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TARNISHED HOPE

Crime and corruption
in South Sudan's
gold sector

MARCENA HUNTER | KEN OPALA

MAY 2023



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ACKNOWLEDGEMENTS

The authors would like to express thanks to all those who contributed to this report, without whose support it would not have been possible. In particular, the authors would like to thank Julius Kaka for his assistance in conducting field research and input into developing the report. The authors would also like to thank Mark Shaw for his review and valuable feedback of the report, as well as Peter Gastrow, Christian Jagers and the Global Initiative Against Transnational Organized Crime (GI-TOC)'s publications team for their dedication to ensuring the report reached its full potential.

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Cover: © *Hannah McNeish/AFP via Getty Images*
Cartography: Genene Hart

Design and layout: Ink Design Publishing Solutions, Cape Town

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ACRONYMS AND ABBREVIATIONS

ASGM	Artisanal and small-scale gold mining
CAR	Central African Republic
DRC	Democratic Republic of the Congo
NAS	National Salvation Front
R-ARCSS	Revitalized Agreement on the Resolution of Conflict in the Republic of South Sudan
RTGoNU	Revitalized Government of National Unity
SPLA-IO	Sudan People's Liberation Army in Opposition
SPLM	Sudan People's Liberation Movement
SPLM-IG	Sudan People's Liberation Movement in Government
SPLM-IO	Sudan People's Liberation Movement in Opposition
SSPDF	South Sudan People's Defence Force
URA	Uganda Revenue Authority



South Sudanese workers pan for gold in Nanakanak, Greater Kapoeta. Kapoeta is thought to be the most prosperous gold deposit in South Sudan. © Hanna McNeish/AFP via Getty Images

An aerial photograph of Juba, South Sudan, showing a large river, a dam, and a densely populated town. The image is overlaid with a large, light-colored graphic consisting of three curved lines that intersect at a central point, forming a stylized 'W' or 'M' shape. The text 'EXECUTIVE SUMMARY' is overlaid in the bottom left corner.

EXECUTIVE SUMMARY

In Juba, the capital of South Sudan, political elites wedge themselves between foreign investors and ministry authorities to secure mining concessions. © Phototreat



Although natural resource policy in South Sudan has traditionally focused on oil, gold has grown in importance as the country's second-largest export.¹ In 2020, Uganda and the UAE reported importing 1 822 and 1 250 kilograms of gold from South Sudan, respectively, a total trade value of just over US\$110 million.² Yet this is thought to reflect only a small portion of the country's actual gold production and trade. Although the true level of South Sudan's gold reserves is unknown, there are widespread reports of rampant gold smuggling to Uganda and Kenya on the order of hundreds of millions of dollars.³

Artisanal and small-scale gold mining (ASGM) offers a multitude of positive development outcomes for communities and the broader population when practised responsibly and with transparent access to global gold markets. However, under the control of kleptocratic networks and foreign nationals jockeying for position to maximize profits, the gold sector in South Sudan is currently characterized by corruption and criminality. Although legal and regulatory frameworks exist, significant shortfalls in enforcement have kept the sector informal and unregulated. These shortfalls can be attributed to a mix of limited capacity, tension between national and state authorities, and corruption. Violence and insecurity have discouraged mineral exploration and the growth of a formal gold mining sector.⁴ Meanwhile, political elites and well-connected businesspeople are accused of deliberately mismanaging or abusing political authority and mining policy to shore up power and profits.⁵ Political elites and members of the security apparatus are alleged to partner with foreign nationals in mining ventures, resulting in an opaque sector that is shielded from any form of investigation.⁶

The dynamics of corruption and abuse in the gold sector have important and far-reaching implications for peace and economic development in Africa's newest nation. Organized corruption and criminality are depriving the country of significant revenue that would ideally be channelled to economic development for the good of the South Sudanese people. The losses to economic development from the illicit gold flows are substantial, especially considering that many key humanitarian indicators, most notably food security, are at their worst levels since the achievement of independence.⁷ Instead, this revenue is spirited away into the hands of kleptocratic networks.

Political context

In 2018, the Revitalized Agreement on the Resolution of Conflict in the Republic of South Sudan (R-ARCSS) was signed, ending the civil war and laying the groundwork for the Revitalized Government of National Unity (RTGoNU).⁸ The R-ARCSS is a power-sharing agreement, which brought together several factions – the Sudan People’s Liberation Movement (SPLM) and the Sudan People’s Liberation Movement in Opposition (SPLM-IO) being the largest – to form the RTGoNU. Under the agreement, Salva Kiir was appointed as president and Riek Machar as first vice president, positions they continue to hold, and ministerial portfolios were divided among the groups.⁹ In August 2022, the government of South Sudan extended the transitional period established under the terms of the 2018 peace agreement by two years, effectively postponing elections until at least December 2024.¹⁰

To date, the R-ARCSS has been difficult to implement. Thomas Cirillo, a leader of the South Sudan Opposition Alliance and the National Salvation Front (NAS), a large group of rebel forces, refused to sign the 2018 peace agreement and has not consistently participated in the Rome peace talks.¹¹ Politicized subnational violence has spread across much of the country’s interior, with government, opposition forces, defectors and non-signatory armed groups continuing to clash, even as the government encourages peace.¹² There is also suspicion that the aim of the R-ARCSS extension is to entrench the political and economic interests of the elites who have been the primary beneficiaries of the agreement thus far.¹³

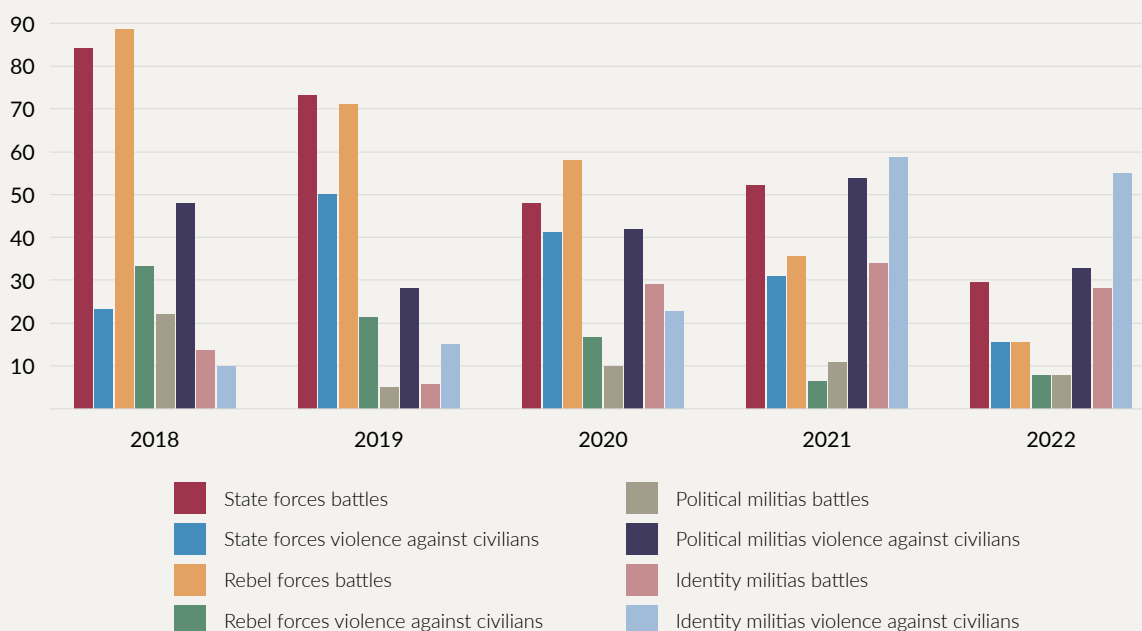


FIGURE 1 Violent events in Central Equatoria and Eastern Equatoria, South Sudan.



Artisanal gold mining is a valuable source of income for rural communities living near gold deposits. *Photo: Lucy Poni*

The gold and the criminal networks that underpin gold mining and exports are increasingly the subject of communal and political disputes within the country. The NAS's focus on the Equatoria states, where the gold deposits are located and actively mined, has important implications for the gold sector,¹⁴ with the risk that control of gold mining or trade routes could be exploited or drive conflict.¹⁵ In some instances, artisanal miners are forced to abandon mining sites or risk being confronted by armed groups. Yet the relationship between gold and armed groups – both state and non-state – is not necessarily defined by violence. In various regions, de facto peace agreements between different armed actors who share a goal of maximizing gold profits have led to a fragile peace.

Illicit gold flows

Gold supply chains and related financial flows from South Sudan highlight the transnational nature of the challenge (see Figure 3). Beyond South Sudan's borders, the Kakuma refugee camp in Kenya and Arua in Uganda are important nodes of illicit gold flows from South Sudan. The trade and export hubs of Kampala, Entebbe and Nairobi further downstream are also key points. Most of these flows, as well as gold smuggled directly out of Juba, are reportedly destined for the UAE. Gold is an attractive financial instrument for criminal actors,

While there are significant political interests at play, activity in the gold sector tends to be ad hoc and for the personal benefit of individuals rather than the economic benefit of the collective. Allegedly involved are politicians from the Sudan People's Liberation Movement in Government (SPLM-IG) and the SPLM-IO and members of the South Sudan People's Defence Force (SSPDF),¹⁶ as well as armed groups. The deflation of salaries (which are often delayed or not fully paid) has prompted members of the SPLM (including SSPDF soldiers) and the SPLM-IO to seek out alternative sources of income. There are also reports that a portion of profits is passed up the supply chain to higher ranking individuals.¹⁷

both African and non-African nationals. Gold is unique in that it is a valuable commodity as well as a financial instrument that offers anonymity and global liquidity, ideal for moving illicit finances and laundering money. Yet gold is also a valuable medium of exchange in informal and traditional trade flows. South Sudan borderland communities can rely on gold for cross-border trade given that the South Sudanese pound is not widely accepted outside the country and is prone to massive depreciation.



FIGURE 2 South Sudan, showing research focus area.

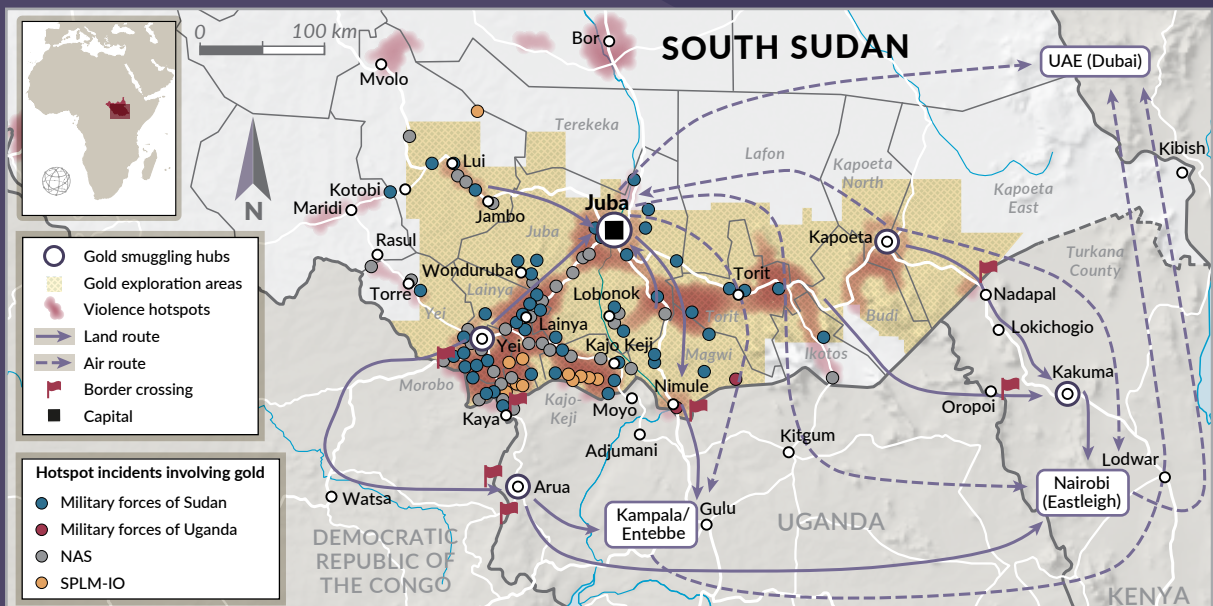


FIGURE 3 Conflict, gold concession and gold supply chains in South Sudan.

Gold's development potential

The gold sector has the potential to be a positive economic catalyst and source of livelihoods in South Sudan. But developing this sector requires significant inputs – financial, knowledge and time – that are not achievable under current conditions of corruption, violence and instability fuelled by organized criminal networks, which allegedly include political elites.

With the extension of the R-ARCSS transitional period to December 2024, this is a critical time to examine South Sudan's gold sector to develop responses that best promote peace and development. Combating gold revenue flows that drive criminality and conflict, and reorienting them to benefit the people of South Sudan, will be key to realizing the full economic potential of the gold sector as well as development outcomes for the South Sudanese people. It is important to emphasize that increasing state revenues is not the primary way through which this can be achieved, especially given the failure to date to transform oil revenues into development gains. Rather, positive outcomes can be gained by supporting the growth and formalization of the sector in a manner that enables participants and local communities to achieve greater economic returns.

Methodology

This study was informed by field research in South Sudan, Uganda and Kenya carried out between December 2021 and March 2022. Over 80 interviews were conducted across the three countries (see Figure 4). Owing to security risks, research in South Sudan was limited to Juba and Kapoeta, and their environs. Interviews were conducted with a broad spectrum of stakeholders, including miners, gold traders, civil society, government officials and the media. The study also builds on the research that informed the 2021 GI-TOC report 'Illicit gold markets in East and Southern Africa'.¹⁸

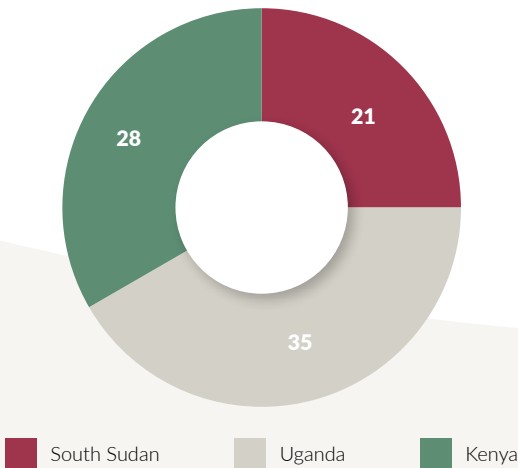
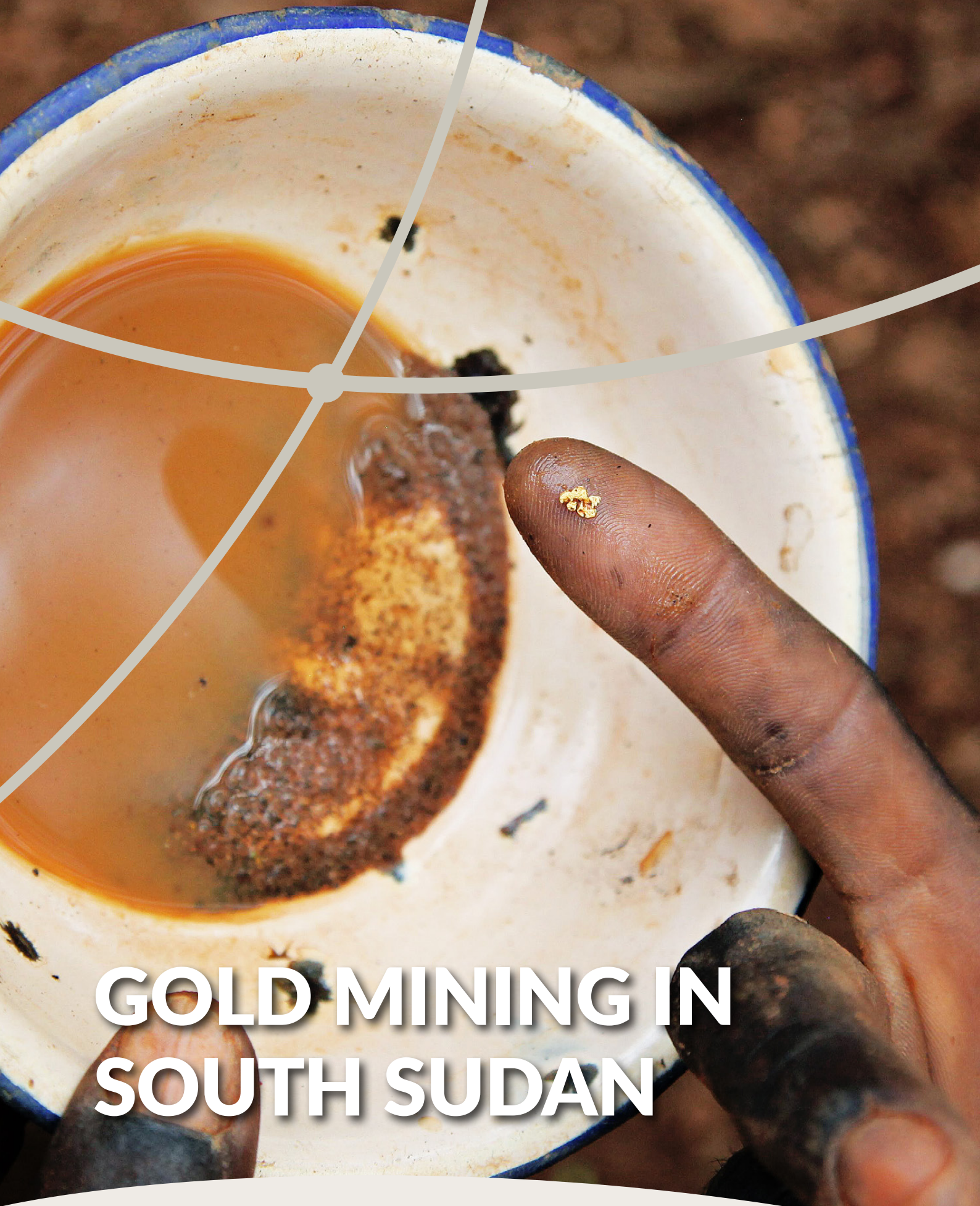



FIGURE 4 Interview distribution.



GOLD MINING IN SOUTH SUDAN

The gold sector has the potential to be a positive economic catalyst in South Sudan, but its development is hampered by widespread corruption, violence and instability.

© Hannah McNeish/AFP via Getty Images



It is difficult to estimate the amount of gold produced in South Sudan. Neither the Ministry of Mines nor the Ministry of Trade and Industry have data on the country's gold production or trade. The secretive and high-risk nature of investigating the sector makes it almost impossible to assess the scale of production or value of gold flows. However, there are strong indications that millions of dollars' worth of gold is being produced and smuggled out of the country.¹⁹

The South Sudan gold mining sector is comprised of informal artisanal mining by communities and small-scale mining by companies, many of which are foreign-owned.²⁰ Gold deposits are located and actively mined in the states of Eastern Equatoria, Central Equatoria and Western Equatoria, as well as in Western Bahr el Ghazal. There are also reports of new gold deposits being found in other areas of the country, such as Maban County in Upper Nile State. Kapoeta in Eastern Equatoria is thought to be the most prosperous gold deposit in South Sudan. The area hosts thousands of informal artisanal miners (one estimate puts the number at about 10 000, although this is thought to fluctuate significantly due to seasonal, economic and security factors)²¹ as well as mining companies operating in contravention of national laws, a government official said.²² Neighbouring Budi County is also a large gold producer.²³

Although legal and regulatory frameworks exist, the sector is largely unregulated due to limited regulatory capacity, tension between national and state authorities, and corruption. The suspicion and discord that persists between the SPLM-IG and SPLM-IO severely handicaps efforts to effectively regulate the sector. Under the R-ARCSS, the SPLM-IO holds the Ministry of Mining and the current National Minister of Mining is Martin Gama Abucha,²⁴ a senior official in the SPLM-IO.²⁵ Yet both the Eastern Equatoria governor Louis Lobong Lojore and the Central Equatoria governor Emmanuel Adil Anthony are prominent members of the SPLM-IG. The delegation of a significant portion of jurisdiction over the mining sector to the states exacerbates tensions between national and state authorities, thwarting efforts to effectively regulate the sector.

Artisanal mining

Artisanal gold mining is a valuable source of income and survival for rural communities near gold deposits, where survival using other livelihoods is increasingly difficult due to insecurity and climate pressures.²⁶ This is especially the case in Kapoeta. Artisanal miners use basic traditional tools, which are less advanced than artisanal mining operations seen elsewhere in Africa. Given the informal nature of artisanal mining in South Sudan, it is difficult to regulate, track activity or provide support.

Gold prices offered to South Sudanese miners are some of the lowest reported in Africa, despite reports that gold from South Sudan is of a high purity from downstream buyers. Lack of access to competitive gold markets and limited knowledge of global gold pricing make artisanal miners vulnerable to exploitation by foreigners and state officials who dictate gold supply chains and prices. As a result, artisanal miners are often short-changed by buyers offering very low prices.²⁷ This leaves artisanal miners unable to invest in machinery or other resources that could improve gold production, such as metal detectors, and other local livelihoods, such as livestock rearing.

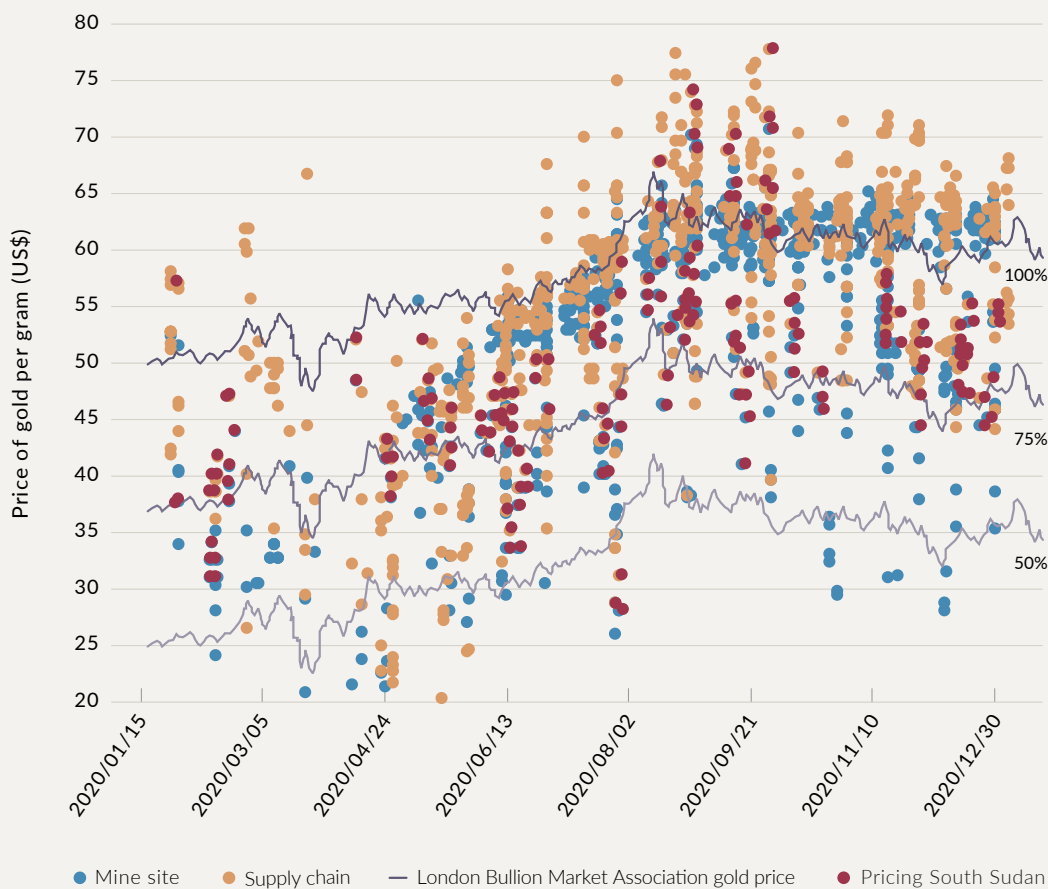


FIGURE 5 Gold prices offered in South Sudan versus regional pricing.

SOURCE: Marcena Hunter et al, Illicit gold markets in East and Southern Africa, GI-TOC, May 2021.

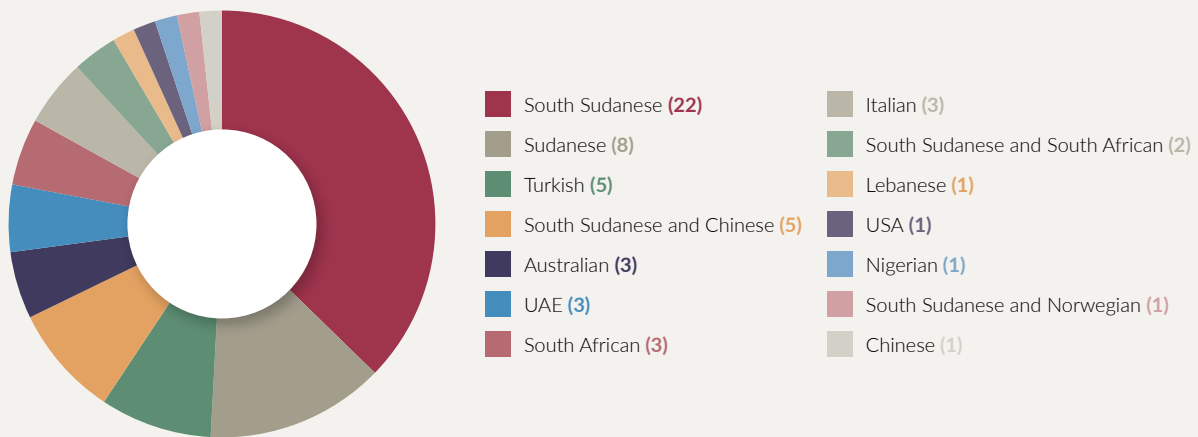


FIGURE 6 Nationalities of mining companies holding exploration licences in South Sudan, January 2019.²⁸

Small-scale mining

Politically exposed persons in South Sudan have been named as beneficial owners of multiple companies owning mining concessions in South Sudan.²⁹ In 2015, the government began to license local and multinational companies to conduct exploration activities to find gold. By December 2021, about 91 mineral exploration companies, 15 small-scale mining companies and 21 dealers' licences were active. There is a concentration of concessions in Kapoeta, reinforcing reports that the area hosts valuable gold reserves. While several dozen companies have secured exploration licences, none have officially engaged in extraction and, as asserted in a 2021 radio interview by an undersecretary in the Ministry of Mining, South Sudan 'has no formal gold mining yet'.³⁰ However, it is speculated that, in practice, many of these companies are mining gold and not declaring production or exports.

Corruption allegations

Corruption reportedly ripples out from Juba, with allegations that political elites and their associates wedge themselves between foreign investors and ministry authorities, securing mining concessions and licences in exchange for shareholdings in mining interests.³¹ Individuals at the very heart of South Sudan's corruption are referred to as the J1 cartel (slang for Juba One, the address of South Sudan's statehouse).³²

There are allegations, including by government officials, that prominent members of the SPLM-IG, both at the national and state levels, are involved in the illicit gold sector, which hampers the efforts of the Ministry of Mining to regulate the sector.³³ For instance, although the licensing of large-scale mining operations needs to be approved by the central government, in some states (in Eastern Equatoria, in particular), state administrators have granted licences to multinational companies to mine gold in the region. The little regulation that the ministry has enforced has consisted of revoking mining licences for non-compliance.³⁴

Juba airport is one of three primary smuggling routes out of South Sudan. Gold smuggled out of Juba is reportedly destined for the UAE. *Photo: Wikipedia*



However, one civil society activist claimed that the ministry is not interested in regulating the sector for the national good, but to financially benefit its own members.³⁵ The source also alleged that existing loopholes and discrepancies in enforcement may be intentional and designed to allow unscrupulous actors to profit.³⁶

In Kapoeta, gold brokers arrange mining deals, secure foreign partners, and then rope in senior politicians and top bureaucrats for protection in exchange for a share of the profits. Consequently, there are ongoing low-intensity conflicts over land, particularly over the ownership of mining sites, which increases the militarization of gold mining in the area.³⁷

While concessions are concentrated in Eastern Equatoria and Central Equatoria, other parts of the country are also being mined by small-scale companies. For example, in Western Bahr el Ghazal, companies with close links to powerful political elites have reportedly displaced artisanal miners.³⁸ The tension between the companies and local miners highlights not only how corruption undermines governance, but also how it can increase local economic fragility and community tensions.

Kapoeta's power players

It has been widely reported in the media that Eastern Equatoria Governor Louis Lobong Lojore and his associates are deeply involved in the Eastern Equatoria gold sector.³⁹ In 2019, a number of lawmakers from Eastern Equatoria wrote a petition to President Kiir asking him to investigate Lobong, accusing Lobong of aiding in the smuggling of millions of dollars' worth of gold out of Kapoeta.⁴⁰ Lobong, however, denied these allegations. 'We would like to state to the world, the people of South Sudan, Eastern Equatoria and the family and friends of the Lojore family that the Lojore family has never committed any wrongdoing and as such, we are ready to pursue this case against Sentry before the court of public opinion and the court of justice to clear our family name,' he is reported to have said.⁴¹

A prominent member of the SPLM, Lobong is a close ally of President Kiir and the longest serving governor in South Sudan, having been in office since the country's independence.⁴² Lobong also enjoys a good relationship with members of the SSPDF and the National Security Service, as a result of his military and national intelligence background.⁴³

Tensions between the Ministry of Mining and Lobong have allegedly thwarted efforts by the ministry to carry out

monitoring and enforce national mining laws in Kapoeta.⁴⁴ In interviews with the GI-TOC, Ministry of Mining officials claimed that Lobong unlawfully issued gold exploration licences before the country gained independence in 2011, without the proper legal authority from the central government; he also allegedly facilitated the import of mining equipment.⁴⁵ Officials within the Ministry of Mining told the GI-TOC that in the Kapoeta area, mining companies have been met with illegal demands for payment to access land.⁴⁶ Lobong has strenuously denied all accusations.

Another influential individual is former Kapoeta South commissioner Martin Lorika, a member of the SPLM-IG. Commissioners tend to be close allies of state governors and can be quite powerful at the state and local levels.⁴⁷ In 2020, Lorika was made the head of the state Investment Corporation, which was charged with purchasing gold on behalf of the State Investment Authority. During this time, an individual who had previously worked with Lorika alleged that gold mined by illicit mining operations owned by foreign nationals would sell kilograms of gold weekly to the government using front men.⁴⁸ In December 2020, Lorika was removed from his position by Lobong.⁴⁹

South Sudan People's Defence Force and armed groups

The UN has reported that individual soldiers from the Internal Security Bureau, the SSPDF, SSPDF military intelligence and the NAS have earned revenue from trading gold, particularly in Central Equatoria.⁵⁰

The SSPDF, the country's national army consisting largely of Kiir-aligned soldiers, are reported to be powerful actors in the mining industry. It is alleged that prominent members of the SSPDF are powerbrokers who take advantage of their position to enable multinational companies to access the mining sector and carry out activities.⁵¹ For example, a UN Panel of Experts report on South Sudan confirmed that SSPDF military intelligence officers had tried to extort

around US\$250 000 from one international gold mining company operating near Gorom (not far from Juba) in mid-2021, contributing to the company's departure from the country.⁵² Soldiers reportedly provide security to multinational companies that are exploring and mining for gold.⁵³ As a result, the military is thought to be reaping significant financial benefits from the gold sector.

There are also reports of SSPDF soldiers being active in gold mining. The Panel of Experts reported that multiple commanders and officers in the SSPDF had told them that soldiers, including those at cantonment sites, had turned to artisanal gold mining due to a lack of pay.⁵⁴

Soldiers provide security to multinational companies that are exploring and mining for gold. © FLICKR/BBC World Service



Armed groups are also involved in mining in parts of Eastern Equatoria, Central Equatoria and Western Equatoria. The Western Bahr el Ghazal region is also reported to be very insecure, with the sites of many mineral deposits, including gold, drawing a wide variety of actors to the mining sector.⁵⁵ Members of the various groups mine as individuals or to benefit the group, and also tax and extort informal artisanal miners and multinational companies. For example, members of the Sudan People's Liberation Army in Opposition (SPLA-IO, the armed wing of the SPLM-IO) and the NAS confirmed to the 2019 Panel of Experts that they had sold gold from South Sudan in Uganda.⁵⁶ In 2022, the Panel of Experts noted that it had received several reports that NAS forces had continued to mine gold and tax informal gold miners in the river systems around Wonduruba, about 40 kilometres north of Lainya in Central Equatoria. However, representatives of the NAS denied systemic involvement in the gold trade to the panel.⁵⁷ Past panel reports have also found evidence that armed groups have been in a position to use gold mining and trading to finance conflict-related activities.⁵⁸ These dynamics reinforce the assertion that gold mining may take place on an ad hoc basis for the benefit of individual members or small groups, rather than organizations as a whole.

At times, the presence of gold reserves has triggered violence between armed groups – both state and non-state – while at other times it has resulted in a tenuous peace. Violence can flare up over conflicts for control of gold sites. According to an official from the Ministry of Mining, in the Central Equatoria, there are violent struggles between government forces and the NAS over control of gold sites – in particular, in areas surrounding Lainya and Lobonok, and around Tambura in Western Equatoria on the border with the Central African Republic (CAR).⁵⁹ In August 2021, the NAS warned of forced civilian displacement by the SSPDF in mineral rich areas in Morobo County, Central Equatoria, with the objective of engaging in mining.⁶⁰ There has also been fighting between state and non-state armed groups over control of mining sites in the Lobonok area. In addition, there have been reports of armed groups detaining miners along the Kaya River, near the border with Uganda, because they wanted to mine the stretch of river themselves.⁶¹

However, in many locations, it is reported that there has not been widespread conflict because of a shared interest in maximizing gold profits, with de facto peace agreements resulting instead. For instance, in Lainya and the surrounding areas and Lobonok in Central Equatoria, members of various armed groups, as well as members of the SSPDF, reportedly mine from the same source without conflict. According to one interviewee, they have appropriated different sections of the gold-rich rivers and avoid antagonizing and attacking each other.⁶² Therefore, conflicts in gold areas appear to be much more frequently driven by factors other than access to gold reserves.⁶³


Similar reports are emerging from Raja County in Western Bahr el Ghazal, where a variety of conflict actors from South Sudan, as well as CAR and Uganda, are reported to be present. Mining zones are said to be allocated to the various groups.⁶⁴ This is reported to be a common strategy, with soldiers going for long periods without pay and having to rely on other sources of income, such as gold mining, to survive.

Insecurity is also shaping gold flows, with routes from mining sites in Central Equatoria to Uganda, Kenya and the Democratic Republic of the Congo (DRC) described as more secure than those linking mining sites to Juba. It is common for members of armed groups and the military to have families based in Uganda, and to easily cross back and forth over the border. For example, one local council member reported, 'We have good relations with the SPLA-IO generals; they have homes here in Busia. Most of the generals come here during market days.'⁶⁵ A police officer also shared that soldiers and members of armed groups will remove their uniforms and come to homes in Uganda at night and that it is not a problem.⁶⁶ Some SPLA-IO officers also have families in refugee camps in the Yumbe district, which borders South Sudan, where they easily move in and out of the camps. The bustling business of refugee camps can also provide cover for their involvement in the illicit gold trade.⁶⁷



TRADE AND SMUGGLING

Gold is reportedly smuggled daily from Kapoeta, South Sudan, to Kenya via the Nadapal border point. © Titus Ruto/Alamy Stock Photo



Many observers and stakeholders in South Sudan's gold sector, including President Kiir, believe that almost all gold produced in South Sudan is smuggled out of the country.⁶⁸ As one South Sudan civil society advocate noted, 'The gold that is smuggled into Kenya is ours; the gold being refined in Uganda is ours.'⁶⁹ Corruption and weak capacity at official border points, airports and land crossings, as well as at the country's vast and porous borders, make policing the flow of gold from South Sudan very difficult. Political elites and influential businesspeople are reported to be involved in gold smuggling, which is allegedly carried out with the full awareness of authorities.⁷⁰

There are three primary smuggling routes out of South Sudan: via Juba airport, via Kenya and via Uganda. Major destinations for South Sudanese gold are Nairobi, Kampala and Entebbe, and Dubai. Gold from Eastern Equatoria (especially Kapoeta) goes to Kenya, while gold from other parts of the country is primarily smuggled to Uganda.⁷¹ Some gold is smuggled into the DRC before being conveyed to Uganda; CAR is also a potential transit point.⁷² Gold is reportedly smuggled out in bulk via official export points (Juba airport and official land-border crossings), while smaller amounts are taken across informal border crossings known as *panya* (Swahili for mouse) routes.

In Juba, various groups of actors are active in the illicit gold market. Regardless of the identity of the buyer, the illicit gold business is said to be risky and there is a need for protection of some sort (often political) to avoid harassment. The high level of secrecy makes the sector distinctly opaque and difficult to track. Chinese nationals, political and business elites (including military), as well as Ugandans and Kenyans, are all reported to be active in the Juba gold trade. It is also alleged that any consignment of gold that goes from Kapoeta to Juba is transported by national security agents. As one Juba-based journalist asserted, it is impossible for huge sums of gold to be traded without the involvement of national security.⁷³

There is speculation that large amounts of gold are being smuggled out of Juba International Airport. Political elites are alleged to have their own shops and can easily fly gold out of the country, while big Ugandan buyers are reported to easily fly gold from Juba to Kampala.⁷⁴ Weak enforcement at the airport is apparent,⁷⁵ and a security officer attached to the National Security Service explained that smugglers exploit these opportunities to smuggle gold out of the country.⁷⁶ Like soldiers and other government officials, airport security officials and customs officers are not receiving their pay in full or in a timely manner.⁷⁷ Consequently, airport security officials depend on bribes for survival, either by working with gold dealers or turning a blind eye to smuggling.⁷⁸

Gold is also smuggled overland to Kenya and Uganda. Smugglers moving gold in bulk use major roads, taking advantage of their networks with customs officials and border police to move through border checkpoints. The few staffed border checkpoints are riddled with corruption, as poorly paid law enforcement officers and customs officials seize on fees extracted from smugglers to make ends meet. Yet these 'fees' are a tiny price for smugglers to pay considering reports that kilograms of gold regularly move through the border crossings. There are also hundreds of *panya* routes dotting South Sudan's southern borders, which small-scale smugglers use to move gold.⁷⁹ Gold is moved in small quantities on *bodabodas* (public passenger motorcycles) and on foot. Gold can be hidden in many different ways, including in jerrycans or even in livestock (goat) carcasses.⁸⁰

Smuggling is facilitated by ethnic affiliations and linguistic ties that transcend borders. The close ethnic relationship among the Somalis in East Africa facilitates the gold trade,⁸¹ as well as the common use of *hawala* to move finances between Kenya and South Sudan. Between Eastern Equatoria and northern Kenya, links between Toposa ethnic groups have reportedly facilitated trade. Small amounts of gold are transported by foot by Toposa pastoralists who regularly travel to Lokichogio and Kakuma to exchange gold for commodities. The Lugbara, Kakwa and Alur ethnic communities are spread along the

Uganda–South Sudan border, while the Kakwa and Azande ethnic groups live on both sides of the South Sudan–DRC border. Historical ties, including trade relations, between these communities muddy the criminal network analysis, with trade being a legitimate and vital source of income for border communities.⁸² Yet these informal, traditional flows are also exploited by criminal networks who mine and trade gold.

Prices are one driver of flows, with significantly higher prices offered in Kenya and Uganda. Seeking to maximize profit margins, Ugandan buyers (including large gold buyers in Kampala) will seek out South Sudanese sellers to source gold.⁸³ However, prices may not be genuine, with Ugandan dealers reportedly defrauding sellers by misrepresenting gold weight and purity. In 2020, the Bank of South Sudan announced plans to purchase gold in a bid to boost the country's economy, focusing on purchasing gold in Kapoeta.⁸⁴ However, the effort failed because the amount allocated (US\$1.5 million⁸⁵) was far too little to capture a significant amount of production, and the black-market price jumped to three times that offered by the Bank of South Sudan.⁸⁶ The official versus black-market exchange rates for the South Sudanese pound and the value of gold as a financial vehicle used in trade also pose significant challenges to state-backed gold buying programmes.

Kapoeta

The black market for gold is thriving in the town of Kapoeta, with little other notable economic activity in the area. Kapoeta is served by a single street that cuts through the temporary structures. Almost all buildings are tin prefabs, with just two storied buildings. There is no industrial activity and all agricultural produce, apart from barley and malt, is imported from neighbouring Kenya and Uganda.⁸⁷ Many shops operate as fronts for the gold business. For example, there are several hardware shops in Kapoeta, despite there being little construction activity in the town. The ragtag nature of the town does not reflect the enormous amount of gold traded there. The lack of local investment is explained, at least in part, by the diversion of gold profits outside the region. Most

businesses in the town are owned by foreigners – Kenyans, Somalis and Ethiopians – who repatriate proceeds of their activities back to their respective countries.

*Kapoeta at a glance*⁸⁸

- 83% of the population cannot read or write
- 88% of households do not have a toilet
- 87% of households reported threats of gender-based violence
- 85% of farmers practise a traditional system of farming and have never received any training in crop or vegetable production
- 67% of the population have no access to credit



The booming gold business in Kapoeta is facilitated by informal money-transfer services such as *hawala*. Photo: GI-TOC

Kapoeta does not have a commercial bank; instead, the booming gold business is facilitated by the numerous Somali-run *hawaladars*.⁸⁹ The Kenyan shilling (KSh) is the currency of choice, chiefly due to the large number of Kenyans living and doing business in Kapoeta, as of the time of research in February 2022. Although there are no licensed forex bureaus, almost every shop owned by a Somali or Ethiopian national also operates as a forex bureau, a common phenomenon across South Sudan, and all forex bureaus also deal in gold. There are also a few M-Pesa outlets (a Kenyan mobile phone-based money transfer service and micro-financing platform), which are mostly used for the gold trade.

Somali gold buyers dominate Kapoeta, offering prices so high that they have pushed almost all other buyers out of the market. Somali gold traders in Kapoeta are nodes in the larger regional gold business, the capital of which is the Nairobi neighbourhood of Eastleigh. According to a Nairobi-based gold broker, there are hundreds of Somali traders of precious minerals operating in towns across Eastern Equatoria with links to Eastleigh.⁹⁰ There is a heavy presence of Kenyan Somalis who also have business enterprises in Eastleigh and Kakuma, another Kenyan gold trade hub. Somali buyers reportedly offer prices that almost match those offered in Eastleigh. Among them is a gold trader and M-Pesa agent who reports making small weekly gold dispatches (about 300 grams) to Eastleigh and receiving payment via M-Pesa.⁹¹ The high prices have prompted speculation that gold purchases in Kapoeta are being used to launder proceeds from other illicit activities.⁹²

Gold traders report that they have to pay a portion of their profits (25%–50%) to politicians in the Kapoeta area. Despite the high extortion rate, some small-scale miners and traders feel that this is a good arrangement. In exchange, they receive protection and can continue business. According to a Kenyan gold trader who had 100 miners working for him, '[Kapoeta political elites] ensured that we, foreigners, involved in gold mining were under special state protection. We were untouchable despite the fact that we were foreigners and our miners didn't have valid immigration documents.'⁹³ The trader also reported that he is protected from the hostility of local communities, who would sometimes organize violent protests against foreign miners.⁹⁴

Artisanal mining sites in Eastern Equatoria are linked to Kapoeta by traders. Owing to the small volumes of gold produced (less than 0.5 grams per miner on average), as well as distance and transportation costs, it is not economical for artisanal miners to bring gold to town themselves (the trip requires taking a *bodaboda*). Instead, a common practice is for one person to buy gold from all the members of a mining group and take it to Kapoeta for sale. This leaves miners unable to negotiate for better prices and forced to accept prices offered by buyers. At mining sites at the time of research in March 2022, it was reported that gold prices were as low as 70% of the international spot price, a very low portion of the value when compared to prices offered elsewhere in East Africa.⁹⁵

Flows to Kenya

Gold from Kapoeta primarily travels south to Kenya by road (see Figure 7). The small amount of gold that goes to Juba is transported by plane out of the small airport in Kapoeta. The road to Juba through Torit is rarely, if ever, used, as the current lack of bitumen makes it expensive and difficult to reach Juba. The route is also extremely dangerous, as it is controlled by heavily armed highway bandits.

Gold is reportedly smuggled from Kapoeta to Kenya daily via the Nadapal border point.⁹⁶ In Eastern Equatoria, politicians and bureaucrats reportedly provide patronage and protection to smugglers, most of whom are foreign nationals. Traders moving gold in bulk will bribe law enforcement and revenue authorities at the border.⁹⁷ However, it is reported that bulk movement of gold is not common. It is considered more secure to travel with smaller quantities because the gold is easier to hide from highway bandits and law enforcement officers.⁹⁸ Despite there being four police roadblocks between Kapoeta and the Nadapal border point, this stretch of road remains very insecure. The checkpoints are described as extortion points, and law enforcement as predators. Traders who have secured advance police escort arrangements report being robbed frequently.⁹⁹

At the Nadapal checkpoint, there are no scanners, and customs and immigration offices operate for only eight hours a day, leaving the station at the mercy of security officials, some of whom are reported to be involved in smuggling.¹⁰⁰ Linked to the delay or non-payment of salaries, on the South Sudan side of the border, border officials do not conduct visual screenings; instead, they are primarily concerned with collecting the 'visa fee'.¹⁰¹ Kenyan officials also conduct minimal checks at the border and do not screen people for gold smuggling.¹⁰² The lack of cooperation between Kenyan and South Sudanese border officials allows illicit cross-border flows to flourish.¹⁰³

Once gold enters Kenya, the Nadapal–Lokichogio–Kakuma–Lodwar road is the key smuggling route. In Kenya, most of the gold business is done in Kakuma Town, Kakuma Refugee Camp, and Lodwar Town.¹⁰⁴

Another route from Kapoeta runs through Uganda and the Oropoi border crossing before reaching the towns of Kakuma and Lodwar. This route has little traffic and police presence, making it an attractive route for smugglers and a hotspot for borderland crime.¹⁰⁵ Crossing into Kenya using this route is also less expensive because there is no customs or immigration checkpoint.¹⁰⁶ Gold smugglers use *bodabodas* or hire Toyota Probox vehicles for travel from Oropoi to Kakuma.

Kibish, located at the border of Kenya, Ethiopia and South Sudan, was a transit point prior to South Sudan's independence. It is reported that while some gold still travels along the route, gold flows through Nadapal are much larger.¹⁰⁷

In Kenya, there are allegations of local military, law enforcement and government officials being complicit in gold smuggling and the illicit gold trade.¹⁰⁸ For example, in Lodwar, a group of about 12 people, who have labelled themselves 'The Sparrows', are reported to be involved in the illicit gold trade. Group members also hold positions in the Turkana County government and are establishing high-class entertainment clubs.¹⁰⁹ Summarizing the challenge, a Turkana government official stated:

'We know there's a lot of illicit business in gold and influential people are involved. We know them, but we cannot talk about it because they are dangerous; they could kill us. Senior police officers and top politicians are involved, and that's why nobody wants to discuss

this issue. Ask yourself, who should investigate and deal with this issue when the concerned people are the ones running it? We are helpless.'¹¹⁰

Because there is also gold mining in Turkana County in northern Kenya, once gold from Kapoeta crosses the border it is easily laundered into gold markets as gold produced in Kenya, hiding its South Sudanese origins. While production estimates are highly speculative, it was reported that major dealers in Turkana could buy 2-4 kilograms of gold per day.¹¹¹ The confluence of the flows is not welcomed by Turkana gold miners or gold mining authorities because the low prices paid in South Sudan are reportedly dragging down the prices offered by gold traders to miners in Turkana.¹¹²

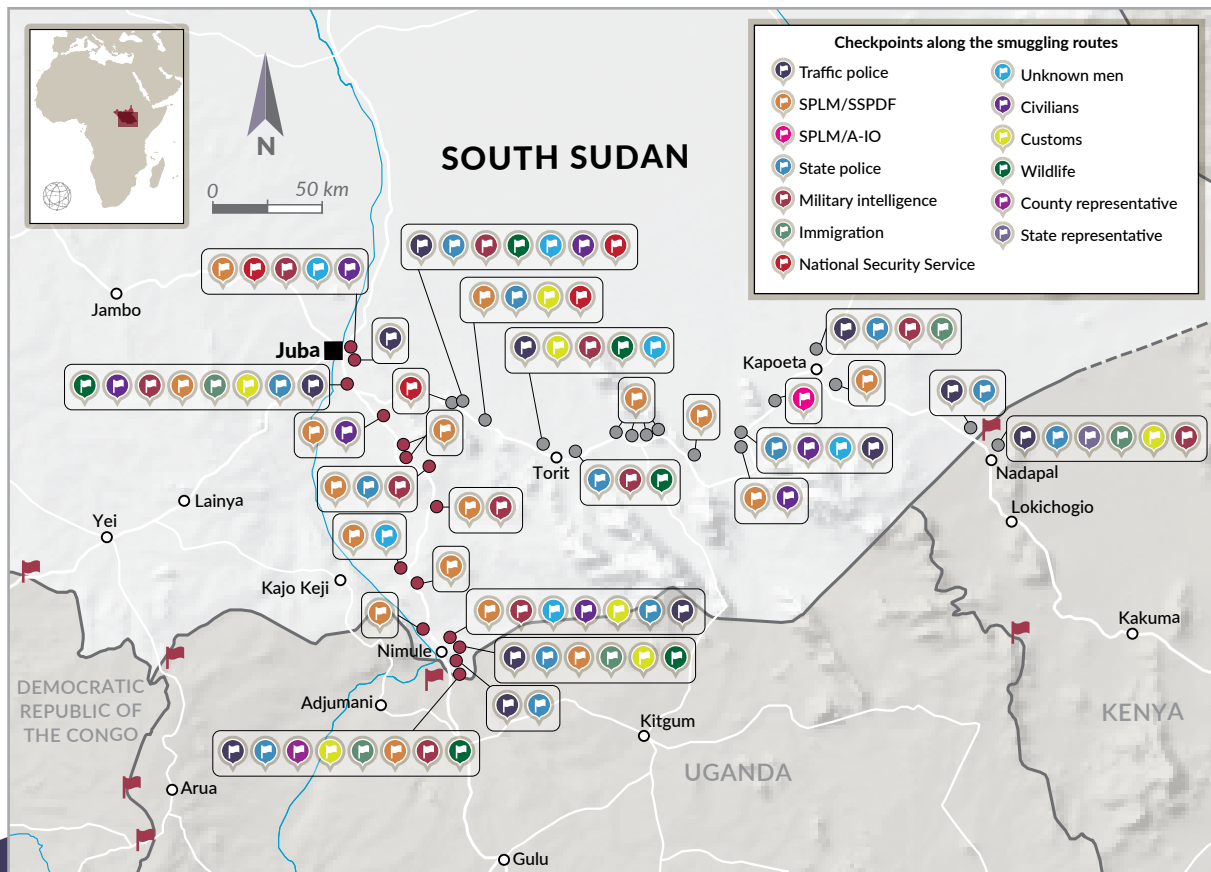


FIGURE 7 Checkpoints in the Equatorias.

SOURCE: Adapted from the International Peace Information Service, The political economy of roadblocks in South Sudan, <https://ipisresearch.be/project/roadblocks-southsudan>



In Kakuma, gold is traded in hardware stores, general shops, fuel stations, *hawala* and forex bureaus. © SOPA Images Limited/Alamy Stock Photo

The town of Kakuma is the biggest trading centre in Turkana County, including for gold. According to a former gold centre employee, one of the main gold dealers in the camp sends gold to Nairobi daily.¹¹³ Kakuma refugee camp is one of the largest refugee camps in the world, with a population of over 246 000 as of March 2023.¹¹⁴ While refugees hail from nine countries, South Sudan is by far the largest country of origin. In Kakuma, gold is traded in hardware shops, general shops, fuel stations, *hawala* and forex bureaus. In addition to gold produced in South Sudan, gold produced in Turkana is also traded in Kakuma because this is now where all the big dealers are located.¹¹⁵ A local journalist explained, 'A lot of gold is traded within the refugee camp because business is vibrant and the internet is awesome. Trading from here is very easy.'¹¹⁶ The leading banks in East and central Africa also have a presence, and there are dozens of forex bureaus and branches of three of the world's leading *hawalas*.

Gold is also used for barter trade at the camp. The commodities exchanged with gold include beads (in very high demand in South Sudan), foodstuffs, salt, medicines, cookware, plastic jerricans, blankets, bedsheets, and fruit and vegetables.¹¹⁷ Barter trade thrives owing to the large families of South Sudanese within the camp. It is reported that some South Sudanese armed group leaders and state officials, including Kapoeta officials,¹¹⁸ have their families in the camps and often visit them.

A police officer based in Turkana stated, 'We have influential South Sudanese living in the camps; these are the people involved in all manner of trade between the camp and their homeland.'¹¹⁹ These influential actors will bring with them gold that can be exchanged for food and other items. South Sudanese people will also travel to the Kakuma refugee camp by foot to barter.

From Turkana, gold moves easily to the Nairobi market, especially Eastleigh, and then onwards to international markets. Lokichogio airport in Turkana was a preferred gold smuggling hub until it was closed for renovations; it was set to re-open in late 2022, but construction has stalled.¹²⁰

Somali brokers with links to Eastleigh are the biggest players in the Turkana gold market.¹²¹ The gold trade in Eastleigh is clandestine, hidden behind front businesses such as general merchandise, and carried out in private offices. Once Somali traders have sent gold to Eastleigh, it is either exported, sold to foreign nationals or turned into jewellery.¹²²

Nairobi's Jomo Kenyatta International Airport is the largest airport in East and central Africa (in terms of air traffic), with connections to almost every part of the world, including international gold hubs such as Dubai and Istanbul. Various commodities have been trafficked through the airport, including gold.¹²³

Flows to Uganda

The Uganda–DRC–South Sudan triangular border region is a key hub of illicit gold trade. Owing to armed conflicts in the DRC and South Sudan, the amount of gold moving within the region remains unknown. However, it is apparent that Uganda is a huge recipient of undocumented gold from its neighbours. In 2019, Uganda’s central bank estimated that only about 10% of the gold flowing out of Uganda was mined in the country.¹²⁴ While it is thought that a higher quantity of gold may flow from the DRC, gold dealers report that South Sudanese gold also flows in large volumes and is of higher quality (purity).¹²⁵

Much of the gold produced in Central Equatoria, and other parts of South Sudan outside of Eastern Equatoria, is reported to be smuggled to Uganda by road. Buyers report that gold from Yei and Lainya, Kajo-Keji and Morobo counties is consolidated in Yei before being moved south through a triangular border region that draws together Arua, Koboko, Salia Musala, Busia and Oraba. From Lobonok, gold moves south along the Juba–Nimule highway, through the Nimule–Elegu border post and on to Kampala. Gold is also transported directly by flight from Juba to Entebbe, although this is reportedly a less common smuggling route.¹²⁶ Most traders dealing in smaller quantities (less than 1 kilogram) use *panya* routes to avoid being robbed by bandits and rebels.¹²⁷ Within Uganda, Arua is an important local trade hub for northern Uganda, and Kampala and Entebbe are the primary trade and export points.

As in South Sudan, corruption plays a major role in gold flows and trade in Uganda. There is a scanner at the Elegu checkpoint, but it is reportedly only used selectively, with bribes enabling the free flow of goods. Even a bribe as small as 1 000 Ugandan shillings (US\$0.26) will be accepted, as a community official explained.¹²⁸ In some cases, traders use serving or former police and military to

source and ferry gold because they are perceived to be nimble-footed and knowledgeable about the checkpoints, the people staffing them and the *panya* routes. Apart from the Nimule border point, all other border points staffed by the Uganda Revenue Authority (URA) lack even the most basic scanners and screening machines. At the same time, widespread collusion between smugglers and revenue personnel, military and police officers at the official entry points diminishes any hope of arresting gold smugglers.¹²⁹ When gold smugglers are arrested, the gold is confiscated and the culprits set free by law enforcement officers,¹³⁰ with no gold smuggling cases reaching the court.¹³¹

While there is reported to be a lack of coordination between Ugandan and South Sudanese officials in combating smuggling,¹³² there are many reports that links between Ugandan and South Sudanese military counterparts are used to smuggle gold.¹³³ In areas such as the Busia and Oraba border points, military personnel on both sides of the border are reported to cooperate, physically meeting, to allow the smuggling of gold, as well as other items such as charcoal and timber.¹³⁴ Their military status allows them to easily move through border checkpoints without being stopped or searched for.¹³⁵ Security personnel communicate secretly with military liaison officers on the South Sudan side through phone calls and intelligence to clear and prepare the way for safe gold movement. South Sudanese soldiers cannot usually smuggle gold into Uganda without the permission of their counterparts, who provide them with security and safe passage.¹³⁶ These arrangements are required for safer and more secure gold transportation to the Kampala market. As in South Sudan, the involvement of political and military elites in the Ugandan illicit gold market makes it highly sensitive and opaque.¹³⁷

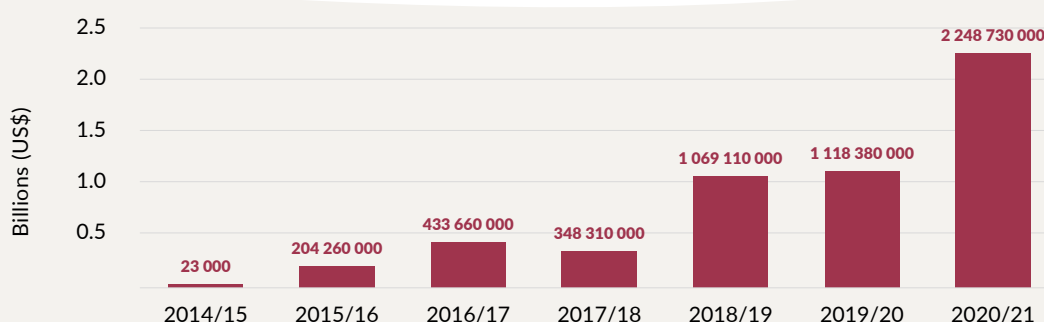


FIGURE 8 Ugandan gold export values (in US\$).

SOURCE: Bank of Uganda

Border crossings and trade towns

Elegu–Nimule border

The Elegu–Nimule border crossing is the primary route used to move gold from South Sudan directly to Kampala. A large percentage of gold that comes through Nimule is sourced in Lobonok. 'These buyers coordinate gold purchases with local buyers by telephone, negotiating prices and a pick-up schedule. From Lobonok, gold moves south along the Juba–Nimule highway, through the Nimule–Elegu border post, and on to Kampala,' reported a local chief from Lobonok in a radio interview.¹³⁸

The border crossing has developed into a busy trade hub, drawing individuals from across central and East Africa. Many gold dealers at the border point are also involved in forex.¹³⁹ Eritrean gold dealers also own hotels, lodges and bars in Elegu,¹⁴⁰ where there are hotels and dozens of *hawalas* and restaurants. South Sudanese people easily come to Elegu and Gulu to buy foodstuffs, construction materials and even livestock. Some come with gold to barter for these commodities.¹⁴¹ Even during the height of the COVID-19 pandemic, cross-border trade continued.¹⁴²

Smugglers travel by public bus, motorcycle or in private vehicles. This includes the use of 'posh' buses directly from Juba to Kampala.¹⁴³ It is riskier to travel in private vehicles because it increases the chance of scrutiny and armed attacks.¹⁴⁴ Therefore, only those who are powerful and well-connected and who have protection from security officers in Uganda and South Sudan will travel in private vehicles.¹⁴⁵ According to a customs official at the Elegu border crossing to Uganda, gold dealers use modern communication equipment and advance parties to survey routes, and smugglers 'operate like terrorists – they will kill you if you cross their path'.¹⁴⁶

Operating the border post is reported to be a lucrative position for Ugandan law enforcement members and their superiors.¹⁴⁷ Two border operatives claimed that government bodies (including the URA), military and police officers at both ends (in Nimule and Elegu) work in concert to facilitate the flow of illicit gold and wildlife products across the border. It is alleged that local officials are selected 'to ensure secrecy in the illicit business'.¹⁴⁸

Tri-border area (South Sudan–DRC–Uganda)

Various border points are used in the tri-border area between South Sudan, the DRC and Uganda to move gold into Uganda. Gold flows towards Arua through hundreds of makeshift border checkpoints, or *panya* routes.¹⁴⁹ Agents or brokers involved in illicit gold trade have double identification (passports and IDs) to disguise their nationalities and thus facilitate their movement across the border.¹⁵⁰

Gold is increasingly being moved via the DRC, rather than directly into Uganda, to avoid insecurity around the Kaya–Oraba area, which was reported to be under SPLM-IO control at the end of 2021.¹⁵¹ For example, a local dealer reported that gold is usually sold to businesspeople in Ariwara and Ingbokolo in the DRC.¹⁵² Aba, a Congolese town just across the border from Lasu, is home to tens of thousands of South Sudanese refugees and is known to be a refuge for rebels.



FIGURE 9 Border crossing in the South Sudan–DRC–Uganda tri-border area.



A polythene rope mounted to two poles on both ends of the checkpoint acts as the barrier at Birijaku border point.
Photo: GI-TOC

Senior members of the Congolese army stationed in the area are believed to work with rebels and refugees to facilitate the gold trade in and around Aba.¹⁵³ These routes also move through unmonitored border crossings. For example, the Oraba and Vurra border crossings on Uganda's western border do not have immigration or customs facilities.

Oraba border post

The Oraba border post was re-opened in August 2021, after being closed due to insecurity. Prior to 2014, the Oraba border post was a crucial transit route for gold from Juba and other parts of South Sudan into Uganda through Yei. However, ongoing insecurity in the area limits access to information on gold production and flows. The limited reports available indicate small quantities of gold are brought by small traders to gold refineries in Arua. Big buyers use trucks and collude with police, customs, URA personnel and the military, who operate checkpoints.

Koboko

Most gold dealers reside at a rickety trading centre called 'Small London', which is 2 kilometres from Koboko. Before the COVID-19 pandemic ravaged the local economy, the area was mostly inhabited by South Sudanese smuggling commodities from South Sudan and the DRC. The border checkpoint, called Birijaku, is operated by a civilian customs and immigration officer.

A polythene rope mounted to two poles on both ends of the checkpoint acts as the barrier. Metres away from the barrier is a bustling open-air produce market frequented by Ugandans, South Sudanese and Congolese. But beyond the veneer of the foodstuff is a powerful gold business. The gold trade peaks between December and April.

Salia Musala

Salia Musala is a ramshackle market that serves as the capital of illicit trade for the triple border between the DRC, South Sudan and Uganda. During the day, hundreds of *bodabodas* carrying all manner of contraband (gold, cigarettes, fuel and cooking fat) and agricultural produce emerge from the surrounding bushes. All dusty paths from the three countries converge here, a settlement of grass-thatched huts that is described as a 'borderless border town'.¹⁵⁴ It has no electricity, no bitumen, no piped water and no sewerage system. The so-called customs offices are single-roomed, mud-walled, grass-thatched huts. Few vehicles reach the town, with *bodabodas* and bicycles the primary means of transport.

Busia market

Busia market, which popped up in 2004, has become a key transit point for contraband (petrol, charcoal, timber and gold) from South Sudan.¹⁵⁵ The two checkpoints, operated by the military, are about 100 metres apart. According to local municipal officials, there are no customs and immigration offices on either side of the border, and traders pay soldiers 'something small' to get their goods passed through.¹⁵⁶ There is no standard bribe, and no fixed charge at the checkpoint; it all depends on the negotiations between a trader and the soldiers at the checkpoint.¹⁵⁷ Busia is the transit point for goods and people from Morobo County, Central Equatoria, where illicit gold mining occurs. A gold trader in Koboko also mentioned Busia as one of the hubs that supplies him with gold.¹⁵⁸ However, municipal officials have denied the existence of the gold business in the area, with one asserting that if gold smuggling is happening, it is without their knowledge.¹⁵⁹

Arua

Arua is a key smuggling hub for gold, as well as wildlife products, counterfeit goods, small arms and other illicit goods.¹⁶⁰ The lack of clarity on the size of the gold trade in Arua is a reflection of its illicit and secretive nature. In an interview in February 2020, a local administrator disputed evidence of the illicit gold trade, stating that there is no gold trade in Arua.¹⁶¹ In reality, however, a robust gold market attracts traders from South Sudan, as well as the DRC. This is an open secret, with government officials pointing to vehicle and hardware shops as particularly common fronts for the illicit gold business. A rough estimate of the amount of gold moving through Arua based on interviews with gold brokers places the figure at 50–100 kilograms per day. This estimate is based on the level of business controlled by the 10 largest known dealers operating in the town.¹⁶² Investigations in 2020 found that one of the biggest buyers, an Indian national based in Kampala who owns an outlet in Arua, is thought to buy about 10 kilograms of gold per day.¹⁶³

Arua's proximity to South Sudan, which can be reached by vehicle in about two hours, enables buyers to purchase smaller quantities of gold and more frequently. One gold dealer reported that buyers can even come twice a day, asking the shop to stay open late for them.¹⁶⁴ Despite the smaller volumes, South Sudanese gold is highly desirable in Arua as it is reportedly of greater purity than that sourced from the DRC.¹⁶⁵ Ugandan brokers liaise with Congolese and/or South Sudanese agents at the source.¹⁶⁶

For a long time, a group of dealers called the Arua Boys controlled the gold business. This group established a well-functioning trade organization: they bought manufactured goods and foodstuffs in Kampala, Mombasa or Nairobi and brought these to the DRC, where there was a major shortage of goods. With the profits, they bought gold from Congolese and the Sudanese traders, which they then sold in Kampala, Mombasa and Nairobi. This flourishing cross-border trade attracted other traders, including foreign nationals.¹⁶⁷ Profits from the gold trade were invested, among other things, in local real estate ventures.¹⁶⁸

Over time, high ranking officials from Uganda, as well as South Sudan, and their affiliates have taken over the Arua gold sector.¹⁶⁹ As a result, gold traders reportedly receive high-level protection and are not worried about facing legal consequences.

In Arua, dealers or large buyers are mainly foreigners based in Kampala and Nairobi. They are reported to come from Kenya, India, Pakistan, the Middle East and even West Africa.¹⁷⁰ A leader in the Arua business community says about 20 gold-trading shops operate in the town. Gold shops and refineries are reportedly run mostly by foreign nationals who stockpile the gold and move it to their main office branches in Kampala.¹⁷¹ The offices in Kampala are licensed but feed on informal and illegitimate gold sources to run their business.¹⁷² They have reportedly come to dominate the local market because they have greater cash flow available than many local Ugandan nationals.¹⁷³



The losses to economic development from the illicit gold flows are substantial, with revenue spirited away into the hands of kleptocratic networks. *Photo: Lucy Poni*

While the major Ugandan gold refineries are found in Kampala, there are four small, clandestine refineries located on the outskirts of Arua. They are neighbouring compounds, unmarked (without signposts) and heavily guarded from the inside but with only an armed guard at the outside gate. Inside the houses are foreign national and Ugandan traders who run the operation. It is easy for traders to operate gold refineries clandestinely because most businesses are not registered, and it is therefore very difficult for authorities to trace their ownership. Owners include people with a turnover in the trillions of Ugandan shillings who do not want to pay taxes, be identified or have their activities exposed.¹⁷⁴

The large number of financial services available in Arua reflects the size of the gold trade and its international links. There are dozens of forex bureaus, some of which operate underground.¹⁷⁵ One gold trader stated, 'I know my dealers up to Dubai. Even if I have no cash, my dealer in Dubai will make the money available immediately, to pay my workers. We are a network.'¹⁷⁶

Gold dealers are commonly active in other sectors, including forex, fuel stations and other illicit flows, such as smuggling cigarettes and wildlife products. Locals who are heavily involved in the gold business also own petrol stations in Arua, Koboko, Oraba or along busy border points.¹⁷⁷

Kampala

Some South Sudanese gold dealers reportedly deal in very large quantities of gold and make regular trips to Kampala. One Kampala-based gold trader reported that he could purchase from three to four South Sudanese dealers per week.¹⁷⁸ In Kampala, it is reported that South Sudanese will only deal with agents with whom they have established relationships.¹⁷⁹ South Sudanese are also reported to deal in electronic money transfers to registered companies, and do not accept cash payments. There are similar reports around Arua, although smaller purchases of gold are made with cash.

Gold may be laundered using fraudulent documents and receipts generated in South Sudan or Uganda. According to a senior official in the Ministry of Mining, gold is taken from South Sudan to refineries in Uganda using forged documents. For example, the official reported that a 48-kilogram consignment was traced and found to have been smuggled to Uganda using forged documents.¹⁸⁰ In another incident, gold from South Sudan was seized in Dubai after passing through Uganda with fake documents. In Uganda, there is weak monitoring of certificates of origin,¹⁸¹ and gold shops, refineries and other gold traders have all mastered the forgery of receipts and certificates of origin.¹⁸² Receipts are issued but often lack important information, such as the name of companies or dealers, and have no information about the origin or chain of custody; only the quantity of gold, purity, price and exchange rates are included.¹⁸³

There is heavy competition among gold shops and refineries in the Kampala gold market. Most buyers have connections of one kind or another to Dubai, regardless of their nationality or heritage.¹⁸⁴ To take advantage of tax regulatory regimes, some dealers have also established fraudulent companies that engage in illicit gold trade.¹⁸⁵ While there is significant variation in how much gold traders are buying and selling, in general, gold shops are moving anywhere from a couple kilograms to dozens of kilograms of gold each week.



Smugglers work at the behest of powerful people with connections to the military and government to transport gold illegally out of Uganda. © Irene Abdou/Alamy Stock Photo



The dynamics of corruption and abuse in the gold sector have important and far-reaching implications for peace and economic development in South Sudan. © FLICKR/BBC World Service

As of 2020, the African Gold Refinery was by far the largest gold processor and exporter in Kampala. The African Gold Refinery reported that it exported more than 17 tonnes of gold worth around US\$800 million in 2019.¹⁸⁶ In March 2022, the US placed sanctions on Alain Goetz for his role as operator of the African Gold Refinery, and his network of companies for engaging in the illicit gold trade. According to the US Department of the Treasury, Goetz's gold network was illicitly sourcing gold from South Sudan, as well as other countries, using its extensive refining and transport capabilities.¹⁸⁷ Goetz has denied the allegations against him and has taken legal action to have the sanctions lifted.¹⁸⁸

From Entebbe, gold is exported or smuggled out of Africa. Much of this is suspected to be smuggled out via Entebbe International Airport. It is suspected that gold continues to be smuggled out in hand luggage and using other methods and exit points.¹⁸⁹


There are two categories of actors smuggling gold out of Uganda. The first group of smugglers is highly secretive and led by powerful people, alleged to be in or have connections to the military and government. Powerful entrepreneurs of Indian, Pakistani and, more recently, Turkish nationality are reported to dominate this type of gold dealing and smuggling. They operate with minimum interference to the extent that junior airport and security officials cannot detect or tell that smuggling is going on because arrangements are made at higher levels.¹⁹⁰ It is suspected that smugglers abuse and exploit the army's direct access to the airport,¹⁹¹ with military or government officials facilitating or turning a blind eye to smuggling in exchange for financial gains.

The second category are people who lack political influence or connections with powerful elites but do have the money to pay bribes.¹⁹² This category of smuggler includes goldsmiths, small gold shop owners (both licensed and unlicensed), and gold brokers and dealers (both licensed and unlicensed). It is reported that smaller quantities of gold amounting to 1–8 kilograms per flight are smuggled by these actors. For the gold shops and goldsmith operators, gold is refined and fabricated into jewellery that is worn on flights from Entebbe to India and the UAE.



CONCLUSION AND RECOMMENDATIONS

The vulnerability of South Sudan's gold sector is likely to increase as more gold deposits are discovered. © Simon Marks/Bloomberg



The South Sudan gold sector faces a trifecta of threats: corruption, conflict and criminality. Left unaddressed, these threats will continue to fester, providing opportunity for corrupt and criminal actors both within and outside the country to exploit the sector. The vulnerability of the gold sector is likely to increase as more gold deposits are discovered and gold flows become increasingly intertwined with other regional illicit flows. To combat criminality and support development, multi-pronged responses are needed. While the recommendations put forth here are tailored to South Sudan, they draw from the policy guidance document 'Combating illicit gold markets in eastern and southern Africa'.¹⁹³

■ **Adopt a development approach to ASGM policy.**

To develop effective responses to illicit gold markets, ASGM must be treated as a development challenge, accompanied by targeted responses to combat criminality in illicit gold markets. While the ASGM sector has the potential to generate significant economic benefits to participants and communities, this first requires increasing the participation of both ASGM miners and gold traders in the formal sector. Development approaches require a concerted effort to identify and engage with ASGM stakeholders, possibly providing them financial or organizational support, and ensuring a platform is available for them to take part in policy development and decision-making processes. This will require that land be reserved for artisanal gold mining and the development of a responsible and sustainable artisanal gold sector. To facilitate engagement, miners' associations and lobby groups could be formed and given support, although there is a need to be sensitive to complex organizational structures and power dynamics. Consultation ought to also include strategic engagement with established gold traders and networks.

■ **Adopt more coherent legislation, policies and regulation.**

Currently, disparate policies formulated at the state level have created opportunity for corruption and political patronage in the gold sector. There is therefore a pressing need for greater inter-agency coordination, both vertically between the national and state governments and horizontally across different government agencies. Coordination will also help to ensure national policies are understood and implemented locally. A third element of diagonal coordination can be applied to better engage with non-government stakeholders, the private sector, civil society and the media. Currently civil society and the media in South Sudan are actively persecuted.¹⁹⁴ As such, there is a need for greater civil society and journalistic protection and freedom in the country if this important group of actors is to effectively contribute to increasing transparency and oversight of the South Sudan mining sector.

■ **Include gold in security strategies and peace agreements.**

Conflict mediation in the gold sector can be addressed through enhanced cooperation, mapping and dialogue between relevant stakeholders. This approach supports recovery, peace-building and sustainable development to counter illicit gold markets. Importantly, efforts must include training and capacity support for local communities and ex-combatants. Including the gold sector in disarmament, demobilization and reintegration processes can simultaneously address conflict drivers and the effects of conflict on the gold sector, while also supporting sustainable economic and social opportunities. By viewing gold not just as an income stream for conflict actors, but as a potential economic stimulant, states and international development organizations will be better positioned to promote social cohesion in marginalized communities. R-ARCSS makes provisions for community benefits and land rights in the extraction and utilization of oil/petroleum resources. This should also be extended to gold production, especially in the Equatoria states. Mediation may be needed between various groups to determine access to ASGM rents. This requires strong situational awareness of networks, activities and power dynamics.

■ **Adopt and support responsible gold-buying schemes that benefit ASGM.**

Gold-buying structures need to be informed by a strong understanding of formal, informal and illicit gold markets, and continually assessed and coordinated with regional partners. Factors to consider include the security context and, when designing buying programmes, coordination and management between the central bank and relevant ministries, and between the central government and state governments. Prices offered for gold must also be competitive with the illicit market, without comprising operational capacity or sustainability. Reaching an agreement on who will absorb costs, including downstream buyers, and their willingness to do so is therefore critical. Other incentives also need to be considered, such as providing access to finance and safe, efficient and affordable processing areas. To increase engagement, decentralized buying options located near gold-producing areas are needed. However, oversight of the offices themselves is more difficult, potentially increasing corruption risks. As such, a balance needs to be found based on context and capacity. Lastly, to increase community buy-in, a share of revenues generated from gold sales could remain within the community. This may incentivize communities to apply peer pressure on miners to sell within formal supply chains.

■ **Adopt and implement regional responses to illicit gold flows.**

Illicit gold supply chains are regional in nature and will continue to be so for the foreseeable future. A regional anti-smuggling protocol is a viable approach for disrupting the flow of illicit gold to neighbouring countries. Efforts to disrupt illicit gold supply chains should focus on key transit points and trade hubs at the regional level. Effective policing at key terrestrial border crossings and international airports will have a much greater impact on illicit gold flows than attempting to regulate mining sites. Establishing partnerships with customs agencies in the region will support enforcement efforts. Diplomatic efforts can also include outreach and cooperation with key trade partners to increase surveillance and regulation on gold imports. This can be done by requiring additional information from gold importers, including the authentication of certificates of origin or export permits and official documents, such as tax receipts in the country of export. To support these efforts, South Sudan ought to develop a more robust export certification scheme.

Discussions within the region will need to be part of a larger conversation around increasing regional integration. Disparate country mining regimes (export taxes and royalties) and the lack of border cooperation have fuelled smuggling. Current gold policies often reduce regional

neighbours to the status of overseas competitors and mining policies at the subregional and country levels share similar ambitions. This increases direct competition between South Sudan and its neighbours, resulting in a zero-sum game that hinders local capacity development. There is therefore the need for a paradigm shift that increases regional coordination to combat illicit flows while at the same time increasing regional competitiveness in global gold markets. Building a regional competitiveness strategy will require policy shifts and novel strategies. There should also be an opportunity for ASGM stakeholders, as well as law enforcement, development experts and environmental authorities, to give input. This approach will also require identifying how trade hubs can be leveraged to realize greater economic and development outcomes at the regional level.

- **Increase transparency and regulatory oversight over the allocation of mining concessions and the beneficial ownership of mining companies, particularly those with politically exposed persons.**

High-level and grand corruption needs to be addressed through technical, legal, institutional and operational countermeasures at the national and international level. One useful approach would be the creation of beneficial ownership registries to prevent, prosecute and remedy grand corruption due to the failure to enforce existing laws. This should include ensuring that the cadastre, which is currently quite good, and corporate ownership records continue to be updated and readily available for public access. An important step towards increasing transparency and accountability in the sector involves expediting the process of joining the Extractive Industries Transparency Initiative, as required under the R-ARCSS.

For the electronic cadastre to benefit ASGM, it must be accessible, provide opportunities for ASGM miners to register their claims, and be accompanied by legal mechanisms and regulatory support that enable artisanal miners to protect their land rights. Owing to the technological requirements and knowledge related to making applications, technical support should be provided to ASGM stakeholders.

Such efforts will also require reducing impunity. More resources must be dedicated to identifying and prosecuting key targets in illicit gold markets. By providing information and support, foreign governments and international law enforcement bodies can support efforts to identify and prosecute key individuals, companies and financial institutions linked to or involved in the illicit gold trade. Identifying the financial assets and flows linked to key individuals will be critical to any response, including the beneficial ownership of companies and other entities involved in the illicit gold trade. Because of the transnational nature of gold supply chains, and the likelihood that high-level actors will conduct activities and have assets in various jurisdictions, increased coordination at the regional level and with governments linked by gold supply chains will also be important to identifying and freezing or seizing financial assets. Additionally, it would be useful to publish information about de-listed individuals and companies involved in the illicit gold trade, and share the information with counterparts in other countries, agencies and industries. The creation of a beneficial ownership database will be valuable to these efforts.

Targeted or individual sanctions are one tool that can restrict the activities of criminal actors, corrupt government officials and businesses complicit in illicit trade. Many high-level perpetrators sell gold in legal markets and hold assets in the Global North, while Western partners, financial services and markets are frequently central to the realization of their profits. Sanctions heighten the risks and costs associated with their business. There are frameworks in place that can be utilized. For example, the relationship between natural resources and corruption is already explicitly recognized in some policy priorities of various human rights sanction regimes.

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