



المجموعة السودانية للديمقراطية أولاً  
Sudan Democracy First Group

# Sudan Transparency Initiative



**The Politics of Mining and Trading of Gold in Sudan:  
Challenges of Corruption and Lack of Transparency**

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المجموعة السودانية للديمقراطية أولا  
**Sudan Democracy First Group**

Sudan Democracy First Group (SDFG) was formed as an umbrella group of leading Sudanese independent and democratic civil society and media actors to serve as a civil society and think tank that conduct indigenous research, analysis and advocacy on human rights, development, peace and democratic transformation in Sudan.

SDFG launched the Sudan Transparency Initiative (STI) Project in March 2015 to investigate, analyze, document and disseminate credible and reliable information about the scope and scale of corruption and lack of transparency in Sudan. The overarching objective of the project is to raise awareness, promote accountability and resistance and spur grassroots anti-corruption movements in Sudan. One of the components of the project is to commission expert consultants to thoroughly research and report on corruption and lack of transparency in specific key sectors. The gold mining and trade sector receives considerable attention and controversy both in government circles as well as the public arena. This report is an attempt to shed light on the intricate and multifaceted structure of this sector.

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## Executive Summary

This research highlights a long overdue need for a concerted, dynamic and interdisciplinary approach to issues and challenges facing the organized industrial and the artisanal gold sectors in Sudan. For such a holistic approach to be sustainable, there must be rule of law and democracy. Where there is rule of law and democracy, transparency, effective governance, social justice and environmental justice can follow, ensuring that all stakeholders are engaged in defining and implementing important policies in the mining sector.

It is a Sisyphean endeavor to investigate corruption and lack of transparency in a kleptocratic state where the entire government apparatus is structured to perpetuate corruption. Increasingly, however, many organizations, United Nations Convention Against Corruption (UNCAC), GAN Business Anti-Corruption Portal, Transparency International, the World Bank's Worldwide Governance Indicators (WGI) and Global Witness, to mention just a few, have won considerable successes against corruption. Thanks to such efforts, which made corruption measurable, with a specific and concrete definition, laws and policies have been formulated to combat it.

The post-colonial, neoliberal, kleptocratic "arbiter<sup>1</sup>" state has been wreaking havoc on the factors of production: changing resources into waste, and laying waste to the health care and education systems and profiting at the expense of human welfare. The rules of the game have become short-term and fast-food style search for loans, donations and foreign investment.

The artisanal gold sector employs more than one million poverty-driven miners emerging from an army of uneducated, unemployed, under-privileged men and women from both the periphery and the center. They are the product of marginalization which is itself a product of a century-old inequitable distribution of national wealth and political power.

Some of the key findings of this report include:

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<sup>1</sup> Calkins and Ille, 2014 argue that the state should act as an arbiter between global capital flows and local communities, but has failed to do this in the Sudan context. Calkins, Sandra and Enrico Ille, "Territories of Gold Mining: International Investments and Artisanal Extraction in Sudan", In Jorg Gertel, Richard Rottenburg and Sandra Calkins, eds., *Disrupting Territories. Land, Commodification and Conflict in Sudan*, James Currey, 2014, p. 51-76.

- The Geological Research Authority of Sudan (GRAS) estimated that every week between 50 and 100 kilograms of extracted gold are sent to Khartoum for black market sale and export.<sup>2</sup>
- 75 per cent of gold gets smuggled. And smuggling is being enabled by the inconsistency of policies regulating the sector, monetary policies, corruption and militia control of the gold producing area of Jebel Amir.
- Between 2010 and 2014, more than \$4.5 billion worth of gold was smuggled from Sudan to the United Arab Emirates, according to the report of the U.N. panel of experts.<sup>3</sup>
- The militia in Jebel Amir is in control of the gold producing areas and as a result has access to substantial amounts of money. This is a serious threat to peace, security and human rights in that it could position the militia to behave more aggressively and spark a new phase in the Darfur conflict,<sup>4</sup> with tacit or explicit government approval.
- The gold industry in Sudan is affected by the legal and institutional framework in Sudan, bureaucratic and political corruption, including embezzlement, cronyism and patronage.
- The kleptocratic government and militia are in alliance to appropriate gold resources. Experts and advocates recognize that it is impossible to regulate an industry partially controlled by militia, gold brokers and speculators who are highly politically influential. It is estimated that Musa Hilal and his armed followers make \$54 million a year from their control of the gold mines.<sup>5</sup>
- The Achilles' heel of Sudanese economic, political and social structures is the absence of rule of law, democracy and respect of fundamental human rights. Hence, macro-economic plans and strategies, legislative reforms, accountability and anti-corruption measures need to be dynamically and tightly connected to this bigger picture. In other words, the ills of the gold mining sector are part and parcel of the corrupt kleptocratic political system.

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<sup>2</sup> Ibrahim, M.S., and Abdel Baqi, M.A., "Assessment of Artisanal gold mining. River Nile, Red Sea, Northern State," Ministry of Energy and Mining. Working paper 03, 2010.

<sup>3</sup> Lynch, Colum, "Russia Blocks U.N. Report Linking Alleged Sudanese War Criminal to Gold Profiteering," April 4, 2016, available at:

<http://foreignpolicy.com/2016/04/04/russia-blocks-u-n-report-linking-alleged-sudanese-war-criminal-to-gold-profiteering/>

<sup>4</sup> Ibid.

<sup>5</sup> U.N. Security Council, "Final report of the Panel of Experts submitted in accordance with paragraph 2 of resolution 2200 (2015)," S/2016/805, September 22, 2016.

- The EU has irrationally embarked on funding the Rapid Support Forces (RSF) militia via the government to help curb irregular migration from and through Sudan.
- The Central Bank declared a new gold purchase policy in 2017 which will reduce its share of the market to 50 per cent, leaving the other half to commercial entities.
- The health, safety, social and environmental impacts of release of mercury and cyanide as a byproduct of mining and processing gold are serious.
- Gold production sites are negatively affecting the already impoverished agro-pastoral areas in which they are found, including the areas affected by civil war.
- In many parts of Sudan, government grants rights to big mining companies in conflict with the local population's perception of their rights, which draw on other sources of legitimacy. 90 per cent of informal gold mining sites are thought to lie within the concession areas of large gold companies.<sup>6</sup>

## Recommendations

Against the above backdrop, the report makes a series of recommendations. Although we recognize that the calls for transparency, good governance and rule of law from an autocratic, kleptocratic and ideologically tainted regime are unlikely to be heeded, articulating standards is critical to the process of building consensus on what constitutes good governance and creating a template for positive management of resources in the future.

1. The international community needs to make a clear statement to the Central Bank of Sudan, the owner of the Sudan Gold Refinery, demanding that due diligence policies and procedures be put in place. At a minimum, provenance information should be made available to allow international gold buyers to make informed decisions about conflict gold.
2. It is advisable for a relevant UN health organization to develop a mechanism whereby it can hold the Ministry of Minerals accountable for the health and safety consequences of the mining sector. A review board established by suitable stakeholders could be tasked with monitoring and improving key health,

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<sup>6</sup> Calkins, Sandra and Enrico Ille, "Territories of Gold Mining: International Investments and Artisanal Extraction in Sudan", In Jorg Gertel, Richard Rottenburg and Sandra Calkins, eds., *Disrupting Territories. Land, Commodification and Conflict in Sudan*, James Currey, 2014, p. 51-76.

environment and human rights protection indicators. Such stakeholders may include gold companies, the Ministry of Minerals, Transparency International, the African Union, relevant international/local environmental organizations and human rights organizations.

3. A U.N. panel should be formed to investigate gold production and trade by Musa Hilal, Hemmeti and their militia forces in Jebel Amir.
4. The control of Jebel Amir's gold by the militia undermines peace, stability and security of Darfur and Sudan as a whole. Therefore, the UN and international community should consider Jebel Amir's gold to be conflict gold and subject trade in it to sanctions. The UN Security Council should widen its existing regime of individual sanctions, including travel bans and asset freezes, relating to the Darfur conflict to individuals engaged in promoting violence and funding it through the gold trade in the region. In addition, the Security Council could consider imposing sanctions on the gold trade or impose a system of verification of the provenance of gold from Sudan along the lines of what has been put in place in the Democratic Republic of Congo under Security Council Resolution 2198 (2015). Such a resolution should condemn the government of Sudan for providing financial assistance and arms to the RSF and other militia, as well as the human rights violations committed by those forces against Darfuri civilians in the Jebel Amir area or elsewhere in the country. Measures should be taken to compel the militia to immediately cease all forms of violence and other destabilizing activities, including the exploitation of the gold in Jebel Amir.
5. The government should promptly implement the key elements of the Minamata Convention on Mercury, including introducing mercury-free gold processing techniques.<sup>7</sup>
6. Call upon UN environmental and health assessment teams to conduct studies in Sudan in conformity with the UN Protocols for Environmental and Health Assessment of Mercury Released by Artisanal and Small-Scale Gold Miners to assess the extent of pollution in surrounding water bodies, providing an indication

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<sup>7</sup> Human Rights Watch, "Precious Metal, Cheap Labor: Child Labor and Corporate Responsibility in Ghana's Artisanal Gold Mines", June 10, 2015, available at: <https://www.hrw.org/report/2015/06/10/precious-metal-cheap-labor/child-labor-and-corporate-responsibility-ghanas>

of the level of mercury poisoning attributable to exposure to mercury vapor and ingestion of contaminated food.<sup>8</sup>

7. Gold companies are acknowledging corporate social responsibility through “ad-hoc” hand-outs that end up overlapping with basic government services. To be effective in reducing poverty, corporate social responsibility must be part of a strategic plan that inclusively engages the community and experts and is aligned with government’s education and health initiatives.
8. Support services in gold producing areas should be designed and implemented through a partnership between the federal ministries and their counterparts at the state and local level to:
  - establish outlets where health and safety equipment is provided free or, at a minimum, sold at affordable prices;
  - provide risk management and health and safety education and conduct awareness raising on these issues in gold production and processing sites;
  - facilitate the provision of medium and long term funding for vulnerable miners by engaging stakeholders (the Central Bank, specialized banks and miners’ organizations) to develop micro-credit strategies with clear goals, objectives and directives to encourage banks and cooperatives to establish branches in gold producing areas and tie miners’ deposits with flexible microcredit to finance equipment and other business opportunities;
  - A specialized minerals bank should be established, along the lines of the Sudanese agricultural bank and investment banks, with branches in artisanal gold producing areas to support an effective microcredit system for miners.
9. When the Ministry of Minerals or the Central Bank provide gold export licenses to companies, this should be conditioned on due diligence on key human rights issues, including the use of child labor and the possibility that gold revenue could be used to fuel civil war, as it has, for example, in Jebel Amir.
10. It is inhumane and counterproductive for the EU to expect to promote sustainable peace and security in the region by funding the very groups and government responsible for violent conflicts and atrocities which are the main push factors for

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<sup>8</sup> Spiegel, Samuel J., “Occupational Health, Mercury Exposure, and Environmental Justice: Learning from Experiences in Tanzania,” *American Journal of Public Health*, November 2009; 99 (Suppl 3), available at: <https://www.ncbi.nlm.nih.gov/pubmed/19890157>.



migration to Europe and elsewhere. EU policies towards Sudan should be designed to undermine the violent and kleptocratic tendencies of the state.

11. Communities should be engaged in the planning and management of the gold sector. A community engagement model could involve all stakeholders and service providers (miners, federal or state government officials, international donors, civil society organizations, local community leaders) and allow them to develop a strategic framework for addressing the impact of the gold industry and harnessing its potential for long term development rather than the short-term gain of security and intelligence actors. Such a strategic framework should include socio-economic, health and education programs that will address issues of equity and social justice as well as environmental and health and safety concerns.
12. A community development and participatory approach is urgently needed to build a popular anti-corruption initiative with the objective of demanding accountability and weakening the network of parasitic patronage and nepotism.
13. Global economic and financial players should revisit the short-term and fast-food style methodology of loans and foreign investment. This methodological emphasis undermines health and safety standards.

## 1. Introduction

Corruption and lack of transparency and accountability dominates the discourse on the gold sector in Sudan. In undemocratic and kleptocratic political systems, corruption plays a crucial role in granting gold concessions, as well as in the export and smuggling of gold. This has an impact on the distribution of wealth and power, as well as socioeconomic life, health and safety in Sudan. Corruption is facilitated and enabled by the following factors:

- a) gaps in the legal framework;
- b) a lack of clarity and overlap in roles and responsibilities and terms of reference of various ministries and departments;
- c) blurred distinctions between government institutions and the ruling party;
- d) weak systems of checks and balances;
- e) the lack of separation between the executive, legislative and judicial branches of government;
- f) the absence of a clear demarcation between customary entitlement to land and government rights and a consequent overlap between the gold concessions claimed by large companies and land claimed by local artisanal miners; and
- g) absence of enforcement of financial disclosure regulations for government officials and the lack of laws that provide for public access to government information.

Corruption in the gold sector takes many forms: there is bureaucratic and political corruption, including embezzlement of public gold company revenue; tax exemptions and holidays; and cronyism, nepotism and patronage in granting gold exploration and trade licenses as well as concessions.

The gold mining sector in Sudan is predominantly artisanal in nature. 85-90 per cent of output comes from artisanal mines. This report highlights interdisciplinary approaches to combat corruption as well as to address the socio-economic and environmental impacts of the gold sector. Such impacts have been exacerbated by the neoliberal policies of

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privatization in health and education services and unequal development. Poor educational and development services have left miners with little other choice, and inadequate health services have exacerbated the health consequences of gold mining and processing. Neoliberalism creates favorable conditions for smuggling and corruption to thrive. In the absence of rule of law, the legal and institutional frameworks which enforce regulations are too weak to confront and combat corruption. The impunity of politician-entrepreneurs and high ranking public officials make efforts of the auditor general and the National Commission for Redress of Public

Sector Grievances (NCR) ineffective and obsolete. The voices of the local and international media and civil society organizations are kept faint by the violent oppression of the kleptocratic/security state.

This research investigates how the kleptocratic/security state negatively affects the distribution of gold concessions, licenses and contracts, as well as revenue through corrupt processes and policies, weak law enforcement and lack of accountability and transparency in the gold mining sector. Gold revenue has been used to pump money into the security services, RSF, Janjaweed and other militia, intelligence, military operations and weapons. Gold production in Jebel Amir's in Darfur is controlled by the militia, whether through tacit government approval or by force. International efforts to red-flag Jebel Amir's gold as conflict gold are yet to begin. The existing legal and regulatory frameworks have enforced socio-economic disparities, and encouraged smuggling and impunity. Meanwhile widespread corruption has encouraged civil war, environmental pollution, and threats to the health and safety of both miners and individuals in the vicinity of gold sites.

Sudan, which is economically dependent on the agricultural and pastoral sectors, is very sensitive to the implications of policies and practices of gold production as an extractive industry. Although the artisanal sector provides unemployed and uneducated agro-pastoralists with temporary relief, it has proved to be environmentally destructive and to widen the gap between the poor and the new class of politician-entrepreneurs who are members of the Islamist ruling circles.

## 2. The research methodology

The research used a combination of desk research and descriptive and analytical methodology. The literature on industrial and artisanal gold mining in Sudan and globally, international and local legislation, operations and regulations covering health and safety in the gold industry have been reviewed. The research is informed by ethnographic documents, sociological papers, health and safety reports, newspaper reports and articles about recent developments in the gold mining sector. It is also uses geological and economic research and a database produced by researchers who conducted fieldwork in gold mining areas. Two lengthy informative interviews were conducted, one with an artisanal gold miner in the Butana area, Subag locality (Gedarif State), and another with a government official.

This data and information was compiled and the report was drafted by Elfadil Elsharief and reviewed and edited by SDFG staff prior to publication.

## 3. Defining the kleptocratic and security state

The Sudanese government is characterized by a dual nature of being both a kleptocratic and a security/police state. Kleptocracy, or “rule by thieves,” is defined as a government or state in which those in power systematically steal public funds and loot national resources. Kleptocrats gain control over vital economic assets (usually in the banking and natural-resource sectors), to amass wealth. As political science professor Karen Dawisha recently put it, kleptocrats manage to nationalize risk while privatizing profits. To this end, kleptocrats implement highly inefficient economic policies, expropriate wealth and use the proceeds for their own enrichment. Kleptocratic policies are more rewarding where there is a generous flow of foreign aid and rent from natural resources.

Of course, populations are likely to resist kleptocratic policies, as they serve the interests of only a few, rather than the population as a whole. As a result, kleptocratic regimes need to use various strategies to circumvent popular will. One such strategy is to use a divide-and-rule strategy to weaken dissent by defusing cooperation among opponents. In addition, such

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policies provide rulers with substantial resources to buy off opponents, especially when opposition groups are ineffective and the average productivity in the economy is low.<sup>9</sup> They may also do so by undermining democracy and the rule of law as well as employing strong arm security policies.

The following features illustrate the dual character of Sudan government as a kleptocratic and security/police state:

- It is widely known that in democracies, the role of intelligence should be limited to “the collection, analysis, production, and utilization of information about potentially hostile states, groups, individuals, or activities.”<sup>10</sup> However, in Sudan, the role of National Intelligence Security Services (NISS) goes far beyond that. NISS has authority to detain individuals and enforce laws. The NISS’ role in enforcement is particularly problematic because it is partisan and accountable only to the president who appoints its leaders. In a sense, thus, the NISS can serve as both the judge and the executioner.
- In 2016, 70 per cent of Sudan’s spending went to the military and intelligence, as compared to 2.3 per cent for education and 1 per cent for health. In 2014, Sudan spent only 1.8 per cent of its GDP on the health sector.<sup>11</sup> Military budgets characterized as “classified security operations” are not disclosed in the budget and the Ministry of Finance does not have records of expenditures of the president, security and defense.<sup>12</sup> In December 2015, Omer Al-Bashir said, “To those voices that speak in the street or in the media about the armed forces budget, I say that if 100 per cent of the state’s budget was allocated to the army to secure the country then that would still not be enough.”<sup>13</sup>
- The RSF budget alone was 3.2 billion Sudanese pounds in 2016, 32 times the budget for education and 6 times the budget for health services.<sup>14</sup>

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<sup>9</sup> Acemoglu, Daron, Thierry Verdier, and James A. Robinson “Kleptocracy and Divide-and-Rule: A mode of personal rule,” Alfred Marshall Lecture, Journal of the European Economic Association, April-May 2004 2(2–3):162–192, available at: <https://economics.mit.edu/files/4462>.

<sup>10</sup> Taylor, Stan A., “Definitions and Theory of Intelligence,” in Allan Collins, ed., *Contemporary Security Studies*, Oxford University Press, Oxford, 2016.

<sup>11</sup> World Health Organization, “Global Health Expenditure Database,” World Bank Group, 2017, available at: <http://data.worldbank.org/indicator/SH.XPD.PUBL.ZS>

<sup>12</sup> U4 Anti-Corruption Resource Centre, Transparency International and Chr. Michelsen Institute, “U4 Expert Answer: Corruption and anti-corruption in Sudan, (2012), “U4 Anti-Corruption Resources Centre”, 2012, available at <http://www.business-anti-corruption.com/country-profiles/sudan>

<sup>13</sup> “Bashir says more money be spent on security and defence,” *Sudan Tribune*, December 14, 2015.

<sup>14</sup> Nuba Reports, “Sudan’s Economy: Annual Budget designed for war”, February 2016, available at: <https://nubareports.org/sudans-economy-annual-budget-designed-for-war/>



- High ranking officials in the police, military and the NISS often have their own private enterprises, which receive favorable treatment from the government.<sup>15</sup>
- Even though the judiciary is institutionally separate, it is largely controlled by the executive branch of the government.<sup>16</sup>

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<sup>15</sup> U.S. Department of State, “Sudan: Investment Climate Statement,” June 2015, available at: <https://www.state.gov/documents/organization/244666.pdf>.

<sup>16</sup> Business Anti-Corruption Portal, “Sudan Corruption Report,” 2016, available at: <http://www.business-anti-corruption.com/country-profiles/sudan>.

## 4. Gold production and export

**Sudan is witnessing a dramatic hike in its annual gold production, jumping from 15 tons in 2009 to 73 tons in 2014.**

Gold production in Sudan goes back to the Nubian kingdom of Meroe, and was a pretext for the Ottoman Empire to invade Sudan in 1820. Commercial gold production commenced in 1990 after the establishment of the Sudanese-French Ariab Gold Mining Company.<sup>17</sup> In 2012, Sudan accounted for nearly 2 per cent of the world's gold production.<sup>18</sup> However, Sudan is witnessing a dramatic hike in its annual gold production, jumping from 15 tons in 2009 to 73 tons in 2014. In 2013, thirteen industrial gold mining companies were operational. The government has stake in several of these including the Hassai mine in Red Sea State and Gabgaba Mine in River Nile State. At the same time, between 2012 and 2013, 120 industrial firms were issued prospection licenses. International gold prices jumped from US \$1000/oz. in 2009 to US \$1300/oz. in 2014. Sudan's Minister of Minerals Ahmed Mohamed Sadiq al-Karouri confirmed that gold reserves stood at 944 tons<sup>19</sup> in 2012, ranking third in Africa. Although gold was an important foreign exchange earner in 2013, the gold trading activities of the Central Bank reportedly have little impact on state revenue.<sup>20</sup> The country's gold industry is now worth about US \$2.5 billion a year.<sup>21</sup>

Gold exports ranged from 6,000 to 47,000 kilograms between 2002 and 2016. The annual value of gold exports ranged from US\$86 million in 2009 to more than US\$ 1 billion in 2016. Gold export is crucial for the nation, constituting 53 per cent of total exports in 2012. Given the sharp fall in crude petroleum production from 168.7 million

<sup>17</sup> Zeinelabdein, Khalid A. Elsayed, "Ratio Image Processing Techniques: A Prospecting Tool for Mineral Deposits, Red Sea Hills, NE Sudan," 2008, available at: [https://www.researchgate.net/publication/231615008\\_Ratio\\_Image\\_Processing\\_Techniques\\_A\\_Prospecting\\_Tool\\_for\\_Mineral\\_Deposits\\_Red\\_Sea\\_Hills\\_NE\\_Sudan](https://www.researchgate.net/publication/231615008_Ratio_Image_Processing_Techniques_A_Prospecting_Tool_for_Mineral_Deposits_Red_Sea_Hills_NE_Sudan)

<sup>18</sup> U.S. Geological Survey, U.S. Department of the Interior, "2012 Minerals Yearbook, Sudan," May 2015, available at: <https://minerals.usgs.gov/minerals/pubs/country/2012/myb3-2012-su.pdf>.

<sup>19</sup> The Economist Intelligence Unit, "Report confirms large mineral deposits in Sudan," October 13, 2014, available at: <http://country.eiu.com/article.aspx?articleid=1022378686>

<sup>20</sup> International Monetary Fund, "Sudan: 2013 Article IV Consultation," IMF Country Report No. 13/317, October 2013.

<sup>21</sup> Tubiana, Jérôme, "Out for Gold and Blood in Sudan"; *Foreign Policy*, May 24, 2014, available at <https://www.foreignaffairs.com/articles/sudan/2014-05-01/out-gold-and-blood-sudan>

barrels in 2010 to 37.7 million barrels in 2012 after the secession of South Sudan.<sup>22</sup> Currently, the main importers of the Sudanese gold are the United Arab Emirates and Canada. The United Kingdom was a main importer during 2002-2004.

Gold was among four products targeted for promotion in the government's three-year economic program from 2012-2014. As part of this strategy, the Central Bank of Sudan monopolized the purchase of gold from the local traditional gold mining sector, established a gold refinery, encouraged gold miners to save money in the banking system and declared its intention to "finance poor and marginalized segments of the society to reduce poverty and unemployment."<sup>23</sup> However, the sector has fallen short of its potential as a driver of development because of smuggling and the inability to control the purchase of gold. The facilitation and control of access to credit to miners also failed miserably as no banking kiosks were created in the artisanal mining areas. As a result, there was no protection for poor miners from brokers and rich businessmen who finance gold operations. Gold purchasing turned out to be inflationary, as it was funded by printing money.

One of the objectives of the of the Five-Year Economic Reform Program (2015-2019) is to position the mining sector as an engine of growth by increasing gold production from 76 tons in 2015 to 103 tons in 2019 through providing loans and grants, encouraging joint ventures, monopolizing gold purchases, regulating and organizing artisanal gold mining and improving production and conditions of miners and local communities. In deference to the Minamata Convention on Mercury, the Five-Year Economic Reform Program included a National Plan for the Elimination of the use of Mercury in Mining. Like its predecessor, the program has not improved the environmental consequences or health and safety of miners and local communities. To make matters worse, the plan suffered a major interruption in early 2017, when the Central Bank's gold purchase and export monopoly was relaxed to allow private companies to export gold.

Sudan was expected to produce 100 tons of gold in 2016. Sudan currently ranks third in gold production in Africa behind South Africa and Ghana but aims to move to first place by 2018.<sup>24</sup> Given such ambitious expectations, the impact of the gold sector must be urgently addressed.

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<sup>22</sup> U.S. Geological Survey, U.S. Department of the Interior, "2012 Minerals Yearbook, Sudan," May 2015, available at: <https://minerals.usgs.gov/minerals/pubs/country/2012/myb3-2012-su.pdf>.

<sup>23</sup> Central Bank of Sudan, Statistics Directorate, "Foreign Trade Statistical Digest 2003-2016," available at [www.cbos.gov.sd](http://www.cbos.gov.sd).

<sup>24</sup> "Sudan to produce 100 tonnes of gold by end of 2016: minister," *Sudan Tribune*, July 28, 2016, available at <http://www.sudantribune.com/spip.php?article59746>.



There are three types of mining in Sudan: artisanal (traditional) mining, small-scale mining and large-scale mining. There is also considerable trade in reprocessing mining residues (using mining tailings known as “karta”). There are 173 companies involved in small-scale mining, 142 in large-scale mining and 52 karta companies. Other sources estimated 132 companies operating in the regular mining sector in Sudan including 15 large foreign companies.<sup>25</sup> Due to US sanctions imposed in the 1990s, few foreign businesses have risked setting up mining enterprises in Sudan. The size of future foreign investment will depend on US action regarding sanctions.

Large-scale gold mining projects are expected to start production in 2017-2018. However, the development of large-scale gold mines could be constrained by high tax rates, transportation costs and economic sanctions.<sup>26</sup>

**Table 1:** Sudan Gold Exports (In Millions of US dollars)

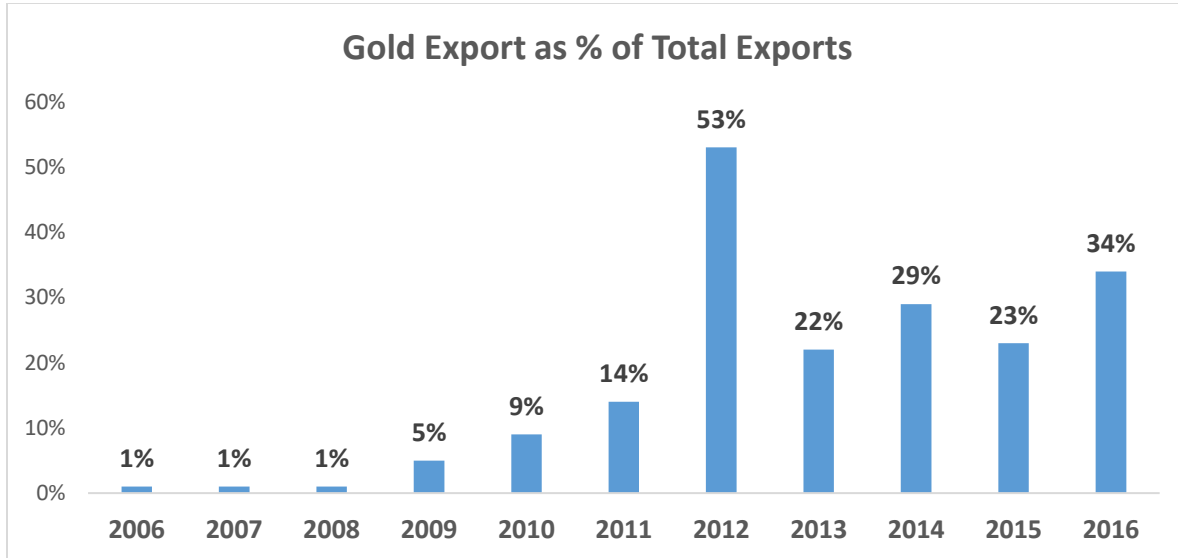
Year	Gold Exports
2002	\$ 53
2003	\$ 59
2004	\$ 50
2005	\$ 64
2006	\$ 64
2007	\$ 63
2008	\$ 112
2009	\$ 86
2010	\$ 1,018
2011	\$ 1,455
2012	\$ 2,158
2013	\$ 1,048
2014	\$ 1,271
2015	\$ 726
2016	\$ 1,044

Source: Central Bank of Sudan. Available at: <http://www.cbos.gov.sd/en/node/906>

<sup>25</sup> “Sudan to produce 100 tonnes of gold by end of 2016: minister,” *Sudan Tribune*, available at <http://www.sudantribune.com/spip.php?article59746>.

<sup>26</sup> U.S. Geological Survey, U.S. Department of the Interior, “2012 Minerals Yearbook, Sudan,” May 2015, available at: <https://minerals.usgs.gov/minerals/pubs/country/2012/myb3-2012-su.pdf>.

Figure 1



Source: Central Bank of Sudan. Available at: <http://www.cbos.gov.sd/en/node/906>

## 5. Large-scale industrial gold mining

The Sudanese post-colonial kleptocratic and dysfunctional state was rightly described by Calkins and Ille as an arbiter between global dynamics and Sudanese territories in a globalized system.<sup>27</sup> Huge areas have been scooped up in land grabs and contracted to international business ventures for agriculture and mining. The salient feature of the Sudanese state is “the failure to develop institutions that regulate, govern and secure its citizens, and the production of vast marginalized regions outside of the Greater Khartoum region – both socio-economically and socio-culturally.”<sup>28</sup> This report argues along with Appadurai<sup>29</sup> and Calkins and Ille that good governance and functioning institutions are necessary conditions to attract foreign capital. However, the government’s control of its state territory is impaired in the sense that it is too weak to attain sustainable development and control its boundaries. To bridge this gap, the Sudanese government resorted to arming and “militia-izing” some of its citizens to fight others in bloody civil wars by investing in ethnicization, racialization and manipulation of religious differences. Sudan is a contested state and “the rights endowed through such governmental contracts compete with other conceptions of rights, which are based on other sources of legitimacy.”<sup>30</sup> In other words, actors not party to the contracts customarily identified themselves as having legitimate rights to land. The 2007 Mineral Resources and Mining Development Act (MRMDA) creates an opening for the central government to sell land by depriving land owners of mining rights.<sup>31</sup> To further facilitate corruption, land and mining regulations are centralized, bestowing a great deal of power on the president. A large, medium and small scale enterprise is “only regulated by the [federal] minister and is not delegated to lower levels in the hierarchy, a move that leads to opacity and inscrutability of such mining deals.”<sup>32</sup>

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<sup>27</sup> Calkins, Sandra and Enrico Ille, “Territories of Gold Mining: International Investments and Artisanal Extraction in Sudan”, In Jorg Gertel, Richard Rottenburg and Sandra Calkins, eds., *Disrupting Territories. Land, Commodification and Conflict in Sudan*, James Currey, 2014, p. 51-76.

<sup>28</sup> Rotberg, R., *When States Fail: Causes and Consequences*, Princeton NJ: Princeton University Press, 2003, quoted by Calkins, Sandra and Enrico Ille, “Territories of Gold Mining: International Investments and Artisanal Extraction in Sudan”, In Jorg Gertel, Richard Rottenburg and Sandra Calkins, eds., *Disrupting Territories. Land, Commodification and Conflict in Sudan*, James Currey, 2014, p. 51-76.

<sup>29</sup> Appadurai, A., “Sovereignty without Territoriality: Notes for a Postnational Geography,” In Yaeger, P.(ed), *The Geography of Identity*, Ann Arbor MI: University of Michigan Press, p. 40-58.

<sup>30</sup> Calkins, Sandra and Enrico Ille, “Territories of Gold Mining: International Investments and Artisanal Extraction in Sudan”, In Jorg Gertel, Richard Rottenburg and Sandra Calkins, eds., *Disrupting Territories. Land, Commodification and Conflict in Sudan*, James Currey, 2014, p. 51-76.

<sup>31</sup> Ibid.

<sup>32</sup> Ibid.

International business ventures have been granted large concessions to produce gold, fostered by the development of geological mapping by the Ministry of Minerals. Discontent has grown among political and community leaders of the Beja and Rashaida in the northeast and civil society in the Riverine, Darfur and Kordofan regions as a result of the exclusionary policies and practices that guide governmental contracts. Such movements, join mushrooming popular activities, such as letter writing and demonstrations in response to the construction of dams and land grabbing in the North and Greater Khartoum Area.

The legal framework set up by the government favors large scale investors. This shows that the interest is primarily in extracting money and territorializing natural resources rather than promoting development and growth per se.<sup>33</sup>

Sudan, as a post-colonial arbiter state, has been deeply implicated in a complex network of global financial capital and international and regional political alliances to guarantee its survival. Large-scale mining deals are often negotiated “in the context of bilateral political horse-trading between the government in Khartoum and the enterprise’s country of origin, involving loans for the Sudan government against the promise of favorable investment conditions [...] such as the vast size of concessions, long duration of contracts or exemptions from annual rental fees.”<sup>34</sup> An example of this political horse-trading is Sudan’s involvement in the military operations of Saudi Arabian-led Decisive Storm of Yemen in March 2015, which was intended to motivate Saudi investment in Sudan. The Sudanese government is also looking forward to becoming a partner to the Gulf Cooperation Council, the commercial and political block of six Arab countries in 2017.

**The legal framework set up by the government favors large scale investors. This shows that the interest is primarily in extracting money & territorializing natural resources rather than promoting development & growth per se.**

It goes without saying that the grant of large scale gold concessions has alienated the rural population as documented by Calkins and Ille in Eastern Sudan, in the same way that accelerated land acquisition by foreign investors causes problems for local farmers

<sup>33</sup> Ibid.

<sup>34</sup> Ibid.

whose land rights are disregarded.<sup>35</sup>

The mining sector is impacted by “opaque budget processes creating fertile grounds for financial mismanagement and embezzlement of public resources.”<sup>36</sup> When it comes to doing business in Sudan, bureaucratic corruption is a challenge. The large numbers of documents, payments and procedures required for business operations increases the opportunities for public officials to solicit bribes and to bend the rules to speed up bureaucratic processes.<sup>37</sup> Multinational gold companies find it difficult to transfer money to Sudan as a result of US-imposed sanctions. As a result, mining concerns are increasingly looking to the gulf, which is unconcerned about the sanctions, to fund projects. Orca Gold, a Canadian company, is currently looking to the Arabian Gulf for the US\$200-\$300 million required to bore a proper mine on its land to the north of Abu Hamed in River Nile State. The biggest obstacle to foreign investment, though, appears to be foreign firms’ desire to distance themselves from local mining companies and their chaotic practices.<sup>38</sup>

GRAS signs agreements for exploration and prospecting of gold with investors according to the 2015 Mineral Wealth Development and Mining Act 2015 and concessions are granted under the 2013 National Investment Encouragement Act. There is no transparency the way that such deals and agreements are struck, leading to little incentive to ensure that provisions ensuring the environment is well protected, corruption and smuggling is combated and ensuring a fair tax scheme are included.

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<sup>35</sup> Bertelsmann Stiftung, “Bertelsmann Stiftung Transformation Index,” 2012, available at: [https://www.bti-project.org/fileadmin/files/BTI/Downloads/Reports/2016/pdf/BTI\\_2016\\_Sudan.pdf](https://www.bti-project.org/fileadmin/files/BTI/Downloads/Reports/2016/pdf/BTI_2016_Sudan.pdf)

<sup>36</sup> U4 Anti-Corruption Resource Centre, Transparency International and Chr. Michelsen Institute, “U4 Expert Answer: Corruption and anti-corruption in Sudan,” 2012, available at <http://www.business-anti-corruption.com/country-profiles/sudan>

<sup>37</sup> Ibid.

<sup>38</sup> Peter Schwartzstein and Leyland Cecco, “Sudan's new gold rush: miners risk their lives in search of riches,” *The Guardian*, December 27, 2017, available at <https://www.theguardian.com/world/2015/dec/27/sudan-gold-rush-artisanal-miners>.

## 6. Artisanal gold mining: perpetuating poverty and underdevelopment

Artisanal gold mining is a labor-intensive activity taking place in open pits not deeper than 10 meters and practiced utilizing simple local mining equipment and tools e.g., metal detectors and sieves. Globally, this sector produces 10 per cent of total gold output; in Sudan, it accounts for 85-90 per cent of the total gold extracted.<sup>39</sup> Estimates of the number of artisanal miners working directly in gold mining and extraction ranges from 250,000<sup>40</sup> to over one million.<sup>41</sup> 1,059 and 5,164 licenses and permits in the gold mining and processing in this sector were issued in 2014 and 2015 respectively. Although the Organization of Artisanal Mining Regulation (OAMRA) regulates traditional mining by granting licenses and specifying areas of work in an effort to protect miners from hazardous conditions and smuggling,<sup>42</sup> there are health, safety and environmental concerns related to the use of mercury and cyanide during the processes of milling, sluicing, amalgamation and burning. Mercury pollutes the air, soil and water sources. Other socio-economic and human rights issues include child labor and smuggling.

Although there is no business tax on artisanal gold mining, localities impose annual 10 per cent tax on the proceeds of gold sales. States levy local taxes and fees according to the type of operation or service. There is no access to micro-credit by small scale business or facility owners.

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<sup>39</sup> "Sudan has large reserves of various minerals: report," *Sudan Tribune*, October 7, 2014, available at <http://www.sudantribune.com/spip.php?article52665>; Ibrahim, M.S., "Artisanal Mining in Sudan –Opportunities, Challenges and Impacts", presented at UNCTAD 17<sup>th</sup> Africa OILGASMINE, Khartoum, 23-26 November 2015, available at <http://unctad.org/meetings/en/Presentation/17OILGASMINE%20Mohamed%20Sulaiman%20Ibrahim%20S4.pdf>

<sup>40</sup> U.S. Geological Survey, U.S. Department of the Interior, "2012 Minerals Yearbook, Sudan," May 2015, available at: <https://minerals.usgs.gov/minerals/pubs/country/2012/myb3-2012-su.pdf>.

<sup>41</sup> Ibrahim, M.S., "Artisanal Mining in Sudan –Opportunities, Challenges and Impacts", presented at UNCTAD 17<sup>th</sup> Africa OILGASMINE, Khartoum, 23-26 November 2015, available at <http://unctad.org/meetings/en/Presentation/17OILGASMINE%20Mohamed%20Sulaiman%20Ibrahim%20S4.pdf>

<sup>42</sup> "Sudan to produce 100 tonnes of gold by end of 2016: minister," *Sudan Tribune*, available at <http://www.sudantribune.com/spip.php?article59746>.

By 2007, the artisanal mining activities were restricted by official procedures of registration, licensing, use of equipment and depth of gold pits, which have practically circumvented customary laws.<sup>43</sup>

The following legal and procedural steps have been established to discourage small-scale mining and benefit the government's short-term need for funds, especially the 2010 OAMRA:

1. Miners must have a cadastral survey letter to legally claim specific land.
2. Miners are required to present a bank statement showing a deposit of at least US\$22,410.
3. Miners must acquire a general search permit by paying US\$3,137.
4. Miners must acquire a mining permit costing US\$672.
5. Miners must rent the land and renew contracts annually (annual rent is US\$2,241 per square kilometer).
6. Miners are required to hand over 5 per cent of gold produced to the government.<sup>44</sup>

Further restrictions include: the size of a small concession should not to exceed 10 km<sup>2</sup>, a small concession cannot use heavy machinery or equipment, and the depth of pits should not to exceed 10 meters. The 2007 MRMDA and the 2010 OAMR were designed to make it easy to reject the customary law land claims of the marginalized local populations. The above prerequisites are designed as a class ladder ascendable by access to political capital (being a member (or relative or friend) of the ruling party, and/or bribery). However, the lack of transparency originates in the fact that all contracts are individually negotiated, opaque and kept from public scrutiny.<sup>45</sup> Relatives of high ranking public officials often own companies that do business with the government and provide government officials with kickbacks in exchange for government contracts.<sup>46</sup>

The collateral and bankruptcy laws, along with the inefficient credit system, has made the monetary system incompetent in facilitating miners' access to credit. Globally, Sudan ranks at 167<sup>th</sup> of 189 economies in ease of getting credit, far worse than the Sub-

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<sup>43</sup> Calkins, Sandra and Enrico Ille, "Territories of Gold Mining: International Investments and Artisanal Extraction in Sudan", In Jorg Gertel, Richard Rottenburg and Sandra Calkins, eds., *Disrupting Territories. Land, Commodification and Conflict in Sudan*, James Currey, 2014, p. 51-76.

<sup>44</sup> Ibid. The prices above are based on 2010 conditions.

<sup>45</sup> Ibid., page 74.

<sup>46</sup> Heritage Foundation, 2010 quoted in U4 Anti-Corruption Resource Centre, Transparency International and Chr. Michelsen Institute, "U4 Expert Answer: Corruption and anti-corruption in Sudan," 2012, available at <http://www.business-anti-corruption.com/country-profiles/sudan>

Saharan African average of 118. Sudan rates third worst in region after South Sudan (174) and Eritrea (185).<sup>47</sup> In addition, the credit bureau is not operational and covers less than 5 per cent of the adult population.<sup>48</sup>

In addition, heavy taxation of miners undermines the potential of the sector to drive growth.

#### a) Case study: River Nile and Red Sea states

Drawing on fieldwork by Sandra Calkins and Enrico Ille in Wadi Ushar in River Nile State and Wadi Arab in Red Sea State conducted around 2010. At that time, it was estimated that about 50,000 people worked in the artisanal gold sector in both states, digging mines following gold veins, crushing stones, grinding, washing and heating or using metal detectors to find deposits up to 20 inches deep. A whole infrastructure supports these mining activities: markets for grinders, troughs, mercury, vehicles, detectors, excavators, grocery shops, restaurants, engineers, and gasoline and water vendors. Gold washers in troughs charge US \$4.15 per grounded sack. Large scale traders from Khartoum sell mercury to miners and buy their gold. Customary land rights organize the activities. Mine owners get permission from sheikhs through the *wardiya* arrangement: a working shift in which a team of workers extract gold ore in the name of the community for two or three working shifts. The sheikhs also charge US \$4.15 as a mine registration fee. Metal detectors were at first usually smuggled, but later the government started to import them to collect custom duties and obtain licensing money.

Artisanal gold taxation is complex and many middlemen and tax collectors burden the system. Small miners pay a tax per sack to the locality before entering the mills, and gold agents deduct 7 per cent from payments to traditional miners at the gold smith.

The sector is a source of employment and income. GRAS estimates that every week between 50 and 100 kg of extracted gold is sent to Khartoum for black market sale and export.<sup>49</sup> Artisanal gold mining sites are encroaching upon the industrial mining

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<sup>47</sup> World Bank Group, "Doing Business 2016: Measuring Regulatory Quality & Efficiency, Economy Profile 2016, Sudan," 2016 available at <https://openknowledge.worldbank.org/bitstream/handle/10986/23386/Doing0business0d0efficiency000Sudan.pdf?sequence=1&isAllowed=y>

<sup>48</sup> Ibid.

<sup>49</sup> Ibrahim & Abdelbagi 2010, quoted in Calkins, Sandra and Enrico Ille, "Territories of Gold Mining: International Investments and Artisanal Extraction in Sudan", In Jorg Gertel, Richard Rottenburg and Sandra Calkins, eds., *Disrupting Territories. Land, Commodification and Conflict in Sudan*, James Currey, 2014, p. 51-76.



concessions in Red Sea and River Nile states. According to Calkins and Ille, 90 per cent of informal gold mining sites are thought to lie within the concession areas of gold companies. This creates the potential for serious conflict. This has created discontent which has taken the form of sit-ins, demonstrations and burning of some karta factories in South Kordofan, Northern and River Nile states as discussed further below.

As far as the socioeconomic and environmental implications are concerned, 2013 fieldwork in the Barber locality of River Nile State found that 93.4% of miners are young males of employable age (20-40 years) seeking to pull themselves out of unemployment and poverty. All the main regions of Sudan have a large reservoir of unemployed young people who are willing to migrate to gold mining areas to earn US \$2-4 per day in spite of the harsh living conditions. Most mining areas are remote and they tend to lack food supplies and basic services.<sup>50</sup>

#### **b) North Darfur State as fee collector:**

It is estimated that in Jebel Amir, in North Darfur, the following levies are imposed by Musa Hilal's administration:<sup>51</sup>

1. There are 5,000 licensed wells, each pays one-time fee between 500-700 Sudanese pounds (about US \$75-105).
2. Each licensed well pays a monthly fee of 1,000 pounds (about US \$150).
3. There are 5,000 washing troughs, each trough pays 20 pounds (about US \$3) a day.
4. There are 3,000 licensed grinding mills, each mill pays a monthly fee of 250 pounds (about US \$37.50).
5. There are 2,000 stores in the market, each paying a monthly fee of 200 pounds (about US \$30). In addition, there are 1,500 restaurants, each pays 170 Sudanese pounds (about US \$25).

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<sup>50</sup> Eltayeb Ibrahim Ahmed Wadi, Samir Mohmd Ali Hassan Alredaisy, "Socioeconomic and Environmental Implications of Traditional Gold Mining in Sudan: The case of Barber Locality, River Nile State", *American Based Research Journal*, Vol 4, Issue 7, 2015, available at:

<http://www.abrj.org/Volumepercent204percent20Issuepercent207percent20Paperpercent201.pdf>

<sup>51</sup> Algali Abdelaziz Ahmed Abdelbagi, "From Jebel Amir to Kutum-Elfashir highway," *Hurriyat Sudan*, March 31, 2013, available at: <http://www.hurriyatsudan.com/?p=103379>.



Another source found that Musa Hilal “charges gold mining merchants \$164 per month to do business at the site while vendors interested in providing services to gold prospectors must pay up to \$197 per month to operate a stall. Every butcher on the site, meanwhile, must pay \$3.28 to Hilal for every slaughtered sheep. All told, it is estimated that Hilal and his armed followers make \$54 million a year from their control of the gold mines.”<sup>52</sup> It remains to be seen how many health facilities the state, as a tax collector, has established in Jebel Amir.

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<sup>52</sup> Foreign Policy referring to the U.N. Security Council, “Final report of the Panel of Experts submitted in accordance with paragraph 2 of resolution 2200 (2015),” S/2016/805, September 22, 2016.

## 7. Governance, corruption and lack of transparency

Taking a broad look at natural resources and conflict in Africa, it seems obvious that, as an African scholar puts it, governance is at the center of the problem.<sup>53</sup>

Corruption is the deliberate subordinating of common interest to personal interest.<sup>54</sup> It includes the behavior which deviates from the normal duties of a public role to advance private finances or status (or those of family members or friends) including through bribery, nepotism and misappropriation of public resources.<sup>55</sup>

Democratic governments traditionally enact anticorruption laws through legislative assemblies that identify criteria that classifies conduct as corrupt such as:

- adversely affecting the honest or impartial exercise of official functions,
- involving a breach of public trust, or
- the misuse of information of material acquired in the course of official functions.

Corrupt conduct may involve a criminal offence, a disciplinary offence, or reasonable grounds for dispensing with the services of a public official.<sup>56</sup> Independent commissions may be formed to prevent corrupt practices like illicit political patronage.

Although Sudan ratified the United Nations Convention against Corruption (UNCAC) on September 5, 2014 and signed the African Union Convention on Preventing and Combating Corruption in 2008,<sup>57</sup> corruption is still widespread. Public servants are known to demand extra facilitation payments for services to which individuals or companies are

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<sup>53</sup> Abiodun Alao, 2006, "A three-day experts' group meeting in Cairo, Egypt, in June 2006 organized by the Office of the Special Adviser on Africa.

<sup>54</sup> Napal, G., "An assessment of the ethical dimensions of corruption" *Electronic Journal of Business Ethics and Organization Studies* 11(1): 5 – 9, 2006.

<sup>55</sup> Nye, J. S. "Corruption and Political Development: A Cost-Benefit Analysis," *American Political Science Review* 61(2), 1967, p. 419, quoted in Lennerfors, Thomas Taro, "The Vicissitudes of Corruption (Degeneration – Transgression – Jouissance)," *Fields of Flow*, Royal Institute of Technology, School of Industrial Engineering and Management, Department of Industrial Management, Stockholm, Sweden, 2008.

<sup>56</sup> Philip, Mark, "Defining Political Corruption," *Political Studies* (1997), XLV, 436±462, available at: [http://www.academia.edu/2229074/Defining\\_political\\_corruption](http://www.academia.edu/2229074/Defining_political_corruption)

<sup>57</sup> Sudan signed the convention on June 30, 2008, but has not ratified it.

legally entitled. Government officials hold direct and indirect stakes in many enterprises, which facilitates a system of patronage, nepotism and cronyism and disadvantages investors without political connections. Nepotism occurs through distribution of legal permits, government grants, special tax breaks, or other forms of state intervention.<sup>58</sup> In Sudan, favoritism is three-fold; religious, political and ethnic. A new class of political entrepreneurs have emerged, forming influential hubs in the industry along religious, political and or ethnic lines. Crony capitalism arises when self-serving behavior by businesses or business people spills over into politics and government,<sup>59</sup> or when self-serving friendships and family ties between businessmen and the government influence the economy and society to the extent that it corrupts public-serving economic and political ideals.

Government officials frequently engage in corrupt practices with impunity. They own and operate private enterprises and frequently receive favorable treatment from the government, which creates an uneven playing field for foreign or poorly-connected businesses.<sup>60</sup>

The lack of transparency is fostered by a weak administrative setup, which allows for poor record-keeping and lax budget management, and the absence of legislation providing public access to government information. Active and passive bribery, gifts and facilitation payments are theoretically prohibited in the public sector, but enforcement is weak.<sup>61</sup> The top leadership of the National Congress Party (NCP) owns more than 164 companies, which have their pick of government contracts.<sup>62</sup> High ranking officials are legally required, on paper, to publicly disclose their income and assets, but sanctions for noncompliance are applied

**Government officials frequently engage in corrupt practices with impunity. They own and operate private enterprises and frequently receive favorable treatment from the government, which creates an uneven playing field for foreign or poorly-connected businesses.**

<sup>58</sup> Hughes, Helen, "Crony capitalism and the East Asian currency and financial 'crises'," *Policy: A Journal of Public Policy and Ideas*, Volume 15 Issue 3, Spring 1999.

<sup>59</sup> McCormick, Richard "The Discovery that Business Corrupts Politics: A Reappraisal of the Origins of Progressivism," *American Historical Review* 86 (April 1981): 247–74.

<sup>60</sup> U.S. Department of State, "Sudan: Investment Climate Statement," June 2015, available at: <https://www.state.gov/documents/organization/244666.pdf>.

<sup>61</sup> Business Anti-Corruption Portal, "Sudan Corruption Report," 2016, available at: <http://www.business-anti-corruption.com/country-profiles/sudan>.

<sup>62</sup> Freedom House, "Freedom in the World," 2015, available at <https://freedomhouse.org/report/freedom-world/freedom-world-2015#.WbHjTlqQzVo>

arbitrarily.<sup>63</sup> The importance of connections and political capital as a factor of production, so to speak, has given concessions and mines contracts a political and secretive character. The neoliberal privatization policy has nurtured a parasitic crony capitalist system where an emerging class is produced selling public concerns to the private sector at deflated prices.

## 7.1 Governance

The World Bank defines governance as “the traditions and institutions by which authority in a country is exercised” and uses six Worldwide Governance Indicators (WGI) to measure governance.<sup>64</sup> These indicators capture the extent of corruption and lack of transparency. Sudan rates poorly on both the government effectiveness and control of corruption indicators. Sudan, Ethiopia and Ghana rated 6.25, 28.85 and 44.71 respectively in the effectiveness of governance indicator in 2015. Sudan, Ethiopia and Ghana rated 2.4, 42.79 and 53.37 respectively in the control of corruption indicator. Table 2 shows the percentile rank (0 being the lowest and 100 being the highest) of Sudan for the six indicators.

Table 2:

Sudan WGI<sup>65</sup>percentile rank, on a scale of 0 to 100 (0 being the lowest & 100 the highest)

Indicator	2011	2012	2013	2014	2015
Voice and Accountability	3.76	3.76	3.76	3.94	3.45
Political Stability and Absence of Violence/Terrorism	0.95	2.37	2.84	3.81	4.29
Government Effectiveness	5.69	6.16	4.27	4.81	6.25
Regulatory Quality	8.06	5.69	6.16	5.29	4.81
Rule of Law	10.33	9.39	8.92	9.62	8.17
Control of Corruption	6.16	0.95	1.42	3.85	2.40

<sup>63</sup> U.S. Department of State, “Country Reports on Human Rights Practices,” 2015, available at <https://www.state.gov/j/drl/rls/hrrpt/2015/>.

<sup>64</sup> Daniel Kaufmann, Aart Kraay and Massimo Mastruzzi, “World Bank Draft Policy Research Working Paper The Worldwide Governance Indicators: Methodology and Analytical Issues,” September 2010, available at <http://info.worldbank.org/governance/wgi/pdf/wgi.pdf>.

<sup>65</sup> Worldwide Governance Indicators (WGI), “Annual Update,” available at: <https://knoema.com/WBWGI2014/worldwide-governance-indicators-annual-update?tsId=1074240>

According to the 2016 Global Corruption Barometer, 61 per cent of people surveyed said that corruption had increased a lot or somewhat over the previous 12 months. Other examples that reflect the poor quality of governance are the fact that huge agricultural land concessions have been granted to foreign companies and countries for 99 years with exempted duties and flexible tax holidays by presidential decree. The 2013 National Investment Encouragement Act ensures that “foreign investors enjoy the same protections as Sudanese nationals.” The minister of minerals once pledged to facilitate all procedures for Indian investors.<sup>66</sup> However, foreign investors complain that in many cases that they are asked for bribes to establish businesses or undertake economic projects in Sudan. There is a difference between incentives provided for by law and treatment received in practice.<sup>67</sup>

Firms with connections to political leadership receive preferential treatment from the government.<sup>68</sup> In the gold mining sector and elsewhere, bribery of government officials and tax evasion is widespread. Kleptocracy is systemic.

Although the 2015 US Department of State investment climate report praised Sudan’s privatization efforts over the last two decades, it clearly pointed to poor transparency in privatization deals. The report stated that there is no public bidding process and businesses are often sold to politically loyal businessmen. The weak and corrupt judicial system also facilitates corruption as the Ministry of Justice regulates competition through the 1976 Public Corporations Act (amended in 2015). The report states that “Sudan has introduced two significant investment reforms in the last three years: lowering the corporate tax rate and capital gains tax and improving the timeliness of customs clearances.”<sup>69</sup> It goes on to argue that Sudanese government efforts to “recover revenue by increasing mining operations (particularly gold mining) are made more difficult by the international sanctions.”<sup>70</sup> It also recognizes that the poor investment and regulatory climate, corruption, and ongoing conflicts, play a role in discouraging foreign investment in Sudan. Table 3 shows Sudan’s dismal standing in this regard.

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<sup>66</sup> <http://www.sudantribune.com/spip.php?article59746>.

<sup>67</sup> U.S. Department of State, “Sudan: Investment Climate Statement,” June 2015, available at: <https://www.state.gov/documents/organization/244666.pdf>.

<sup>68</sup> Ibid.

<sup>69</sup> Ibid.

<sup>70</sup> Ibid.

Table 3  
Sudan's indicators, indices and ranks of corruption.<sup>71</sup>

Measure	Year	Index or Rank	Website Address
Transparency International Corruption Perceptions index	2014	173 of 175	<a href="http://transparency.org/cpi2014/results">transparency.org/cpi2014/results</a>
World Bank's "Ease of Doing Business"	2015	149 of 189	<a href="http://doingbusiness.org/rankings">doingbusiness.org/rankings</a>
Global Innovation Index	2014	143 of 143	<a href="http://globalinnovationindex.org/content.aspx?page=data-analysis">globalinnovationindex.org/content.aspx?page=data-analysis</a>
World Bank GNI per capita <sup>72</sup>	2013	\$3,230	<a href="http://data.worldbank.org/indicator/NY.GNP.PCAP.CD">data.worldbank.org/indicator/NY.GNP.PCAP.CD</a>
Fragile States Index	2016	111.5 of 114	<a href="http://library.fundforpeace.org">http://library.fundforpeace.org</a> (Very High Alert)
Governance Indicator (Corruption)	2015	2.4 of 100	WGI

## 7.2 Corruption Perceptions Index (CPI), 2016

According to the Corruption Perception Index (CPI) published by Transparency International since 1995, Sudan is one of the most highly corrupt countries. The CPI rates countries on a scale from 100 (very clean) to 0 (highly corrupt).<sup>73</sup> The five countries with the highest perceived levels of corruption in 2014 were Somalia and North Korea (174), Sudan (173), Afghanistan (172) and South Sudan (171). It is worth noting that

<sup>71</sup> The U.S. Millennium Challenge Corporation, "Country Scorecard," available at: <http://www.mcc.gov/pages/selection/scorecards>, The Fund for Peace, "Fragile State Index," available at: <http://library.fundforpeace.org/library/fragilestatesindex-2016.pdf> and the Worldwide Governance Indicators (WGI), "Annual Update," available at: <https://knoema.com/WBWGI2014/worldwide-governance-indicators-annual-update?tsid=1074240>.

<sup>72</sup> The U.S. Millennium Challenge Corporation, "Country Scorecard," available at: <http://www.mcc.gov/pages/selection/scorecards>.

<sup>73</sup> Wikipedia, "Corruption Perception Index," available at [https://en.m.wikipedia.org/wiki/Corruption\\_Perceptions\\_Index](https://en.m.wikipedia.org/wiki/Corruption_Perceptions_Index)

there is a strong correlation between CPI and foreign direct investment i.e., countries with higher CPI scores attract greater foreign investment.<sup>74</sup>

Table 4 shows the CPI scores of Denmark as the country perceived to be cleanest alongside the three countries perceived to be most corrupt in 2012-2016.

Table 4  
Corruption Perceptions Index (CPI) scores.<sup>75</sup>

Rank	2016		2015	2014	2013	2012
	Country	Score	Score	Score	Score	Score
1	Denmark	90	91	92	91	91
170	Sudan	14	12	11	11	13
175	South Sudan	11	15	15	14	N/A
176	Somalia	10	8	8	8	8

### 7.3 Lack of transparency and accountability in the gold sector

The Office of the Auditor General complains on an annual basis about the difficulty of reviewing the budgets of government institutions. Mohamed Alhafiz Nasr from the Office of the Auditor General has acknowledged difficulties in accessing financial documents of government departments to review their performance. Nasr stated that even though the Auditor General Act is strong, in practice the auditor finds difficulties in accessing government departments. These departments commit financial violations, in some cases illegally levying fees and collecting taxes from citizens.

To strengthen good governance, experts have for years recommended strict enforcement of integrity and transparency in implementing anti-corruption regulations, but in vain.<sup>76</sup> Some experts argue that narrowly defining corruption as bribery and theft is not comprehensive enough, and others say that ratifying international agreements is not sufficient to combat corruption. Many view the low salaries of government officials as to blame for the spread of corruption.

<sup>74</sup> Podobnik, B.; Shao, J.; Njavro, D.; Ivanov, P. C.; Stanley, H. E., "Influence of corruption on economic growth rate and foreign investment," *The European Physical Journal B*. 63 (4), 2008.

<sup>75</sup> Transparency International, "Corruption Perceptions Index 2016," 2017, available at [https://www.transparency.org/news/feature/corruption\\_perceptions\\_index\\_2016](https://www.transparency.org/news/feature/corruption_perceptions_index_2016)

<sup>76</sup> Altareeq newspaper: <https://www.altareeq.info/ar/transparency-international-30-of-the-s/?hilitte=%22%D8%A7%D9%84%D8%B4%D9%81%D8%A7%D9%81%D9%8A%D8%A9%22>, (December 21, 2016)



The auditor general's 2011 report documented 913 million Sudanese pounds (approximately US\$137 million) worth of exempted customs granted to 587 companies and organizations. The report acknowledged that the office lacked the tools to investigate the nature of services offered by such companies to justify these exemptions. In addition, the budget of the customs police, the government authority tasked with collection of customs, is not scrutinized by the Ministry of Finance. The report stated that there were \$290 million dollars of export revenues not accounted for by the China National Petroleum Corporation (CNPC). The report highlighted the dramatic gap between the planned governmental revenues of \$200 billion and the actual revenue of \$24 billion. This gap persisted from 2009 to 2011 and no funds whatsoever were collected from the two public (joint venture companies) of the Ariab Mining Company and the Sudanese Communication Company, along with other 12 companies that should have paid a combined 124 million Sudanese pounds (about US\$ 18 million) during 2011. The report called for implementing strict procedures to collect taxes from companies who purposefully combine their capital and administrative expenses to reduce taxable profits.<sup>77</sup>

The lack of transparency and accountability surfaced during the cancellation of a press conference called for by the GRAS in August 2015 to explain serious concerns about the type of concessions offered and amount of expected reserves from a gold production agreement between the Siberian Golden Stone (a Russian gold company) and Sudan. GRAS General Manager Yosif Alsamani stated that the press conference was cancelled by President Omer Al-Bashir, who told GRAS that he trusted their information and that the details of the agreement were secret and should be made available only to the auditor general.<sup>78</sup>

It is estimated that an average Arab country loses \$18 billion per year due to corruption. In Sudan, there is a supervisory body called the NCR, which is a religiously-based commission playing the role of an ombudsman. The NCR is responsible for detecting and addressing corruption. There is also a legal framework designed to combat corruption, including the 2002 Anti-Money Laundering Regulations, the 2003 Combating Money Laundering Act and the 1989 Illicit and Suspicious Enrichment Act, which defines enrichment, which is *haram* or forbidden, in line with sharia law. The latter was enacted to criminalize "wealth that could be linked to corruption or interest-based earning (illicit

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<sup>77</sup> "Auditor General state no revenues received from Ariab gold company," *Hurriyat Sudan*, January 12, 2014, available at: <http://www.hurriyatsudan.com/?p=139419>

<sup>78</sup> Faisal, Babikr, "Gold and Wheat Flour. Where is the truth?" *Altaghyeer*, August 2015.

enrichment) and wealth whose source cannot be explained (suspicious enrichment).<sup>79</sup> Such laws have never been fairly enforced. The NCR is poorly staffed, underfunded and subject to political interference.<sup>80</sup> In 2015, Judge Babikr Ahmed Gishi, the president of a committee responsible for preparation of an anti-corruption bill, argued constitutional and legal immunities for government officials constitute serious obstacles for the NCR. According to Mohamed Bushara Dosa, the former minister of justice, 25 per cent of Sudanese have such constitutional and legal immunities.<sup>81</sup> Experts argue that the supervisory institutions in the government are toothless and ineffective.

There are two monetary and pricing factors that contribute to gold smuggling and inflation:

- a) There is a disparity between the gold price set by the Central Bank and the market value;
- b) There is a lack of credible information available to gold merchants regarding the daily market price of gold which depends on many factors. This tends to make merchants hesitant to sell their gold and prompts security authorities to detain gold merchants.

To affirm the above factors, let us showcase what took place during the month of February 2013. The Central Bank purchased artisanal gold at 280,000 Sudanese pounds (approximately US\$42,000) per kg, compared to its international price of 320,000 Sudanese pounds (approximately US\$48,000) per kg i.e. the local price was 87.5 per cent of the international price. According to *Alsudani* newspaper, the Central Bank policy led to a 75% drop in the amount purchased by the bank, from 200 to 50 kg per day. Having a gold price at 87.5 per cent of the international price, the conditions were set perfectly for gold to be smuggled to South Sudan, Eritrea, Ethiopia, Chad and Egypt through several uncontrollable gold markets far from the capital.<sup>82</sup> Security forces failed to curb gold smuggling, not only due to Sudan's uncontrollable borders, but also due to corruption that starts at the highest level of the security apparatus and extends to the lowest levels. Much of the smuggled gold is carried by hand on commercial airlines

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<sup>79</sup> The International Monetary Fund and the World Bank, "Financial Sector Assessment Program, Sudan. Detailed Assessment of Observance of the anti-money laundering (AML) and combating the financing of terrorism (CFT) Standard," April 2005.

<sup>80</sup> Corruption and Anticorruption in Sudan, [https://www.transparency.org/whatwedo/answer/corruption\\_and\\_anti\\_corruption\\_in\\_sudan](https://www.transparency.org/whatwedo/answer/corruption_and_anti_corruption_in_sudan), 2012.

<sup>81</sup> "The anti-corruption commission and the obstacle of immunities," *Alsudani*, July 2015.

<sup>82</sup> Alshafa, "Did the gold dollars disappear?" February 24, 2013, issued in *Alrakoba* on April 3, 2013, available at: <https://www.alrakoba.net/news-action-show-id-89165.htm>

leaving little in the way of a paper trail.<sup>83</sup> Smuggling is a violation of national sovereignty and deprives citizens of their rights.

Sometimes, statistics posted by the Ministry of Minerals and the Central Bank of Sudan relating to production of, and trade in, gold are far from accurate. One of the Central Bank's Annual Reports stated that posted statistics included only products monitored by the Ministry of Minerals.<sup>84</sup> The supervisory tools and measures developed by the Central Bank to combat money laundering, smuggling and terrorist financing are ineffective as shown by the gap between gold output and export figures.

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<sup>83</sup> Sharife, Khadija, "Illegal 'blood gold' - from war-torn Sudan to your phone", *Mail & Guardian*, May 11, 2016, available at: <https://mg.co.za/article/2016-05-11-the-missing-paper-trails-of-sudans-gold>.

<sup>84</sup> Bank of Sudan Annual Report 2012, page 139, <http://www.fibsudan.com/pdf/rpEn2012.pdf>

## 8. Legal and regulatory frameworks: Background

The gold trade is overseen by the Ministry of Minerals, which is mandated to promote investment, protect the environment, ensure the health and safety of miners and the community, and combat smuggling. The Central Bank also plays a role, managing and controlling gold pricing, the gold trade and export and facilitating access to credit.

In addition to this institutional framework, there are a number of laws and policies which have an impact on the gold industry.

Article 11 of the Interim National Constitution (INC) 2005, amended January 2015, requires the government to protect the environment and provides that the “State shall promote, through legislation, sustainable utilization of natural resources and best practices with respect to their management.”

The following land acts and legal documents have given the post-colonial government the sole authority to commodify collective land rights by granting gold exploration and mining rights:

- The 1970 Unregistered Land Act,
- The 1972 Mines and Quarries Act,
- 1973 Mines and Quarries Regulations,
- 1999 Investment Encouragement Act (amended 2000),
- 2007 Mineral Resources and Mining Development Act (MRMDA),
- 2010 The Organization of Artisanal Mining Regulation (OAMRA),
- Procedures for Acquisitions of Exploration and Mining Rights in an Area,
- Memoranda of understanding (as a preparation for a concession), and
- Final concession agreements.

These measures have been reinforced by the INC amendments of January 2015 which centralized the power to allocate land for investments in the hands of the president. This move undermines the essence of a democratic constitution, has made all principles and best practices of other acts and laws meaningless, inefficient and un-transparent. Some of the other legislation relevant to the gold sector are:

- The 2015 Minerals Wealth Development and Mining Act (MWDMA), which sets out licensing requirements, protects the environment and supervises coordination of national and state governments in terms of trade, pricing and taxation. However, the MWDMA has not been enforced, especially the provisions on protecting the environment and forbidding child labor.
- The 2012 Regulation of Traditional Gold Mining Act (RTGMA) sets processes, procedures, and operational requirements for registering mines, protecting the environment and requires that gold be sold to designated sale points of the Central Bank.
- The 2001 Environmental Protection Act (overseen by the High Council for Environment and Natural Resources) provides practices and procedures to be followed to protect the environment from the hazardous polluting materials used in the gold mining sector. Further protections are included in the 2009 Environmental Health Act.
- The 2010 Child Act, supervised by the responsibility of the Ministry of Social Welfare, prohibits children under the age of 14 from working, and prohibits the employment of children in dangerous industries. 1997 Sudan Labor Act (overseen by the Ministry of Labor) specifically forbids the employment of young people in the mining sector.
- The 1999 Investment Promotion Law and its amendments (supervised by the Ministry of Investment) screens and approves companies looking to invest in Sudan and defines the benefits available to private companies investing in the mining sector. It covers both the exploration and mining phases. In the first instance, an Exploration Prospecting License is issued.<sup>85</sup> Following a successful exploration, a mining license is awarded to the company, with due registration of the company under the 1925 Sudanese Companies Act.
- The Public Corporations Act, amended in 2015, and supervised by the Ministry of Justice provides further regulations for companies.

All the above regulations are rarely enforced and when they are enforced, this is generally not done in favor of underprivileged citizens. There is poor coordination between federal, provincial and local governments and different departments.

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<sup>85</sup> Ministry of Minerals, "The Field of Mineral Potential of The Sudan," 2015, available at [https://goldsudan.files.wordpress.com/2015/03/mineral\\_en.pdf](https://goldsudan.files.wordpress.com/2015/03/mineral_en.pdf).

## 8.1 Lack of transparency in the regulatory system

The Central Bank's foreign exchange policy makes access to foreign currency accounts in private commercial banks cumbersome. The widespread corruption in many sectors worsens the economic situation and contributes to the depletion of hard currency reserves. Chronic hard currency shortages persist despite good profits from the export of crude oil before 2012. Without institutional transparency and clear enforcement mechanisms, legislation, including anti-money laundering legislation, will not make any difference. Indeed, Sudan's laws are often robust, but the Sudanese judicial system lacks independence and is unable to enforce them. The judicial system is "widely regarded as controlled by the executive branch. Courts cannot be relied upon to deliver objective rulings, especially in sensitive or high-level cases [...] The judiciary, being influenced by other branches of government, exercises little independence, and is widely perceived as corrupt."<sup>86</sup> Moreover, the judiciary is subject to various forms of political interference and is undermined by lack of resources, corruption, poor infrastructure, inadequate training, and low salaries.<sup>87</sup>

A good example for the lack of rules and regulation enforcement, is the case of the Russian gold company, Siberian Golden Stone, which failed to pay a \$5 billion-dollar investment guarantee and hence, breached the investment contract that it has signed in 2015. This reveals a lack of accountability in the deal which was blessed and orchestrated at a governmental level between Russia and Sudan in 2013.

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The multiplicity of ministries, departments and pieces of legislation to support and serve the gold mining sector have failed to produce effective results. The coordination mechanisms vertically between the three levels of governments or the horizontally among federal departments are ineffective due to the lack of planning, policies,

<sup>86</sup> U.S. Department of State, "Sudan: Investment Climate Statement," June 2015, available at: <https://www.state.gov/documents/organization/244666.pdf>.

<sup>87</sup> U4 Anti-Corruption Resource Centre, Transparency International and Chr. Michelsen Institute, "U4 Expert Answer: Corruption and anti-corruption in Sudan," 2012, available at <http://www.business-anti-corruption.com/country-profiles/sudan>



and transparency and the existence of corrupt influential power pockets within the ruling circles who interfere in operations. Complicated and slow bureaucratic procedures add insult to injury.

## 9. Smuggling in the gold mining industry

Between 2010 and 2014, more than \$4.5 billion worth of gold was smuggled from Sudan to the United Arab Emirates, according to the U.N. panel of experts report.<sup>88</sup> Sudanese Minister of Minerals Karouri told members of parliament that the government had almost no control over gold produced by traditional miners and that 75 per cent of this gold gets smuggled abroad due to unfavorable monetary policy.<sup>89</sup> Even though Sudan has a law to regulate traditional mining by granting licenses and specifying areas for exploration to protect miners from hazardous conditions and smuggling,<sup>90</sup> around 33 tons of gold was smuggled in 2014 compared with 40 tons exported through official channels. In 2016, there was a huge production-export gap between the declared gold production of 93.4 tons and the \$1156 million export bill, corresponding to an estimated 30 tons of exports.<sup>91</sup> Karouri claimed that this gap is due to local storage and gold consumption, the fact that some gold is exported raw to be refined abroad, and gold smuggling.<sup>92</sup>

Gold smuggling flourishes due to:

- lack of transparency in gold trade, monetary policy, gold pricing, contracts, licensing and enforcement of regulations,
- poor regulation and organization of the artisanal mining sector,
- proliferation of brokers in the artisanal gold mining trade, and
- the lack of coordination between the federal Ministry of Minerals and states and overlapping of jurisdictions in this sector.

Economists attribute smuggling to gold marketing, pricing and taxing. The existence of a dual exchange rate, official and parallel, is invitation and incentive for speculation in the local market about gold prices since the Central bank of Sudan fix exchange rates on

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<sup>88</sup> Lynch, Colum, "Russia Blocks U.N. Report Linking Alleged Sudanese War Criminal to Gold Profiteering," April 4, 2016, available at:

<http://foreignpolicy.com/2016/04/04/russia-blocks-u-n-report-linking-alleged-sudanese-war-criminal-to-gold-profiteering/>

<sup>89</sup> "75% of gold production gets smuggled due to monetary policies," *Sudan Tribune*, June 9, 2014, in Arabic, available at:

<http://www.sudantribune.net/percentD8percentAApercentD9percent87percentD8percentB1percentD9percent8ApercentD8percentA8-75-percentD9percent85percentD9percent86-percentD8percentA5percentD9percent86percentD8percentAApercentD8percentA7percentD8percentAC,8347>

<sup>90</sup> "Sudan to produce 100 tonnes of gold by end of 2016: minister," *Sudan Tribune*, July 27, 2016, available at <http://www.sudantribune.com/spip.php?article59746>.

<sup>91</sup> *Alsharq Alawast* newspaper, Issue #13925, January 2017 in Arabic.

<sup>92</sup> *Alsharq Alawast* newspaper, Issue #13925, January 2017 in Arabic.



daily basis. The Central Bank's gold pricing is complex and indeterminate; factoring in conversion of the dollar using a fluctuating parallel market rate, conversion of Dirham to Sudanese pounds in the markets of Dubai, and the closing selling price in local gold markets. Such complexity encourages gold selling agents to look for better prices, even if this requires illegal action.

While the minister of minerals has pointed to a number of factors limiting the ability of his ministry to fight smuggling, including the remoteness of traditional gold mining areas (spread over 12 states, 44 localities, 65 markets, 221 sites and 43,890 pits) and the lengthy and complex gold production and marketing processes, which made it possible for speculators to control the terms of gold finance, production and operations. These are all real obstacles, however, there are other factors including the lack of transparency in rule making around the formulation of regulations, unwillingness to enforce regulations, failures to address brokerages, speculation, corruption and the monetary policy and the fact that many gold brokers and speculators belong to the ruling circles. In addition, the Central Bank and Ministry of Minerals have been pursuing an inconsistent and inefficient approach to managing gold production and trade by favoring crony merchants and speculators which makes it impossible to implement an effective economic policy. Such inconsistent approaches include the Central Bank resorting to printing money to bridge the gap between its purchases at high black market gold prices and global sales at lower official exchange rates, a policy which causes inflation. Hence, Sudanese gold exports earn less per ounce than the international rate, as pointed out by the International Monetary Fund (IMF) in 2012 and 2013 <sup>93</sup>

Some researchers suggest that an effective public sector company would have had a better chance of effectively managing such an important national resource and reducing gold smuggling. Such a company could read the international market and decide on the opportune time and means to export gold and determine an equilibrium amount of gold to be kept as a reserve in the Central Bank.<sup>94</sup> However, the Central Bank, along with the Ministry of Minerals, has ended the government's monopoly, allowing private companies to export 50 per cent of the artisanal gold produced and sell 50 per cent to the Central Bank on March 23, 2017. The rationale for the policy was to attract greater artisanal gold production according to Karouri.

Economists argue that low productivity is the culprit: weak productivity in the manufacturing and agricultural sectors has led to low exports and hence low reserves of foreign currency. This creates depressed incomes and local currency values. The Central

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<sup>93</sup> International Monetary Fund, "Sudan: 2014 Article IV Consultation," 2014.

<sup>94</sup> Sidgi Kabbalo, Elmidan newspaper, March 28, 2017.



Bank lost around US\$1.8 million annually over the period 2009-2015 bridging the gap between its purchase of gold at the parallel currency exchange rate and its sale of currency at the official rate. The IMF sees this policy as inadvisable as it is funded by printing more money, and therefore causes inflation.

## 10. Impacts of gold mining

The artisanal gold mining sector has an important macroeconomic role in the economy, contributing up to 53 per cent of total exports. 14 per cent of total population are directly dependent on it, it employs 8 per cent of the total labor force in Sudan. It also has socio-ethnic, geographic and demographic impacts.

### 10.1 The social impact: Challenging new socio-ethnic and geographic realities

The majority of the artisanal mining community in Sudan are predominantly young and from the periphery zones, socially and economically marginalized, underprivileged, uneducated, and excluded from the skilled workforce. As noted above, miners are predominantly young. Child labor is also a serious problem in the sector and the presence of minors is highly visible in the sector, especially as workers in the grinding mills, goldsmiths and in the market grocery stores. Most miners are from the civil war hit areas of Darfur (26 per cent of miners) and Kordofan (18 per cent), Gezira (15 per cent) according to unpublished research. It is estimated that the Darfur tribes of the Tama, Zagawa, Bargo, Fur and Masaleet make up 42 per cent of miners, followed by the Majaneen tribe of Kordofan (9 per cent), the Kenana tribe of Sinnar (9 per cent) and Jalieen of River Nile (8 per cent).

Sharing the proceeds from gold sales is a dominant labor relation set up among facility owners and hand labor.<sup>95</sup> Most miners make US \$2-4 per day. Some studies show that 40 per cent of miners make US\$100-200 per month.<sup>96</sup>

The ramifications of this emerging socio-ethnic structure are three-fold. First, artisanal gold mining is creating transitioning producers from being agro-pastoralists to temporary miners,

Second, the historic unequitable development and distribution of wealth, power and privilege, as well as the center-periphery gap is transforming rather than disappearing. The old Riverine idea of having a big center, including the Gezira scheme, is giving way

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<sup>95</sup> Ibrahim, M.S., "Artisanal Mining in Sudan –Opportunities, Challenges and Impacts", presented at UNCTAD 17<sup>th</sup> Africa OILGASMINE, Khartoum, 23-26 November 2015, available at <http://unctad.org/meetings/en/Presentation/17OILGASMINE%20Mohamed%20Sulaiman%20Ibrahim%20S4.pdf>

<sup>96</sup> Ibid.

to the Greater Khartoum area becoming a huge, over-populated center. The century old phenomenon of impoverished, cheap seasonal labor migration, moving from the western Sudanese periphery to a new, narrowed center continues. A new complexity to the classic center-periphery duality is emerging as many mining sites are now located in the periphery of the River Nile State,<sup>97</sup> North Darfur (Jebel Amir), North Kordofan, South Kordofan and Red Sea State. Labor in the artisanal mining sector has not allowed for upward mobility, instead, cronyism, patronage and parasitic kleptocracy is producing a new class of merchants, brokers and speculators from among members of the ruling party and its supporters.

Third, another shift in the classic center-periphery duality is that a significant stratum of miners are coming from the recently impoverished areas of the Gezira Scheme, and the Sinnar area (members of Kenana tribe make up 9 per cent of miners). The Jalyeen tribe (8 per cent of miners) are migrating from the River Nile state to the gold mining sites in Gedarif and Northern states.

It is obvious that there is an emerging artisanal mining working class created by the fact that workers from the center are becoming temporary miners. The newly created artisanal gold mining sector in the periphery continues the old cheap labor migration, but reverses it, with labor moving from the center to the peripheries. This emerging structure necessitates a thoughtful and critical revision of the simplistic discourse of the center-periphery in light of the newly impoverished social strata in the historic center and an embryonic privileged pocket of politician-entrepreneurs and militia in the peripheries. In other words, there is a margin in the center and a center in the margin. This phenomenon requires research outside of the scope of this paper. Another discourse that runs parallel to new realities is that the powerful and privileged political class does not emerge simplistically along geographic and ethnic lines, rather they are emerging politician entrepreneurs from the peripheries investing in Islamic religious ideology in harmony with the globalized neoliberal economic model which will eventually challenge the notion of nation-building.

## 10.2 The environmental impact

Samuel J. Spiegel reminded us of the need to understand the social production of an invisible epidemic - how toxic exposure is a result of both poor practices and social inequality. Artisanal and small-scale gold mining activities are frequently linked to

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<sup>97</sup> "Sudan to produce 100 tonnes of gold by end of 2016: minister," *Sudan Tribune*, July 28, 2016, available at <http://www.sudantribune.com/spip.php?article59746>.

extensive environmental degradation and conditions of extreme poverty.<sup>98</sup> What is currently manifesting in the gold mining industry in Sudan is no different from what other African nations have experienced. “Artisanal and small-scale gold mining is largely a poverty-driven activity that constitutes an important source of livelihood for many rural communities, but it is also the world’s fastest-growing source of mercury contamination.”<sup>99</sup> It is estimated that globally for every two tons of gold produced in the artisanal sector, three tons of mercury are released. Urgent attention is needed to this issue in the artisanal gold mining sector in Sudan which involves one million gold miners and their dependents. Although most large-scale mining companies have “phased out mercury use in their operations, often switching to cyanide processing, posing another set of serious human and environmental health risks.”<sup>100</sup> An additional concern is the sulfuric acid released during gold processing which is harmful to surface and ground water sources. The acid accumulates in tailing ponds and leaks out into other water sources. Also, the piling rock debris around gold operations contains toxic mercury, lead and cyanide which can also seep into water sources and pollute them. The air polluted by fine particles emitted from gold processing operations can also be a serious health hazard if inhaled by humans and animals.

Many other industries in the developed world have retired mercury through education, often exporting that recycled mercury to developing countries where it is used for mining and skin creams.<sup>101</sup> The use of mercury and cyanide in the purification process makes miners more vulnerable to respiratory diseases and cancer.<sup>102</sup>

Two large-scale gold companies, the French-Sudanese joint venture, Ariab, and the Moroccan-Sudanese venture Managem, whose concessions were in the Red Sea and River Nile states respectively were the subject of reports of negative environmental impact and poor labor conditions were incurred. However, the environmental impact of artisanal gold mining is greater and more far-reaching. Contamination from the artisanal

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<sup>98</sup> Spiegel, Samuel J., “Occupational Health, Mercury Exposure, and Environmental Justice: Learning from Experiences in Tanzania,” *American Journal of Public Health*, November 2009; 99 (Suppl 3), available at: <https://www.ncbi.nlm.nih.gov/pubmed/19890157>.

<sup>99</sup> Ibid.

<sup>100</sup> Ibid.

<sup>101</sup> Veiga, MM; Maxson, PA; Hylander LD, “Origin and consumption of mercury in small-scale gold mining,” *J Cleaner Prod.* 2006; 14:436–447.

<sup>102</sup> Eltayeb Ibrahim Ahmed Wadi, Samir Mohmd Ali Hassan Alredaisy, “Socioeconomic and Environmental Implications of Traditional Gold Mining in Sudan: The case of Barber Locality, River Nile State”, *American Based Research Journal*, Vol 4, Issue 7, 2015, available at:

<http://www.abrj.org/Volumepercent204percent20Issuepercent207percent20Paperpercent201.pdf>

gold mining sector in Sudan is highly likely given the scope: there are 37,736 pits, 2,218 mills, 2,674 washing centers and 822 amalgam centers.<sup>103</sup>

Many small companies dump their mining waste – including mercury and cyanide – along the Nile due to lax enforcement of environmental regulations. “As the waters rise and wash riverside debris towards the Mediterranean, we fear it will seep into the water table. We fear for the river,” says Salah Abdel Rahman, a conservationist and Nubian rights activist in Abri, in the midst of the gold fields.<sup>104</sup>

In the Lower Atbara area of River Nile State, pastures have been destroyed by hills of excavated material. Seasonal water courses have been blocked by piles excavated dirt, impacting herding and farming activities. In addition, mercury often leaks in large quantities into the environment, causing pollution and health concerns.<sup>105</sup> It is reported that serious environmental damage will affect the Botana pastures which have been granted to 16 mining companies.<sup>106</sup>

There is considerable damage inflicted upon the quality of water, soil, vegetation and wildlife despite the oversight of several ministries. The 2001 Environmental Protection Act and the 2009 Environmental Health Act have turned out to be mere decor.

The UN, being involved in projects promoting cleaner and more-efficient technology that minimizes negative environmental impact, noted that “100 per cent mercury-free technology alternatives (e.g., cyanide leaching) often require a higher order of economic capital, training, and organization than most poverty-driven workers currently have access to.”<sup>107</sup>

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<sup>103</sup> Ibrahim, M.S., “Artisanal Mining in Sudan –Opportunities, Challenges and Impacts”, presented at UNCTAD 17<sup>th</sup> Africa OILGASMINE, Khartoum, 23-26 November 2015, available at <http://unctad.org/meetings/en/Presentation/17OILGASMINE%20Mohamed%20Sulaiman%20Ibrahim%20S4.pdf>

<sup>104</sup> Peter Schwartzstein and Leyland Cecco, “Sudan’s new gold rush: miners risk their lives in search of riches,” *The Guardian*, December 27, 2017, available at <https://www.theguardian.com/world/2015/dec/27/sudan-gold-rush-artisanal-miners>.

<sup>105</sup> Calkins, Sandra and Enrico Ille, “Territories of Gold Mining: International Investments and Artisanal Extraction in Sudan”, In Jorg Gertel, Richard Rottenburg and Sandra Calkins, eds., *Disrupting Territories. Land, Commodification and Conflict in Sudan*, James Currey, 2014, p. 51-76.

<sup>106</sup> Alawia al-Khalifa, “Traditional Mining: Poverty Alleviation vs. Environment Pollution,” *Sudan Vision*, August 19, 2014, available at <http://suna-sd.net/suna/showTopics/3073/2>.

<sup>107</sup> United Nations Industrial Development Organization, “Global Impacts of Mercury Supply and Demand in Small-Scale Gold Mining,” Report to the United Nations Environment Program Governing Council Meeting, February 9, 2007, Nairobi, Kenya.

The gold production process is demanding in terms of its consumption of water, electricity, mercury and cyanide. The United Nations Industrial Development Organization has estimated that 1,000 tons of mercury are released into the air, soil, and water each year by the artisanal mining sector.<sup>108</sup> Global initiatives, such as the UN-led Global Mercury Project, are trying to help miners in developing countries adopt best practices and reduce mining pollution caused by mercury. Members of the International Council on Mining & Metals (ICMM) have committed to promoting the responsible use of mercury and partnering with governments to transfer low- or no-mercury processing technologies to the artisanal mining sector. Globally, large-scale use of mercury stopped in the 1960s. The World Health Organization, and the Occupational Safety and Health Administration (OSHA) and National Institute for Occupational Safety and Health (NIOSH) in the US all treat mercury as an occupational hazard and have established specific exposure limits.

### 10.3 The macroeconomic impact

The mining and quarrying sector started to grow significantly since 2004 and its rate of growth was the highest in 2012, at 105 per cent. This sector's share in the Growth Domestic Product (GDP) increased from 0.2 to 0.4 per cent in 2011 and 2012 respectively due to the increase in gold production. Gold mining contributed about 8 per cent of the total labor force and impacted the unemployment rate. Localities raise taxes on gold mining sector and the related-services.

When the Central Bank monopolized the gold export to gain more foreign exchange earnings, it was paying the actual gold price at high black-market rate and fund the difference by increasing the money supply and injecting liquidity in the market, hence causing inflation, an approach criticized by the IMF. Being produced in a remote rural marginalized agro-pastoral economy, ridden with poverty, some of them are in civil wars, gold production is currently affecting the availability of labor force in the agricultural and husbandry sectors and consequently affecting the gum Arabic and livestock production. Access to capital and micro credit to traditional poor miners and small and medium enterprises is a serious barrier.

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<sup>108</sup> Communities and Small-Scale Mining (CASM), International Finance Corporation's Oil, Gas and Mining Sustainable Community Development Fund (IFC CommDev), and International Council on Mining & Metals (ICMM), "Working together: how large-scale miners can engage with artisanal and small-scale miners," 2009, ICMM: [www.icmm.org](http://www.icmm.org).

## 10.4 The impact on health and safety

In addition to the health and safety hazards related to pollutants (described above in the environmental impact section), miners face a number of other health and safety concerns. Miners live either in scattered camps near the mining sites, or on the edges of cities near the mining sites. In both cases, overcrowding creates low levels of hygiene, sanitation and occupational health problems. The localities' role in the artisanal mining sector is negative. They act mainly as tax and fee collectors and do not consider providing mobile emergency health care, first aid packages or health and safety equipment stores, mobile ambulances and clinics, mobile toilets and clean water sources in the camps and settlements. The mining sites lack proper sanitation and often fail to follow regulations, and good practices in health and safety, exploiting uninformed and illiterate communities. In Sudan's traditional gold sector, "theft, cheating and drug abuse make 90 per cent of cases reported to police in the traditional mining areas."<sup>109</sup>

Mine wells are not safe. The sites also lack safety and emergency procedures that are expected from the federal, state and local governments. In Jebel Amir, a well that collapsed on April 29, 2013 resulted in the deaths of more than 60 miners.<sup>110</sup> Another accident took place in April 2015 in Jebel Amir in which a well collapsed and killed 82 miners. The collapse was attributed to the depth of the well (80 meters) and the existence of other wells connected to the original one.<sup>111</sup>

## 10.5 The impact on child labor

The International Labor Organization (ILO) defines child labor as work that deprives children of their childhood, their potential and their dignity, that is harmful to their physical and mental development, and that interferes with their schooling.<sup>112</sup> Under the United Nations Guiding Principles for Business and Human Rights, companies should put in

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<sup>109</sup> Ibrahim, M.S., "Artisanal Mining in Sudan –Opportunities, Challenges and Impacts", presented at UNCTAD 17<sup>th</sup> Africa OILGASMINE, Khartoum, 23-26 November 2015, available at <http://unctad.org/meetings/en/Presentation/17OILGASMINE%20Mohamed%20Sulaiman%20Ibrahim%20S4.pdf>

<sup>110</sup> "Between the Atacama mine and Jebel Amir mine," *Hurriyat Sudan*, May 10, 2013, In Arabic, available at: <http://www.hurriyatsudan.com/?p=108698>

<sup>111</sup> Radio Dabanga quoted in *Hurriyat*, April 18, 2015, available at: <http://www.hurriyatsudan.com/?p=178699>

<sup>112</sup> Human Rights Watch, "Precious Metal, Cheap Labor: Child Labor and Corporate Responsibility in Ghana's Artisanal Gold Mines," June 10, 2015, available at: <https://www.hrw.org/report/2015/06/10/precious-metal-cheap-labor/child-labor-and-corporate-responsibility-ghanas>



place robust due diligence measures—that is, processes to identify, prevent, mitigate, and account for the company’s impacts on human rights, including child labor.<sup>113</sup>

Research on Sudan’s artisanal gold mining sector highlighted a significant presence of child labor in the mills and goldsmiths or in related small market, and groceries. Child labor as typical phenomenon in developing countries has been well studied and features in the discourse explaining underdevelopment in poor agro-pastoral rural communities and shanty towns. A holistic approach of law enforcement to ensure enforcement of the law alongside access to education, is generally seen as advisable in addressing the child labor in developing countries. Child labor in the gold mining sector violates the 2010 Child Act. The international human rights community should push companies to implement due diligence processes and procedures in Sudanese refineries to ensure that their gold is not produced by child labor. The Central Bank and the Ministry of Minerals should put in place policies and processes requiring gold traders to use apply human rights criteria, including whether the gold was produce using child labor, when purchasing gold<sup>114</sup> and require that refineries buy gold legally produced by licensed companies that comply with the 2010 Child Act. The prevalence of child labor in the artisanal gold sector indicates that if such processes and procedures are used by the Ministry of Minerals, they are insufficient. Based on other countries’ experience, it seems that the Ministry of Minerals and the Central Bank of Sudan have “weaknesses in their due diligence procedures, such as a lack of systematic child labor monitoring or a lack of transparency,”<sup>115</sup> and their inspections for child labor and efforts to enforce the 2010 Child Act are neither systematic nor functional. We also claim that one of the reasons for child labor is that government funds provided for public education are inadequate, hence, as in the similar context in Ghana, some “schools levy various fees in violation of the international law, which undermine the right to free education. Children who cannot afford the fees often work in gold mines as an alternative, or work in the mines specifically to earn money to continue their education.<sup>116</sup>” In addition to the failure to make primary education truly free of charge, other causes of child labor include lack of social welfare and social protection programs pursued by a neoliberal government adopting a laissez-faire approach leading to privatization of education and health services. Gross school enrollment rate in Sudan in 2009 was 71 per cent. However, only one in five children completed primary school in 2010.”<sup>117</sup> Given such realities, child labor won’t be

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<sup>113</sup> Ibid.

<sup>114</sup> Ibid.

<sup>115</sup> Ibid.

<sup>116</sup> Ibid.

<sup>117</sup> U.S. Department of State, “Sudan: Investment Climate Statement,” June 2015, available at: <https://www.state.gov/documents/organization/244666.pdf>.



eliminated even if the artisanal mining sector is regulated, professionalized and formalized. Licenses of gold sites that use child labor should be revoked. When the Ministry of Minerals or the Central Bank provide gold export licenses to companies, they must be tied to human rights due diligence. More fieldwork is needed to investigate this issue.

## 11. Gold and conflict dynamics

### 11.1 Jebel Amir: A kleptocratic scene

**Conflict over natural resources in Sudan has been part of the socio-economic and political conflict over wealth and power. Available evidence from Darfur, the Nuba Mountains, and Blue Nile reveals that the instability and civil wars in these states were instigated and driven by competition over natural resources.**

Militia control of minerals to fund civil wars in Africa has become an increasingly urgent issue over the last two decades. In north of Côte d'Ivoire, a rebel controlled diamond mine in the town of Seguela has smuggled diamonds worth more than US \$20 million into Mali and Ghana to help fund arms purchases. Gold is used financially as collateral for currency, and is used in medicine, and the production of jewelry, electronics, aerospace, computers and gilding. In recent years, gold has played a prominent role in fueling conflict in eastern Democratic Republic of Congo (DRC).

Jebel Amir is a dramatic scene whose actors reverse the typical rules of the post-colonial game. Instead of the center using military power, alliances and privilege to exploit the periphery, this has occurred in reverse. A typical camel herder from a disadvantaged, destitute, developmentally deprived and politically neglected area has no connection to the educational or military ladders

of power and privilege of the “center.” Yet, this actor metaphorically picked ferocious swords of death molded from the desert heat and the Jebel rocks, cut down the bodies of his fellows, and piled them to climb up to the powerful and equally bloody center and to forge an alliance with it.

Conflict over natural resources in Sudan has been part of the socio-economic and political conflict over wealth and power. Available evidence from Darfur, the Nuba Mountains, and Blue Nile reveals that the instability and civil wars in these states were instigated and driven by competition over natural resources.<sup>118</sup> In North Kordofan, all 23 recorded conflicts in 2002 were of a resource-based nature.<sup>119</sup>

<sup>118</sup> Taha, Mohyeldeen. E., “Land Use, Ownership and Allocation in Sudan: The challenge of corruption and lack of transparency”, *Sudan Democracy First Group*, Sudan transparency Initiative, September 2016.

<sup>119</sup> Egemi, O. A. “Land tenure, conflict and challenges to social peace in Sudan,” Conference paper, Khartoum, 2004.

**It is estimated that Jebel Amir produces 17% of Sudan's gold with a daily production value estimated to be between 7-10 billion Sudanese pounds with 75 thousand miners.**

The story of Jebel Amir, North Darfur begins with the discovery of gold in 2012, when thousands of artisanal gold miners rushed to the area. It is estimated that Jebel Amir produces 17% of Sudan's gold with a daily production value estimated to be between 7-10 billion Sudanese pounds with 75 thousand miners.<sup>120</sup> The artisanal gold mines of Jebel Amir have become a liability for peace, funding armed conflict in Darfur as early as January 2013. A fight broke out between the local tribe of Beni Hussein and Hilal's nomad tribe of Rizeigat. Both tribes were part of the border guards (*Haras Alhudood*). Both sides were once (unevenly) controlled by Khartoum, but have since slipped out of the government's control in an all-out battle for gold and power. By January 2013, Musa Hilal controlled the mines. In early 2014, Hilal expelled the commissioner of Saref Omra, a small town to the south of Jebel Amir, and, in effect, annexed the territory into his own fiefdom. He then repelled government troops that were reportedly sent to retake control of the town and the Jebel Amir gold mine, confiscating their arms and vehicles.

Another rival and crucial player in the scene is Mohammed Hamdan Dalgolo, known as Hemmeti, a young Rizeigat militia leader and a rival and relative of Hilal. Hemmeti oversaw the Rapid Support Forces (RSF), a Sudanese government force under the command of the NISS. The RSF repeatedly attacked villages, burned and looted homes, beat, raped and executed villagers.<sup>121</sup> Hemmeti was appointed brigadier general in mid-2013,<sup>122</sup> and promoted in 2016 to become lieutenant general, a high-ranking position similar to that of defense minister. Omer Al-Bashir's government is using both leaders in a costly counter-insurgency strategy to fight Darfuri rebels on Khartoum's behalf, although the militia leaders also have their own agendas. Hilal and Hemmeti are two elementary school graduates and have no professional military background. Despite his role in mass killings in Darfur and being placed under sanctions by the U.N. Security Council, Hilal was awarded a ministerial rank in the bureau of decentralized governance. Hilal is now a billionaire in charge of Jebel Amir's artisanal gold mines, along with Hemmeti, several companies owned by NCP members of their close relatives and some leaders of the Beni Hussein tribe. The militias involved in the gold conflict include the

<sup>120</sup> Shambal, Anwar, "Stop!! Jebel Amir Mine is ahead" *Hurriyat Sudan*, July 30, 2013, in Arabic, available at: <http://www.hurriyatsudan.com/?p=119278>

<sup>121</sup> Human Rights Watch, "Men with No Mercy," September 9, 2015, available at:

<https://www.hrw.org/report/2015/09/09/men-no-mercy/rapid-support-forces-attacks-against-civilians-darfur-sudan>

<sup>122</sup> Tubiana, Jérôme, "Out for Gold and Blood in Sudan"; *Foreign Policy*, May 24, 2014, available at <https://www.foreignaffairs.com/articles/sudan/2014-05-01/out-gold-and-blood-sudan>.

border guards, the Central Reserve Police (Abu Taira), Janjaweed and the RSF (Hemmeti) as well as the Popular Defense Forces (PDF). These groups sometimes conspire against each other, the government or each other and/or carry out attacks against each other, Darfuri civilians and/or military opposition groups. The irony is that the central government armed and financed these militia forces under the disguise of the border guards and they are now challenging the government.

In 2013, hostilities over Jebel Amir gold, killed 800 members of the Beni Hussein tribe, injured 700 and displaced about 150 thousand. Hilal “mediated his own parallel peace treaty that allows him to continue to exercise his influence over the area through a parallel system of taxation. At the time, the North Darfur state minister of finance, Abdo Daoud Suleiman, announced that the government would levy a fee on all gold mined from the area.”<sup>123</sup> By August 2014, the central government sought to grant industrial mining concessions over the area to the two companies with ties to Khartoum Islamic ruling circles, Mam Group for Mining and Minas.<sup>124</sup> The chair of the board of directors of Mam is Mohamed Ismail Elmuta’afi, brother of Abdelhalim Elmuta’afi, one-time Governor of Khartoum State and former federal Minister of Agriculture and Fisheries. Mam was granted block 15 of Jebel Amir in 2014. Immediately after this concession was granted, militia commander Musa Hilal warned the company against “taking any action without the consent of the political and social authorities of El Sareif Beni Hussein, Saref Omra, and El Waha localities”, which formed a self-pronounced administration independent of the federal or local government. Hilal stated that “the current situation does not allow exploration in that region.”<sup>125</sup>

In one of his visits to the gold site of Jebel Amir, Osman Kibir, the former Governor of North Darfur, was bribed by the gold wells’ committee with eight gold wells, free of monthly taxes, as a gift.<sup>126</sup> It was reported that Mr. Kibir receives monthly revenue of 8 billion Sudanese pounds from his gold wells in Jebel Amir.<sup>127</sup> Politician-entrepreneurs are deeply involved in government contracts and concessions. An interesting example of these dynamics is the case of Elhaj Sidig Adam Abdalla (nicknamed Wadaa). Wadaa

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<sup>123</sup> Ibid.

<sup>124</sup> “Mam and MINAS awarded concessions in Jebel Amer,” *Alshoroq*, April 8, 2014, in Arabic, available at: [http://www.ashoroq.net/index.php?option=com\\_content&view=article&id=38588:qq-qq-&catid=35:2008-07-30-07-04-03&Itemid=1191](http://www.ashoroq.net/index.php?option=com_content&view=article&id=38588:qq-qq-&catid=35:2008-07-30-07-04-03&Itemid=1191).

<sup>125</sup> “Darfur gold concession winner warned-off by Hilal,” *Radio Dabanga*, April 17, 2014, available at:

<https://www.dabangasudan.org/en/all-news/article/darfur-gold-concession-winner-warned-off-by-hilal>

<sup>126</sup> Algali Abdelaziz Ahmed, “The premier Osman Kibir and death in Jebel Amir,” *Hurriyat Sudan*, March 25, 2013, available at: <http://www.hurriyatsudan.com/?p=102728>.

<sup>127</sup> “Musa Hilal in a burning interview,” *Hurriyat Sudan*, May 8, 2013, available at <http://www.hurriyatsudan.com/?p=108493>

was the chairman of a peace settlement committee responsible for mediating between the rebels in Darfur and the government and an owner of the “Sadig for Roads and Bridges” company. This company received a government contract to build a highway connecting Elfashir city and Kutum that has not been implemented. The political mediator is also involved in the gold mining business in Jebel Amir according to Kibir, who acknowledged the existence of an agreement granting Wadaa the right to buy Jebel Amir gold and sell it to the Central Bank.<sup>128</sup>

By July 2015, the Awakening Revolutionary Council (ARC), a political organization established and chaired by Musa Hilal, publicly declared its occupation of the Jebel Amir gold mines when the a section of ARC issued a public statement stating that “the consultation meeting convened to discuss Jebel Amir gold mines was attended by leaders of the native administration, religious leaders, villages’ sheikhs, youths, students, women, graduates, local community elites, representatives of the armed forces in Darfur regions, ARC and all Darfur States. The meeting recommended the following:

- 1) To avoid agitation, the security of the region including Jebel Amir’s mines is the responsibility of the regular armed forces of the sons of the region (Borders Guard forces, the Central Reserve forces as well as the ARC forces). Accordingly, any armed units other than these are not allowed to approach Jebel Amir Area.
- 2) Gold prospecting companies are not allowed to enter the area without prior agreement with the local communities of all localities within the Jebel borders. Also, all gold related activities, inspections and surveys of entities used to work in the Jebel shall stop until an agreement is reached with them.<sup>129</sup>

Musa Hilal, once an advisor to Al-Bashir in the office of the decentralized rule, abused his public office to cut off the central government and North Darfur governor, as well as the Beni Hussein tribe, from the area of Jebel Amir so that his militia can control the gold trade from 400 mines.<sup>130</sup> It is reported that Hemmeti independently owns at least three mines in Jebel Amir.<sup>131</sup>

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<sup>128</sup> Algali Abdelaziz Ahmed Abdelbagi, “From Jebel Amir to Kutum-Elfashir highway,” *Hurriyat Sudan*, March 31, 2013, available at: <http://www.hurriyatsudan.com/?p=103379>.

<sup>129</sup> “Musa Hilal’s forces declare their responsibilities for Jebel Amir’s mines,” *Hurriyat Sudan*, July 2015, available at: <http://www.hurriyatsudan.com/?p=184672>.

<sup>130</sup> “Musa Hilal: Kibir and Kamal Abdelateef gave rise to the evens of Jebel Amir,” *Hurriyat Sudan*, March 18, 2013, available at: <http://www.hurriyatsudan.com/?p=101832>

<sup>131</sup> Sudaress, “Interview with Mohammed Hamdan, commander of the border guard”, April 26, 2013, in Arabic, available at: <http://www.sudaress.com/alrakoba/96092>.

Typical of the kleptocratic behavior of the ruling circles, two thirds of members of West Darfur parliament voted not to reprimand the chairman, Mustafa Mohamed Ishag, for his absence from parliament sessions and engagement in gold prospecting in Jebel Amir. This was not an exemption to all parliamentary members of councils, locally, provincially and federally who came to power through the rigged 2010 national election.<sup>132</sup>

A representative of Musa Hilal, made public the content of an email exchange between Faiza Elhussein, the manager of the Masar Company, and Ismail Elagbash, spokesperson for Musa Hilal, dated April 11, 2016. Ismail stated in the email that: “the concession of the karta gold tailings (with 75 per cent gold) of Jebel Amir has been granted to a partnership between the NISS and Eljinaid Co. (owned by Hemmeti). They have collected the karta into troughs awaiting the arrival of a Chinese gold treatment equipment. Individual owners of another type of karta (with 80 per cent gold), estimated to produce up to 1000 kilograms of gold, are willing to sell it. We will partner with you,” the email continues, “on the latter, after addressing some security and administrative obstacles. Rewarding gold prospecting opportunities are available, we need short time to have a feasibility study ready and pick a location suitable for the quantity and security.”<sup>133</sup>

What is interesting in this exchange is not the conspiratorial and corrupt dimension of control over national gold wealth, but the implication of the NISS. The security narrative here is two-fold: it is NISS, rather than the Ministry of Minerals or the Central Bank, is the institutions that is making decision in the gold mining sector; and for both the NISS and gold companies, the concern is the “security” of gold smuggling, rather than the security of citizens. The second claim is hard to prove as it is the role of security authorities to prevent smuggling, and this might imply their involvement in the same. The impact of the Jebel Amir gold trade on human rights abuses in Darfur was documented by the United Nations Security Council and quoted in an April 4, 2016 *Foreign Policy* article. An annual income of US \$123 million is the estimate of gold trade funds that goes to the militia, in addition to US \$ 54 million to Musa Hilal.<sup>134</sup>

The proceeds of the Jebel Amir gold trade have been fueling the civil war by funding the militia’s operations and enriching a periphery-center alliance of politician-entrepreneurs. Here are some examples of this proposition;

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<sup>132</sup> “West Darfur parliament chairman exempted for being overwhelmed by gold prospecting,” *Hurriyat Sudan*, November 15, 2012, available at: <http://www.hurriyatsudan.com/?p=85617>

<sup>133</sup> “Big Scandal: Uncovering correspondence documenting militia theft of Jebel Amir’s gold,” *Hurriyat Sudan*, January 16, 2017, available at: <https://plus.google.com/100686231137395113153/posts/fDuKAiEtUup>.

<sup>134</sup> Ibid.

**Example 1:** Minister of the Interior Ismat Abdurrahman spoke to the national parliament on January 2, 2017, criticizing the fact that 400 gold mines of Jebel Amir of Northern Darfur are controlled by 3,000 RSF militia troops under commander Hemmeti along with other “foreigners” from neighboring countries whose estimated number ranges from 10,000-20,000.<sup>135</sup> He admitted the inability of the poorly equipped police forces at the site to confront the fully equipped militia with heavy weapons. He stated that his forces could not confront and combat such fully equipped forces who also outnumbered the police forces in the area. The minister of the interior publicly called for the parliament to consider an intervention by the Sudanese Armed Forces (SAF) to take over the gold mines. On January 15, 2017, two weeks after his speech, the parliament passed a bill that legitimized the RSF forces. It is estimated that the budget allotted to Hemmeti’s forces is 3.2 billion Sudanese pounds (about US \$480 million), more than 50% of the budget of the federal ministry of the interior.<sup>136</sup> The bill also allows President Omer Al Bashir to merge the RSF into the armed forces and make the militia directly accountable to him, legitimizing it as a third military force along with the police and army. The law opens the door for confusion, chaos, insecurity and instability. The minister of the interior was apparently forced to resign soon after.

**Example 2:** The Minister of Minerals Karouri publicly acknowledged that neither the federal nor local government have any control of Jebel Amir gold production and revenue.<sup>137</sup>

**Example 3:** Russia has signed a number of cooperation agreements with Sudan. A UN report linked Musa Hilal to gold profiteering by pocketing \$54 million a year from Jebel Amir gold sales.<sup>138</sup> According to journalist Colum Lynch the UN report’s release was blocked by Moscow. The UN Security Council panel of experts claimed that the gold trade has put more than \$123 million into the pockets of armed groups throughout Darfur, in addition to Hilal’s personal earnings. It also noted that violence was continuing in

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<sup>135</sup> Sissi, Tigani “Revealed existence of 20 thousand foreigners in Jebel Amir mines,” January 18, 2013, available at: <http://www.sudaress.com/sudantribune/4391>

<sup>136</sup> “Expenditure on education in both public and higher levels is equivalent to a quarter of the budget of Hemmeti’s forces ... and health is a sixth!” *Alrakoba* quoted in *Hurriyatsudan*, available at: <http://www.alrakoba.net/news-action-show-id-258773.htm> and <http://www.hurriyatsudan.com/?p=216095>, January 7, 2017.

<sup>137</sup> *Alsharq Alawast* newspaper, Issue #13925, January 2017 in Arabic.

<sup>138</sup> Walt, Stephen M., “The collapse of the liberal world order,” *Foreign Policy*, 2016, available at: [http://foreignpolicy.com/2016/06/26/the-collapse-of-the-liberal-world-order-european-union-brexit-donald-trump/?utm\\_source=Sailthru&utm\\_medium=email&utm\\_campaign=Newpercent20Campaign&utm\\_term=Flashpoint\\_s](http://foreignpolicy.com/2016/06/26/the-collapse-of-the-liberal-world-order-european-union-brexit-donald-trump/?utm_source=Sailthru&utm_medium=email&utm_campaign=Newpercent20Campaign&utm_term=Flashpoint_s)



Darfur, reinforcing reports by Human Rights Watch that the RSF committed atrocities including widespread sexual assault. The report confirmed that Hilal's gold mining gives him access to substantial amounts of money and could mark a new phase in the Darfur conflict. Unregulated gold mining has emerged as a major source of revenue for Darfur's armed groups. Hilal seized control of the Jebel Amir mines in January 2013 after the SAF withdrew from the site to avoid violent confrontation with his forces.<sup>139</sup> Hilal has been collecting taxes and fees from gold mining merchants, vendors, butchers etc. Hilal is an embodiment of corruption, lack of transparency and accountability collaborating "with Sudanese forces and engage in millions of dollars' worth of deals with the Central Bank of Sudan. The U.N. panel charges that the bank, which facilitates the gold trade, failed to comply with its obligation to freeze Hilal's assets while the government also permitted him to travel beyond Sudan's borders with impunity."<sup>140</sup> The Jebel Amir's gold trade is not only undermining security and social peace in Darfur, but also brings to the surface the question of who owns gold deposits.

In the case of Jebel Amir, the gold trade is under the control of the Abbala Janjaweed militia. Artisanal gold mining sites are in the civil war areas of North Darfur (Jebel Amir, Jebel Jaly, Jebel Orey, Kutum, Omkadada), South Darfur (Rehaid Albirdi), South Kordofan (Sodari), the Nuba Mountains and the Ingessana Complex of the Blue Nile. Such sites raise special peace, security and human rights' concerns. The Abbala militia control artisanal gold mining and have grown into rich and powerful entrepreneurs by allying with the central government's kleptocrats and companies with the objective of sharing embezzled gold wealth. Jebel Amir's gold has created a new class of armed pastoralists who are transforming into entrepreneurial politicians and a new decentralized political authority. This new class is pressing for tribal sharing of power and privileges with the riverine center on its own terms. It is not interested in developing a holistic equitable strategic national development plan or redistributing wealth and power to address serious unbalanced development.

## 11.2 Red-flagging Jebel Amir's gold as conflict gold

Strong concerns about the gold trade in Jebel Amir have been on the front burner of the international human rights and peace community for some time. The government and militia are using gold proceeds to fund their military operations and destabilizing Darfur,

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<sup>139</sup> Lynch, Colum, "Russia Blocks U.N. Report Linking Alleged Sudanese War Criminal to Gold Profiteering," April 4, 2016, available at:

<http://foreignpolicy.com/2016/04/04/russia-blocks-u-n-report-linking-alleged-sudanese-war-criminal-to-gold-profiteering/>

<sup>140</sup> Ibid.

South Kordofan and Blue Nile. Civilians in these gold sites have been killed and women raped by the Sudanese army and its proxy Janjaweed militias.

The Sudanese government, gold traders and gold companies buying Jebel Amir's conflict gold should be sanctioned. This research urges gold industry leaders worldwide to red-flag all gold shipments from Sudan as "conflict gold" under the criteria and due diligence guidance of the Organization for Economic Cooperation and Development (OECD).<sup>141</sup> Gold auditing mechanisms should trace Sudanese gold exports to make sure that they are not produced in Jebel Amir. So far, conflict-free auditing systems "have mainly been used to screen for gold from the Democratic Republic of the Congo because of the conflict minerals provision in the 2010 Dodd-Frank Wall Street Reform and Consumer Protection Act."<sup>142</sup> Along these lines, Akshaya Kumar made an eye opener that the lack of knowledge about Sudan's conflict gold dynamics has allowed high-risk gold from Sudan to continue to make its way into the international market.<sup>143</sup> Having gold centrally refined in the Sudan Gold Refinery Co., it is not technically challenging to red-flag gold prospected in the conflict zones by stamping gold bars to indicate the mine of origin.

With regard to gold from conflict-affected areas, the OECD has developed detailed due diligence guidance. While the OECD guidance is largely focused on preventing mass atrocities during armed conflict, it also provides important guidance on how to establish human rights due diligence more broadly.<sup>144</sup> International human rights organization should send letters to the Central Bank of Sudan which is the owner of the Sudan Gold Refinery, asking them about their international human rights due diligence policies and procedures in relation to the gold used to fuel civil war in Darfur and ask them to work on stamping gold that comes from Jebel Amir.

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<sup>141</sup> The Organization for Economic Cooperation and Development (OECD), "OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas," 2nd ed., 2013, p. 79, available at: <http://www.oecd.org/corporate/mne/GuidanceEdition2.pdf>

<sup>142</sup> Partnership Africa Canada, "All that Glitters is Not Gold: Dubai, Congo and the Illicit Trade of Conflict Minerals," Ottawa: May 2014, available at: <http://www.pacweb.org/images/PUBLICATIONS/Allpercent20Thatpercent20Glitters.pdf>

<sup>143</sup> Akshaya Kumar, "Fool's Gold: The Case for Scrutinizing Sudan's Conflict Gold Trade," The Enough Project, March 2015, available at <https://enoughproject.org/reports/fools-gold-case-scrutinizing-sudans-conflict-gold-trade>

<sup>144</sup> Human Rights Watch, "Precious Metal, Cheap Labor: Child Labor and Corporate Responsibility in Ghana's Artisanal Gold Mines," June 10, 2015, available at: <https://www.hrw.org/report/2015/06/10/precious-metal-cheap-labor/child-labor-and-corporate-responsibility-ghanas>

**In 2012, about 77% of the 57 tons of gold originating from Sudan was exported to Dubai by an arm of the Sudanese government known as the Sudan Financial Services Company (SFS), which was under sanction by the US's Office of Foreign Assets Control. The remaining 23% was sold by private companies incorporated in the United Arab Emirates or Sudan, which subsequently exported the gold to Dubai.**

It is also important to establish whether the Jebel Amir mining sites are licensed and whether the refinery has processes in place to ensure that the gold they refine is licensed. When putting the new policy of allowing 50 per cent of gold to be exported by companies, the Central Bank and the Ministry of Minerals need to have processes in place to ensure that gold produced in Jebel Amir is red-flagged as conflict gold. Being historically marginalized and impoverished by unequal development, Darfuri citizens are not benefiting from the current gold mining sector, instead it has become a curse.

#### **The case of illegal gold exported to Dubai in 2012<sup>145</sup>:**

Investigations into internal data from the accounting firm EY (a financial and conflict mineral auditor to Kaloti) show that a large percentage of Sudan's gold has been sold to Kaloti, a Dubai-based precious metals solutions and services company. In 2012, about 77% of the 57 tons of gold originating from Sudan was exported to Dubai by an arm of the Sudanese government known as the Sudan Financial Services Company (SFS), which was under sanction by the US's Office of Foreign Assets Control. The remaining 23% was sold by private companies incorporated in the United Arab Emirates or Sudan, which subsequently exported the gold to Dubai. Most of this gold from Sudan was sold to one refiner in Dubai: Kaloti. The African Network of Centers for Investigative Reporting (ANCIR) studied EY's internal data of the Sudanese gold supplied to Kaloti and found that "more than half of the criteria related to due diligence were not completed." The gold was categorized as scrap, i.e., Kaloti's client verification documentation indicates that SFS supplied "mined gold", but the gold itself was classified by Kaloti as scrap or already refined, a technique used to avoid enhanced due diligence of freshly mined gold. "Once the gold reached Dubai, it had an entryway into the global gold trade and supplied to companies like Apple."<sup>146</sup>

<sup>145</sup> Sharife, Khadija, "Illegal 'blood gold' - from war-torn Sudan to your phone", *Mail & Guardian*, May 11, 2016, available at: <https://mg.co.za/article/2016-05-11-the-missing-paper-trails-of-sudans-gold>.

<sup>146</sup> Ibid.

### 11.3 South Kordofan: Gold and conflict dynamics

In 2013, the area of South Kordofan was reduced when West Kordofan State was created/reinstated. There are two sets of gold mining sites in South Kordofan, one under the control of the government and the other is controlled by the Sudan People Liberation Movement-North (SPLM-N) in the liberated areas. Each side launches military operations against the gold mining sites to disrupt production activities rather than occupying the land and preventing miners from generating gold income. However, both do work to maximize income from gold activities.<sup>147</sup>

- a) **SPLM-North gold mining activities:** There are six artisanal gold mining sites in Heiban County with 5,000 artisanal miners in areas safe from government attacks.<sup>148</sup> Because of the war and government air strikes, several gold mines are no longer operational. The biggest of these sites before the recent war started in 2011 was in the Eieri area in which 160 teams searched for gold with metal detectors and 60 stone crushers.<sup>149</sup> Other gold mining activities take place in Um Dulu of Um Doreen County with 3,000 artisanal miners prospecting with 100 metal detectors in 2013. According to the SPLM-N, it is dispatching a geologist for prospecting in the gold sites around Rashad area (Zalataya and Jebel Mahal) which was affected by government attacks. Miners sell their production to the Mountains Trade and Development Bank, headquartered in Juba since 2010, which monopolizes gold trade in the area. It is reported that none of the detectors or the crushers were owned by the local population.<sup>150</sup>
- b) **Government controlled gold mining activities:** Big semi-industrial mining operations were run around Talodi and Um Doual by the Mam Company. Other activities take place in Heiban, Kadugli, Dendor, Mehedan and El Fengalu. In 2012, 22 miners died following the collapse of two caves in Talodi.<sup>151</sup>

### 11.4 Blue Nile: Gold and conflict dynamics

Gold mining is more or less artisanal in nature, despite the existence of two large government related small and large scale mining companies. In 2001, annual gold

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<sup>147</sup> Spittael, Steven and Yannick Weyns, "Mapping Conflict Motives: The Sudan-South Sudan Border," International Peace Information Service (IPIS), January 2014, page 24.

<sup>148</sup> Ibid, page 23.

<sup>149</sup> Ibid, page 23.

<sup>150</sup> Ibid, page 24.

<sup>151</sup> "Talodi Authorities Continue Efforts to Recover Bodies of Gold Prospectors," *Sudan Vision*, February 5, 2012.

production in the areas of Gugub, Khor Gidad, and Taga was 450 kilograms.<sup>152</sup> All the artisanal gold mining activities in Ingessana are considered illegal. “Although gold occurrences are relatively small and scattered, alluvial gold miners do not comply with the provisions provided in the Mines and Quarries Act (1972). In 1996, the Government tried to legalize the gold mining in southern Blue Nile and elsewhere by granting special licenses. The government granted a 10 km<sup>2</sup> concession covering the Gugub sites (in the Ingessana) to a national company in 1998.<sup>153</sup>” Before September 2011, when the second war broke out in the Blue Nile State, 1,400 miners were active in the Ingessana Mountains.<sup>154</sup>

### **Government controlled gold mining:**

In Blue Nile, agriculture remains a key activity. Farmers has been lured by gold as an opportunity to improve their earnings, but violence interrupts this activity. As per Kamal Abdelatif, the minister of minerals in 2013, over 82 companies have been granted mining licenses in Blue Nile state, but only eight companies were operating due to the war.<sup>155</sup>

The ruling circles and political elites in Khartoum own the following two companies which are heavily protected by SAF or NCP private security forces:

1. The Red Rock Mining Company in Belguwa (Roseires locality) is a subsidiary of the government owned “Sudan Master Technology”, Omer Al-Bashir has a stake in it.
2. Eyat Mining and Exploration has two concessions, one close to Amora and Beldebro (Geissan locality) and the other on the Agadi scheme west of Aldamazin. It is alleged that Ali Osman has considerable financial interests in Eyat Mining, Matko International and the Switch Group (both in agriculture) and Itaam for Investment (investment and tourism industry).

A third 3000 km<sup>2</sup> concession, in Kurmuk locality, was awarded to the Egypt-based ASCOM Precious Metals Mining which is 39% owned by Citadel Capital, a Middle East’s largest private equity fund.<sup>156</sup>

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<sup>152</sup> Ibrahim, M., “Information about Ingessana Hills gold mining sites chosen for the environment and health assessment, UNDP and UNIDO: Global Mercury Project,” November 2003, p. 3.

<sup>153</sup> Ibid.

<sup>154</sup> Spittael, Steven and Yannick Weyns, “Mapping Conflict Motives: The Sudan-South Sudan Border,” International Peace Information Service (IPIS), January 2014, p. 39.

<sup>155</sup> Adam Mohamed, October 2013, “Gold lures farmers in Blue Nile State, despite danger”, the Niles, retrieved August 2017, available at: <http://www.theniles.org/en/articles/economics/2033/>

<sup>156</sup> Ibid, p. 39.

### Gold mining in the SPLM-N controlled areas in the Blue Nile State:

Because government aerial bombardments have limited access to agricultural lands, the local population has resorted to artisanal gold mining in Mofu (2000 miners) and Yabus (200 miners) for survival. Much of the gold is traded locally for basic products and Ethiopian traders pay relatively low prices for gold.<sup>157</sup> Gold mining is not strictly monitored or controlled by the SPLM-N.

### Blue Nile socio-economic grievances:

During the first half of 2012, the Sudanese government carried out a deliberate scorched earth campaign of shelling, bombing, and burning down civilian villages in the area and forcibly displacing many thousands of people. Some civilians who were unable to escape were burned alive in their homes; others were reportedly shot dead. The widespread nature of the attacks was confirmed by satellite images obtained by Amnesty International.

In 2013, indiscriminate bombing has been the Sudanese government's signature tactic in Blue Nile state, to devastating effect. Bombs have injured and killed civilians, and damaged and destroyed civilian infrastructure, including homes, schools, health clinics and farmland. Sudanese forces have also employed indiscriminate shelling, deliberate ground assaults on civilian villages, and abusive proxy forces. Then some 150,000 people from Blue Nile State languished in a string of refugee camps in neighboring Ethiopia and South Sudan, and tens of thousands more have been forcibly displaced within Sudan.<sup>158</sup> A series of cessation of hostilities agreements between the SPLM-N and the government were declared on 24 April, October 2015 and on June, 17, 2016. Despite the ceasefire, however, militia continued to engage in sporadic military attacks in SPLM-N controlled areas.<sup>159</sup>

The proclaimed grievances of the rebels and communities of the Blue Nile have ethnical and religious underpinnings and included economic marginalization in terms of lack of development, poor infrastructure, absence of education and lack of equal rights. The SAF bombing and shelling of the rebel held areas are regularly directed against civilian

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<sup>157</sup> Ibid, p. 39.

<sup>158</sup> Amnesty International, "We had no time to bury them: War crimes in Sudan's Blue Nile State," June 10, 2013, available at:

<https://www.amnestyusa.org/reports/we-had-no-time-to-bury-them-war-crimes-in-sudans-blue-nile-state/>

<sup>159</sup> Amnesty International, "Sudan," *Amnesty International Report 2016/2017: The State of the World's Human Rights*, 2017, available at <https://www.amnesty.org/en/countries/africa/sudan/report-sudan/>

targets such as villages, fields or mining sites. After aerial bombardment, the SAF and Popular Defense Forces (PDF) raid villages and burn down houses of the indigenous tribes such as the Ingessana and the Uduk. Economic marginalization examples cited by native population include: the allocation and establishment of large-scale farms in their land, Elroseires dam and its power plant and the chrome and gold mines are not benefiting the local population, instead they led to forced displacements and damaged the environment. Miners from Bau County complained that they were subjected to bodily inspections on a daily basis.<sup>160</sup> Such inspections are apparently done by security forces of the mining companies, and/or by government intelligence suspecting indigenous miners may be smuggling precious metals to the SPLM-N areas. Life expectancy in Blue Nile, according to the population census of 2008, was 50.1 years compared to a Sudanese national average of 60.2.

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<sup>160</sup> Spittael, Steven and Yannick Weyns, "Mapping Conflict Motives: The Sudan-South Sudan Border," International Peace Information Service (IPIS), January 2014, page 35.

## 12. Gold mining and discontents: Demonstrations and protests

The Ministry of Minerals is mandated to develop policies, strategic plans, technical standards and best practices and procedures for companies and investors to ensure that gold mining operations meet environmental protection and health and safety requirements. The responsibilities of the Ministry of Minerals include monitoring to ensure compliance of mining and quarrying operations with local and international environmental health and safety norms and standards. To achieve such a role, the ministry works through its affiliates, e.g., the GRAS, to update its geological map, improve its laboratories and work on capacity building of its staff to ensure they have the appropriate level of competency. However, the ministry budget is far below what would be reasonable to achieve this objective because the federal budget priority is security and intelligence. Citizens in the gold mining sector have been protesting the lack of effective risk management strategies and enforcement. There are various guidelines and best practices established by the international organizations to govern this field, including the OECD and the World Bank. Organizations such as the UN-led Global Mercury Project, the ICMM, the International Union for Conservation of Nature, the World Wildlife Fund (WWF), the World Resources Institute (WRI), to mention a few, have been forming strong global network driving NGO influence on the decision-making of the UN and governments around the world. They provide sound know-how and policy advice on how to curb the damaging impacts of gold mining operations. Sudanese NGOs involved in the environmental protection need to partner, cooperate and ally with such organizations to improve their advocacy, lobbying and educational strategies on how to mobilize the public to pressure the government for more resources to improve health, education and citizens' safety. Global grassroots environmental organizations with millions of volunteer experts, advocates and activists have accumulated effective experience in developing solidarity movements that offer helping hands to young organizations in the developing world. Global principles, guidelines, policies and best practices and regulatory frameworks need to be backed up by vibrant local civil movement to reach its objectives. A movement of citizens in the vicinity of gold mining sites in Sudan has gained momentum in organizing intermittent protests, letter writing campaigns and sit-ins around gold mining sites protesting environmental pollution and the deterioration of health conditions as a result of gold mining. In the absence of compliance with health and safety laws and with no good medical assistance for miles, workers are burdened with a range



of ailments. Local activists say cancer rates have skyrocketed as a result of mercury smoke and accidental cyanide ingestion.<sup>161</sup>

Citizens took to the streets to protest the behavior of local authorities as tax and fee collectors rather than providing safe water, preventing food contamination that caused a widespread cholera epidemic, appropriately managing waste and lack of health and safety measures. The protesters demand higher standards of environmental protection and hygiene and at times demanded the closure of karta factories. Some of the examples of these discontents include:

- i. The citizens of Abojbaiha in South Kordofan State escalated their protest when the commissioner of the locality ignored a previous agreement with a local committee to include two experts chosen by the citizens to participate in studies investigating the use of the cyanide chemical compounds in the production process by a karta factory. The committee found out that the administration had chosen other experts to conduct the investigation.<sup>162</sup>
- ii. The citizens of Alhimait, a village in the Kalogi locality in South Kordofan State, formed an Environment Protection and Gold Mining Victims Committee to combat the use of cyanide by the gold mining factory there. They organized a demonstration that led to the closure of the factory.<sup>163</sup>
- iii. Talodi citizens of South Kordofan State burnt the trucks and cars of a gold prospecting factory in protest of the use of the cyanide. The citizens said they burnt the factory after giving the administration a 72 hour-warning to disassemble the factory and ship it away. The factory workers managed to flee the fire to save themselves.<sup>164</sup>
- iv. Activists in the area of Ariab gold mine in Rea Sea State reported three cases of cancer and that are likely from the release of cyanide by Ariab gold mining company and demanded the company to use environmentally friendly chemicals or leave the area.

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<sup>161</sup> Peter Schwartzstein and Leyland Cecco, "Sudan's new gold rush: miners risk their lives in search of riches," *The Guardian*, December 27, 2017, available at <https://www.theguardian.com/world/2015/dec/27/sudan-gold-rush-artisanal-miners>.

<sup>162</sup> Radio Dabanga, 29 March 2017, <https://www.dabangasudan.org/en/all-news/article/environmental-activist-summoned-by-south-kordofan-security>

<sup>163</sup> Radio Dabanga, February 10, 2017, <https://www.dabangasudan.org/en/all-news/article/protest-against-cyanide-stops-gold-mine-in-south-kordofan>

<sup>164</sup> Radio Dabanga News, March 30, 2017, <https://www.dabangasudan.org/en/all-news/article/protesting-mob-torch-south-kordofan-gold-factory>

- v. During the recent bloody tribal conflict between the Kababish and Hamar tribes in the first week of April 2017, the Hamar gold miners were evacuated from North Kordofan mines to avoid being randomly targeted by Kababish individuals.<sup>165</sup>
- vi. In March 2017, the Sawarda citizens in Northern State protested the damage caused by the use of mercury and cyanide in gold mining.
- vii. The police and security authorities refused to allow the convening of a scientific workshop about the artisanal gold mining industry organized by a community club on Aranta Island in Northern State, Abri locality on April 10, 2017.

These protests were violently suppressed by the government and journalists reporting on them were detained, tortured and their newspapers had runs confiscated and were at times shut down. According to a report released by Amnesty International in April 2017, the security and humanitarian situation in Darfur, Blue Nile and South Kordofan states remained dire, with widespread violations of international humanitarian and human rights law. The Sudanese Consumers Protection Society, the only consumer protection society in Sudan, protested the use of mercury and cyanide in gold processing sites.

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<sup>165</sup> Ibid.

## 13. Conclusion

The gold sector in Sudan is profitable and could serve as a driver of development in Sudan if properly harnessed. Unfortunately, however, the sector now operates in the context of widespread corruption and a state that has organized itself around the theft of national resources. The post-colonial, neoliberal, police/security kleptocratic “arbiter” state has produced an army of agents profiting from smuggling extracted gold to Khartoum for black market sale and export. This army includes gold brokers and speculators who bank on the influence that comes with being part of the ruling circles. An entire system of constitutional and legal immunities has been purposely designed to evade responsibility for inconsistent gold policies, monetary policy, corruption and militia control of Jebel Amir’s gold.

In this context, the report disagrees with the counterproductive proposition of Calkin and Ille and Ferguson that “political disorder need not be a disincentive for extractive industries” because in many parts of Africa the “securing of investments of extractive industries has been outsourced to private military companies.”<sup>166</sup> Global grass-roots movements need to keep the divestment campaign in their agenda. Hinting to companies to “provide their own security” is an invitation for business to ignore oppression, corruption and human rights abuses and to sow chaos.

An example of how this chaos may be sown comes through clearly in the case of Jebel Amir. The militia in Jebel Amir controls substantial amounts of money that is reshaping the Darfur conflict resulting in serious threats to peace, security and human rights. There is an information gap and a good database about conflict gold should be developed to inform decisions of international gold buyers. Once this gap is bridged, a positive engagement by the international community will help end militia control of Jebel Amir’s gold by declaring its unwillingness to trade in conflict gold. One of the examples of the negative, short-term myopic policies of the international community is the irrational provision of EU funding to the RSF militia via the arbiter state to help curb irregular migration from Sudan and neighboring countries to Europe

Even outside the conflict zones, the kleptocratic nature of the regime means that profits are valued above human beings, with negative impacts on the environment, health and safety. And manipulations of the markets result in massive losses of potential income by the government. Greater citizen engagement to plan and implement policies that harness

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<sup>166</sup> Ferguson, J., “Governing Extraction: New Spatializations of Order and Disorder in Neoliberal Africa,” In Ferguson, J., *Global Shadows: Africa in the Neoliberal Order*. Durham NC: Duke University Press, 2006, p. 205.



the potential of the gold sector for equitable and sustainable development are urgently needed.

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