Security elites and gold mining in Sudan’s economic transition

RVI Field Update #2: Sudan

BY RIFT VALLEY INSTITUTE

Key points

- A major challenge for Sudan’s new, technocratic administration is reform of the country’s poorly performing economy. Previous attempts, including the lifting of subsidies on bread and fuel in January 2018, were one of the drivers for the popular protests that led to President Omar al-Bashir’s removal in April 2019.

- In spite of Bashir’s ouster, much of the economy remains largely in the hands of security and business elites that colluded with the National Congress Party (NCP) regime. This includes the Sudan Armed Forces (SAF) and Rapid Support Forces (RSF). NCP cadres have also retained stakes in the country’s economic resources.

- The presence of old regime securocrats in the Sovereign Council, has meant the rent-seeking and other off-the-books operations of the RSF and other regular forces (SAF and the General Intelligence Service [GIS], former National Intelligence and Security Service [NISS]) have continued unabated. The vested interests against reform are considerable.

- After South Sudan’s secession in 2011, which led to the loss of 75 per cent of Sudan’s oil exports, the gold sector became an important source of foreign exchange. Sudanese companies not traditionally involved in the sector are now heavily invested.

- The RSF in particular has deep stakes in gold mining. It has recently displaced the NISS/GIS as the major security actor in the industry. This has given it enormous influence and elevated its leader, Mohamed Hamdan Daglo ‘Hemedti’, close to the pinnacle of political power.

- The long-term and continuing securitization of the gold sector not only undermines financial accountability, but also checks on the environmental impact, including the widespread use of industrial cyanide, as well as mercury in the artisanal gold sector. This has stimulated confrontations between resident civilians and security forces in mining areas.

The internationalist economic reform agenda

In September, Sudan’s recently appointed Minister of Finance, Ibrahim Elbadawi, announced a nine-month economic reform programme. The government is seeking to improve provision of basic commodities, especially fuel and bread, initially using foreign assistance, including World Bank credit, with the aim of starting to fade out governmental subsidies and foreign aid after nine months. These will be replaced by direct cash assistance to poor families. Fiscal measures to curb inflation are also aimed at unifying the exchange rate until the end of the programme. The government also wants to reorganize its budget, reviewing tax exemptions, reforming the banking sector and introducing measures to fight corruption. The new economy is envisaged as being productive and self-reliant, rather than indebted and import-dependent.

Reform will be painful and much of the new government’s early focus has been to secure international donor support to stabilize the economy. This includes Sudan’s long-standing attempts to get off the US government’s State Sponsor of Terrorism (SST) list, which has inhibited its ability to seek debt relief. The
prioritization of external assistance owes much to immediate experiences of Prime Minister Hamdok and his ministers in international financial institutions. However, this international approach has begun to irritate large parts of the grassroots political movement that was so instrumental in bringing the new government to power. In general, the movement favours politically independent solutions focused on domestic reform of the economy.

Even if multilateral assistance is secured, the challenge of implementing policies in Sudan’s conflicted political economy remains, given that most state institutions and companies are still dominated by supporters or followers of the former regime. Economic reform also has to struggle with decades of corruption where former regime elites have succeeded in securing their wealth, such as real estate, both in Sudan and abroad (e.g. UAE, Malaysia and Great Britain). This includes the military wing of the present Sovereign Council, namely the Sudan Armed Forces (SAF) and the Rapid Support Forces (RSF).

**Security competition in the gold sector**

One major challenge is the strong interconnection between the security sector/military and numerous business sectors. Such interests, involving many elites of the former regime, are broadly distributed, in sectors such as agriculture, hydropower, livestock, weapons, telecommunication, oil and other minerals. Among these, gold has become prominent as the country’s major source of foreign exchange since most of its oil revenues were lost with South Sudan’s independence in 2011. Like oil, control of the gold industry has been competed over by Sudan’s plethora of security actors.

In Sudan’s gold sector, artisanal mining—with hundreds of thousands of individual miners—is much larger than industrial operations. The boundary between the two is also blurred. For example, rocks that artisanal miners have already washed with mercury are treated again by companies with cyanide to extract more gold. Almost all mining activity is located in Sudan’s peripheries and border regions, including Northern, River Nile, Red Sea, Blue Nile, South Kordofan, South and North Darfur states. The labour needed depends on a network of cash-hungry migrants from off-season agricultural schemes and defunct herding and farming livelihoods, from Sudan’s Darfur and Kordofan regions, but also cross-border routes from South Sudan, Ethiopia, Eritrea and even West Africa.

Both Sudanese and foreign companies operate in the mining sector. The domestic sector is dominated by military and security-related companies driven by gold as a source of hard currency, which was in short supply after 2011, rather than investment returns. Foreign companies work as joint ventures with regime-linked entities, with many international partners, including from Russia, Turkey and Gulf states, and more recently China.

The industrial gold sector has remained in the hands of powerful security actors, with the RSF and SAF—both of which had historical stakes—taking over from the previously dominant National Intelligence and Security Services (NISS). Indeed, part of the reason for the RSF’s political rise is directly linked to wealth that was accumulated through the Al-Jinayd company that is linked to Hemedti’s family and the RSF. The Jebel Amir mine in North Darfur, which has been a site of violent contestation for several years, has been and remains a main source of RSF wealth.

Al-Jinayd developed a complex and opaque partnership with the Central Bank of Sudan (CBoS) and took over the direct exchange of gold for hard currency in the UAE, which was then recycled back via complex payment schemes involving goods, cheques, cash and gold to the CBoS and traders. The company also benefits from RSF’s handling of anti-smuggling and anti-trafficking campaigns in North and East Sudan, which is used to redirect smuggling networks across the Horn of Africa to benefit these payment schemes. RSF’s gold mining, like its supply of recruits deployed by Saudi Arabia and the UAE in the Yemen conflict (and now by Hafter in Libya), is thus part of Sudan’s transnational political economy.
Clashes between civilians and security in mining areas

While the balance of power between different security actors has changed, the securitized approach to the gold industry remains. Regular forces—RSF or SAF—are used to shield mining activities from external scrutiny, so operations can take place without proper oversight or regulation, including accountability for the environmental damage caused.

However, populations in mining areas have become increasingly willing to protest against the mining operations’ economic exploitation and environmental damage. Protest movements started under the old regime have now found increased space to organize under the new government, and thrive even without direct support by the centre that still has limits to its reach, especially in the border states that remain under military or militarized rule. Three examples:

• In Northern State, mining processes using mercury and cyanide have polluted the Nile and other water courses. In September, a long-term protest against an NISS (now GIS)-owned mining site close to Sawarda revived, after several governmental decrees to shut the operation down were ignored.

• In Blue Nile State, the communal backlash against governmental and foreign companies immediately after the ouster of Omar Al-Bashir, had brought greater communal control over mining in some areas. But a subsequent intervention by SAF and GIS led to control over operations by SAF-linked companies and military intelligence to an unprecedented extent.

• In early October, mining company compounds protected by RSF in Kalogi and Talodi (South Kordofan) were attacked by protesters as they ignored the decision of the state governor that all gold mining using cyanide should be stopped (following more than a year of protests). The SAF, called in by the protesters themselves to prevent an armed confrontation between themselves and RSF, stopped an ensuing violent backlash by Hemedti’s forces.

Conclusion

It is likely the mining areas in the border states will see a continuing tussle between RSF and SAF guarding their vested interests, and local communities who want to regain control of their resources, and prevent further damage to the environment, under the new political dispensation in Khartoum. Power-sharing arrangements at the centre will not necessarily lead to a more accountable and transparent mining regime in the short term, although (or even because) new forces from the ‘peripheries’, such as RSF, have entered these arrangements. The still weak reach of the central government in these areas, combined with continuing urgent needs, e.g. for hard currency, is currently not enough to prevent increasing struggles between security forces and populations that rely on their own resources to confront such forces, rather than on centralized institutions.