

Wagner's real money never came from diamonds and gold
Ellen Ioanes - VOX.com



Members of the Wagner group stand on the balcony of a building in the city of Rostov-on-Don, Russia, on June 24, 2023. © Roman Romokhov/AFP via Getty Images

The [US Treasury Department](#) on Tuesday sanctioned gold and diamond mining concerns connected to the Wagner group in [Mali](#) and the Central African Republic after Yevgeny Prigozhin, the mercenary group's founder, attempted to stage a mutiny in [Russia](#) last weekend.

The gold and diamond mining enterprises, as well as a UAE-based distributor and a Russian company that the Treasury's Office of Foreign Assets Control (OFAC) says is involved in the scheme, serve to enrich some members of Wagner and their collaborators in Russia and the African countries where they have a foothold.

However, the amount the group earns from its illicit mining activities is negligible compared to its significant funding from the Russian government. For several years part of Wagner's appeal was that it furthered Russia's foreign policy goals with a modicum of plausible deniability.

Wagner's connection to the Russian government has been an open secret since the mercenary group started in 2014 and brought Crimea and the Donbas under Russian control, but it wasn't until Russia's invasion of Ukraine that that connection was made explicit.

Part of Wagner's appeal has been its effectiveness compared to its relatively small price tag for the Russian government. Putin has admitted that [the Russian government funds Wagner](#), to the tune of \$1 billion over the year completed May 2023, while Prigozhin made just over \$900 million on top of that.

Though the Russian government isn't the only entity that funds Wagner and its leaders, all indications are that it is by far the primary underwriter. Anything else,

whether that's diamonds, gold, oil, nickel, or gas, is just a drop in the bucket — “pocket money, some tips for the Russian generals who control the mercenaries,” according to Pavel Luzin, a Russian military analyst and non-resident senior fellow with the Democratic Resilience Program at the Center for European Policy Analysis.

Untangling Wagner's mining concerns in Africa

Extractive industries like mining are notorious for funding conflict and human rights abuses; the term conflict diamond was coined specifically to refer to the system by which diamond mining and sales contribute to or outright fund [conflicts and insurgencies](#). That applies particularly in countries rich in natural resources but with unstable governments, like Mali and the Central African Republic, or CAR.

The US, the UK, and the [European Union](#) have focused on sanctioning Russia's oil and gas sector — the government's primary source of income and thereby the main source of funding for the [war in Ukraine](#). But Russia's own diamond industry, which relies on domestically mined small diamonds, has come under international scrutiny for its potential contribution to the war effort.

Citing US government data, the [New York Times](#) reports that Russia's diamond industry accounted for \$4.5 billion in exports in 2021, making it one of the largest non-fuel sectors in Russia. But Wagner's extractive concessions in Mali and CAR aren't as straightforward.

According to [OFAC's Tuesday statement](#), the US has sanctioned Midas Ressources SARLU, a CAR-based business associated with Prigozhin that controls “CAR-based mining concessions and licenses for prospecting and extracting minerals, precious and semi-precious metals, and gems.”

Furthermore, the company “along with other Prigozhin-linked firms operating in the CAR, is key to financing Wagner's operations in the CAR and beyond” and works with the rebel group Unité pour la Paix en Centrafrique.

Diamville SAU, another CAR-based and Prigozhin-linked business, ships raw materials to Industrial Resources General Trading in Dubai, as well as other businesses in Europe and the UAE, which, according to the statement, handed over proceeds from the ill-gotten materials to Russia and Prigozhin.

Other companies linked to Prigozhin also operate in CAR — but so far, those entities are more useful to the project of state capture than as sources of funding. According to a [June report by The Sentry](#), an investigative and policy group that [works to disable](#) networks that profit from conflict, Wagner has captured several of CAR's most productive mines including the gold mine at Ndassima, reportedly terrorizing civilians in the areas it captures.

Wagner's mining operations serve a political purpose more than a financial one

“Considering the fact that this sector is well-corrupted and there are a number of local beneficiaries (local criminal groups, corrupted officials and politicians, etc), the amount of money that the Wagner group could hypothetically gain from the sector

does not exceed much the operational costs of the Russian mercenaries there,” Luzin told Vox.

“The important fact: the Russian mercenaries do not care about the profit at all, they play a political role as the Kremlin’s proxy, it is not the business.”

Rather than seeking to profit off raw materials, Wagner’s co-adaptation of mining concerns and other major industries of the African countries where it operates is about controlling that [economy](#) and shaping the government’s decision-making to their advantage, a form of political appropriation called [state capture](#).

“It’s always been a political tool primarily and it’s always been a means to co-opt and effectively gain state capture over isolated regimes that are dependent on an external force,” Joseph Siegle, director of the Africa Center for Strategic Studies, told Vox. Wagner — as a proxy for the Russian state — can deeply embed itself into countries like Mali, CAR, and Sudan, where the leadership is unstable or nonexistent, and as those countries are further isolated, they increasingly rely on Wagner and Russia, Siegle said.

“The American sanctions against the smuggling gold/diamond mining controlled by the Wagner group is mostly an imitation of activity instead of complete elimination of the Russian mercenaries in Mali and CAR by using force,” Luzin told Vox by email.

Though OFAC’s sanctions are limited — they’re not a major blow to Wagner’s income right now, nor to its state capture blueprint — they do have benefits, Siegle said.

“For me, one of the values of the sanctions is that they provide evidence to the connections that many of us are only surmising based on our observations. It provides actual, empirical support of this connection.”

The sanctions also “[call] out the regimes that enable Wagner,” like Faustin-Archange Touadéra’s in CAR and the junta in Mali, Siegle explained.

Wagner’s funding and its future are in doubt

It’s impossible to know the full extent of Wagner’s funding — how much of it comes from mining concessions in Africa, how much through the carousel of shell corporations Prigozhin and other Wagner-linked actors have stood up over the years, how much through state contracts with Prigozhin’s Concord Group business, and how much comes directly from the state.

“It’s essentially a game of whack-a-mole with the enforcement entity because there’s something like 400 companies within the broader Prigozhin network and it’s a very low lift for them to stand up LLCs and other corporate entities,” Ben Dalton, the program manager for New America’s Future Frontlines program, told Vox.

However, the Russian state seems to have taken some action already against Prigozhin’s empire; Luzin told Vox that his media group, which owns the RIA FAN news site and the Nevskiye Novosti newspaper, has been dismantled after his attempted uprising last weekend. [Radio Free Europe](#), citing Kommersant, reported

Sunday that Roskomnadzor, the Russian media oversight agency, had blocked access to Prigozhin's news media sites.

The [Wall Street Journal](#) confirmed that reporting Sunday evening, adding that a likely new owner of Prigozhin's Patriot Media is National Media Group, which is chaired by Putin's rumored partner Alina Kabaeva.

Given that the state seems to be retaliating against Prigozhin and Wagner's status remains unclear, it's hard to imagine how Russia will continue to fund the enterprise, to the extent that it exists, in the future.

As Siegle told Vox, [some Wagner clients have dealt directly with the group](#), but some negotiate contracts through the Russian state; it's possible that Wagner could continue to negotiate at least some of these contracts and benefit from in-kind arrangements, [like access to mining concessions in exchange for protection](#).

Though Wagner's Africa operations don't seem to have changed much over the past week, Siegle said, the future of Prigozhin's forces is weakened and complicated at best. A week after Wagner's march on Moscow, the questions about what happened still outweigh the answers, and likely will for some time.

But Russia's foreign policy goals remain the same; since it can't win allies with diplomacy or soft power, it has to do so by state capture or force. Whether it's Wagner or someone else, Lugin said, "Russia still needs proxy forces there to continue its trouble-making approach in Africa."