diversion of approximately \$1.6bn. .

Source: Nigeria

Techniques / methods and highlights of the case

- Conflict of interest of highly placed state officials;
- State officials accumulating exorbitant wealth within the shortest period

- (unexplained wealth);
- Bribery and corruption involving multinationals;
- Breach of procurement procedures in awarding contracts;
- The use of front companies to lure state resources.



Case 24: The use of foreign exchange bureau to launder the proceeds from corruption in the mining sector

Mado, a certified foreign exchange dealer, opened a bank account with one of the Senegalese banks B1 and gave a proxy to his son Papo acting as his assistant at the forex office. In just one year, the professional account had been credited with large cash payments followed by purchases of currencies (euros and dollars) for a total cumulative amount of 53 billion CFA francs. Mado could not provide proof of the resale of currencies following the purchases made with the banks operating in the country. He indicated that he had returned currencies to a PEP named Excellence, which was confirmed through Mado's bank account, revealing the incoming financial flows by cheque deposits issued by Excellence.

The nature of the paradoxical relations is based on the fact that nothing before then seems to bind Mado and the PEP, Excellence, at a professional level. There was discrepancy between the amount of funds deposited by the PEP in Mado's account and the level of his legitimate income considering his status in the country.

Finally, it appears that the operating license granted to Mado as foreign exchange dealer was used on purpose for the recycling of funds that could have stemmed from corruption, the undue reception of commissions by a PEP operating in this particularly strategic sector of the State.

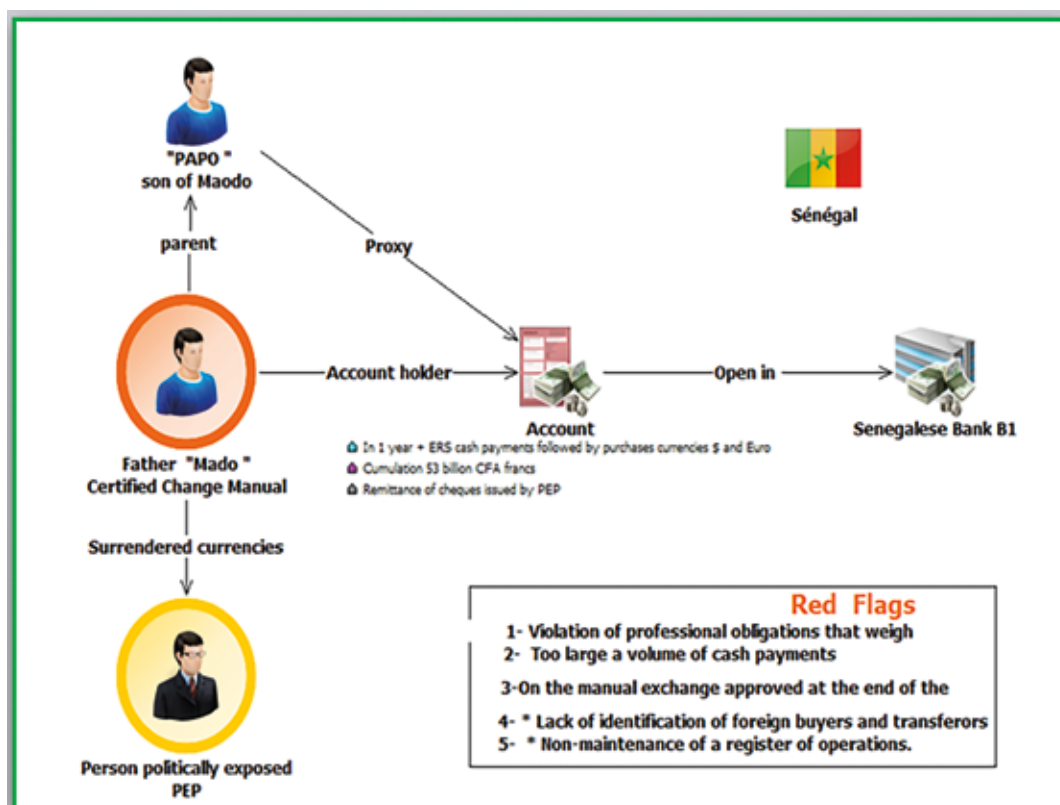
Source: Senegal

Techniques / methods and highlights of the case

- Excessive volume of cash payments compared to the average of financial inflows recorded in the Senegalese informal foreign exchange market;
- Violation of the professional obligations

imposed on the authorized foreign exchange dealers in line with the regulatory provision relating to the external financial relationship;

- The lack of records of foreign exchange buyers and sellers;
- The non-maintenance of a transaction register.



Case 25: Laundering proceeds derived from tax fraud through front companies and comingling with funds in the mining sector

An Israeli diamond magnate, Beny Steinmetz's was involved in diamond business in Sierra Leone through a company called Octea, which is registered in a tax haven, the British Virgin Islands (BVI). Octea owns the Koidu mine in Sierra Leone. Though the company produced quality rough diamonds (gem) estimated at \$350/carats, the mine was also in debt to the tune of \$150 million with creditors demanding to be paid, including the government of Sierra Leone.

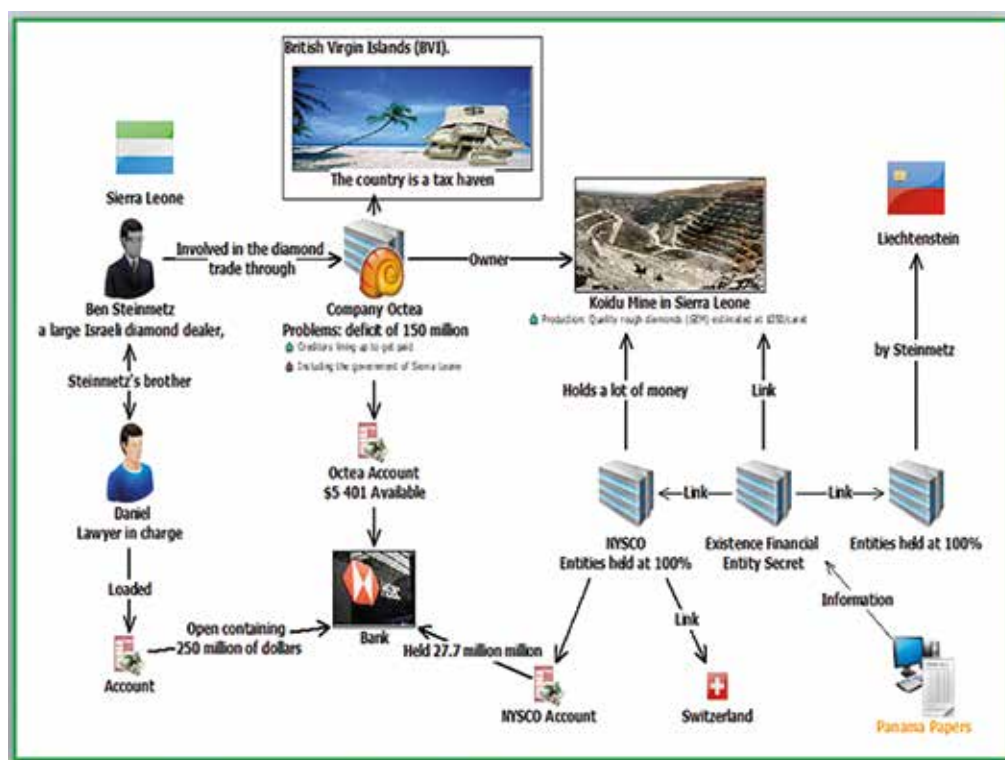
The Panama papers revealed a secretive financial structure connecting Koidu mine and Octea for wholly owning Steinmetz entities in Liechtenstein, the BVI and Switzerland. Some of these entities held a substantial amount of money as compared to Koidu mine. In 2007, one of those companies, called Nysco, held \$27.7 million in a single HSBC bank account, while Koidu mine had only \$5,401 in its HSBC account for the year. Steinmetz's brother, Daniel, was listed as the attorney for an HSBC bank account containing \$250 million.

Source: Sierra Leone

Techniques / methods and highlights of the case

- Conflict of interest of highly placed state officials;
- The use of shell companies as front for tax evasion purposes;

- The Panama papers disclosure of sophisticated laundering methods used by criminals;
- Huge sums of money held in the accounts of sister companies overseas with little evidence of source of fund.



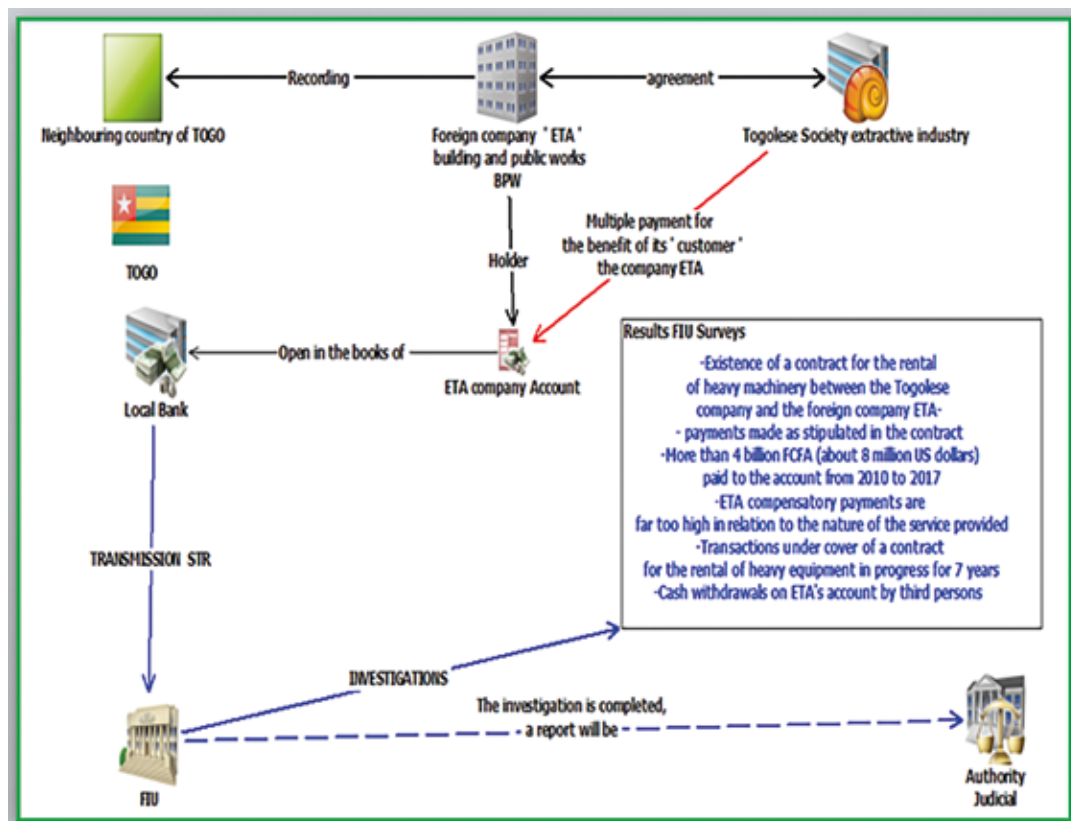
Case 26: Corruption and fraud in the procurement of lease machinery in the mining sector

The FIU received a suspicious transaction report (STR) on an account opened in a local bank based on a suspicious transaction. The account belonging to a company registered in a neighbouring country was exclusively funded through payments made by a Togolese company operating in the extractive industry. The investigation revealed the existence of a heavy machinery rental agreement between the Togolese company and the foreign company. Indeed, the Togolese company hires equipment from the foreign company and the payments are made as stipulated in the contract. Investigations found that over 4 billion FCFA (about US\$8 million) was made to the account between 2010 and 2017. In 2016, more than 400 million FCFA (about US\$800,000) was paid into the same account. The payments in lieu of the foreign company are way too high compared to the nature of the service provided, i.e., heavy machinery rental. In addition, the transactions under the guise of heavy equipment rental agreement have been going on for 7 years. Over such a period, a rational company would have taken the decision to acquire the equipment instead of renting them. In addition, people who have no connection with the company made cash withdrawals from the account of the foreign company. Investigation also revealed that these people were close to the leaders of the Togolese company. The investigation was about to be completed for the case to be referred to court as at the time this report was compiled.

Source: Togo

Techniques / methods and highlights of the case

- Over-invoicing technique: the payment of inflated bills for service contracts;
- Bribery and corruption involving multinationals;
- Breach of procurement procedures in awarding contracts;
- Obscure beneficial ownership arrangements.



Typology 7: Money laundering through the exploitation of State policies and programs in the extractive/mining sector and connivance of PEPs

71. The last set of cases present money laundering related to possible terrorist financing methods used in the extractive industry/mining sector in West Africa. The cases show how funds are generated, laundered within and/or carried abroad.

Case 27: Money laundering associated with the oil subsidy fraud

The Oil subsidy fraud took place in Nigeria between 2006-2011, where oil marketers secured approvals from the Petroleum Products Pricing Regulatory Agency (PPPRA) of the national oil company, the NNPC, to import petroleum products and sale to citizens at government subsidized rate. However, the scheme was bedevilled with wide spread fraud, inflating imported products figures to outright use of non-existent products/ vessels and yet claiming huge sums of money as subsidy from government leading to the loss of over 1.4 trillion naira (about US\$12

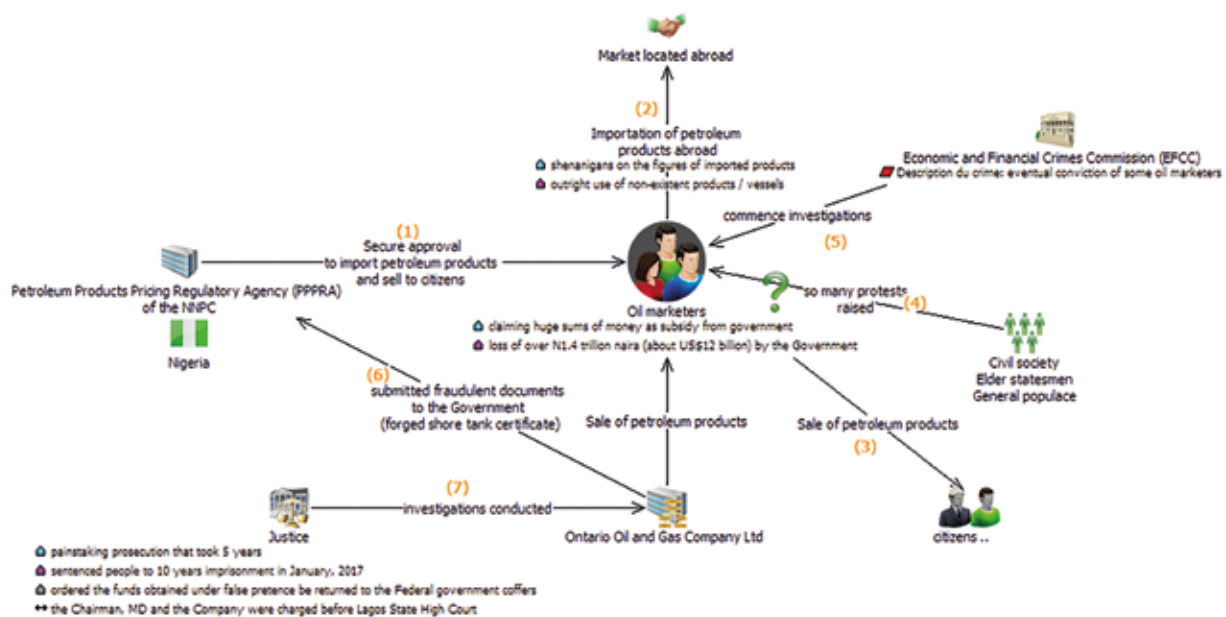
billion) by the government. This caused so much uproar by citizens, civil society groups, elder statesmen and the general populace leading to an investigation into the whole subsidy regime by the Economic and Financial Crimes Commission (EFCC) which led to the arrest, prosecution and eventual conviction of some oil marketers. Some of the cases were still under prosecution in various Courts across the Country as at the time this report was compiled.

Ontario Oil and Gas Company Ltd got approval to import premium motor spirit (PMS) into the country, they proceeded to import the products, stored same in a tank farm in Lagos, Nigeria and sold to marketers, submitted fraudulent documents to the Government (forged shore tank certificate) claiming higher amount of subsidy by inflating the actual quantity imported, the case was investigated. The Chairman, Managing Director and the Company were charged before Lagos State High Court. After a painstaking prosecution that took about 5 years, in January, 2017, the Court found all the accused guilty and sentenced them to 10 years imprisonment and ordered that the funds that were obtained under false pretence should be refunded to the Federal government. This was the first conviction of the subsidy fraud that took place in Nigeria among the cases that were charged to Court.

Source: Nigeria

Techniques / methods and highlights of the case

- Conflict of interest of highly placed state officials;
- Bribery and corruption involving government officials;
- Breach of procurement procedures in awarding contracts;
- Over-invoicing technique: the payment of inflated bills for service contracts.



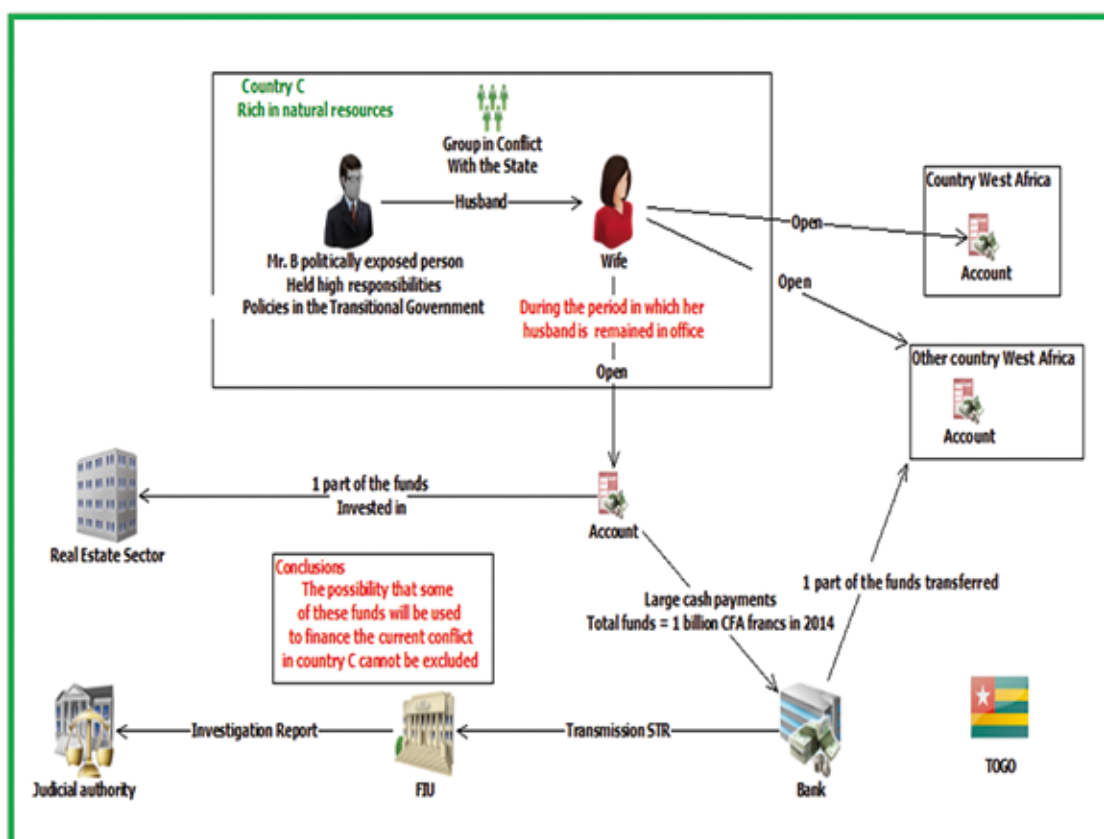
Case 28: Money laundering associated with illicit mining flows

The FIU received a STR on suspicious transactions carried out by a politically exposed person on the basis of the following facts: Mr B holds a very high political responsibility in the transitional government of a conflict-prone country «C», rich in natural resources. Over the period, his wife opened bank accounts in several West African countries including Togo. Significant cash payments were made into the bank accounts during the period in which her husband was in office. The total funds channelled through the bank accounts in Togo amounted to 1 billion FCFA in 2014 (Euros 1,524,390). Part of these funds were transferred to accounts abroad and the rest invested locally in the real estate sector. Given that country «C» is rich in mineral resources, the claim that the funds were derived from mining activities was plausible. However, the possibility that part of the funds were used to finance the ongoing conflict in country C cannot be excluded. As a result, a report was sent to the court and investigation was still underway as at the time this report was compiled.

Source: Togo

Techniques / methods and highlights of the case

- Large amounts of money carried in cash and deposited in accounts in neighbouring countries;
- Use of notaries and family members to launder money;
- Money transfers made abroad from monies transferred from a third country;
- Investing in real estate companies and purchasing properties.



CHAPTER 5: RED FLAGS AND INDICATORS

72. Red flags and indicators are specific activities behind certain activities, transactions, actions and events that may lead to suspicion and may require further examination and monitoring. There are a number of indicators and possible red flags that were identified from the analysis of the cases presented in the previous chapter. The indicators and red flags differ depending on the extent of the money laundering or suspected terrorist financing activities. While the indicators represent events that may or may not indicate the existence of money laundering or terrorist financing, red flags represent events that provide clearer evidence of money laundering or terrorist financing. Below is the list of indicators and red flags that were identified from the analysis of the full cases, though not exhaustive. The indicators and red flags confirm that weak supervision and regulatory systems in the extractive/mining sector in the region, and weak tax collection and enforcement systems contribute significantly to perpetuating corruption, money laundering and illicit financial flows.

Indicators

- Receipts of large amount of funds transferred from abroad into an account that is dormant or whose declared business is not commensurate with the volume of funds received;
- Suspicious origin and destination of funds received in an account (i.e., conflict zones, tax heavens and blacklisted jurisdictions);
- Cash payment of large amounts on several accounts belonging to a single person;
- Transfer of large amounts from a company account to several other accounts of the same bank;
- Natural and legal persons being sponsored or linking up with PEPs to conduct mining activities;
- Foreigners holding large amounts of cash, acting as buying and sales agents of exporters in an artisanal gold mining area;
- Frequent cash payments made into a special account, which records many transactions carried out by individuals who also carry out credit account transactions of a cooperative of which they are not members;
- Simultaneous opening of multiple accounts; business and personal, where frequent payments from one account to the other is done in order to obscure movement of funds;
- Generating illicit gains through the misuse of tax codes and comingling funds generated with legitimate activities;
- The signing of bogus contracts in order to divert funds for personal gains;
- The prevalence of illegal mining and other related activities including the illegal possession of explosives and chemicals used for mining;
- Weak oversight and monitoring in the artisanal and small scale mining sector;
- Locals fronting for foreign nationals to acquire illegal concessions and trading in gold;
- Existence of buying houses for gold declared but not known to the tax authorities;
- Bribery of public officials to circumvent due processes in the acquisition of license for small scale mining;
- Foreign and locally organised criminals, purporting to be highly connected, colluding to lure foreign individuals, assuring to give them access to artisanal gold mines and gold,
- Scammers luring unsuspecting victims particularly foreign nationals into buying fake gold and associating themselves with a financial institution or high public officials;
- Politically exposed persons involvement and influence in the extractive industry / mining sector;
- False declaration of mining products (gold and diamonds) for export;
- Complicity of State officials in the issuance of licenses to export mining products (gold and diamonds) without paying taxes to the State;

- Making bulk cash payments for gold and diamonds at overvalued prices;
- Security officers posted to work in mining areas living unexplainable lifestyles and making investments that are not commensurate with their known income.

Red flags

- Buying gold above market price using cash and goods (barter);
- Making payments for minerals purchased locally to an account abroad;
- Fund transactions between mining company accounts and Politically Exposed Person (PEP) and / or political party accounts;
- Purchasing large quantities of gold over and above the market price at artisanal mining sites, through fictitious accounts;
- Comingling legal funds with suspicious proceeds of activities related to precious mineral exploration, mining and/or marketing;
- Government officials openly involved in unauthorized extraction and trade of minerals;
- Sudden influx of gold miners into abandoned mining sites;
- Failure by a financial institution to comply with regulatory procedures including taking due diligence measures;
- The inappropriate destination of goods (reported export of used spare parts to a Middle Eastern country);
- Growing number and influx of foreigners engaged in illegal mining and precious mineral sales;
- Natural and legal persons receiving swift messages with narration that the funds are for gold purchases;
- Individuals receiving unusual huge funds claiming to be engaged in precious mineral business;
- Dealers involved in the sale of gold without license from the authorities;
- Illicit dealer offices, even if they have a bank account, preferring cash transactions;
- Dealer offices bribing officials to secure declaration forms;
- Transfers from an offshore country;
- Use of escrow account to receive funds for mineral sales;
- Lack of links between the principal / legal entity and the beneficiary/ natural person;
- Execution of hedged transactions by professionals for the benefit of PEPs;
- Obscured beneficial ownership;
- Large amounts paid into a given account on a regular basis and over a long period without reported business transaction;
- Large amounts of money being withdrawn in cash by natural persons, especially PEPs, in order to conceal the criminal origin of the funds.

CHAPTER 6: CONCLUSION AND RECOMMENDATIONS

Conclusion

73. The extractive industry/mining sector in West Africa remains the main foreign exchange earner and forms the backbone of eleven of the fifteen ECOWAS member States' economies. The sector is characterised by inadequate regulatory and supervisory mechanisms, even though with the advent of the EITI initiative and efforts by the United Nations, the World Bank, the OECD and other development agencies, most member States now have a robust legislative framework. Transparency and accountability challenges continue unabated as they are not thoroughly observed throughout the contract, licencing and operational processes of exploitation, trading and revenue remittance. Various reports, including by investigative journalists, have highlighted how a number of economic operators engage in mining activities, evade and manipulate legitimate channels to accumulate large amounts of money.

74. The sector has been linked to rather high levels of illicit financial flows especially emanating from corruption, tax evasion, transfer pricing, smuggling, theft, piracy, and other methods of generating illicit funds. In addition, the sector has witnessed more conflict and unrest in the past than any other and this trend, though slowing down, still persists. The sector is also misused by scammers defrauding mostly foreign individuals. Precious mineral, particularly gold and diamond, are used to move value as they are as liquid as cash, and easy to conceal and facilitate trade-based money laundering as well.

75. West Africa as a region has made encouraging progress in recent period to address transparency and accountability issues in the extractive industry/mining sector but there is a disagreement among government officials, operators and civil society as to the nature and extent of that progress as the analysis of

the questionnaire administered for this report clearly shows. Some countries have made more progress than others and this represent good progress as well as gives a cause for concern especially on those countries that are not making the required progress.

76. In countries that have made significant progress, there has been an overhaul of the various governance and institutional structures as well as the associated policies: legal and regulatory frameworks. However, in all the countries, regulatory and law enforcement efforts in the sector are yet to yield the desired result due to vulnerabilities the sector is exposed to. The large informal nature of the region's economies where transactions are widely done in cash, with porous borders and weak border management, as well as rampant corruption, amongst others, remain the major obstacles to improving AML/CFT and other governance initiatives in the sector.

77. In the light of the above vulnerabilities and challenges, the following recommendations are being put forward to address the challenges and manage the ML/TF risks linked to the sector.

Recommendations

FATF Standards and AML/CFT good practices

- I.** Countries should prioritize the implementation of the FATF Standards and related good practices including:
 - Assessing ML/TF risks in the extractive industry, i.e., by understanding the nature of formal and informal mining, the types of minerals that are being extracted or traded and mapping mineral supply chains and actors within the chain - (R.1).
 - Apply AML/CFT requirements to a wide range of dealers in precious metals and stones as provided in the FATF Risk Based Approach Guidance for Dealers in

- Precious Metals and Stones) - (R.22-23).
- Designate competent national authorities to supervise dealers in precious metals and stones, raise awareness on the industry and monitor compliance with AML/CFT requirements - (R.28, R.34).
- Extend the cash courier measures (R.32) to precious stones and metals or put in place another mechanism to capture information on the cross-border movement of precious metals and stones.
- Incorporate relevant AML/CFT standards in the WAEMU Community Mining Code.
- Initiate changes in specific legislations on the extractive industry and mining sector to take into account their AML/CFT compliance obligations and other relevant provisions.

II. Put in place an interagency mechanism for countering ML/TF and other relevant predicate offences linked to the extractive industry -

- Understand clearly the risks that need to be addressed (e.g., corruption in large-scale mining contracts or smuggling of minerals extracted through artisanal mining);
- Map the role of different agencies (FIU, Ministry of Mines, Tax and Customs agencies, Police, Anti-corruption agencies, Intelligence Services, etc.) and identify mechanisms for improving information sharing;
- Create a network of officials in each agency responsible for developing expertise on minerals related matters.

III. Improve the capacity of the FIU to be able to receive, analyze and disseminate suspicious transactions emanating from the extractive industry

- Undertake or contribute to a risk assessment of the extractive sector, including the analysis of STRs from dealers in precious metals and stones and relevant reports from the financial sector on actors in the supply chain.
- Enhance the knowledge and understanding of Financial Intelligence Units (FIUs) on the mineral supply chain.
- Where necessary, consider hiring or seconding specialized staff from other relevant agencies.

- Build a network of informal contacts with officials in other relevant jurisdictions (including neighboring jurisdictions and transit hubs) based on the results of the risk assessment.

Measures to support transparency and the effectiveness of the AML/CFT system via other extractive sector initiatives

IV. Encourage or require companies in the extractive industry to implement OECD's supply chain due diligence guidance for minerals.

- Require the private sector to assess the risks of money laundering and terrorist financing in their mineral supply chains.
- Consider requiring dealers of precious minerals and stones to provide data to authorities on the source of materials, amounts received and traded, and the destination of the minerals to enable the country to better assess risks.
- Commence a dialogue with the private sector to help them to understand the risks and to obtain useful input on the risks that the sector faces.

V. Expedite necessary amendments to the mining and other relevant laws to fully and effectively implement all EITI standards on transparency and disclosure of:

- legal & institutional frameworks, allocation of contracts and disclosure of beneficial owners and politically exposed persons linked to extractive licensees (Requirement #2);
- extractives exploration and production activities (Requirement #3);
- extractive taxes/revenues, State-Owned Enterprise (SOE) transactions and sub-national payments (Requirement #4);
- revenue distributions, sub-national transfers and revenue management and expenditures (Requirement #5).

VI. Ensure compliance with the improved laws and procedures for granting mining licenses and authorizations, particularly the eligibility requirements for the granting of such licenses, and the limited number of licenses.

- VII.** Carry out integrity due diligence checks on all applicants for extractive licenses (including exporters of mineral resources) and publicly disclose the identity of beneficial owners and PEPs linked to licensees.
- VIII.** Conduct periodic due diligence on beneficial ownership, corporate structures, business, government, political or military affiliations and technical and financial capacities of mining companies.
- IX.** Support regional capacity building initiatives and increase regional cooperation, including regional training platforms through institutions like GIABA to strengthen AML/CFT operational capacity.
- X.** Finalize the harmonization of Mining Codes through the adoption of the Proposed West African Economic and Monetary Union (WAE-MU) Community Mining Code, taking into consideration the decisions reached at the Third High Level Meeting of the Peace and Security Committee of WAEMU.
- XI.** Engage countries to adopt the open contracting and transparency principles in the mining sector to reduce the risk of bribery and corruption in the licensing process. Countries have already committed themselves to these principles under the EITI and Open Government Partnership Initiatives.
- XII.** Require mining companies of significant concern to institute compliance measures in order to ensure that criminal activities do not take place within their holdings, their related business interests and evolving ownership.

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Appendix

Appendix 1

CASE ANALYSIS TEMPLATE FOR TYPOLOGIES PROJECT ON MONEY LAUNDERING AND
TERRORIST FINANCING AND THE EXTRACTIVE INDUSTRY/MINING SECTOR IN WEST AFRICA

Name of Country_____ Case No._____

a. Brief Facts of the case (including what prompted the commencement of the investigation and status of the case as at the date of reporting):

b. Techniques/methods

Please indicate with the case example the occurrence of any of the following techniques/methods/schemes and use of any instruments listed:

B1. Corruption: Please, report the incidences of corruption related to this case, if any (bribery/ attempted bribery of officials, third parties, possible influence by politically exposed persons (PEPs) to influence investigating officials or private sector compliance staff in banks being bribed or influenced to allow illicit proceeds from the Extractive Industry / Mining Sector being laundered or used for terrorist financing purposes

B2. Cash couriers / currency smuggling: Concealed movement of money suspected to have been derived illicitly from the Extractive Industry / Mining Sector and thereby avoiding transaction / cash reporting measures.

B3. Structuring (smurfing): Numerous transactions involving illicit proceeds from the extractive industry / mining sector (deposits, withdrawals, transfers) high volumes of small transactions and sometimes numerous accounts to avoid detection threshold reporting obligations

B4. Purchase of valuable commodities (gems, precious metals etc.): Use of proceeds from the extractive industry / mining sector to purchase instruments to conceal true ownership or move value without detection

B5. Purchase of valuable assets (landed properties/real estate, vehicles, etc.): Investment of proceeds of the extractive industry / mining sector in high-value negotiable goods to cover up the criminal source of the proceeds.

B6. Trade-based money laundering and terrorist financing: Manipulation of invoice and use of trade finance routes and commodities to launder the proceeds of the extractive industry / mining sector

B7. Wire transfers: Transfer of illicit proceeds of the extractive industry / mining sector electronically between financial institutions from outside of the country or from the country to another country.

B8. Investment in capital markets: Incidence of trying to cover up the source of proceeds of the extractive industry / mining sector through investment in the capital market and other negotiable instruments

B9. Business investment: The mingling of the proceeds of the extractive industry / mining sector with legitimate business monies in order to cover up the source of the funds.

B10. Alternative remittance money services: The use of informal money service mechanisms to transfer or receive the proceeds of the extractive industry / mining sector

B11. Use of nominees, trusts, family members or third parties etc.: Transfer of proceeds of the extractive industry / mining sector to nominees, trust, family members or third parties by drug traffickers to protect their identities and/or for safe keeping/laundrying.

B12. Use of DNFBPs: The use of professionals such as accountants, real estate agents, lawyers, etc.

B13. Use of debit cards, credit cards, other payment cards, checks, promissory notes etc: The use of cards, checks, promissory notes for receive/make payment or laundrying of proceeds of the extractive industry / mining sector within national jurisdiction or to another the jurisdiction.

B14. Currency exchanges / cash conversion: use of the formal or informal currency exchange system to laundry/transfer the proceeds of the extractive industry / mining sector

B15. Commodity exchanges (barter): Direct exchange of commodities (legal or illegal) in order to conceal the origin of value being the extractive industry / mining sector

B16. Gaming activities (casinos, gambling etc.): Use of proceeds of the extractive industry / mining sector to, for example, buy winning tickets from legitimate players; using casino chips as currency for criminal transactions; using online gambling to obscure the source of criminal proceeds.

B17. Abuse of non-profit organizations (NPOs): use of NPOs to transfer proceeds of the extractive industry / mining sector in or out of the country

B18. Use of shell companies/corporations: Incidences of use of shell companies to cover up the identity of persons involved in the extractive industry / mining sector

B19. Use of foreign bank accounts: Movement of proceeds of the extractive industry / mining sector from point of high vigilance to a point of low vigilance (in or out of country)

B20. Identity fraud / false identification: use of false identity by persons involved in the case of the extractive industry / mining sector to obscure identification of those involved in many methods of money laundrying (if possible, provide some information as to how they obtained the false identity – corruption, intimidation, financiers, etc)

B21. Terrorist Financing: Use of proceeds of the extractive industry / mining sector to finance or facilitate terrorism and terrorist activities (in or out of country)

B22. Please, summarise the outcome of prosecution of the case

B23. Please, provide any additional information on any technique/method not adequately covered above.

QUESTIONNAIRE

Section A: General Information

Please, identify yourself:

| | | |
|----|---|--|
| 1. | Where do you work? | |
| 2. | How would you describe your relationship with the Extractive/Mining industry in your country? | |
| 3. | If you wish to be contacted for any further discussion or explanation on this topic, kindly provide your contact. Otherwise, you are not obliged. | |

Section B: General Questions (for general population, including public authorities)

| SN | Questions | Responses |
|-----|--|-----------|
| 1. | Legal framework: What is your opinion on the adequacy or otherwise of the existing legal framework governing the oil/gas/mining sector(s) in your country? | |
| 2. | Regulation: What is your opinion on the adequacy or otherwise of the existing regulations governing the operations of the oil/gas/mining sector(s) in your country? | |
| 3. | Licensing: What is your opinion with regard to the transparency and objectivity of the processes for the award of licences and contracts for the exploration and production of oil and Gas/extraction of minerals in your country? | |
| 4. | Concessions: What are the various types of concessions (mining, duty free, etc.) given to firms/contractors and how transparent and objective the processes are within the industry? Please outline the transparency limitations/gaps. | |
| 5. | Supervision: What is your opinion on the adequacy or otherwise of the existing supervision or monitoring of the operations of the oil/gas/mining sector(s) in your country? | |
| 6. | Procurement/Sub-Contract: How can you describe the procurement process in practice, including sub-contracting services and supplies, vis-à-vis standard procurement / international best practices? Please outline conflict of interest issues, if any. | |
| 7. | Accountability: What are the major challenges and limitations in ensuring transparency and accountability in the oil/gas/mining sector, particularly with regards to determining the volume and value exports in your country? | |
| 8. | Domestic Governance: What is your opinion on the domestic governance of the country and its impact on the existing oil/gas/mining sector(s) practices and challenges? | |
| 9. | Globalisation: What is your opinion on the role of global trade/policy (cartel/quota/pricing, etc.) and the impact on the oil/gas/mining sector(s) in your country? | |
| 10. | Financial Flows: Are there any policies to determine how much of the revenue accruing to foreign firms can be repatriated at a particularly time? If yes, how much of these flows go through the formal financial channels? Are there possibilities of financial comingling with illicit finance or unexplained resources? | |
| 11. | Revenue: Is your country getting a fair share of the revenues generated from the extractive industry/mining sector(s) in your country? Please, provide details | |
| 12. | International Best Practices: How much has the adoption of international best practices helped to improve transparency, accountability and diligence in the Extractive industry/mining sector(s) in your country? | |
| 13. | In summary, what is your general opinion about the sector? | |

Appendix 3

Data Collection (For relevant national authorities only)

Contact information:

| | |
|--|--|
| Institution | |
| Address and full contacts of institution | |
| Name of the person(s) responsible for providing the data | |
| Date of completion | |

i. Data on Volume and Value of Oil and Gas and Minerals Sold

| Mineral | 2012 | | 2013 | | 2014 | | 2015 | | 2016 | |
|-----------|--------|-------|--------|-------|--------|-------|--------|-------|--------|-------|
| | Volume | Value | Volume | Value | Volume | Value | Volume | Value | Volume | Value |
| Oil | | | | | | | | | | |
| Gas | | | | | | | | | | |
| Gold | | | | | | | | | | |
| Diamond | | | | | | | | | | |
| Iron Ore | | | | | | | | | | |
| Rutile | | | | | | | | | | |
| Bauxite | | | | | | | | | | |
| Manganese | | | | | | | | | | |
| Uranium | | | | | | | | | | |

ii. Estimates of Volume and Value of Oil and Gas and Minerals lost

| Mineral | 2012 | | 2013 | | 2014 | | 2015 | | 2016 | |
|------------------|--------|-------|--------|-------|--------|-------|--------|-------|--------|-------|
| | Volume | Value | Volume | Value | Volume | Value | Volume | Value | Volume | Value |
| Oil | | | | | | | | | | |
| Gas | | | | | | | | | | |
| Gold | | | | | | | | | | |
| Diamond | | | | | | | | | | |
| Iron Ore | | | | | | | | | | |
| Rutile | | | | | | | | | | |
| Bauxite | | | | | | | | | | |
| Manganese | | | | | | | | | | |
| Uranium | | | | | | | | | | |
| Others (specify) | | | | | | | | | | |
| Others (specify) | | | | | | | | | | |

4. Lost should be interpreted as production/extraction carried out but the revenue did not return to government

iii. Criminal Cases Recorded

| Mineral | 2012 | | 2013 | | 2014 | | 2015 | | 2016 | |
|-----------|---------------|-------------|---------------|-------------|---------------|-------------|---------------|-------------|---------------|-------------|
| | Investigation | Prosecution | Investigation | Prosecution | Investigation | Prosecution | Investigation | Prosecution | Investigation | Prosecution |
| Oil | | | | | | | | | | |
| Gas | | | | | | | | | | |
| Gold | | | | | | | | | | |
| Diamond | | | | | | | | | | |
| Iron Ore | | | | | | | | | | |
| Rutile | | | | | | | | | | |
| Bauxite | | | | | | | | | | |
| Manganese | | | | | | | | | | |
| Uranium | | | | | | | | | | |

iv. Nature of the cases

| |
|--|
| Please describe below the general nature of the cases (how the cases mostly occurred, the types of people involved and modus operandi) |
| |



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