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Department against Transnational Organized Crime

**ON THE TRAIL OF ILLICIT GOLD
PROCEEDS: STRENGTHENING
THE FIGHT AGAINST ILLEGAL
MINING FINANCES**

ECUADOR

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The case of Ecuador



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PROLOGUE

In the past few decades, the globalization process has increased the reach of transnational organized crime and illicit financing. Criminal syndicates have fueled black markets for foodstuffs, water, housing, technology, and, with the ongoing COVID-19 pandemic, medical equipment. Revenues of these criminal syndicates continue to grow, while the black markets they penetrate continue to expand.

Another industry that has been infected with illegal money is the mining industry. As regulations and oversight for countless industries have improved, the market for gold, lithium, and other minerals has experienced sustained growth. Through more unstable and overlooked financing markets and institutions, international criminal syndicates are able to extract, transform, and sell minerals illegally through stolen land, extortion, and corruption. Then, mineral sales are turned into laundered assets that help finance their operations and activities.

Many countries in the Americas have had to grapple with this issue and with multiple associated criminal manifestations. In Colombia, for instance, illegal armed groups have been among the biggest producers and exporters of illegal gold, coltan, tungsten, as well as of cocaine and firearms. In French Guyana and Suriname, extensive networks of forced labor have been found, along with child labor tied to domestic illegal gold markets. Sexual slavery is also commonplace in the illegal mining towns. Slaves in illegal mining regions are very often migrant workers or poor residents, working to pay off debt, or lured by promises of higher pay and benefits for their families and communities; many often don't return.

While criminal syndicates often produce the gold themselves by means of illegal permits, they also extort small-scale mining companies and miners to produce their gold. The illegal gold is not only sold in domestic and regional markets, but also shipped to the United States, Canada, and European markets. This expansion of illegal mining -especially illegal gold mining- has destroyed and displaced communities, contaminated clean water sources, and ravaged environments and ecosystems.

This complex phenomenon is part of an illegal gold market in Latin America, and this is reflected in the increasing percentage of these countries' gold reserves that are illegally-sourced.

Illegal mining continues to be one of the most common and quickest ways for criminal syndicates to launder funds, as it is still in high demand and under-regulated. In Colombia, for instance, illegal gold mining will soon overtake the cocaine trade as the most prevalent way for criminal syndicates to launder funds. Many of these small-and medium-scale miners have links to organized crime groups and armed militias from Colombia and Venezuela. These miners are often threatened with extortion from criminal groups, and for their businesses to survive, they must pay bribes. Often, but not always, a portion of the minerals extracted and transformed is stolen by the overseeing criminal groups.

This reality is also affecting Ecuador, the subject matter of this study. The rise of the illegal gold trade in Ecuador has been facilitated by multiple factors, including high levels of informality and poverty, the presence of mineral deposits in remote areas, and the existence of illegal mining networks in neighboring Colombia and Peru. Corruption of public officials, particularly at the local level, and insufficient government presence in mining areas also contribute to illegal gold mining activity.

Although illegal gold trade is less developed in Ecuador, compared to other countries in the region, illegal gold mining and the commercialization of illegal gold in Ecuador have increased significantly in recent years. Illegal gold trade has attracted armed organized criminal groups ranging from local gangs to transnational drug trafficking organizations.

Another challenge observed in Ecuador is the lack of sufficient government presence and resources to properly exercise oversight controls over the gold trade and mining activity. The large number of actors involved, either directly or indirectly, in the mining sector and gold trade poses a significant challenge for oversight entities charged with ensuring compliance with regulatory standards. In addition, the availability of mineral resources in multiple, remote, and sometimes difficult-to-access regions, leaves illegal mining activity and key parts of mineral supply chains beyond the rapid response capabilities of officials.

The entities with responsibility over the oversight and regulation of mining activity in Ecuador include the Energy and Non-Renewable Natural Resources Ministry, the Mining Regulations and Control Agency (ARCOM), and the Ministry of Environment. These entities have different and complementary responsibilities for the approval of mining permits, the protection of the environment, and the promotion of activities in the mining and extractive sectors.

The Department Against Transnational Organized Crime of the Organization of American States (OAS-DTOC) provides valuable expertise and oversight into regulations for the mining sector in Ecuador and the broader region to help combat illegal mining and related criminal practices. The OAS DTOC coordinates projects and events with member states, including Ecuador, helping to combat transnational organized crime.

The OAS DTOC is committed to providing technical assistance to the Government of Ecuador in their fight against the pervasiveness and power of illegal miners operating in their country. We hope that this report and subsequent activities with the Ecuadorean counterparts will contribute to achieve this goal.

Gaston Schulmeister

Director

Department against Transnational Organized Crime

Secretariat for Multidimensional Security

Organization of American States

INTRODUCTION

The illegal gold trade is a growing and significant challenge in Ecuador. The spread of illegal gold mining activity has brought surges of violence and instability to remote areas while attracting organized crime, at the local and international level, and triggering an increase in money laundering and contraband. Concern regarding the disruptive and harmful impact of illegal gold mining, as well as the government's desire to develop and expand Ecuador's mining sector away from its reliance on small-scale and artisanal operations, have also led to a renewed focus on the challenges posed by illegal mining.

There is reason to believe that the illegal gold trade and its associated criminal networks are less entrenched and developed in Ecuador than in neighboring Peru and Colombia. However, there are significant challenges facing the government as it works to combat illegal mining activity, which is increasingly accelerated by illicit cross-border contraband flows and unique vulnerabilities to money laundering activity.

LEGAL FRAMEWORK

Ecuador has developed a strict set of requirements and regulations governing its mining sector. The country's legal framework addresses mining activity at the small, medium, large, and artisanal levels with differing requirements and standards. In recent years, the government of Ecuador has taken steps to develop and adapt its legal framework in order to stimulate increased production in the formal mining sector and boost mineral exports.

Article 408 of Ecuador's 2008 Constitution lays the foundations for the country's legal framework on mining activity. It states that the country's minerals and non-renewable natural resources are the property of the State of Ecuador.

Ecuador's Constitution also declares mining activity to be a public utility, giving the government the ability to exercise special controls over mining and related land rights. Regarding the division of profits from natural resource exploitation, Article 408 of the Constitution declares that *"the state shall receive profits stemming from the exploitation of these resources, in an amount that is no less than the profits earned by the company producing them."*

Ecuador's 2009 Mining Law and 2013 amendment provide further elaboration and detail, and now form the basis of the country's legal framework. It defines mining concessions as granting a personal right, stating that a concession is *"an administrative act that grants a mining title, to which the owner shall have a personal right, and which may be transferred once the Sectoral Ministry has mandatorily assessed the suitability of the assignee of the mining rights."* The 2009 Mining Law sets the standards for legal mining activity and environmental protection requirements, including the prohibition of mercury in mining operations. The procedures and requirements to secure authorization for mining can vary depending on the scale of the operation, as different categories of mining activity face different regulatory requirements.

"The 2009 Mining Law further defines the standards for legal mining activity and environmental protection requirements, including the prohibition of mercury in mining operations."



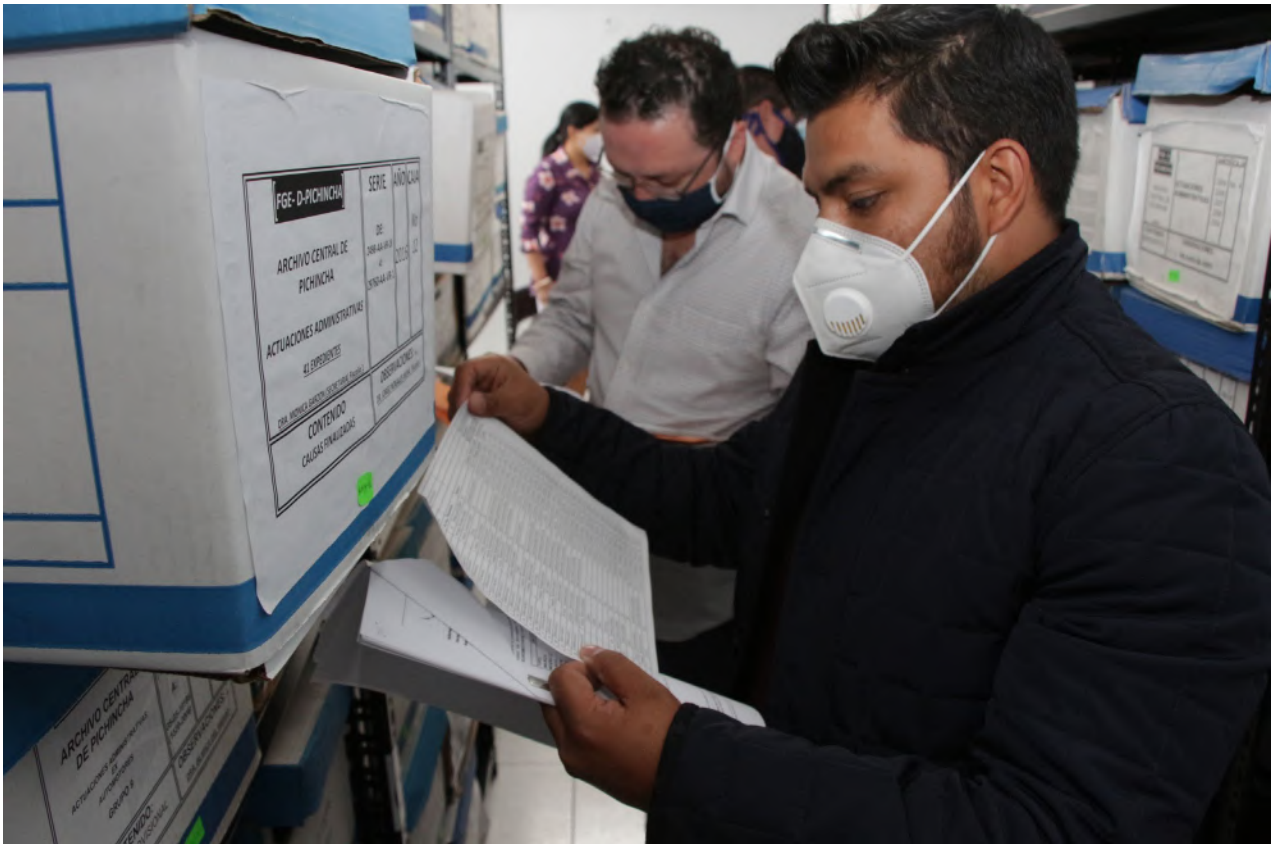
Different government entities coordinating a raid with the leadership of the Prosecutor's Office.

Author: State Attorney's Office / Lenin Montalvo

The Mining Law mandates a public tender process and financial bid to determine whether to award a mining concession of 500 hectares or more. The Mining Law and its subsequent amendment also establish limits for royalty levels, creating a ceiling on the percentage paid based on the size of the mining operation.

Ecuador's legal and regulatory framework pays special attention to artisanal and small-scale mining given the historic role and importance of these producers in the gold trade. Executive Decree 120 of 2009 declares that the *"State shall establish promotional, technical assistance, training and financing mechanisms for the sustainable development of artisanal mining and small-scale mining. It shall also establish incentive systems for environmental protection and the generation of more efficient production units."*

It also defines artisanal mining as mining activity performed by an individual or association using hand tools and basic machinery, with the goal of covering the basic financial needs of an individual or family. Artisanal miners are required to have a renewable mining permit, valid for a period of 10 years for a particular site. Ecuador allows for the granting of small-scale mining concessions to corporations or natural persons, which transfer to them the rights to exploit and sell minerals produced at a given site.



Prosecutor's Office collecting information to continue the judicial process.
Author: State Prosecutor's Office / Lenin Montalvo

The entities charged with oversight and regulation of mining activity in Ecuador include the Energy and Non-Renewable Natural Resources Ministry, the Mining Regulations and Control Agency (ARCOM), and the Ministry of Environment. These entities discharge different and complementary responsibilities regarding the approval of mining permits, protection of the environment, and the promotion of activity in the mining and extractive sectors.

The Ministry of Energy and Non-Renewable Natural Resources is charged with oversight and application of public policies regarding mining and exploitation of non-mineral, non-renewable natural resources. Among its responsibilities are the granting and administering of mining rights. The Ministry was created in 2018 through the merger of the Ministry of Electricity and Renewable Resources, the Ministry of Mining, and the Ministry of Hydrocarbons to consolidate and streamline the Ecuadoran government's oversight of natural resource exploitation.

The Mining Regulation and Control Agency is the technical and administrative body responsible for the exercise of the State's power to supervise, audit, and control mining activity. The Ministry of the Environment

is tasked with designing environmental policies and coordinating strategies, projects, and programs to ensure proper care of the environment and the sustainable use of natural resources. The Ministry is also responsible for issuing permits for exploitation based on its environmental surveys.

In recent years, Ecuador has also taken several steps to address deficiencies in its Anti-Money Laundering/Combating the Financing of Terrorism framework, by expanding the capacities of oversight institutions that monitor financial and non-financial institutions. The 2005 Law to Repress Money Laundering¹ created the Unit of Financial and Economic Analysis (UAFE), which serves as Ecuador’s Financial Intelligence Unit. It also established reporting requirements for financial institutions and the framework for detecting and confiscating “assets, which were the result or product of crimes, or constitute instruments of crime.”

In 2016, the Law on Prevention, Detection, and Eradication of Money Laundering and Criminal Financing established reporting obligations for non-financial businesses and organizations known to have exposure to money laundering. Importantly, Ecuador is also shifting toward a risk-based approach to money laundering.² However, the country’s anti-money laundering framework is undermined by coordination challenges among officials and insufficient anti-money laundering expertise and resources in the Attorney General’s Office. The UAFE also possesses limited administrative sanctioning powers, complicating its efforts to ensure compliance by reporting entities.

The UAFE monitors entities within the mining sector for money laundering activities. Reporting institutions and designated non-financial businesses and professions linked to the mining sector in Ecuador include:³



- pawn shops



- jewelry, metal, and gemstone traders.



- natural or legal persons that market, import, or export raw or semi-finished gold.

¹ Registro Oficial 127, “Ley Para Reprimir el Lavado de Activos,” of October 18, 2005 http://www.oas.org/juridico/PDFs/mesicic4_ecu_rep.pdf.

² United States Department of State, “International Narcotics Control Strategy Report,” March 2021, https://www.state.gov/wp-content/uploads/2021/02/21-00620-INLSR-Vol2_Report-FINAL.pdf.

³ Registro Oficial Suplemento 802, “Ley Prevencion de Lavado de Activos y del Financiamiento de Delitos,” <https://www.cfn.fin.ec/wp-content/uploads/2018/03/Ley-Orga%CC%81nica-de-Prevencio%CC%81n-de-Lavado-de-Activos-y-del-Financiamiento-de-Delitos.pdf>.

MINING SECTOR AND GOLD PRODUCTION

Ecuador's mining sector is comparatively less developed than the mining sectors in neighboring Colombia and Peru. Large-scale mining operations and international mining companies have not established and maintained a significant presence in Ecuador until very recently, leaving the vast majority of mining activity to small-scale and artisanal miners. Gold production has similarly depended largely on small-scale operations and artisanal miners. The country has struggled to attract investors and large-scale, international mining companies to engage in mineral exploitation due to historically strict controls and high taxes on the mining sector. Other constraints have included infrastructure challenges and conflicts with local populations. However, the government has recently taken concerted steps to ramp up mineral exploitation, with renewed efforts to attract international mining companies. The informal and small-scale nature of the mining sector has limited gold production and output levels in Ecuador. There are estimated to be over 11,500 small and artisanal gold miners in Ecuador.⁴ In 2014, before the government's push to expand and develop the country's mining sector, small-scale mining accounted for 22% of gold output in Ecuador while artisanal miners produced the remaining 78%.⁵ In 2018, Ecuador recorded the production of 8,213 kilograms of unwrought, semi processed, and powdered gold, compared to the 18-year high, reached in 2013, of 8,676 kilograms.⁶

“...the government of Ecuador has recently taken multiple steps to reform the regulatory framework governing the mining sector with the goal of promoting large-scale mining activity and attracting foreign investment.”

4 Ministry of the Environment, “Línea de Base Nacional para la Minería Artesanal y en Pequeña Escala de Oro en Ecuador,” February 2020, <https://www.ambiente.gob.ec/wp-content/uploads/downloads/2020/06/NAP-Inventario-de-Mercurio-Ecuador.pdf>.

5 Ministry of Mining, “Plan Nacional de Desarrollo del Sector Minero,” July 2016, <http://www.competencias.gob.ec/wp-content/uploads/2017/06/04PPP2016-PLAN.pdf>.

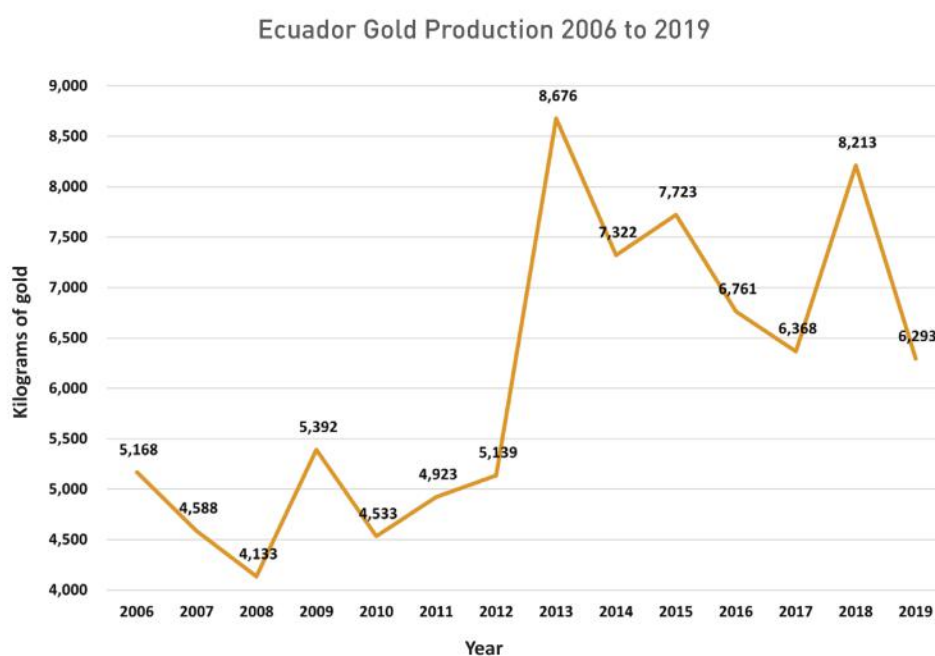
6 Central Bank of Ecuador, “Reporte de Minería Resultados al tercer trimestre de 2020,” January 2021, <https://contenido.bce.fin.ec/documentos/Estadisticas/Hidrocarburos/ReporteMinero012021.pdf>.

The mining sector has also seen slow growth in recent years. In 2007, Ecuador’s mining sector represented just 0.29% of GDP, and by 2018, the last year for which data are available, that number had grown to just 0.48% of GDP.

Ecuador’s mineral and gold production and exports have been limited by multiple factors, including burdensome taxation levels on profits from the mining sector, particularly a 70% windfall tax, and significant restrictions on the activities permitted during the mineral exploration phase of a mining project. However, the government of Ecuador has recently taken multiple steps to reform the regulatory framework governing the mining sector with the goal of promoting large-scale mining activity and attracting foreign investment. The actions taken include eliminating the windfall tax on the mining sector, seen by many as a burdensome disincentive for large mining companies.

While small and artisanal mining have historically dominated mining activity and gold production in Ecuador, the government has recently reached notable milestones in its efforts to develop the mining sector. In 2019, Ecuador inaugurated the country’s first large-scale gold mine at Fruta del Norte, which is expected to produce over 300,000 oz per year. In addition, Ecuador’s mining sector is driving the country’s foreign direct investment, accounting for over 61%.⁷

Graph 1. Gold Production in kilograms 2006 – 2019.

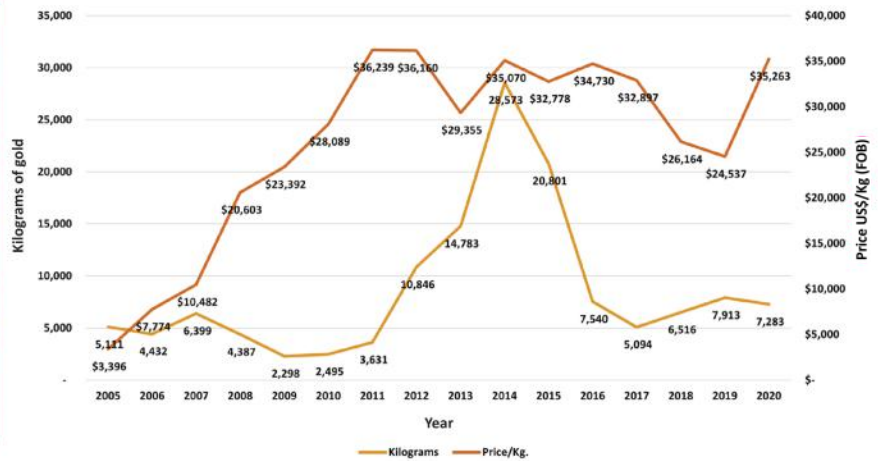


Source: Agency for Mining Regulation and Control (ARCOM).

⁷ La Hora, “El 61% de la inversión extranjera vino de la minería y construcción durante 2020,” February 1, 2021, <https://lahora.com.ec/noticia/1102339498/el-61-de-la-inversion-extranjera-vino-de-la-mineria-y-construccion-durante-20>.

Graph 2. Gold Exports in kilograms and associated value in US Dollars 2005 – 2020 (*up to the first semester).

Year	Kilograms	USD\$ (FOB)	Price/Kg.
2005	5,111	\$ 17,358,576	\$ 3,396
2006	4,432	\$ 34,453,348	\$ 7,774
2007	6,399	\$ 67,074,615	\$ 10,482
2008	4,387	\$ 90,386,771	\$ 20,603
2009	2,298	\$ 53,754,224	\$ 23,392
2010	2,495	\$ 70,082,455	\$ 28,089
2011	3,631	\$ 131,583,224	\$ 36,239
2012	10,846	\$ 392,195,634	\$ 36,160
2013	14,783	\$ 433,959,162	\$ 29,355
2014	28,573	\$ 1,002,067,154	\$ 35,070
2015	20,801	\$ 681,809,007	\$ 32,778
2016	7,540	\$ 261,864,921	\$ 34,730
2017	5,094	\$ 167,576,454	\$ 32,897
2018	6,516	\$ 170,482,352	\$ 26,164
2019	7,913	\$ 194,162,210	\$ 24,537
2020	7,283	\$ 333,486,315	\$ 35,263



Source: Agency for Mining Regulation and Control (ARCOM).

Ecuador’s export profile is largely made up of oil, bananas, and crustaceans. Petroleum products made up approximately 20% of Ecuador’s exports in 2018, while bananas and crustaceans each represented approximately 15% of exports. The gold trade in Ecuador also relies on international demand as the country exports most of the gold it produces. Gold makes up the vast majority of Ecuador’s precious metals exports (approximately 95% in 2018). In 2018 and 2019, the country exported 6,516 and 7,913 kilograms of gold, respectively, marking notable growth from 2005 when it exported 5,111 kilograms of gold but also representing a significant decline from the record high of 28,573 kg recorded in 2014.⁸

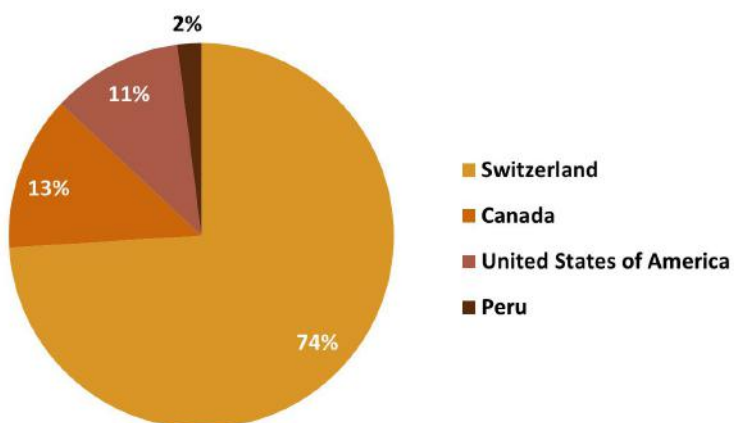
The United States is Ecuador’s top destination for exports in general, and it is also the top export destination for Ecuador’s gold exports in unwrought, semi processed, or powdered forms.⁹ Between January and November of 2019, the United States was the destination for 87% of Ecuador’s gold exports, followed by Italy (10%), and Switzerland (2%).

⁸ “Revista ARCOM 2 - Agencia de Regulación y Control Minero,” April 2020, http://www.controlminero.gob.ec/wp-content/uploads/downloads/2020/04/revista-ARCOM_segunda-edicion.pdf.

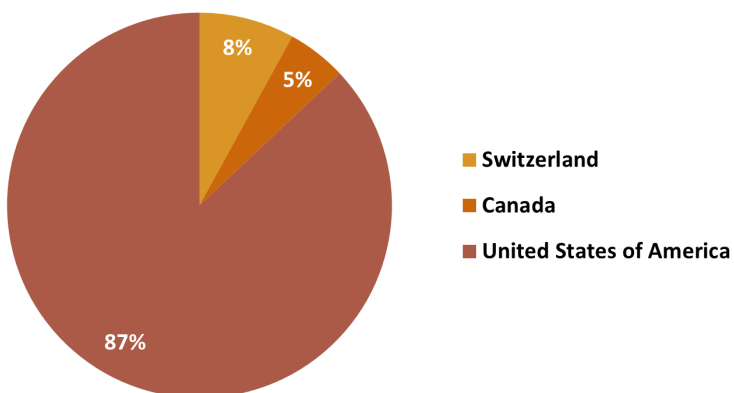
⁹ UN Comtrade using HS Code 7108 Gold (including gold plated with platinum) unwrought or in semimanufactured or powder forms.

Graph 3. Ecuador's export destination shares of value 2010, 2014 and 2019.

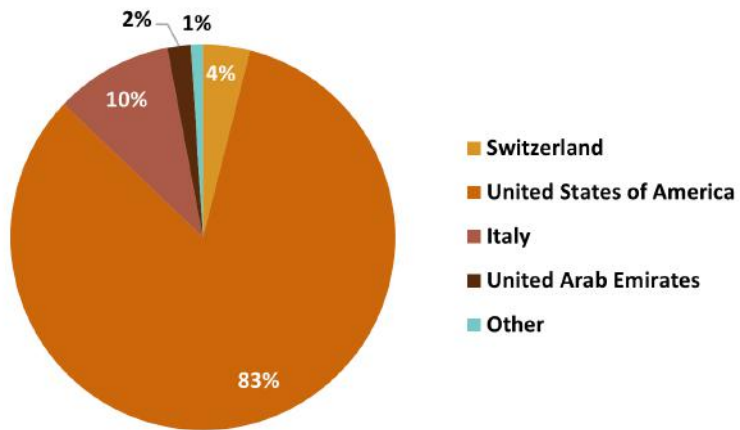
2010 - Gold Exports Destination Share



2014 - Gold Export Destination Share

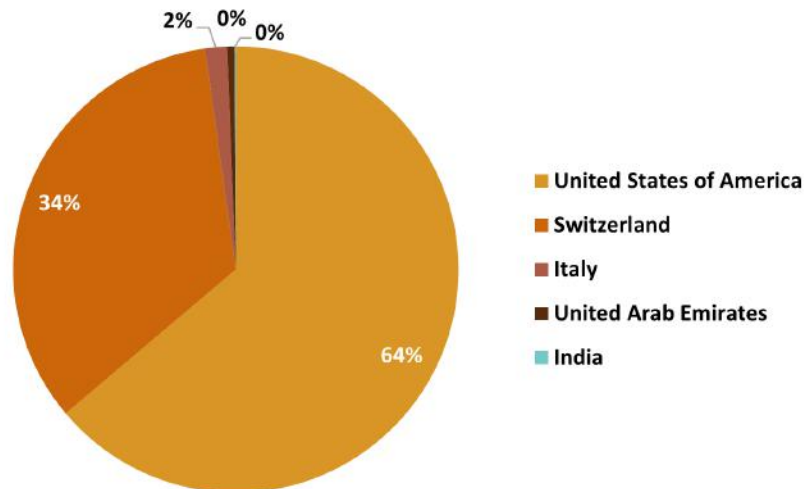


2019 - Gold Exports Destination Share



Source: UN Comtrade using HS Code 7108.

Graph 4. Ecuador's gold export destinations January to November 2020.



Source: Central Bank of Ecuador using the HS Code 7108 classification of gold.



Illegal mining camp in Buenos Aires, Imbabura, Ecuador.

Author: State Prosecutor's Office / Daniel Robles

In the first 10 months of 2020, 63% of Ecuador's mineral exports came from large scale gold and copper mining operations at Fruta del Norte and Mirador, while the remaining 37% originated from small-scale mineral producers. Prior to 2010, nearly all of Ecuador's gold exports were exported by mineral producers, primarily led by half a dozen small and mid-sized mining companies with most gold staying in Ecuador and going to domestic buyers and markets. However, more recently, amid rising gold prices, a series of gold traders, intermediaries, and consolidators have become more dominant in Ecuador's gold export activity. This shift was accompanied by increased activity around the sale and export of illegal gold.

In addition to gold traders in the private sector, the Central Bank of Ecuador (CBE) offers to purchase gold from artisanal and small-scale miners. The CBE is the only public entity authorized to carry out the purchase of gold in Ecuador, doing so through two points of purchase located in Quito and Machala. While the CBE offers prices higher than most domestic offerings by the private sector, most artisanal and small-scale miners commercialize their gold with private entities. Officials suggest that the Central Bank's strict enforcement of due diligence requirements and the logistical challenges associated with transporting gold to Quito and Machala drive most legal and illegal gold to private sector traders or illicit buyers.¹⁰

“...the Central Bank's strict enforcement of due diligence requirements and the logistical challenges associated with transporting gold to Quito and Machala drive most legal and illegal gold to private sector traders or illicit buyers.”

¹⁰ Interviews with officials from the Central Bank of Ecuador.

ILLEGAL GOLD MINING ACTIVITY

The rise of the illegal gold trade in Ecuador has been facilitated by multiple factors, including high levels of informality and poverty, the presence of mineral deposits in remote areas, and the existence of illegal mining networks in neighboring Colombia and Peru. Corruption of public officials, particularly at the local level, and insufficient government presence in mining areas also contribute to illegal gold mining activity.

By most measures, the illegal gold trade in Ecuador is comparatively less entrenched and developed than in neighboring Colombia and Peru. One factor behind this difference may be the less extensive presence of criminal organizations in Ecuador. Drug trafficking organizations and illegal armed groups based in Colombia, and to a lesser extent Peru, play an important role in promoting the development of the illegal gold trade in these countries by financing operations, enabling contraband flows, facilitating money laundering, and limiting the ability of government authorities to interrupt illegal mining activity. While these criminal organizations exist in Ecuador, their presence is comparatively less significant.

Another likely reason for the less developed illegal gold trade in Ecuador is the country's comparatively smaller legal gold market. While Peru is the top gold producer in Latin America, and Colombia is ranked 4th behind geographically much larger countries (Argentina and Brazil), Ecuador is only 10th in gold production.¹¹ This is noteworthy because it makes it more difficult to camouflage, commercialize, and export large quantities of illegal gold without detection.

Nonetheless, illegal gold mining and the commercialization of illegal gold in Ecuador have increased significantly in recent years, spurred on by the broader illegal gold trade in the region as well as domestic factors.

¹¹ Gold Hub, "Gold mine production data," June 30, 2020, <https://www.gold.org/goldhub/data/historical-mine-production>.



Raid in the area of Buenos Aires, Imbabura.
 Author: State Prosecutor's Office / César González

According to government officials and journalistic reports, the centers of illegal mining activity in Ecuador include regions along or close to the northern border with Colombia, including areas in the provinces of Carchi, Esmeraldas, Imbabura, Napo, and Sucumbios.¹² Other provinces that have experienced high levels of illegal gold mining activity include Azuay, El Oro, and Zamora Chinchipe, bordering or close to Ecuador's southern border with Peru, as well as Cañar and north Pichincha.

“The proximity of illegal mining operations to the borders of Colombia and Peru facilitates the cross-border flows that are essential for the illegal gold trade...”

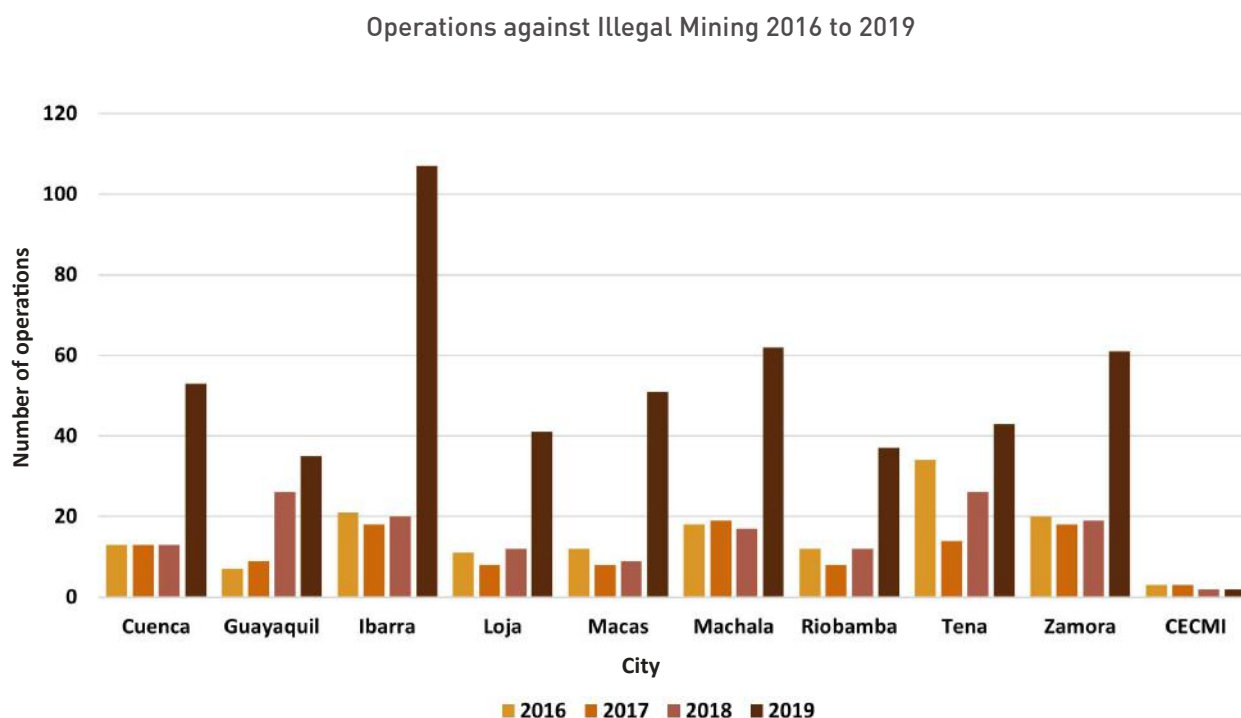
¹² El Comercio, “En ocho provincias se practica la minería ilegal,” November 22, 2020, <https://www.elcomercio.com/actualidad/provincias-ecuador-mineria-ilegal-victimas.html> and Connectas, “El dinero sucio de la minería ilegal se lava a través de las empresas,” <https://www.connectas.org/ecuador-mineria-empresas/>.

Provinces with
Significant Illegal
Mining Activity

Source: Analysis
of press and
government
reports



Illegal miners excel in gaining access to minerals in remote areas that are difficult to reach, such as nature preserves, and establishing operations and informal routes to transport extracted gold and supplies. In many cases, the proximity of illegal mining operations to the borders of Colombia and Peru facilitates the cross-border flows that are essential for the illegal gold trade. These include the contraband movement of explosives, mercury, illegal gold, and weapons, as well as the international migration of illegal miners. More broadly, the convergence of illegal gold networks from Peru and Colombia with those of Ecuador acts as a driver for illegal mining and the illegal gold trade in Ecuador. This occurs through many channels, including increased availability of illicit financing as well as the exchange of know-how and techniques between illegal miners and launderers.

Graph 5: Operations against Illegal Mining in Ecuador 2016 to 2019.

Source: ARCOM Informe de Rendición de Cuentas 2020.¹³

Traditional artisanal mining in Ecuador has historically been characterized by its small scale and informality rather than the presence of criminal elements. However, a shift over recent years has increasingly seen the convergence of organized crime with the traditional activity of subsistence mining.

As in other countries in South America, the illegal gold trade in Ecuador has attracted the increased involvement of armed organized criminal groups ranging from local gangs to transnational drug trafficking organizations. This involvement promotes the rapid growth of this illicit trade in Ecuador. High gold prices and profits are primary factors attracting criminal organizations to Ecuador's

“Rising gold prices, among other factors, have attracted the increased involvement of criminal groups in Ecuador's illegal gold trade, promoting the rapid growth of this illicit economy.”

¹³ Mining Regulations and Control Agency, “Informe de Rendición de Cuentas,” 2020, <http://www.controlrecursosyenergia.gob.ec/wp-content/uploads/downloads/2020/10/Informe-Narrativo-Rendici%C3%B3n-de-Cuentas-2019-ARCOM.pdf>.



The Prosecutor's Office together with personnel from the National Police meet prior to an operation in the mining sector.
Author: State Prosecutor's Office / César González

illegal gold trade. However, the lack of government presence in remote mining areas, the established drug trafficking and money laundering networks, and the ability to exploit large populations of small and artisanal miners are also key facilitators for both the involvement of existing criminal organizations and the development of new groups.

The involvement and growth of these armed criminal groups have compounded the dangers around illegal mining, sharply increasing incidents of violence, human rights abuses, and human trafficking.

The recent surge of illegal mining in Buenos Aires, and more specifically in the Cantón San Miguel de Urcuquí, in the province of Imbabura, exemplifies this shift in nature of the illegal gold trade in Ecuador. Authorities detected illegal gold mining activity in the area beginning in 2017, after the discovery of significant gold deposits in the area. The discovery rapidly attracted a population of over 10,000 illegal miners and others to Buenos Aires, with many coming from other parts of Ecuador as well as from Brazil, Peru, and Colombia, eclipsing the previous population level of fewer than 2,000 residents.

The migration of illegal miners to the area coincided with the arrival of organized crime, including criminal bands from neighboring Colombia and elsewhere, seeking to profit from the gold discovered in the area.

According to government officials, their arrival brought a spike in violence, homicides, and criminal activity, including human trafficking activity, extortion, and cross-border contraband flows of gas and explosives.

Armed criminal groups in the region reportedly engaged in extortion of illegal miners in the area, a common method used by criminal groups to tap into the revenue streams from illegal mining. This extortion activity also created a new source of violence, both against miners and between competing criminal groups fighting for control over territory. At least five different armed groups dominated illegal mining activity in Buenos Aires, establishing a form of criminal governance and rules for the region.¹⁴ These armed groups also extorted illegal miners in the area, demanding between 7% and 10% percent of the proceeds of illegal mining activity.

“Between 2018 and 2019, the Ecuadoran government disrupted 92 criminal groups operating in Buenos Aires and made over 850 arrests.”

Reports and investigations by officials have also uncovered evidence that illegal mining operations in Buenos Aires were being financed by criminal groups and illegal gold traders and processors largely based outside of the region or in nearby municipalities.¹⁵ The financing offered by these actors facilitated the sudden boom of illegal mining activity in the region by providing access to machinery, explosives, as well as buyers for the illegal gold.

The concerted deployment of security forces to the illegal mining hotspot in Buenos Aires starting in 2018 successfully dispersed the vast majority of the illegal mining activity that had surged in the area. Between 2018 and 2019, the Ecuadoran government disrupted 92 criminal groups operating in Buenos Aires and made over 850 arrests.¹⁶ However, reports suggest that illegal mining activity continues to take place there, even as many of the displaced illegal miners and criminal elements have moved to other areas of the country to engage in illicit gold extraction.

¹⁴ El Universo, “Grupos armados se disputaban el poder a bala en sector minero de Buenos Aires, en Imbabura,” July 14, 2019, <https://www.eluniverso.com/noticias/2019/07/14/nota/7423752/grupos-armados-se-disputaban-poder-bala-buenos-aires/OAS/DTOC>.

¹⁵ La República, “Hallan supuesta procesadora de oro ilegal en la hostería del «Tin» Delgado,” July 11, 2019, <https://www.larepublica.ec/blog/2019/07/11/policia-localiza-planta-procesadora-de-material-minero-ilegal/>.

¹⁶ El Universo, “Policías y militares iniciaron una operación conjunta en zona minera de Imbabura,” July 2, 2019, <https://www.eluniverso.com/noticias/2019/07/02/nota/7405812/policias-militares-iniciaron-operacion-conjunta-zona-minera-buenos>.

ILLICIT GOLD SUPPLY CHAINS AND LAUNDERING

In preparation of the upcoming GAFILAT's mutual evaluation process for assessing the implementation of FATF's 40 Recommendations,¹⁷ Ecuador is currently carrying out a national risk assessment to determine the vulnerabilities and risks facing different sectors and actors in the economy. However, Ecuador's Financial Intelligence Unit, the Unit of Financial and Economic Analysis, has already recognized the need for particular attention to the mining sector.

The UAFE has identified illicit financial flows related to the illegal extraction of gold among various natural and legal persons in the mining sector. Domestic traders, shell companies, and other entities with links to foreign companies and refineries are some of the most prevalent actors identified as facilitating Ecuador's illegal gold trade.

Heightened concerns over vulnerabilities of gold supply chains also surround the granting of mining licenses in the country, including concessions, artisanal mining permits, and permits to processing plants and traders. Officials have identified that "natural and legal persons are carrying out not only one activity, but multiple activities in the sector" and camouflage their true activity when acquiring licenses and approval from government agencies.

Illegal gold supply chains in Ecuador involve numerous actors, bringing higher levels of revenue as the illicit minerals progress up the supply chain.¹⁸ Illegal miners extract minerals without proper licensing and authorization, often using prohibited methods and chemicals in the process. Illegal mining operations can vary greatly in size but are usually made up of 4 or more miners who have formed a partnership.

17 The FATF Recommendations are the internationally endorsed global standards against money laundering and terrorist financing to increase transparency and enable countries to successfully take action against illicit use of their financial system. Source FATF: [http://www.fatf-gafi.org/publications/fatfrecommendations/?hf=10&b=0&s=desc\(fatf_releasedate\)](http://www.fatf-gafi.org/publications/fatfrecommendations/?hf=10&b=0&s=desc(fatf_releasedate)).

18 El Mercurio, "El dinero sucio de la minería ilegal," February 3, 2020, <https://ww2.elmercurio.com.ec/2020/02/03/el-dinero-sucio-de-la-mineria-ilegal/>.



Inter-institutional coordination to facilitate oversight.
 Author: State Prosecutor's Office / César González.

These miners are often impoverished or have very low financial resources. As a result, they often need to secure financing for their mining activity from outside actors to enable access to heavy machinery, explosives, and other equipment. Financing or the direct provision of supplies is typically secured from local processing plants, criminal organizations, and unscrupulous gold traders in arrangements that are heavily unfavorable to miners who can end up losing a significant percentage of their production to these financiers.¹⁹ This point of the illicit supply chain also opens up most opportunities for money laundering from illegal activity such as drug trafficking.

After extraction, illegal gold ore is taken to mineral processing plants, often located in municipalities near mining sites. Mineral processing plants are typically legal businesses with heavy machinery. However,

¹⁹ Ministry of the Environment, "Línea de Base Nacional para la Minería Artesanal y en Pequeña Escala de Oro en Ecuador," February, 2020 <https://www.ambiente.gob.ec/wp-content/uploads/downloads/2020/06/NAP-Inventario-de-Mercurio-Ecuador.pdf>.



Prosecutor's office collecting administrative inputs that support an ongoing investigation.

Author: State Prosecutor's Office / César González

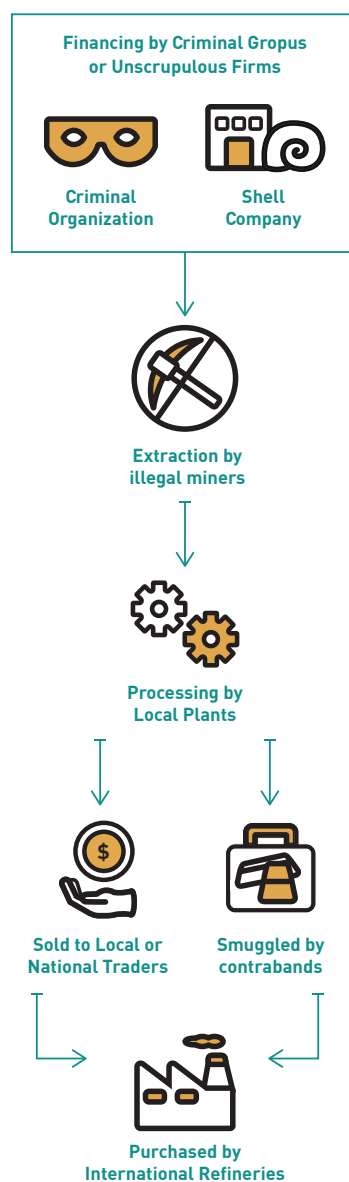
significant compliance problems made these businesses a funnel for illegal gold in Ecuador.²⁰ In some cases, clandestine illegal processing plants have also been discovered within buildings near mining hotspots, operating as part of a larger illegal gold network.

Once processed into gold bars or other forms, the gold is often sold to local gold traders and consolidators who insert it into domestic and international gold markets through a variety of laundering techniques. In some cases, the financiers of illegal mining activity, including the gold processors or money launderers, will also handle the commercialization of illegal gold, directly purchasing the haul of illegal gold from the miners. Contraband gold smuggling offers an alternative route for illegal gold in Ecuador by bypassing restrictions and oversight of the country's domestic gold trade. Contraband gold flows often utilize human couriers to smuggle gold through land borders, often to neighboring Colombia, or to more distant destinations via commercial air travel.²¹

20 Agencia de Regulación y Control de Energía y Recursos Naturales no Renovables, "Prohibición de Actividades Mineras en Plantas de Beneficio en Azuay y El Oro," December 11, 2020, <https://www.controlrecursosyenergia.gob.ec/prohibicion-de-actividades-mineras-en-plantas-de-beneficio-en-azuay-y-el-oro/>.

21 El Comercio, "Hombre pretendió sacar por el aeropuerto de Guayaquil tres barras de oro escondido en su equipaje," September 21, 2020, <https://www.elcomercio.com/actualidad/contrabando-lingotes-oro-maleta-guayaquil.html>.

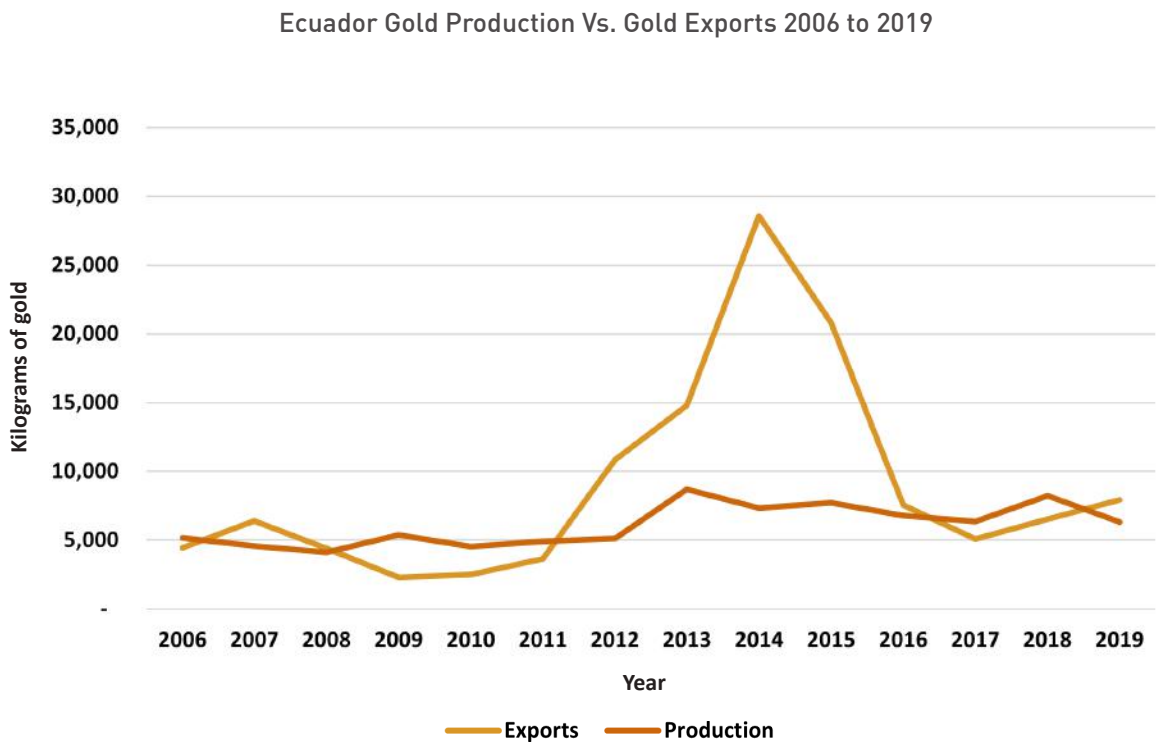
Graphic 1: Common Illegal Gold Supply Chain.



Source: Interviews and Journalistic Reports.

Noteworthy indicators of illegal gold mining and Trade-Based Money Laundering (TBML) in Ecuador are seen in production and export data. For example, between 2010 and 2015, Ecuador produced 37 tonnes of gold. However, it documented the export of 78 tonnes. In 2014, Ecuador's gold exports were nearly four times larger than recorded gold production.

Graph 7: Ecuador Gold Production vs Gold Exports 2005 to 2019.



Source: Central Bank of Ecuador and Mining Regulations and Control Agency.

Significant discrepancies in gold export and import data are also suggestive of the practice of trade-based money laundering and the export of illegal gold. In 2014, for example, Ecuador recorded gold exports to the US equivalent to only two thirds of the Ecuadoran gold the US reported importing.²²

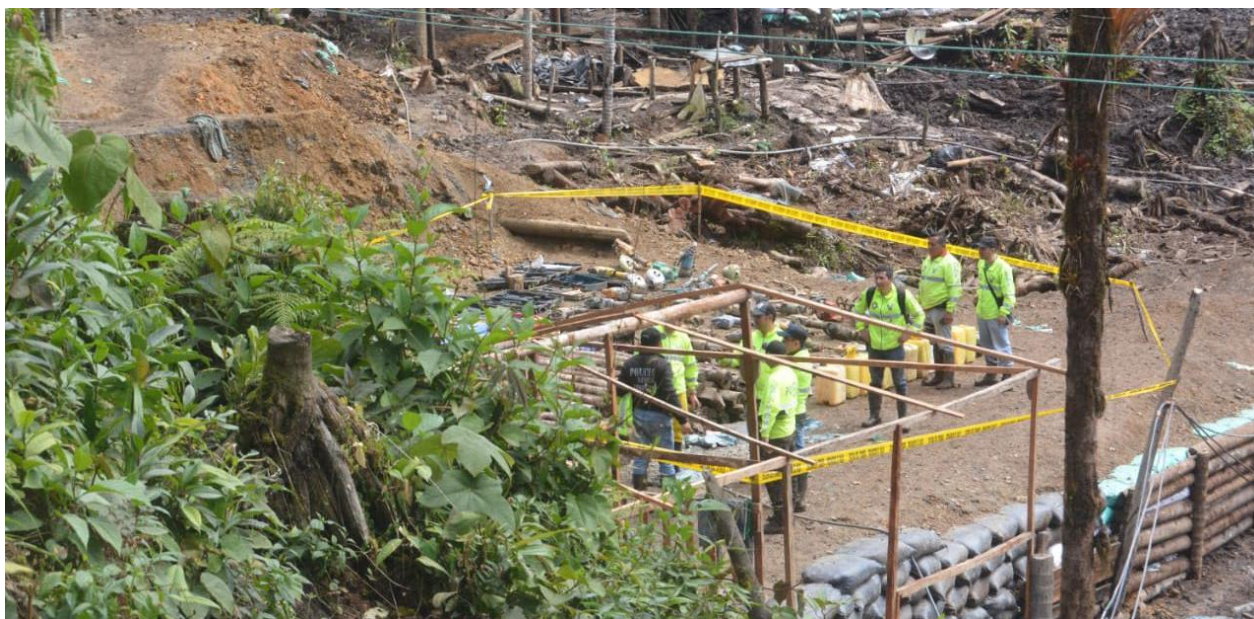
Many of these discrepancies have fallen in recent years as Ecuador’s officials ramped up enforcement and controls over the gold trade with an emphasis on contraband gold from Peru. However, Ecuador’s illegal gold trade continues to thrive and expand as new methods, including shifting trade-based money laundering strategies, continue to facilitate outflows of illegal gold.

“A review of trade data reveals multiple irregularities in Ecuador’s gold ore exports in recent years, pointing to a likely new method for exporting illegal gold.”

²² UN Comtrade data based only on HS Code 7108 unwrought, semiprocessed, and powdered gold.

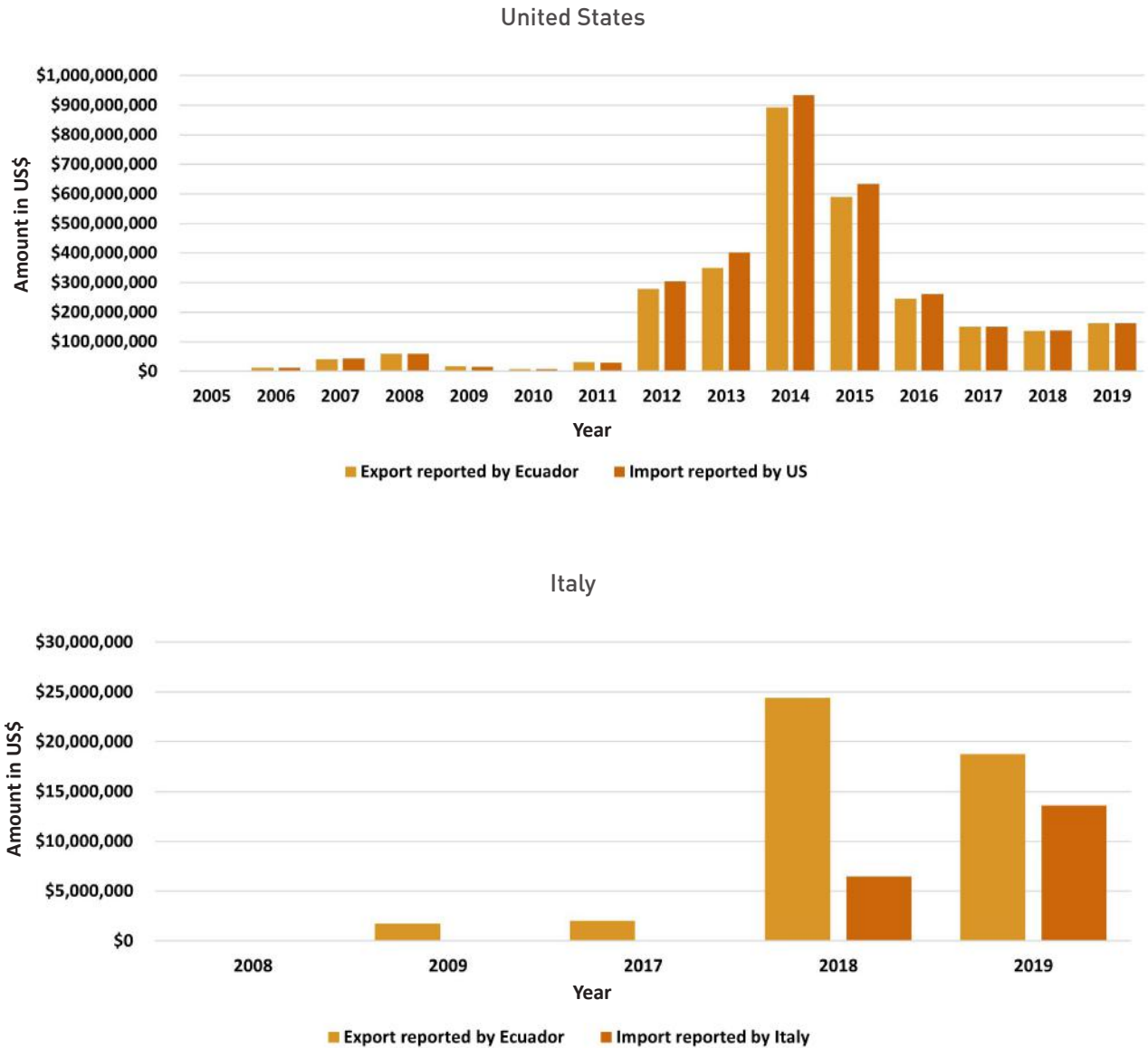


Illegal mining camp in Buenos Aires, Imbabura, Ecuador.
Author: State Prosecutor's Office / Lenin Montalvo



Buenos Aires zone, Imbabura.
Author: State Prosecutor's Office / Daniel Robles

Graph 8: Comparison of imports and exports of Ecuadoran gold reported by Ecuador and trade partners Italy and United States (thousands of US dollars) 2010 to 2019.

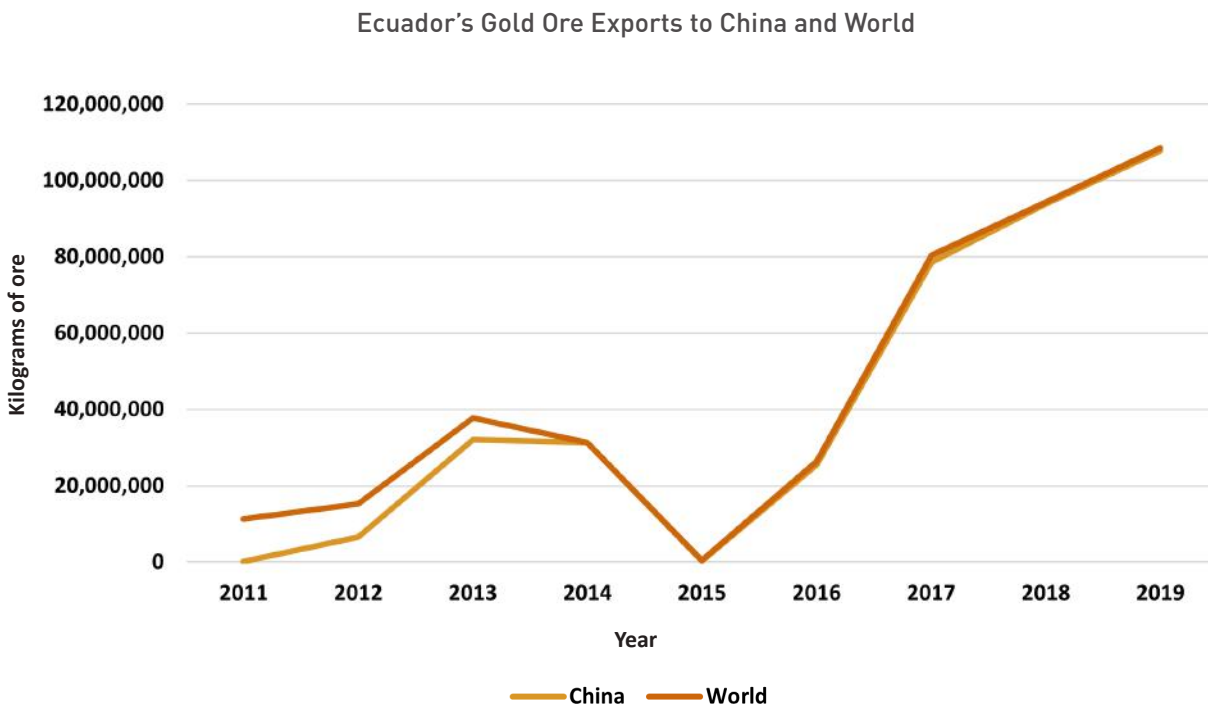


Source: UN Comtrade HS Code 7108.

Officials have taken notice of a particularly concerning trend in Ecuador’s mineral exports, namely the recent and sharp growth of Ecuadoran gold ore exports. A review of trade data reveals multiple irregularities in Ecuador’s gold ore exports in recent years, pointing to a likely new method for exporting illegal gold. Between 2015 and 2019, Ecuador’s gold ore exports increased by 27,604% as measured by weight. In 2015, Ecuador exported gold ore worth \$538,633, making it 30th in the world in terms of the export value. However, by 2019, these exports rose to nearly \$100,000,000, making Ecuador the 9th largest exporter in the world.

This growth is also abnormal when compared to regional exporters with much larger mining sectors than Ecuador. For example, in 2019, Ecuador exported nearly 4 times more gold ore than Colombia and Peru combined. Notably, the sharp increase in gold ore exports beginning in 2015 immediately follows the sharp decrease of processed gold exports which resulted from increased enforcement actions by the government against illegal gold activity.

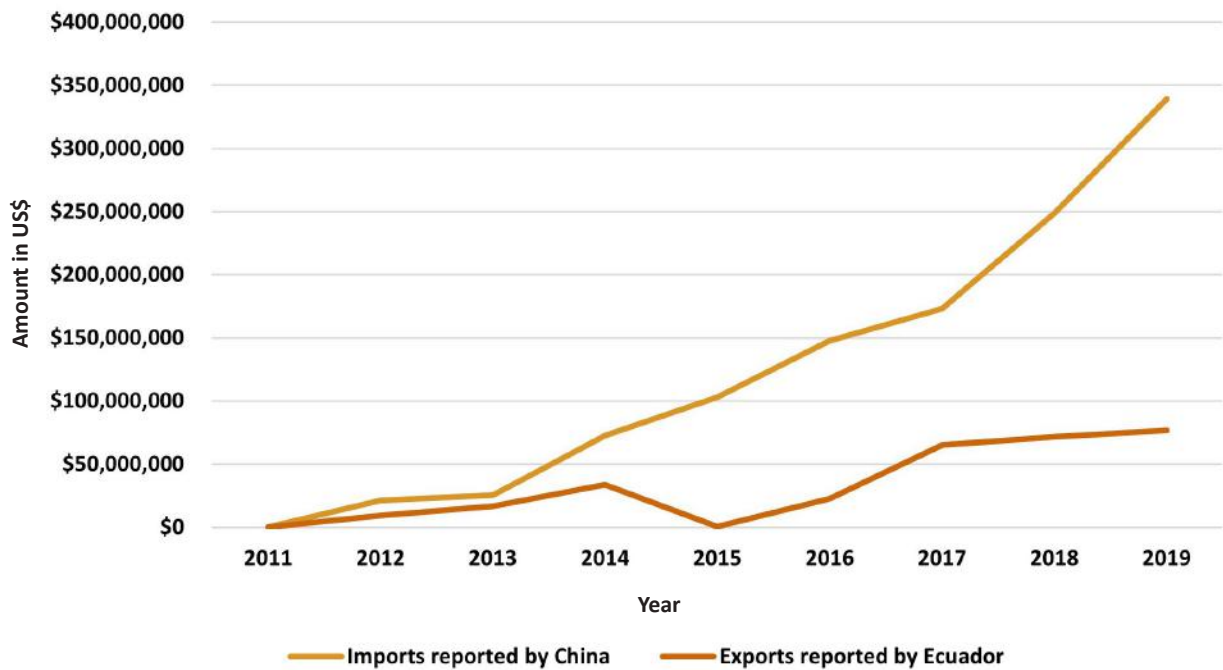
Graph 9: Ecuador’s Gold Ore Exports to China and World 2015 to 2019.



Source: UN Comtrade Database using HS Code 261690.

The overwhelming majority of these exports went to China, which accounted for over 99% of Ecuador’s 2019 gold ore exports. There is also a significant and growing discrepancy in reported value of gold ore trade flows between China and Ecuador. In 2019, Ecuador recorded gold ore exports to China valued at \$76.7 million. However, China reported gold ore imports from Ecuador with a total value of \$339.2 million. These discrepancies in reported trade values and the sudden sharp rise in gold ore exports suggest that this may be a new vehicle for the commercialization of illegal gold from Ecuador.

Graph 10: Comparison of China’s reported gold ore imports from Ecuador and Ecuador’s reported gold ore exports to China 2012 to 2019.



Source: UN Comtrade data using HS code 26169010.

Case Study: Spartan and Clearprocess

Beginning in 2013, Ecuadoran companies Spartan and Clearprocess quickly became the largest gold exporters in the country by trading in illegal gold. Both companies were linked by common shareholders and reportedly operated as part of an international illegal gold network. Spartan and Clearprocess purchased substantial quantities of contraband illegal gold from Peru and concealed its origin in order to export the illicit minerals through Ecuador to US companies.

In order to obscure the illicit origin of the gold, Spartan and Clearprocess used falsified documents to substantiate non-existent transactions with a series of gold miners and producers. In reality, many of these producers had no connection to the company or were not engaged in gold production. Other irregularities detected by Ecuadoran authorities included the purchase of gold from numerous sources registered in Ecuador's Simplified Tax Regime despite a prohibition on commercial activity for those registered in this specialized tax regime.

The companies also made declarations to Ecuador's Tax Administration which included notable discrepancies and red flags. For example, Spartan made 141 export declarations but did not list any purchases of gold in its tax declarations. By using falsified transactions, Spartan and Clearprocess were able to export illegal gold worth approximately \$500 million to companies in the United States.

After receiving bank transfers from abroad as payment, the companies reportedly withdrew and transported cash rather than using domestic bank transfers. In the space of seven months, the companies sought authorization on 51 occasions for the withdrawal and transfer of cash using armored vehicles to municipalities in the province of El Oro which borders Peru and is a hub for illegal mining activity. Officials from Ecuador identified the frequent cross border movement (between Peru and Ecuador) of company representatives with large quantities of cash, presumably to deliver payment for the illicit gold to Peru.

Source: *Mining Regulations and Control Agency*,²³ *Ministry of the Interior*,²⁴ *El Comercio*,²⁵ *Connectas*,²⁶ *El Universo*²⁷

Illegal mining camp in Buenos Aires, Imbabura, Ecuador.

Author: State Prosecutor's Office / César González

23 Agencia de Regulación y Control Minero, "Entidades de control revelan presuntas irregularidades de empresas Spartan y Clearprocess," <http://www.controlminero.gob.ec/entidades-de-control-revelan-presuntas-irregularidades-de-empresas-spartan-y-clearprocess/>.

24 Ministry of the Interior (*Ministerio de Gobierno*), "Descubierta red transnacional dedicada al lavado de activos y contrabando de oro," <https://www.ministeriodegobierno.gob.ec/descubierta-red-transnacional-dedicada-al-lavado-de-activos-y-contrabando-de-oro/>.

25 El Comercio, "Los detenidos por la red de contrabando de oro tenían nexos con Mossack Fonseca," June 18, 2016, <https://www.elcomercio.com/actualidad/actualidad-detenedos-nexos-mossackfonseca-contrabando.html>.

26 Connectas, "El dinero sucio de la minería ilegal se lava a través de las empresas," <https://www.connectas.org/ecuador-mineria-empresas/>.

27 El Universo, "Juan Pablo G: Soy como Pablo Escobar viniendo a Ecuador a conseguir la coca," July 20, 2017, <https://www.eluniverso.com/noticias/2017/07/20/nota/6289360/soy-como-pablo-viniendo-ecuador-conseguir-coca/>.

VULNERABILITIES IN ECUADOR'S GOLD SUPPLY CHAIN

According to officials, multiple vulnerabilities in the supply chain allow for the growth and continued practice of illegal mining activity. One prominent challenge is corruption, particularly implicating government officials at the local and national level who exercise oversight controls over illegal mining and award mining concessions. This allows illegal miners along with gold laundering firms and others to defraud Ecuador's government and bypass regulatory controls.



Illegal mining camp in Buenos Aires, Imbabura, Ecuador.

Author: State Prosecutor's Office / Daniel Robles

RISKS		VULNERABILITIES
Exploitation	Presence of informal and illegal mining activities linked to criminal organizations	Corruption in officials conducting controls
	Growth of human trafficking for labor and sexual exploitation purposes	Irregularities in the awarding of mining concessions
		Levels of poverty, migration, and socioeconomic conditions in general
		Insufficient human, economic, and technical resources to address the phenomenon of informal and illegal mining
Processing and Refining	Increases the smuggling of chemical substances that are subject to control and supervision	Insufficient human, financial, and technical resources to carry out controls
Transport	Illegal cross-border transportation of metal, cash, and assets from illicit activity	Insufficient human, financial, and technical resources to carry out controls
Commercialization	Proceeds from the illicit activity (money laundering) are placed in the financial system through payments to suppliers, clients, and legal and illegal employees who work in this activity	Lack of implementation of industrial quality standards and purchase and sale of minerals by the State in order to commercialize mineral ore at fair prices
	Illegally obtained minerals are exported and the buyers are formal or legal multinational companies. Thus, foreign currency from the sale of those minerals enters the country, whose origin is not completely legal.	Little knowledge of the balance of imports and exports, by mineral and finished product

Source: Ecuadorean FIU, Unit of Financial and Economic Analysis-UAFE.

Another similar challenge is the lack of sufficient government presence and resources to properly exercise oversight controls over the gold trade and mining activity. The large number of actors involved directly or indirectly in the mining sector and gold trade poses a significant challenge for oversight entities charged with ensuring compliance with regulatory standards. In addition, the availability of mineral resources in multiple, remote, and sometimes difficult-to-access regions leaves illegal mining activity and key parts of mineral supply chains beyond the rapid response capabilities of officials. This challenge increases when a shortage of resources limits investigatory and enforcement capacities of relevant entities, leaving gaps that facilitate the sale and export of illegal gold and encourage the smuggling of illegal gold into and out of Ecuador for the same purpose.

Indeed, open-source reporting and interviews with officials highlight the practice of illegal gold smuggling into Ecuador from other countries in the region. Peru is a particularly notable source for contraband gold entering Ecuador for laundering and export or further smuggling. However, illicit flows linked to the gold trade, including contraband supplies, originating from numerous other countries, have also been identified in Ecuador.

Ecuadoran criminal bands as well as criminal organizations from neighboring countries take advantage of insufficient government presence in mining areas and porous borders with Colombia and Peru to insert themselves into illegal mining supply chains in Ecuador. There are multiple reports of the involvement of Colombia's BACRIM, armed groups such as the National Liberation Army (ELN), FARC dissidents, and even extra-regional criminal groups in Ecuador's illegal gold trade.^{28 29}

The involvement of organized crime includes the extortion of illegal miners, the financing³⁰ and smuggling of machinery and chemicals

“Officials have identified Ecuador’s dollarized economy as a likely driver for illicit financial flows linked to the illegal gold trade and other illegal activity...”

28 Insight Crime, “Minería ilegal y crimen organizado se extienden al norte de Ecuador,” February 19, 2019, <https://es.insightcrime.org/noticias/analisis/mineria-ilegal-y-crimen-organizado-se-extienden-al-norte-de-ecuador/>.

29 InfoAmazonia, “El oro sucio de Ecuador sale en vuelos comerciales a Estados Unidos,” August 27, 2015,” <https://infoamazonia.org/es/2015/08/27/el-oro-sucio-de-ecuador-sale-en-vuelos-comerciales-a-estados-unidos/>.

30 Pichincha Comunicaciones, “Minería ilegal en Ecuador es financiada por narcotraficantes, según ARCOM,” September 18, 2019, <http://www.pichinchacomunicaciones.com.ec/mineria-ilegal-en-ecuador-es-financiada-por-narcotraficantes-segun-arcom/>.

for illegal mining operations, as well as the transport and laundering of illegal gold. Ecuador's officials have indicated that Colombian criminal organizations are known to smuggle disassembled mining machinery into Ecuador for use in illegal mining operations.

Compliance issues centering on companies in Ecuador, including mineral traders, processors, and exporters, have also been identified as a key vulnerability in the country's gold supply chains. Multiple cases involving the sale and export of significant quantities of illegal gold by firms in Ecuador, including the prominent use of shell companies, highlight their role in the illegal gold trade and the significant challenges posed by compliance and oversight issues.

Officials have identified Ecuador's dollarized economy as a likely driver for illicit financial flows linked to the illegal gold trade and other illegal activity, noting that dollarization can facilitate international money laundering. Similarly, dollarization can simplify the reinvestment of illicit funds, including drug and illegal gold revenue, into illegal gold mining through the use of cash to finance the purchase of illegal gold or mining supplies.

The ability to secure supplies, including heavy machinery, for illegal mining operations is a key vulnerability in Ecuador. According to officials and open sources, unscrupulous gold traders and processing plants, criminal organizations, and other illicit actors are the primary source of financing for illegal mining operations, facilitating the purchase of backhoes, explosives, and other equipment for illegal mining operations. This has included the upfront transfer of cash to miners to purchase the equipment; however, groups of miners have also been identified securing lines of credit from local commercial houses, and loans from illegal drop-by-drop financiers. Payments made in cash using high-denomination bills is a notable red flag pointing to illegal mining ties to natural or legal persons seeking lines of credit.

GOLD LAUNDERING

Because Ecuador prohibits the sale and export of illegal gold, the illegal gold trade in the country depends on the ability to obscure the origins of illicit minerals as well as any possible connections to criminal groups. Illegal miners, unscrupulous gold traders, money launderers, and other actors have been identified utilizing multiple methods to conceal the origins of illegal gold in Ecuador and facilitate its flow to international markets.³¹ These methods exploit vulnerabilities in Ecuador's regulatory system and non-compliance by legal entities while also benefiting from the informality of the gold trade and insufficient oversight by officials.

Officials have identified gold traders and exporters in Ecuador, particularly recently created firms, as a priority concern due to their prominent role in the illegal gold trade. This role includes acting as a key entry point for illegal gold into legal markets by obscuring the origin of illegal gold, often before realizing its sale to foreign refineries. The gold laundering practice most noted by officials centers on the falsification of invoices used to substantiate the origin of gold exports. This involves the listing of false artisanal miners or shell companies in export documentation to justify the sourcing of the illegally extracted gold.

In such transactions, money arrives as a transfer from abroad for payment for the gold. The gold exporting firms withdraw the money in cash and checks through secure cash transportation companies in order to hide the trail of the funds. Some red flags identified in such cases include the exporters and/or importers being recently created firms; the exporter registering invoices for gold purchases that are not reflected in bank transactions; and the company receiving payments from abroad quickly withdrawing payments in cash or checks, potentially through cash transport companies.

Trade-based money laundering has also been identified as a favored methodology in multiples cases related to Ecuador's illegal gold trade. The methods employed here involve obscuring the value of gold being exported by misreporting it to customs agents. The exporting of illegal gold camouflaged as legal gold bars remains a significant concern despite enhanced oversight of the gold trade and exports in recent years. However, there is reason to believe that the export and contraband of illegal gold camouflaged as other metals and items is increasingly utilized. In one case, an exporter bathed gold bars in bronze

31 The assessment was able to identify the following cases reported by the Attorney General's Office:
<https://www.fiscalia.gob.ec/imbabura-cuatro-personas-procesadas-por-mineria-ilegal/> - Reports the involvement of Chinese nationals;
<https://www.fiscalia.gob.ec/cuatro-procesados-con-prision-preventiva-por-presunta-mineria-ilegal/> - Includes an order to confiscate backhoes;
<https://www.fiscalia.gob.ec/4-sentenciados-por-actividad-ilicita-de-recursos-mineros/> - Reports a case with a sentence;
<https://www.fiscalia.gob.ec/fiscalia-abrio-proceso-penal-por-intento-de-liberar-evidencias-con-documentos-falsos/> - Reports a case involving a corrupt agent.



Illegal mining camp in Buenos Aires, Imbabura, Ecuador.

Author: State Prosecutor's Office / César González

and registered an export shipment of bronze ingots to be transported on a private plane rented for the shipment. Ecuadoran officials discovered the shipment after suspicions were raised by the fact that a private plane was being rented only for the transportation of bronze bars.

As previously discussed, the more recent shift away from the export of semi-processed gold bars and toward gold ore exports also strongly suggests that this is a new and dominant method to commercialize illegal gold through trade-based money laundering with Asian markets as the destination.

CONCLUSIONS



Specialized teams of the Prosecutor's Office and the National Police carrying out procedures.
Author: State Prosecutor's Office / Daniel Robles

The less developed state of the illegal gold trade in Ecuador as compared to other countries in the region offers the government significant advantages in combating this illicit economy. Ecuador's successful actions against contraband illegal gold from Peru starting in 2015 and its disruption of illegal mining activity in Buenos Aires in 2019 also showcase a notable capacity and commitment to respond to this challenge. However, some notable AML deficiencies, including inadequate coordination between national law enforcement authorities and limited administrative sanctioning powers for the UAFE, as well as insufficient prosecutorial resources have hampered a more comprehensive approach to combating illegal mineral commercialization.

The illegal gold trade is also developing quickly within Ecuador. Regional illicit supply chains and actors continue to promote the extraction and commercialization of illegal gold in the country. There are also signs that a more robust illicit infrastructure is developing within Ecuador. Legal businesses like local gold processors and traders are expanding and linking themselves to the illegal gold trade. Domestic criminal bands are also growing and increasingly specializing in illegal mining activity. Finally, the limited informal mining activity which Ecuador's artisanal and small-scale miners practiced for in years is also changing. In recent years, the country has seen the growth of larger and more organized groups of illegal miners with closer links to organized crime, as well as the increased presence of foreign miners from countries like Brazil, Venezuela, and Peru.

Worrisome trends in export data suggest that illicit actors continue to innovate and adapt their trade-based money laundering methods in order to export substantial amounts of illegal gold to international buyers. The sharp growth and misinvoicing seen in Ecuador's gold ore exports to Asia in recent years merit special attention from authorities.

Ecuador should increase the public resources and sanctioning powers granted to oversight entities and customs enforcement to monitor non-financial businesses linked to the gold sector. Such resources and measures should be applied with a special focus on mineral processors, exporters dealing in gold ore, and cash transportation companies, given their substantial compliance challenges. Proper oversight of the small and artisanal mining sector is also essential given its exposure to criminal organizations and central role in illegal mining activity. Additionally, the government should expand its presence in remote mining areas and local municipalities where illegal gold is processed and traded, as well as border crossings close to illegal mining hotspots in order to combat international smuggling of minerals and supplies.

Finally, in investigations targeting the illegal gold trade, Ecuadoran officials should adopt a more comprehensive approach that targets actors higher up the illicit supply chain, including financiers, money launderers, exporters, and traders of illegal gold.

Such measures are crucial complements to the country's efforts to develop its legal mining sector as a driver of economic growth and investment.



Organization of American States

Department against Transnational Organized Crime (DTOC)

1889 F Street, N.W., Washington, D.C. 20006, USA

<http://www.oas.org/es/sms/ddot/>

ddot@oas.org

 @oea_ddot