



Curbing Illicit Financial Flows from Resource-rich Developing Countries: Improving Natural Resource Governance to Finance the SDGs

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“There is a lot of respect in it” Gold trade, protection rackets, and the political unsettlement in Burkina Faso

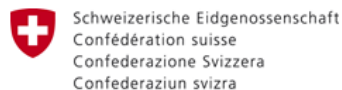
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„There is a lot of respect in it.“
Gold trade, protection rackets, and the
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A significant share of gold from artisanal and small-scale mining is not only produced informally but also traded outside official channels. The resulting illicit financial flows deprive governments of much-needed revenue and serve as a conduit to finance conflict and armed groups and launder money from other illicit activities. Applying a political lens to the analysis of illicit gold markets, we study their intersection with state-building dynamics and the making of political settlements to understand the function these markets fulfil despite – or because – they seem highly dysfunctional from an institutionalist perspective. Taking the case of Burkina Faso, we find that the modus operandi of the gold market adapts to the prevailing political distribution of power. State-sponsored protection rackets enable and shape the illicit gold market to strengthen power arrangements and power centres competing for (political) dominance. Policy measures that disrupt the prevailing actor setup are more likely to overcome the impasse than drafting new legislation or building-up capacity for enforcement.

Keywords: Illicit financial flows; gold trade; illicit gold markets; protection rackets; political settlement; Burkina Faso

Introduction

Artisanal and small-scale gold mining employs between 15 and 20 million men and women globally and is a source of livelihood for about 100 million people. A significant share of artisanal gold is not only produced informally or even illegally but is also traded and exported outside official channels. Illicit gold markets generate illicit financial flows (IFFs) and deprive governments of much-needed revenues [1-3]. Illicit gold trade also funds armed groups and conflict [4, 5].

Our understanding of how illicit gold markets work is still limited. Analysis typically focuses on institutional mechanisms to detect gaps in the regulatory framework and recommend formalisation of the sector and regional tax harmonisation as critical measures to regulate the industry and counter IFFs [6-9]. While institutional analysis is helpful, it is too narrow to produce robust policy advice [10, 11]. A recent academic literature review shows that formalisation programs often fail or only succeed in isolated areas (forthcoming), pointing to other factors sustaining illicit gold markets.

We posit that tackling illicit gold markets must go beyond institutional analysis and engage more deeply with political analysis to inform policy. Who enables illegal markets, who profits from them and is interested in keeping them going despite all the formalisation efforts, is rarely asked and therefore poorly understood [12].

A case in point is Burkina Faso. The discovery of the Gangaol mine in Seno province started the first gold rush in 1967 [13]. Artisanal gold mining became an established sector following the droughts of 1973-75 and 1984-85. By 2016, artisanal gold production was estimated at 9.5 tons worth CFA 232.2 billion or 3.5 per cent of GDP [14]. Official statistics report for the 50+ licensed gold traders a total of 107kg, 307kg, 258kg, 267kg, 266kg, and 343kg of gold exports for 2017 to 2022 (ANEEMAS), resulting in over 95 per cent of gold being traded and exported illegally. Law enforcement is successful only occasionally [15].

Deploying political settlement analysis, we find that the *modus operandi* of the gold market in Burkina Faso adapts to the prevailing political distribution of power. Since the 1990s, protection rackets anchored in the highest political levels have enabled and shaped the illicit gold market to serve the respective power arrangements. Reform measures have been turned into signalling exercises towards the international donor community but have failed to

transform local realities. Policy measures that disrupt the prevailing actor setup are more likely to overcome the impasse than drafting new legislation.

Theory

There are different ways to look at the loss of revenue through illicit financial flows (IFF). The orthodox view holds that the failure to tax artisanal gold, including curbing related corruption and complicity, is attributable to a deficient regulatory setup and weak administrative state capacity. Analysis centres around three main aspects: First, *incentives* for IFFs result from the current regulatory structure, such as complex bureaucratic procedures and tax differentials between countries or cumbersome export procedures. Second, *regulatory loopholes* hamper the detection and sanctioning of IFFs, like insufficient due diligence requirements or inadequate anti-money laundering legislation. Finally, the *low capacity* of a weak state to enforce existing regulations, including a lack of human resources, knowledge, and technology [16]. Institutionalist accounts call for enhancing the regulatory framework along the good governance agenda and advocate capacity-building as the most critical policy measure to formalise artisanal mining [9].

While the institutional theory has merits, its explanatory power is constrained by the theoretical conceptualisation of institutions as incentive structures that are assumed to steer actor behaviour [17]. An institutionalist analysis is typically confined to a gap analysis against international best practices. Still, it does not sufficiently account for local power dynamics and the possibility of public actors using their agency to subvert formal institutions so that the *de facto* rules align with their interests, which IFFs then serve. In response, we build our theoretical approach on the literature investigating the relationship between the state, illicit economies and state-sponsored protection rackets, and the literature on state formation and the development of state power [18-22]. In a political approach, IFFs and actors engaging in illicit economies cannot be studied as a phenomenon isolated from other political, economic, and societal dynamics, nor in an a-historic manner that isolates institutions from the precursors that led to their current design.

The literature on illegal markets has long observed that „legal and illegal action systems are not separated by clear social boundaries“ [23]. They are connected through actors moving

between the legal and the illegal world and grey zones of actions where the boundaries between legal and illegal and the legitimate and illegitimate are often blurred. Such actors often function as „interfaces“, facilitating the interaction between legal and illegal systems. Back in 1974, Blok was the first to elaborate on the interconnectedness of legal and illegal spheres in his seminal study of the Mafia, describing the relation between the two spheres as interdependency whereby criminal actors are essentially embedded in society, the economy, and state institutions, and, therefore, inevitably have reciprocal relationships with other actors [Block in: 24]. This “interpenetration” of legal and illegal spheres [Münch, 1991, in 23] calls for expanding the investigation of IFFs beyond the narrow realm covered by the most common IFF definition, i.e., revenues from goods that are illegally produced, transferred, or used to include the broader economic and political system on which they depend [for a discussion of conceptual and definitional issues of IFF see: 25]. The focus on the interfaces between legality and illegality in illicit economies reveals not primarily its illegal dimensions but how illicit markets oscillate between legal and illegal operations [23].

The interpenetration of public institutions with illicit economies often takes the form of state-sponsored protection rackets. Such protection rackets work through informal arrangements in which public officials suspend enforcing the law or only selectively enforce it against a criminal organisation's competitor in exchange for a share of the illicit profits [26]. In such contexts, the intermediation between the public sector and illicit economies is essential to provide (short-term) stability and avoid violence by facilitating illegal markets' internal coordination [24, 27]. Conversely, the breakdown of state-sponsored protection rackets, which may result from external events or well-meaning policy reforms, can lead to conflict and violence in illicit economy circles striving to adapt business models [26]. Baker and Milne [28] further explore how states sustain themselves through facilitating illicit extraction. Based on the examination of illicit state financing in six Southeast Asian countries – including one study on artisanal gold mining in the Philippines [29, 30] – the authors distil patterns of what they call the ‚dirty money state‘, including territorial dynamics and the interplay between formal and informal realms. They find that state-sponsored protection rackets put substantial illicit revenues not just at the disposal of individuals but also at the regime's disposal without being evident in state revenue accounts.

To make sense of state-sponsored protection rackets from a political perspective, we engage with the literature on state-building and, more specifically, the political settlement theory, which has its roots in a critique of institutional economics and the good governance agenda [31, 32]. The political settlement theory offers an approach to analysing the patterns and evolution of power distribution over time. A settlement refers to the distribution of power between individuals or groups with ‚holding power‘, defined as „the capability [...] to engage and survive in conflicts“ [33]. A settlement includes the horizontal power distribution between the ruling coalition and those who oppose them and the vertical distribution of power between the higher and lower factions within the ruling coalition. Combining the horizontal and vertical dimensions creates four configurations with distinct challenges to consolidating the ruling elite’s power and different policy spaces to pursue developmental aims (Figure 1).

		Horizontal distribution of power: Excluded factions	
		< Weak	Strong >
Vertical distribution of power: Lower level factions	Weak >	POTENTIAL DEVELOPMENTAL SETTLEMENT Low opposition from excluded factions gives political settlement stability and long-time horizon. Limited power of lower-level factions allows for high enforcement capability. Construction of developmental state possible.	(VULNERABLE) AUTHORITARIAN SETTLEMENT Strong excluded factions increase the cost of the settlement over time, undermining its viability. Initial enforcement capabilities likely to wane over time.
	< Strong	SUSCEPTIBLE RULING ELITE SETTLEMENT Enforcement capabilities become weaker as lower-level factions get stronger or more fragmented. Excluded factions also become stronger if dissatisfied supporters start leaving. Satisfying internal cohesion gets costlier.	COMPETITIVE CLIENTELIST SETTLEMENT Competition between multiple strong factions. Viability of settlement can be maintained only with credible – and costly – distribution mechanisms. Typically low enforcement capabilities. Short time horizons. High risk of instability

Figure 1: Political settlement typology, based on Khan [33]

Crucially important are the arrangements through which groups with significant ‚holding power‘ are kept from setting off a (violent) conflict [34]. This typically happens through the formal and informal generation and distribution of rents in monetary and non-monetary forms, putting the funding of settlements centre stage. Therefore, what emerges as dysfunctional in an institutionalist analysis may serve well to keep a settlement in balance because the rules

embodied in (informal) institutions assign privileges and distributional advantages that stabilise the current settlement [35].

Understanding the ‚informalisation‘ of formal institutions, the process whereby formal rules are consciously subverted, sidelined, and „alternative practice“ is normalised, is an important entry point to analysing what holds political settlements together. Engaging with the informalisation of (market) institutions, including, for example, the informalisation of the gold trade, uncovers the generation of IFFs, the inner workings of a state-sponsored protection racket, and state officials’ role in creating and maintaining illicit economies. (Baker 2015@162).

Political settlements are in permanent (re)negotiations and adaptation, and so are the supporting funding arrangements. However, a settlement can lose its viability and become a „political settlement in crisis“ [33], to the point of collapse. Such an „unsettlement“ can follow from inconsistent aspirations of different groups, their failure to judge the true holding power of opponents (or their own), or the emergence of new groups demonstrating holding power. Crisis periods last until a new power distribution emerges that can be sustained through a combination of formal and informal institutions.

Based on our theoretical framework, we expect that Burkina Faso’s illicit gold trade plays some role in funding political settlements. As interfaces, we hypothesise, serve the *comptoirs*, the formally licensed gold-buying houses and accredited exporters of gold. Finally, as the political and institutional unsettlement has been ongoing since the ouster of Blaise Compaoré in late 2014, we expect to see changes in the structure of the illicit gold market striving to adapt its business model to new realities.

Methodology

We operationalise our theoretical framework with a two-level analysis. At the political level, we trace the evolution of the political settlements and the regulation of the trade in artisanal gold based on literature analysis, starting with the introduction of gold trade regulation in the mid-1980s.

Against this background, we reconstruct, as the second level of the analysis, how the gold trade sector has responded to the transition from one political settlement to another; how the gold trade is organised; how it is intertwined with the political sphere; and who benefits from

the rents.

We put the *comptoirs*, the assumed interface between the formal and the informal realms, centre stage for analysing the gold trade sector and its hypothesised role in funding political settlements. We build on interviews with representatives from 20 of the 54 *comptoirs* registered at the time of our research. In addition, we interviewed individual gold collectors who buy gold at mine-sites, typically on behalf of *comptoirs*.

Given the topic's sensitivity, building trust and getting consent for unrecorded interviews took significant time. This was further complicated because the anti-fraud unit *Brigade Nationale Anti-Fraude de l'Or* (BNAF) became more active in the months preceding our fieldwork. *Comptoirs* tried to reduce their visibility to the point of removing nameplates and other signs that might indicate gold trading, and many suspected us of being BNAF agents.

We complement the interviews with a geographical analysis of the artisanal mining permits, *Autorisations d'Exploitations Artisanales* (AEAs), and data on official gold exports by individual *comptoirs*. We further interview representatives from the national artisanal mining authority, *Agence Nationale d'Encadrement des Exploitations Minières Artisanales et Semi-mécanisées* (ANEEMAS), the geological agency *Bureau des Mines et de la Géologie du Burkina Faso* (BUMIGEB), BNAF, and customs authorities.

Finally, we conducted an extensive document analysis, including archival documents of the World Bank's Mining Sector Capacity Building and Environmental Management Project program 1997-2005, which we obtained after going through the Bank's declassification procedure.

Findings

Artisanal and small-scale gold extraction has taken place under three different political settlements, falling together with the era of Thomas Sankara (Phase I, 1983-1987), Blaise Compaoré (Phase II, 1987-2014), and the time after his ouster in late 2014, whereby a new lasting settlement still has to emerge (Phase III, ongoing since 2014). Each phase features a particular governance of artisanal mining and gold trade with a respective distribution of rents. Over time, socio-technical innovations, such as introducing basic mechanisation or cyanidation, have increased productivity and the opportunities for capturing rents [36].

Phase I: Sankara and the introduction of the state-buying company

Artisanal gold mining and gold trade were formalised under Thomas Sankara's rule (1983-1987), which was characterised by a political settlement with a dominant coalition gravitating around the military. He built his rule on a development vision, gave the state a leading role, and successfully curbed room for rent-seeking. Horizontally excluded factions were mainly traditional leaders, the economic elite, parts of the former senior bureaucracy, and the unions [37]. Sankara's successes in health, education and food security earned him popular support, as did his achievements in eliminating corruption. He rejected aid from the IMF based on an anti-imperialist rationale and sought to reduce reliance on other aid by increasing domestic revenue. Sankara came increasingly under pressure from internal power blocs, among others, over the effectiveness of his policies and the role of the local committees for the defence of the revolution set up by the regime *vis à vis* the powerful unions that initially supported the revolution [38-40].

To mobilise resources for his development agenda, Sankara established the *Comptoir Burkinabé des Métaux Précieux* (CBMP) in 1986¹, giving it a monopoly on purchasing and exporting gold [41]. The launch of CBMP coincided with a phase of exceptional expansion of artisanal mining due to the severe droughts of 1984-85. Artisanal mining provided work and income to an estimated 300'000 men, women and children at the peak of the dry season. For example, in the Bouda mine site, close to Yako², 10'000 people worked here during the dry season at its peak in the late 1980s. One of the 20 CBMP buying offices was located at the site, and 150 authorised local buyers³ managed the purchasing process [42].

By mid-1994, the CBMP employed 63 agents in 20 buying offices⁴ in 11 provinces. The

¹ Two decrees were adopted on May 21 1986: Kiti No. 86-191/CNR/PRES/PRECO establishing CBMP and Kiti No. 86-192/CNR/PRE/PRECO vesting the export monopoly in CBMP. The purpose of CBMP (Objet social) was defined as follows. (a) *L'achat et la vente d'or ou de toutes autres matières et pierres précieuses, notamment le platine, les platinoïdes et les diamants*; (b) *La participation par tous moyens appropriés à la création ou à l'exploitation d'entreprises minières*; (c) *L'accomplissement de toutes opérations quelconques en relation directe ou indirecte avec l'objet social*.

² Passoré province, Nord region

³ Holding a *carte d'acheteur local d'or*

⁴ 1) Bureau Régional du PASSORE/SOUROU (Bureaux d'Achat : Yako, Bouda, Dama, Kal~aka et Roba); 2) Bureau Régional du YATENGA (Bureaux d'Achat : Ouahigouya, Thiou, Koumbri, Margo et Seguenega); 3) Bureau Régional du BAM/SOUM (Bureaux d'Achat : Kongoussi, Belworo et Tounte); 4) Bureau Régional du SENO/NAMENTENGA (Bureaux d'Achat : Bouroum et Sebba); 5) Bureau Régional de la GNAGNA (Bureaux d'Achat : Namagdou, Djitorga, Bilanga et Balpoa); 6) Bureau Régional du PONI (Bureau d'Achat de Gaoua); 7) Centre de Youga

payment was 10 to 25% below market price; the calculations, including the commissions for the actors involved, were transparent. CBMP profit after tax was at FCFA 329'919'892 (US\$ 537,050) in 1991 [43]. The World Bank estimated in 1993 that CBMP collected about 40-60% of the artisanal gold produced, and the rest was smuggled out of the country [42, 44].

Phase II: Compaoré's "rectification" dismantles CBMP

On October 15, 1987, Sankara was assassinated by supporters of his brother-in-arms, Blaise Compaoré, arguing they needed to "rectify" what they saw as a derailed revolutionary process leading towards chaos. The announcement of the „rectification“ and roll-back of the policies pursued by Sankara [38, 39, 45] also marked the transition to a new political settlement (Phase II). Compaoré built his political settlement around those who had lost privileges under Sankara: traditional chiefs, dismissed bureaucrats, and disgruntled urban elites and capital holders but was unpopular with ordinary citizens, particularly the rural poor and the youth [46]. Despite transitioning to multiparty democracy, the military remained a decisive factor in Burkina Faso's political settlement under Compaoré. The reconfigured settlement spanned ethnic and social ties, represented different interests and showed significant vertical fractionalisation [46]. Generating rents to maintain this fragile settlement was important. Rescinding Sankarist controls of (budgetary) discipline and the possibility of offering high-level posts with opportunities for self-enrichment and patronage made it easier to co-opt sections of the old political elite [38, 45]. Compaoré engaged with the IMF and the World Bank, and his acceptance of comprehensive structural adjustment reforms made Burkina Faso soon one of Africa's most favoured aid recipients. That, in turn, offered well-paid positions in the aid industry while the IMF-promoted privatisation of state-owned firms favoured private wealth accumulation [47-49].

At the request of the World Bank, the CBMP was also privatised. The Bank even postponed signing the Mining Sector Capacity Building and Environmental Management Project until the Council of Ministers approved the CBMP privatisation [50]. The state monopoly to buy and export gold was abolished in 1996⁵, private buying and exporting houses

(BOULGOU); 8) Centre de Dassoui (KOURITENGA).

⁵ Decree No. 96-231 /PRES/PM/MEM of 3 July 1996

(*comptoirs*) were admitted, and CBMP was fully dismantled in 2006. The hypothesis was that miners would get a better price for their gold under the new arrangement, leading to a reduction of smuggling by at least 70%. Additional royalties and revenues from *comptoir* profit tax payments were expected to exceed the net profit of CBMP; up to \$30 million in fiscal receipts yearly were anticipated [41, 51].

The World Bank's rationale justifying the CBMP's privatisation contradicts a 1993 preparatory World Bank study on 12 artisanal mining sites in Burkina Faso that identified important risks of private monopolies. For one of the sites studied, Karimtanga, operated by about 1'000 *orpailleurs*⁶, the private firm *General Mines Carriers* (GMC) received from the minister of mining the exclusive right to buy gold in 1991. GMC owner Pierre Joseph Emmanuel Tapsoba was himself a minister when he received the license. Before, he was the founding director of BUMIGEB in the 1970s. He later became minister of presidential affairs and was also decorated as an Officer of the National Order [52]. The World Bank report notes that the private „investors like to speak of giving technical assistance to the *orpailleurs*, which in reality is nothing more than providing their local agents with enough money to lend to the *orpailleurs*. [...] They are by the loan tied to a particular local buyer. The local buyer is, in his turn, dependent on GMC“ [42]. The report warns that others are keen to copy this model: „In Ouagadougou, the mission had an important meeting with small-scale investors who were all prepared to present their cases to the Bank. However, „it was soon revealed that [...] there was no will to invest [...]. It is important to understand these objectives of small investors since they ultimately serve to make profits for themselves on behalf of the already extremely poor and hard-working *orpailleurs* who don't gain anything by this type of arrangement“ [42].

Irrespective of the risk identified, the World Bank-sponsored reform established private gold traders and exporters. The law also introduced the possibility that a *comptoir* can acquire artisanal mining claims (AEA). Where the *comptoir* is the holder of the AEA, it can enforce that the gold produced on the AEA is sold exclusively to the *comptoir* holding the AEA. This creates a monopoly situation, as was the case for GMC. Today, the entire sector works the way it did in Karimtanga since 1991. Through a cascading loan system with *comptoirs* at the top, monopoly rents are extracted from the *orpailleurs*. After the presence of state authority

⁶ Local term used for artisanal miners

on mining sites was abolished, traditional leaders have (again) become gatekeepers regulating land access for artisanal mining. In return, they share in the success of mining, providing them with a steady stream of rents [53].

The structure of the gold trading sector: owners and networks

At the end of Compaoré's rule, 105 *comptoirs* were licensed. Of those, only 40 were registered with the tax authorities, and the three biggest *comptoirs* held together 128 AEAs, although the law defines a limit of seven AEAs per *comptoir* [54]. After the fall of Compaoré, the number of *comptoirs* fell to below 60 in 2018 and below 50 by 2020, and the number of AEAs even below 30 by 2021, while artisanal gold production increased.

Many unregistered *comptoirs* also trade gold in Burkina Faso; estimations range between below 100 and up to 200 (ID174). Cooperation between licensed and unlicensed *comptoirs* is frequent, and the boundaries between them are fluid: „Most [unlicensed] buyers work with licensed buyers. Many resell their gold with *comptoirs* that have their papers in order“ (ID5). Cooperation can be significant: „The unlicensed buyers are an opportunity for us licensed *comptoirs* [...] Most gold comes from buyers who do not have a licence to buy“ (ID11). Several *comptoir* owners reported having been involved in trading gold informally, often many years, before obtaining a license: „I entered the business informally before I started [my *comptoir*] with some Indians. That was in 2013, but long before I made it official I was already in the business“ (ID133).

To understand the *comptoir* sector, we start by sketching the background of the owners of licensed *comptoirs*, highlighting how they are embedded in the formal economy and society and how many of them are closely linked with the upper echelons of the ruling party and civil administration. We then analyse the business relationship between *comptoirs* and study export patterns.

The comptoir owners

Five profiles of *comptoir* owners can be distinguished, varying by time in the sector and their background. Boundaries are not clear-cut but often overlap.

The first group, around half of our interlocutors, reports to have been in the artisanal gold sector for years: some since the late 1980s and early 1990s, others for ten and twenty years;

some started as *orpailleurs* before becoming collectors and opening a *comptoir* (ID169;101;14). The best-known *comptoir* owner, Adama Kindo, has been trading gold since 1981, first privately, then as a CBMP official and later through his *comptoirs* SOMIKA and Comptoir des Metaux Precieux, which he runs with his three brothers [55, 56]. Kindo has reportedly been close to Compaoré's wife and mining minister Abdoulaye Abdoukader Cissé (2000-2011) [52].

A second group, roughly a quarter of our interlocutors, was occupied with industrial mining before opening a *comptoir*. Some worked for industrial mining firms or consultancies, and others worked for the mining ministry; many now pursue business in both sectors in parallel (e.g. ID71;107;169). A high-profile case is Djénéba Nana, the former director of the Kalsaka mine and owner of the Saneem *comptoir*, which her late husband started. She is reported to be close to Roch Marc Kaboré, former National Assembly president under Compaoré and President from 2015 to 2022, and several ministers of mining, including Abdoulaye Abdoukader Cissé and Salif Lamoussa Kaboré (2011-2014). Djénéba Nana held positions in the chamber of mines and was also a member of the Extractive Industries Transparency Initiative (EITI) supervisory committee in Burkina Faso [52].

A third group comprises business people with commercial interests in various activities, from trading to services and construction. A case in point is Eddie Komboïgo. The founder of an accounting firm and investor in real estate owns the Goldex *comptoir*. He has been an active supporter of Compaoré since the 1990s. Komboïgo is reported to be close to General Gilbert Diendéré, who was commander of the *Régiment de la Sécurité Présidentielle* (RSP) and the intelligence service, and his wife Fatoumata Diallo, a businesswoman. Komboïgo was hand-picked by Compaoré to run as the opposition candidate in the 2020 elections [57, 58]. Another representative of the group of business people is Sayouba Sawadogo, the owner of the Sav'or *comptoir*. During Compaoré's regime, Sawadogo was part of General Diendéré's network [52].

A somewhat different group are foreigners. While few own *comptoirs* directly, most foreigners are sponsors and beneficial owners, as discussed later. The best-known foreigner is Patrick Gagnon, a Canadian festival organiser who arrived in Burkina Faso in 2011 as a humanitarian and soon turned gold trader with his *comptoir* Sofior. Gagnon reportedly

developed ties with the mining minister Abdoukader Cissé and his successor Salif Limos Kaboré (ID8). The former was a speaker at a conference series on gold trading organised by Gagnon in 2017; the latter is still today one of the „*fidèles parmi les fidèles de l'ancien président burkinabè*“ [57, 59, 60].

A final group of latecomers from diverse backgrounds has tried to ride the wave of high gold prices (e.g., ID38;13;9). Some struggle to gain a foothold in gold trading because they fail to build partnerships and access funding. This may be bad luck, a clumsy approach or an oversaturation of the market. As we discuss next, it could also point to a closed sector that keeps out unwanted participants.

Comptoirs as networks

Our informants owning and running *comptoirs* describe the broader structure of the sector as composed of competing networks: „These are networks. You have your network, you stay there. In general, the networks are pretty well organised.“ (ID11). *Comptoirs* within the same network help each other, e.g. by lending money or gold to meet obligations with a buyer (e.g., ID11;174;169).

Between networks, competition and mistrust prevail: „It's about competition, power, even denunciation“ (ID8). „[It is] more like competition. But if you get along with a *comptoir*, one can also lend money to each other“ (ID190). Therefore, „there are both competition and collaboration“ (ID133).

Networks are organised around a core group, typically a big *comptoir* or a group of *comptoirs* with the same beneficial owner (ID8), i.e. some *comptoirs* are officially owned by frontmen [60]. A bit further away from the core group are more associate members of the network: „I indeed work for myself, but I have [...] *patrons* in Ouagadougou“ (ID58). Since the trade in gold is very cash intensive, liquidity is one of the key success factors and prefinancing and the flow of money structures relationships: „Someone very big can give me 200 million [FCFA], and I have 50 million, and I work with them. I turn that into 300, 400, 500 [million]. I'll give him the 200 million, and I don't know whether I will go and sell my gold to someone he doesn't like“ (ID11). Trust, dependence and loyalty keep those flat and purely informal network structures functioning: „There is a lot of respect in it“ (ID190). „If you say something, it will happen. Because if you spoil your reputation, you'll never get gold again“ (ID11).

The network structure might explain why some newcomers struggle to establish themselves: „The most serious difficulty for me is to have a good network at the national and international level to finance my activity“ (ID9; similar: ID13;38;10). Entering a trust-based network is impossible without introduction: „I frequently knock on numerous doors, but the men are always reserved“ (ID17). While trust and relationships play an essential role, we find no particular cultural, local or ethnic identity that would define a network.

When sufficient trade finance is critical to running a gold business, the question arises, who is bankrolling a network’s business? Getting details on the sponsors is challenging as everybody keeps his financiers confidential, but informants repeatedly indicate that Burkinabé and foreigners are financing the gold trade (e.g., ID13, 38). Reported international funding sources are from Canada (ID17), Switzerland (ID8), India (ID133) and Belgium (ID97). For some (e.g. ID8), we could trace links into the country but not establish beneficial ownership of those entities. Burkinabé financiers also play an important role: „There are politicians, businessmen, big traders and other people who finance mining operations in secret“ (ID58).

Networks differ in size, depending on access to funding, which determines buying and shipping volumes and profitability. This suggests a small number of people ultimately controlling the gold trade, anchored in the politico-economic elite. *Comptoirs* with a limited network or working independently are more of a sidenote in the trading sector. They are niche players, remain isolated and are too small to ship critical volumes or to present a threat to bigger players.

Territorial presence

The territorial presence of the *comptoirs* and the dominance of the biggest *comptoirs* becomes evident in the distribution of AEAs over time and space. Due to the lack of a complete registry, we have compiled all available sources into a virtual registry (Figure 2).

Holding an AEA indicates territorial presence but does not represent the full territorial reach of a *comptoir*. Adama Kindo, for example, claimed to operate in 37 out of 45 provinces in 2013, more than for which we see AEAs on the map [55]. The fact that we had to rely on incomplete data is only one reason. *Comptoirs* commonly extend their activities beyond the AEAs to many non-licensed sites (*sites sauvages*): „I get my gold from the site where we have a licence. But the gold collectors who work with us also get gold from the *sites sauvage* and

come to supply us as well“ (ID11). Other *comptoirs* do not have an AEA: „We don't have a licence to exploit. [...] I'm not interested [...] because there are [gold collectors] buying in the bush [...]. I have fewer taxes to pay with only one *comptoir* based in Ouaga. It's cheaper.“ (ID169).

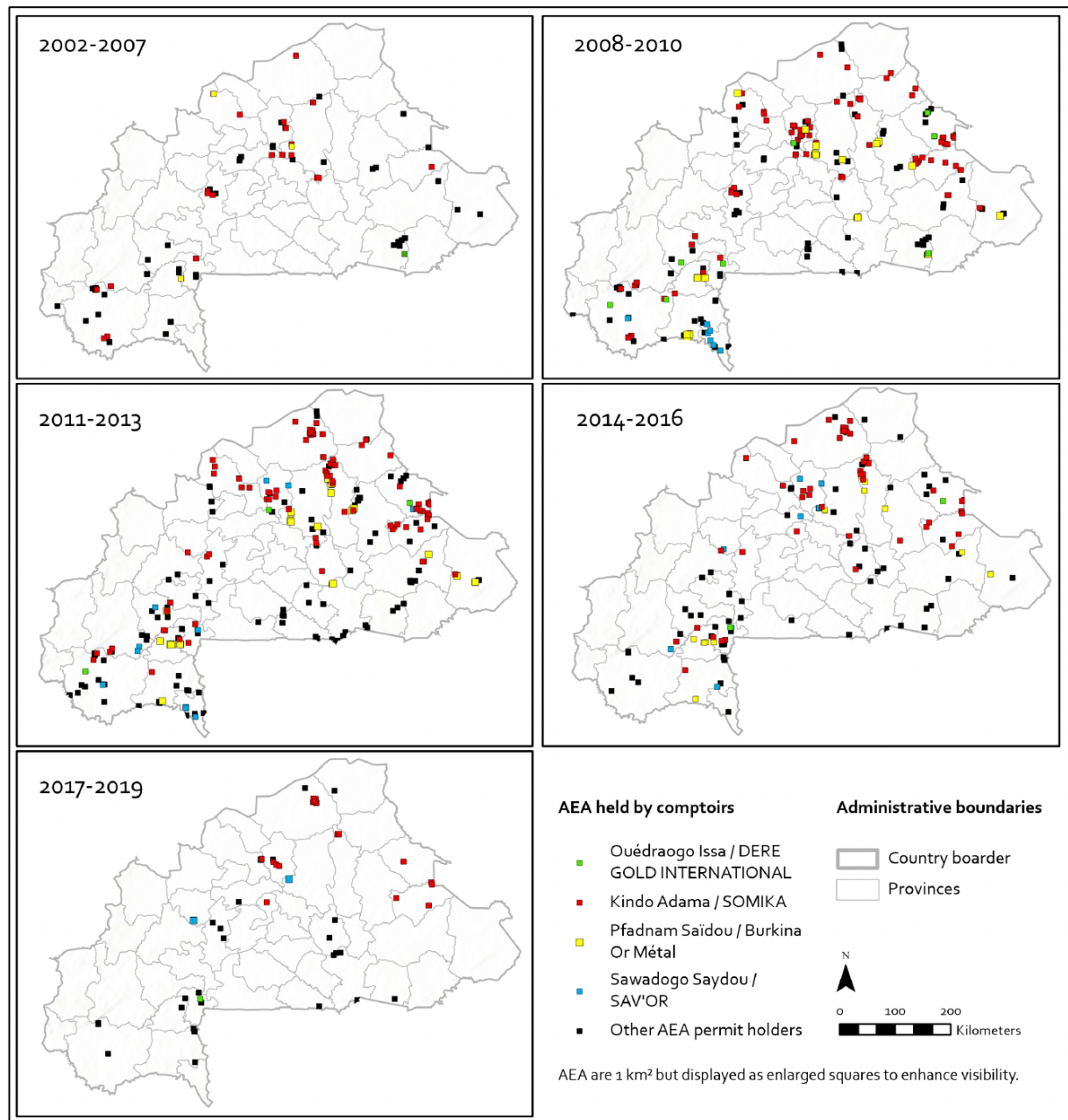


Figure 2: Virtual AEA cadastre over time and by owners compiled from different lists (source: authors)

Finally, beneficial ownership can distort the real reach. Adama Kindo and Sayouba Sawadogo both own more than one *comptoir*. We have learned in our interviews that this applies to many others, but there is limited transparency over the ownership structure and

none on beneficial ownership. After 2014 the number of AEAs starts to drop, documenting the more strict enforcement of the maximum number of AEAs a *comptoir* can hold.

Phase III: post-Compaoré political unsettlement diversifies IFF beneficiaries

Compaoré's 2015 attempt to amend the constitution to allow him a fifth term heralded the end of his rule. The President had not realised how much his power had eroded. The rifts in the security apparatus, a mainstay of the Compaoré regime, widened after a mutiny in 2011. Outsourcing rural security to local security committees⁷ as intermediaries between local communities and the formal state on security issues failed, further alienating the population towards the government [40]. Controlling the rural area through rents for traditional chiefs and the rural economic elite no longer worked [61]. The growing strength of civil society movements and support from those vertically excluded from power, particularly the army (as opposed to the RSP), led to a successful popular uprising in October 2014 [37, 49, 62, 63].

While Compaoré was ousted, the political cadre and governance methods remained unchanged. Most key figures of the new regime held senior positions under Compaoré [62]. For example, Roch Marc Kaboré, President from 2015 to 2022 and former president of the National Assembly, left the ruling CDP to form an opposition party nine months before the uprising [63, 64]. Nevertheless, the regime change, including a failed coup by the old guard led by General Diendéré in 2015, accelerated the political unsettlement and progressive fractionalisation, further fuelled by the reintegration of the RSP into the army [65, 66]. Armed Salafist groups expanded control after 2015, exploiting anti-government grievances [40, 61, 67, 68]. Two military coups in January and September 2022 by Lieutenant-colonel Paul-Henri Sandaogo Damiba and Cpt Traoré ended the civilian government of Kaboré, exposing the deep fractionalisation in the security apparatus.

The impact on gold trading is manifold. The removal of President Compaoré, General Diendéré and the mining minister has weakened the protection racket under which illicit gold trading flourished for over a quarter of a century. Those closest to them, especially Adama

⁷ Introduced via the 2003 Law No. 036-2015/CNT and the 2005 National Security Law N°032-2003

Kindo and Sayouba Sawadogo, saw their influence wane and had to reduce their profile drastically.

Patrick Gagnon decided to continue as before. Yet, only three weeks after the coup, he and two aides were arrested at the airport when they tried to export 77 kg of gold but only had 2 kg declared, as they had practised for a long time, according to his testimony [60, 69]. Despite this powerful signalling of the new regime, including a two-year sentence for the *comptoir* owner, the case was quietly settled, and the *comptoir* was back in business six months later [70-72].

For other *comptoirs*, the regime change created some leeway: „Since the departure of Blaise Compaoré, *comptoirs* are truly relieved. During Compaoré's time, SOMIKA and Sav'Or ruled like gods in artisanal mining. Now we are a bit free.“ (ID5). This assessment is shared by many: „In Compaoré's time, [...] the *comptoirs* were managed by the *comptoirs* close to the presidential family [...], but nowadays if you have all papers, you can easily obtain the authorisation to open a *comptoir*. But it must be said that the sector is still marred by fraud and corruption“ (ID17).

In contrast to the political and security spheres, there is far less disintegration of the gold trading sector recognisable post-2014. Most traders continue to sell gold „with a *grand patron de l'orpaillage*“ (ID5), and the formerly dominant players have not disappeared. It is a realignment with the new political realities, as the owner of a seizable *comptoir* backed by Indian interests describes: „After the regime's fall, certain things had to be rearranged. I preferred to have the *comptoir* managed by a middleman [...] while I take care of the external transactions and receive the necessities here. *Voilà*.“ (ID133). This is confirmed by the owner of a smaller *comptoir* that buys for a big network: „For me, it was not going to have any consequences [...] because the same practices under the Compaore era are continuing“ (ID58). Even prominent figures of Compaoré's CDP party remain in the sector. For example, Eddie Komboïgo, who made 15% of the votes in the 2020 presidential elections, still runs his *comptoir* [58].

The more significant impact of political unrest is that the spread of Salafist violence is changing market access. Many gold buyers avoid conflict regions: „The terrorist attacks are exhausting us because we can no longer send our intermediaries everywhere to buy gold“

(ID58). Only those with deep roots in the area can still buy, reducing competition: „I don't buy gold in these sites. I even had a mining site where I wanted to set up a *comptoir*, but I backed out because of security. I know of *comptoirs* that buy gold in areas where there are attacks, but they [...] use the sons of the soil [...] to buy the gold.“ (ID38) This is consistent with the finding that Salafist groups take a light-touch governance approach on sites they control without getting involved in mining or trading but imposing taxes [67].

The changing access patterns suggest that new trading networks emerge in which the ultimate *patrons* are not connected to the political elite in Ouagadougou but rather to the senior commanders of the Salafist groups across the Sahel. However, we find no hard evidence proving this at the moment.

Reform attempts

Despite the regime change in 2014, the fundamentals of the gold trading sector in Burkina Faso have not changed. The new government has brought different people to power who are from the old guard continuing the old protection methods. The mechanisms through which illicit gold trade is facilitated and maintained are still in place.⁸ While the illicit entrepreneurs have realigned with the new gatekeepers and beneficiaries of the protection rackets, new actors have emerged in the illicit trade of gold.

That said, the new government embarked on a reform agenda to regulate artisanal mining and curb IFFs from gold trading. The impetus came from a parliamentary investigation into mining rights in 2016 [54, 74]. The reform itself was supported by the World Bank and the IMF, which both made progress a condition to continue support on several occasions [75-78]. At the centre of the reform are two bodies under the mining ministry. One is ANEEMAS, established in 2015⁹ to regulate artisanal mining, and the other is the anti-fraud brigade BNAF.

⁸ This seems even to hold for illicit gold trade in the industrial mining sector, as the charbon fin case IAMGOLD, the operator of the Essakane mine, allegedly tried to export fin coal containing gold and silver with significant under-declaration in 2015, 2016 and 2018 protected by the then mining minister Oumar Idani. BNAF intercepted the export convoi in 2018. The case is still in court. [73] T. C. Sawadogo, "Charbon fin de IAMGOLD Essakane SA : Il y a bel et bien eu fraude de l'or, enfonce le REN-LAC," in *LeFaso.net*, ed. Ouagadougou, Burkina Faso: LeFaso.net, 2019.

⁹ Décret n°2015-1420/PRES-TRANS/PM/MEF/MME (30 November 2015)

ANEEMAS

ANEEMAS is conceptualised as a *guichet unique*,¹⁰ a ‘one-stop shop’ for artisanal mining. The agency’s tasks include the formalisation of the sector through the issuance of identity cards¹¹ for miners, site managers, service providers, and gold buyers using simplified registration procedures against a photocopy of the identity card and a 200 FCFA (US\$ 0.35) fee.¹² ANEEMAS is further supposed to organise *sites sauvage*, i.e. mining sites that are not licensed¹³, including mediating between landowners and *orpailleurs*; and the promotion of mining cooperatives on the mining sites under its control. At the financial level, ANEEMAS is tasked to collect mining duties, royalties, and taxes from *comptoirs*. To promote exports through official channels, export taxes were reduced by two-thirds.¹⁴

Finally, ANEEMAS is mandated to purchase and export gold, albeit not under a monopoly. To get the gold-buying mandate off the ground, ANEEMAS partnered¹⁵ with the Belgian refinery Affinor in 2019, which owns the *comptoir* Affinor Burkina. Under the agreement, Affinor provides a one billion FCFA (US\$ 1.8 million) revolving credit to ANEEMAS to procure at least 25kg gold per month¹⁶ and sell it to Affinor at a 4% discount [79]. Total artisanal gold exported through official channels was supposed to reach two tons by 2022, up from 200kg in 2016, according to the goals defined in a World Bank-funded US\$100 million project [75], but, according to an ANEEMAS official, the effective amount sold in 2022 reached 343kg only (ID202, Table 1).

¹⁰ Decret N° 2018-1017/PRES/PM/MMC/MINEFIC/MEEVCC/MCIA/MSECU/MFPTPS

¹¹ Four types of artisanal mining cards are issued by ANEEMAS. (1) the artisanal miner's card; (2) the intermediate artisanal miner's card; (3) the artisanal miners' card for the collection of gold and other precious substances; (4) the artisanal miners' service provider card. Loi n°028-2017/AN du 18 mai 2017, article 7-11

¹² Arrêté interministériel N°2019006/MMC/MINEFID/MATDCS/SECU portant conditions de délivrance et de retrait de la carte d'artisans miniers

¹³ Loi n°028-2017/AN du 18 mai 2017, article 26 alinéa 3: «Les sites d'exploitation artisanale non couverts par une autorisation sont d'office sous le contrôle de la structure nationale en charge de l'encadrement des exploitations minières artisanales et semi-mécanisées ». Pour ces sites l'ANEEMAS concède la gestion à des coopératives d'artisans miniers ou aux détenteurs de la carte d'artisan minier « intermédiaire » par le biais d'une convention de gestion.

¹⁴ Décret N°2017-0023/PRES/ PM/MEMC/ MINEFID du 23 janvier 2017 portant fixation des taxes et redevances minières a prévu à son article 14, une taxe incitative de 200 F CFA/gramme à l'exportation d'or pour tout comptoir agréé qui exporte l'or en utilisant le canal de l'ANEEMAS.

¹⁵ The agreement is limited to one year but renewable.

¹⁶ Except when the sites are officially closed: 1. June - 31 October in Zone 1 (Boucle du Mouhoun, Cascades, Centre-Est, du Centre-Ouest, Centre Sud, Hauts-Bassins et Sud-Oues), 30 June - 30 September in Zone 2 (Centre, Centre-Nord, Nord, Plateau-Central, Sahel et Est) <https://www.aneemas.bf/index.php/nos-realizations/fermeture-officielle-des-sites-aurifere-en-raison-de-lhivernage/>

ANEEMAS' strategy does not bode well with the *comptoirs* on several accounts. For them, ANEEMAS is a competitor. „Yes, ANEEMAS is there to regulate artisanal mining. However, I would argue that ANEEMAS is there to put sand in our business. ANEEMAS has become our competitor in purchasing gold“ (ID5). This sentiment prevails, although the *comptoirs* see ANEEMAS as uncompetitive: „ANEEMAS has become a competitor, but the price that ANEEMAS offers is meagre compared to what the *comptoirs* pay“ (ID58). Even low export taxes cannot change their minds: „By selling gold through ANEEMAS, the taxes become very low. However, many *comptoirs* remain suspicious of ANEEMAS“ (ID97).

To reach its sales target without having a network of gold collectors, ANEEMAS contracts private *comptoirs* to procure at least 50 grams of gold per month for ANEEMAS and advances them money to do so. However, anecdotal evidence suggests that the *comptoirs* do not respect the agreement: „Many of my fellow *comptoir* owners use ANEEMAS money to buy gold in sites under ANEEMAS control. They spend their time stealing from ANEEMAS because they don't declare how much gold they have actually bought“ (ID58). According to its director, ANEEMAS fails to prevent fraud: „I have even initiated to convene the *comptoirs* that have an agreement with ANEEMAS individually to understand the low rate of gold transferred to ANEEMAS per month. [...] Our only strategy to fight fraud is cooperation and awareness raising, because we don't have much money. To combat fraud, ANEEMAS must offer better prices to the *comptoirs* and *orpailleurs*.“ (ID201).

The situation changed suddenly when the borders were closed during the Covid-19 pandemic, and everybody wanted to sell to ANEEMAS. The *comptoirs* that could not export only offered very low prices or only wanted to buy on credit, while ANEEMAS maintained its price (ID201). However, ANEEMAS also did not have sufficient liquidity to buy more significant amounts [80]. ANEEMAS could not capitalise on the Covid-19-related momentum, and their gold purchases dropped significantly again after the opening of the borders (Table 1).

2019	2020	2021	2022
11,577 kg	78,743 kg	25,7185 kg	37,110 kg

Table 1: Gold collection by ANEEMAS (source: ANEEMAS)

The *comptoirs*' resistance against ANEEMAS goes beyond competition. It is also fuelled

by the perception that the state does not support artisanal mining. ANEEMAS had, as one of its first actions, evicted the Kari artisanal mining site to make way for the industrial mine Houndé Gold in 2018 [81, 82]. The site, with up to 3'000 *orpailleurs*, was managed by the *comptoir* Wendpanga, whose owner repeatedly donated to Houndé town, including an ambulance in 2014 [83]. With the cessation of demand from *orpailleurs* for food and other goods, economic activities in Houndé have declined significantly, according to the city administration (ID205). „ANEEMAS has failed to gain acceptance among *orpailleurs*. The approach of ANEEMAS from the beginning has meant that no one currently has confidence in this structure“ (ID11). „ANEEMAS has a bad policy towards *orpailleurs* because it does not help us to have a territory for mining. You set up activities, spend a lot of money, and they come one morning and tell you to leave. For example, ANEMAAS helped the Houndé Gold mine to chase away the *comptoirs* and the *orpailleurs* from the Kari site“ (ID10).

Moreover, due to limited resources, ANEEMAS gives the impression of implementing temporary development projects rather than conveying will for a determined restructuring of the sector, as a senior ANEEMAS official acknowledges. „ANEEMAS has two pilot sites in Gaoua in the South West region. The French Embassy financially supports both. ANEEMAS does not have the resources to be present on the gold panning sites throughout the country. We have identified sites for formalisation but are waiting for support from other technical and financial partners such as the World Bank“ (ID201).

BNAF

The second reform pillar is fraud detection. Established in 2008, BNAF became more active after the agency's statutory mandate¹⁷ was strengthened in 2017 and given the authority to bring cases directly to court, as the IMF and World Bank demanded, in return for financial support. The expectation was that the BNAF would become able to take more effective action against the well-connected gold patrons [75, 77].

Increased activity is reflected in the 130 cases with 147kg of gold seized between 2018 and 2020 (Table 2). The pressure on *comptoirs* was noticeable during field research. Interlocutors complained that „gold buyers were more unhindered in the time of President Compaoré than

¹⁷ Loi 028-2017

now. The national anti-gold fraud brigade was not functional [...] it is only under President Kaboré that the BNAF started to function“ (ID11). Several *comptoirs* complained that BNAF „makes us seriously tired“ (ID10;9) or feel that „BNAF is traumatising us“ (ID13) and forces them to adapt their business strategy: „Despite the repression, we find methods to get around it and sell our gold elsewhere“ (ID10).

	Closed by			Under investigation		Cases		
	Court decision	Transaction	Other reasons	BNAF	Court	Added	Closed	Pending end year
2018	5	24	0	4	22	55	29	26
2019	0	12	7	15	32	40	19	47
2020	0	7	16	6	6	35	23	59
Total	5	43	23	21	38	130		
Share	4%	33%	18%	16%	29%	100%		

Table 2: BNAF activities 2018-2020 (source: authors based on data from BNAF)

However, BNAF seems to apply the law selectively, targeting mainly the smaller and less networked *comptoirs*: „It is the small outlets that are often punished, but the big outlets that deal with those in power sleep calmly “ (ID38). Also targeted are those without a license, which presents a risk to the bigger *comptoirs*: „If you give money to such a company to buy your gold, BNAF can take away all the gold you purchased because the company is irregular. I have many colleagues who have lost many millions this way. I am wary of these unauthorised companies.“ (ID97).

BNAF can take cases to court or resolve them bilaterally through a *transaction*. For the owner of a big *comptoir*, the second option is, albeit a legitimate way to resolve fraud cases, used to make a corrupt cut from it: „BNAF has two strategies: either *transactions* or legal action. Badini [at that time head of BNAF] prefers the *transactions*. Otherwise, he doesn't see any money. And it takes much less time. It only takes a month. But it is not true that the suspects prefer the *transaction*. Badini likes the settlement. So they tell people that the legal process will take a long time and be a psychological stress - that's their strategy“ (ID8).

The preference for *transactions* is reflected in the BNAF data: from the 130 cases, only one-third were taken to court; the others were settled through *transactions* or resolved based on „other motifs“ (see Table 2). One *comptoir* owner even claims that BNAF's behaviour

encourages smuggling: „But it has to be said that BNAF is behind the massive increase in gold smuggling in Burkina Faso. BNAF wants to force gold collectors to sell their gold to ANEEMAS.“ (ID17).

If BNAF’s increased activity is more a way to extract money than to curb IFFs – against the claim that Hamadou Badini was appointed for his integrity [84] – it would continue to operate as it did before the reform. By way of example, BNAF lost a high-profile case in court in 2013 but refused to return the 23kg gold seized, allegedly because it had already been liquidated privately but in concertation with the minister of mines, which protected the then BNAF director from any consequences [85]. Unsurprisingly, the BNAF representative admits that „working at BNAF is not easy because the temptation of corruption is very high“ (ID203). Meanwhile, a recent call by a group of parliamentarians to separate the BNAF from the mining ministry to avoid compromising its mandate has not made any progress [86].

Although the *comptoirs* believe that ANEEMAS and BNAF are working closely together and against their interests, the two institutions are at odds regarding their positioning vis-à-vis the state and international technical and financial partners. A senior ANEEMAS official states: „We have initiated a reduction of export taxes, but there is still a lot to be done because the gold continues to escape ANEEMAS. The fundamental problem [...] is also BNAF because the BNAF's role is to repress, whereas the *comptoirs* do not like this. [...] The collaboration between ANEEMAS and BNAF is not good at all. We have no collaboration, and there is no synergy. None of the requests we have made to BNAF has ever worked. BNAF has always refused to collaborate with us“ (ID201).

Export patterns

Comptoir-level export data has been available in EITI reports since 2018. The data reveal that the export tax reduction approved in 2018 has not increased official exports in subsequent years. Only about half of all *comptoirs* report exports, and less than ten per cent comply with the legally required minimum of trading 20kg per year (Table 3).

The eclectic reporting behaviour also holds for our interview sample (Table 4). Of the 20 *comptoirs* interviewed, only ten reported exports to the authorities for 2018, 2019 or 2020. Of those, two reported exports every year, and two for only two of the three years. The remaining six reported exports for one year only. No pattern is recognisable between the magnitude of

official exports and the reasonable amounts of gold traded based on data provided during interviews, nor why a *comptoir* reports in one year but not in another.

	2018	2019	2020
≥20 kg	6	3	3
10.00 – 19.99 kg	7	5	1
01.00 – 09.99 kg	9	11	10
00.01 – 00.99 kg	3	5	2
0	28	22	28
Total registered <i>comptoirs</i>	53	46	44

Table 3: *Comptoirs by declared amounts of gold exported (source: ANEEMAS)*

	2018	2019	2020
>20 kg	1	1	2
10.00 – 19.99 kg	2	3	2
01.00 – 09.99 kg	2	2	0
00.01 – 00.99 kg	1	0	0
# <i>comptoirs</i> reporting	6	6	4

Table 4: *Interviewed comptoirs by declared amounts of gold exported (source: authors, based on interview and EITI data)*

Following our interviews, under-declaration and corruption at the airport remain widespread; it is „the most common strategy“ (ID8). One exporter claimed to have saved export taxes to the tune of 750'000 US\$ in one year thanks to under-reporting (ID174). Comparing interview data with EITI reports also reveals underreporting for *comptoirs* stating to pay taxes always (ID97).

We found three different export modalities; they are not clear-cut but give a reasonable idea about how the export market works. The most important is export by the big networks, handling the largest volumes of gold. In these networks, the many smaller – formal and informal – *comptoirs* at the periphery of the network make mainly internal sales to the bigger ones until all gold finally arrives at the *comptoirs* forming the core of the network. The smaller *comptoirs* at the periphery are not only obligated to sell to their financial *patrons* but exporting small quantities is also not lucrative: „Since I buy from *orpailleurs* my amount is not enough

to export, I sell to another *comptoir* who will take the gold out of the country. If the quantity is less than 10 kg, there is no point in exporting“ (ID11). The smaller *comptoirs* source directly on the mine sites, often using illicit buying practices to secure high margins [see also: 53]: „We have gold collectors in the bush, who come back to Bobo [...] When the gold arrives in Ouaga, it is expensive, and the margin is ruined. [...] So it's easier for me to get gold cheaper in Gaoua“ (ID11). „Doing internal trading [...] is much more profitable [...] On one kilo, you can estimate to have 300,000 FCFA. Making 10 kilos in one day makes you 5,000 Euros [US\$ 5,000] profit. This is much better than exporting it.“ (ID8)

With domestic transactions, it is easier to stay below the radar. „Export and internal operations are two very different operations. This is how internal operations become disguised: The trader comes, and you buy his gold but do not log it in the register. Because if it is in the record, there is traceability, and when BNAF comes, you must have either the gold or the money. Therefore, people try to sell quickly to someone else without leaving a trace“ (ID11).

This way, large volumes of gold accumulate at the core of the few large networks. According to an owner from a big *comptoirs*, about 80% of all artisanal gold is exported by three *comptoirs* with (beneficial ownership) links to India, China and Lebanon, respectively (ID174). The former two are seen to be the most significant players (ID8). In particular, India plays an increasingly important role as an export destination.¹⁸ (ID101;12).

India's rise as a gold export destination was not by chance but deliberate. To decrease imports of refined gold from hubs such as United Arab Emirates (UAE) and Switzerland, the Indian government reduced import taxes for semi-refined doré below those for refined gold and offered tax breaks for setting up refineries in 2013. Combined with lower operating and labour costs, Indian refineries outcompete UAE refineries [87].

Domestic tax incentives might at least partially explain why Indian gold buyers offer premium prices: „The Indians have no scruples. Often they buy above the world price. For example, if the price is [FCFA] 20,000 [per gram], they buy at [FCFA] 25,000 to prevent the gold from going elsewhere“ (ID8). This equals a premium of US\$ 9 per gram and is in line with

¹⁸ This is also mirrored in official statistics that report 634mio USD in 2018; 633mio USD in 2019; 311mio USD in 2020
(<https://resourcetrade.earth/?year=2019&exporter=854&importer=699&category=168&units=value&autozoom=1>)

reports from other countries, where Indian buyers offer a premium between US\$ 6-9 per gram [87].

Export market decisions can also be a function of the sponsors. „My *patron* is in Canada. He is in charge of the gold sales, and our buyers are in Canada“ (ID17). „We sell our gold in Belgium through a sponsor. [...] The minimum gold we export per month is around 350 kg“ (ID97).

The second export scenario involves most of the remaining twenty per cent or so of gold. It is traded mainly in the region, to Ghana, Ivory Coast, Togo and Mali (e.g., ID97;17), often by smaller and less networked *comptoirs* that sell smaller quantities: „As soon as I have a kilo of gold, which is about every three months, I go in person to sell it“ (ID10) „During the last years I sold my gold in Mali. Per month I can export at least 300 grams“ (ID38). Export to neighbouring countries typically is via public transport, motorcycles or by car and often is carefully planned in coordination with complicit customs officers [88].

Irrespective of whether gold is traded internally or exported: „Everything is done without leaving traces“ (ID190). *Comptoirs* are required by law to keep records of internal and export transactions, process monetary transactions by bank transfer, and report quarterly. If anything, *comptoirs* practice symbolic compliance: „Payments are often made in cash when the amount is substantial and by bank transfer when the amount is not too large to avoid suspicion“ (ID97).

The third scenario is the official export through ANEEMAS, where every dorée is documented, and each shipment is publicly listed [e.g. 79]. Yet, little is known about the state agency’s export partner Affinor. The Belgian refinery is not listed on the LBMA Good Delivery List, the industry standard¹⁹ for responsible sourcing, due diligence and traceability. We could not solicit information about any due diligence that ANEEMAS had done on Affinor. No information is available explaining the selection of Affinor and not another export channel, e.g., to an LBMA-recognised refinery.

Affinor Burkina SARL has been registered in Burkina Faso since 2014²⁰. Based on the EITI reports, the *comptoir* declared gold exports for the first time in 2018 (US\$ 410’000) and again

¹⁹ <https://www.lbma.org.uk/good-delivery/about-good-delivery>

²⁰ This is the earliest date for which we could find a registration. Since there is not systematic public access to registration documents, an earlier initial registration date for AFFINOR Burkina SARL cannot be excluded.

in 2019 (US\$ 2'330'000) and 2020 (US\$ 190'000). The volumes do not differ significantly from those of other *comptoirs* with apparent illicit export on the side – and the reported amounts seem too low to justify profitable operations. Affinor Burkina SARL does not hold an AEA license, but its manager has held one privately since at least 2012.²¹ At that time, he ran his private *comptoir*, according to the 2012 EITI Report. We could find renewal information for the AEA but not for the *comptoir*, and it is plausible that he continued his business under Affinor. This leaves questions about ANEEMAS' export strategy and why international donors back this arrangement, given unresolved due diligence issues and that ANEEMAS must sell gold at a 4% discount, making the cooperation not particularly favourable.

Discussion

This research aimed to improve our understanding of the mechanisms of the illicit gold trade in Burkina Faso and why illicit trading prevails despite formalisation efforts. The illicit gold trade consists of networks organised around a small core group of tightly controlled *comptoirs* and surrounded by additional *comptoirs* with varying strength of association and modes of relations. Cooperation within networks contrasts with competition between them. The networks consist of some formal and many more informal *comptoirs*. All depend on trade finance provided by the lead *comptoir*(s), typically sponsored by politicians and business people from Burkina Faso and abroad.

The network structure operates through a division of labour whereby the smaller *comptoirs* collect gold on mine sites with high margins but low volumes. They guarantee geographical reach and risk diversification for those at the core. The *comptoirs* in between serve as aggregators for the exporters, engaging in internal trade. At the core, not more than a handful of *comptoirs* export the lion's share of gold, increasingly to India.

Smaller networks and independent *comptoirs* exist, but their role is marginal compared to the networks operating within the state-sponsored protection rackets. A different type of protection rackets is likely to emerge through the increasing control of mining sites by Salafist groups.

²¹ Mining site Tiébélé, Decision 12/014/MCE, dated 14/08/2012, which has been renewed three times (EITI2018: 1.1mio revenues declared (p223))

The structure of the illicit gold trade revealed closely fits the ‘core group’-type of criminal businesses that the UN Office on Drugs and Crime has defined in its typology of organised crime groups [89]. In this model, a more or less loose network surrounds a core group, and they are most likely to have no or little social identity (Figure 3). Internal discipline is maintained through the small group size, with core members’ ability to develop trust as the key criterion for membership. The core group „can hold all the credentials of a legitimate business, yet engage in illegitimate activities. The crimes such groups engage in are closely tied to their apparent involvement in a legitimate business. Thus they are dominated by illegal activities such as money laundering or tax and investment fraud.“ Their heir level of professional know-how is often very high and such groups tend to have close connections to legitimate economic actors and government authorities [89].

Our investigation of artisanal gold trade networks is limited to Burkina Faso. How these networks are embedded with international financial flows is beyond the scope of this study. *Comptoirs* at the core of the network act as the interface between the local and the international networks. This study does not answer the question of whether their international business partners are legitimate financiers and gold traders. Or, as recent evidence from Zimbabwe suggests, they use artisanal gold trading to launder money at scale [90].

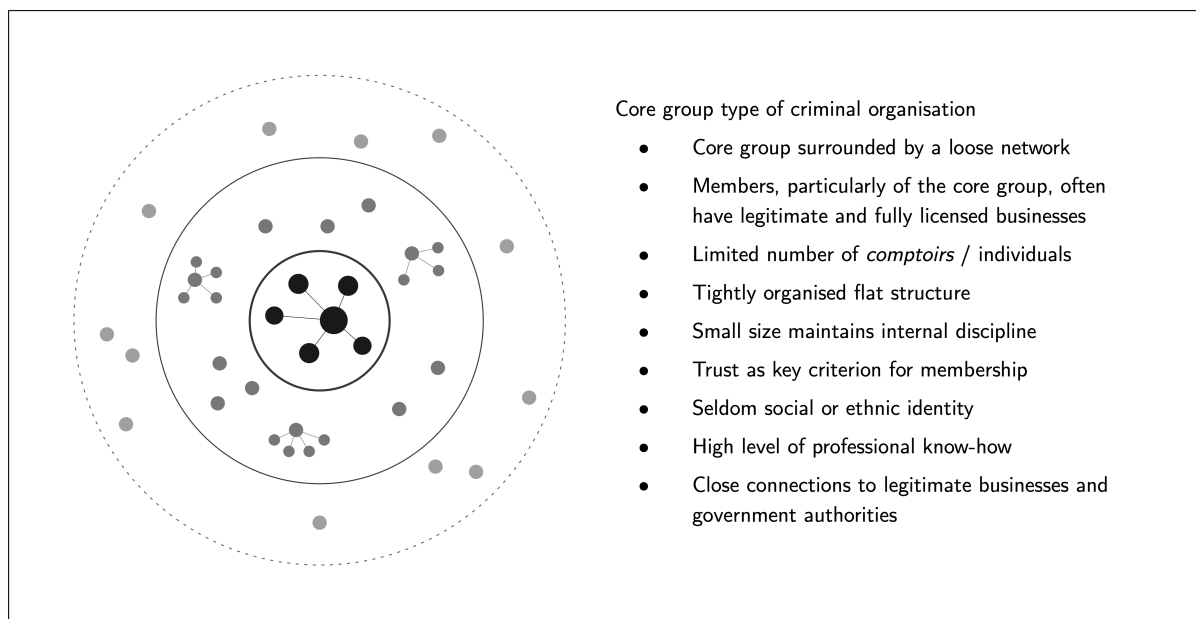


Figure 3: Characteristics of the core-group type of criminal businesses [source: authors, based on 89]

Applying a political lens to illicit gold markets in Burkina Faso, we find that the formal and informal artisanal gold trade arrangements closely interact with state-building dynamics and the making and unmaking of political settlements. The gold trade arrangements have adapted to serve those with ‘holding power’ in the settlements that followed each other (Figure 4). The pattern we found suggests that the informalisation of the gold trade and the protection extended by senior politicians turned the gold business into a source of rents that may well play a role in financing subsequent political settlements in Burkina Faso.

During Thomas Sankara’s developmental state settlement, the trade in artisanal gold was a government monopoly to increase state revenues for financing an ambitious state-led development agenda. The CBMP was established shortly before the regime was toppled, so most of the agency’s operational trajectory unfolded under a different political settlement than anticipated, making assessing its potential effectiveness difficult. For example, the amounts smuggled in the early 1990s can be due to the notorious difficulty of controlling dispersed production sites, upcoming alternative private arrangements such as the one with GMC, or side-selling by CBMP agents. In any case, the share of gold sold through official channels significantly decreased over time, undermining the viability of CBMP.

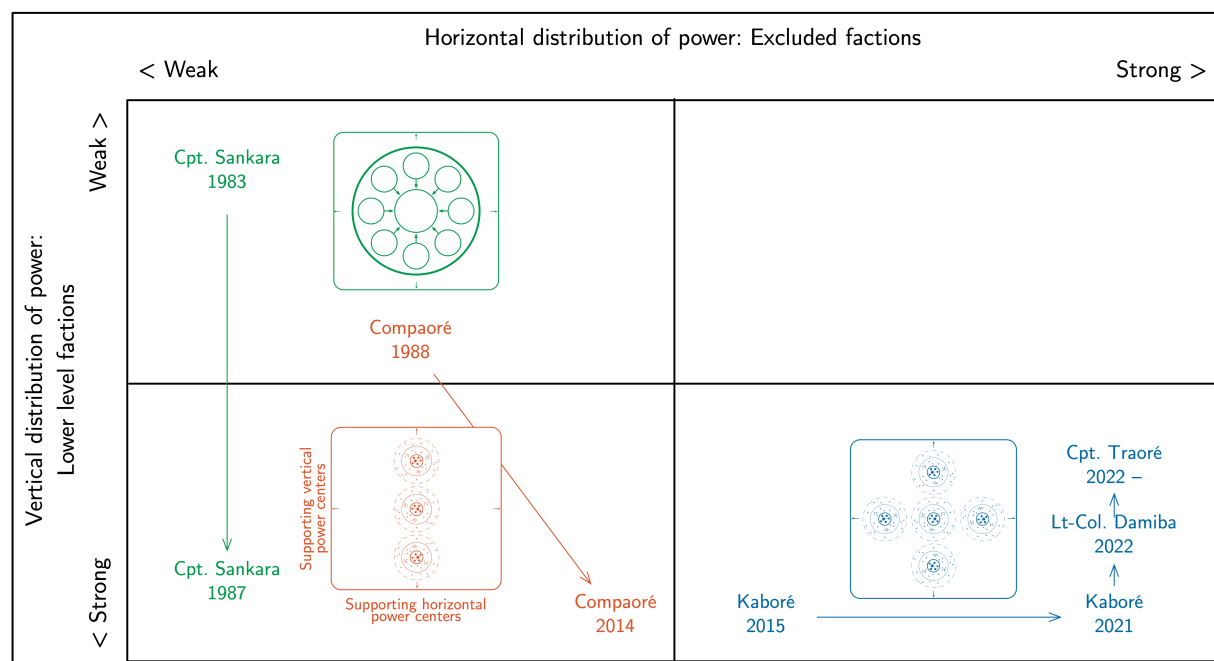


Figure 4: Evolution of political settlements and related gold-trade arrangements in Burkina Faso (source: authors)

Compaoré’s regime, in contrast, was built not around a development narrative but rested

on rents that co-opted factions with holding power. The structure of the artisanal gold trade soon turned out to be a convenient vehicle to benefit customary authorities, business elites, politicians and the army bigwigs. Consequently, the state monopoly was undermined as early as 1991, eroding CBMP collection rates. The World Bank-enforced replacement of CBMP through private *comptoirs* in 1996 gave rise to an unprecedented informalisation of export institutions facilitated by a largely unchallenged protection racket anchored in the presidency and ministry of mines. At the peak, over one hundred *comptoirs* were registered. The people at the top of the illicit gold trade controlled the sector and operated with a sense of being untouchable, unafraid to obtain and register numerous AEAs, exceeding the legally proscribed limit.

The increasing brazenness with which the illicit gold trade business was conducted is a striking feature of Compaoré's political settlement. It differs from how the gold trade works under the subsequent settlement, which emerged in 2014 under Kaboré. It brought those factions to power vertically marginalised under Compaoré after they made a common cause with horizontally excluded groups. However, this did not lead to the inclusion of the latter. The grievances of the rural population and minorities were increasingly exploited by Salafist armed groups, which continued to expand their holding power. The creeping vertical and horizontal unsettlement led to the emergence of multiple power centres competing for dominance. Consequently, this has limited the reach of the state-sponsored protection racket, giving room for competing rackets. A more competitive situation benefits from opaqueness which is reflected in fewer *comptoirs* and AEAs registered. With the ruling elite still being from the old guard but having a less firm grip on power, rents from the illicit gold trade no longer serve to facilitate vertical cohesion to hold one single political settlement in power. Instead, they increasingly fund horizontal centres of power, including members of the CDP opposition party and Salafist groups. Today, artisanal gold is progressively financing the political unsettlement itself.

Based on our findings, the government's attempts to counteract the illicit gold trade seem doomed to failure. The reduction of export taxes, for long seen as the main obstacle to formal export in the policy community, has not translated into higher export volumes. The opposition of the artisanal mining sector against ANEEMAS is deep-rooted and goes beyond export tax

issues. *Orpailleurs* and *comptoirs* perceive the agency as doing them more harm than good. In their judgement, the government has no vision for the future of artisanal mining but only for large-scale mining, which comes at the expense of artisanal mining, as the clearing of the Kari mining site has forcefully demonstrated. Worries about the shrinking space for artisanal mining is a red thread throughout the conversations with *comptoirs*: „The sector is suffering because artisanal miners no longer have the land to dig for gold, and there is also a lack of support. The authorities have more confidence in industrial mining than in gold panning“ (ID9). It might sound illogical for the government to sideline artisanal mining when it has been essential for financing the political settlement. Two points are important here. For one, the government, i.e. the positions of the formal state in its official function, must not be mistaken for the attempts of what Idrissa calls the „regime“, which is understood as the ruling elite’s agency to protect its interests [40]. The second point is that artisanal mining has continuously grown despite the introduction of industrial gold mining in Burkina Faso. While the fear and frustration of *orpailleurs* are real, sales volumes have not suffered.

All actors know that high-level politicians continue benefiting from the status quo. Law enforcement is seen as selective and partial, undermining the interest in curbing IFFs. The overall success rate of BNAF is minimal compared to the extent of illicit gold flows. Consequently, interlocutors, including representatives from BNAF, ANEEMAS and customs, repeatedly stated that „gold fraud continues to grow“ (ID203; also ID201;204).

The current wave of reform, including the distribution of identity cards for *orpailleurs* without background checks, the formalisation of a few pilot sites, attempts to buy gold in partnership with a seemingly unchecked *comptoir*, and a few widely publicised seizures of gold appear to be more a signalling exercise towards donors and the international community than a genuine attempt to reform.

Meanwhile, the state-sponsored protection racket(s) continues to be anchored in government, with the ministry of mining and BNAF being part of it, playing a dominant role. As one *comptoir* owner put it: „You need to have a magistrate with you, a lawyer and a member of the BNAF. These are the three conditions. If you have those three, they close their eyes. They even tell you how to proceed. A customs officer, you can also put him in the chain“ (ID174). However, state-sponsored protection rackets lost their quasi-total dominance they

had during Compaoré's time, and competing protection rackets are emerging, bolstering competing power centres. The number of licensed *comptoirs* has fallen by half, reflecting the reduced reach of the state-sponsored protection racket and a more competitive situation of the illicit gold trade driving actors to operate *incognito*. Above all, it undermines attempts to reduce IFFs.

Conclusion

Our findings challenge the current formalisation approach pursued by the government, the World Bank and international donors. Formalisation programs are based on the assumption of a genuine interest of the government in curbing IFFs. Our politically-informed analysis casts doubt on this, at least in the case of Burkina Faso. While this not necessarily holds for other countries, there is merit in considering the political rationale of current seemingly dysfunctional arrangements before designing formalisation interventions. As long as the informalisation of the artisanal gold market pays off in a logic of political power, it will remain notwithstanding its potentially diminishing utility to serve this purpose, as our analysis uncovers.

One way to alter the calculus of those running protection rackets might be by introducing new actors into the balance. Reconfiguring the gold marketing arrangement changes the payouts for the current owners and participants of the protection racket. This currently happens in the worst way with the expansion of Salafist groups in artisanal mining areas. While it deprives some *comptoir* networks of market shares, the benefits accrue to other illicit and violent non-state actors. A forward-looking option could alter the configuration by bringing in large-scale gold mining firms and their conflictive entanglements with artisanal mining into the picture instead of dealing with the two problems separately. Industrial mining firms might become part of the solution by providing space, safety equipment, training and a guaranteed market for artisanal mining. The answer is by no means perfect but proved to work reasonably well²² elsewhere to merit closer consideration, even in the assessment of the World Gold Council, an industry body. Regardless of the apparent advantages, resistance can be expected from the side of those benefitting from the current dysfunctional system as well

²² E.g. in the case of cobalt in DRC; for the case of Gold, see: WGC (2022). Lessons learned on managing the interface between large-scale and artisanal and small-scale gold mining. London, World Gold Council.

as from the side of mining firms that so far preferred a legalistic approach that keeps the miners off their backs. The World Bank, which regularly imposes conditions on aid recipients, has the leverage to convene public and private actors around this approach and has the knowledge and funds to support the development and implementation of such arrangements and the means to install external control.²³ In the best case, miners get safer working conditions and a better price for their gold; the mining company can end the conflict with artisanal mining, and the state receives much-needed tax revenues.

Interviews

ID05-ID190: *Comptoirs*

ID201-ID205: Public institutions

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²³ This will be important to make such an arrangement see the light of the day but also to include external control as large-scale mining has its own gold fraud potential [73] T. C. Sawadogo, "Charbon fin de IAMGOLD Essakane SA : Il y a bel et bien eu fraude de l'or, enfonce le REN-LAC," in *LeFaso.net*, ed. Ouagadougou, Burkina Faso: LeFaso.net, 2019..

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