



AFRICAN NARRATIVES

"The Shadow Economy in the Mining Sector : A Case Study of Informal Mining in South Africa"



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Published by:

African Narratives



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Abstract

Informal mining is a prominent feature of the shadow economy in many African countries, particularly in South Africa, a nation with a long and storied history in the formal mining sector. This paper examines the phenomenon of informal mining by analyzing the reasons for its proliferation, the motivations of those involved, and its multifaceted economic, social, and environmental impacts. The study also explores the challenges the state faces in regulating this activity and the contradictions within governmental policies, which often fluctuate between criminalization

and attempts at formalization.

Focusing on South Africa as a critical case study, this research contextualizes the issue within a landscape of significant economic disparities, high unemployment, and a legacy of social marginalization that drives large segments of the population toward informal economic activities. The paper employs an analytical approach based on secondary data and academic sources, with reference to comparative policy experiences in other African countries.

Key Points

- **Informal Mining as Part of the Shadow Economy:**

This study highlights informal mining as an unregulated activity that forms a significant part of South Africa's shadow economy, creating jobs outside the formal legal framework, particularly amid challenging socioeconomic conditions.

- **A Comprehensive Analysis of Causes and Impacts:**

The research explores the structural drivers behind the spread of informal mining—such as

unemployment and inequality—while examining its diverse economic, social, and environmental consequences.

- **Policy Evaluation and Regulatory Challenges:**

The paper investigates the state's contradictory approaches to informal mining, which oscillate between criminalization and formalization, and evaluates existing policies by drawing on comparative experiences.

Introduction

Informal mining, often referred to as artisanal and small-scale mining (ASM), is a complex phenomenon with impacts that extend far beyond the economic realm. It raises critical issues related to state sovereignty, natural resource management, and social stability across Africa. In countries like Mali, Ghana, the Democratic Republic of the Congo, and Sudan, millions rely on ASM as a primary source of income, typically using manual methods to extract high-value minerals like gold, cobalt, and diamonds. According to the World Bank, approximately 40 million people work in this sector globally, with a significant portion located in Africa. In Ghana alone, informal mining

accounts for nearly 30% of the country's gold production.

Despite its role in reducing unemployment and supporting local economies, informal mining carries severe environmental and social consequences, including deforestation, water pollution from toxic substances like mercury, child labor, and unsafe working conditions. In some regions, it has become a source of funding for non-state actors, weakening state institutions and fueling conflicts. This paper seeks to analyze the root causes and multifaceted outcomes of this growing phenomenon, with a specific focus on South Africa as a case study .

¹ MARAM AKRAM, INFORMAL MINING IN AFRICA... ITS MOTIVES AND RISKS, [HTTPS://2U.PW/XLG9Y](https://2u.pw/xlg9y)



Drivers of Informal Mining

Several interconnected factors drive individuals and communities toward informal mining:

- **Weak State Institutions and Governance:**

The diminished capacity of state institutions to enforce laws, coupled with widespread corruption, creates fertile ground for the expansion of the shadow economy, including informal mining.

- **Economic Marginalization and Inequality:**

When citizens feel deprived of economic rights and excluded from formal wealth distribution, they often turn to unregulated activities like unlicensed mining to cope with systemic exclusion.

- **Financing Armed Conflicts:**

In conflict-prone regions, particularly in Central Africa, informal mining serves as a key source of

revenue for armed groups, transforming natural resources into fuel for a "war economy."

- **Bureaucracy and Resource Monopolies:**

Complicated legal procedures and the granting of mining concessions exclusively to large corporations can generate feelings of injustice among local communities, who may engage in illegal resource extraction as a form of economic resistance.

- **Geographic and Regional Marginalization:**

Informal mining is often concentrated in remote areas where residents feel excluded from their country's natural wealth, driving them to exploit resources independently of the state .

The Multifaceted Impacts of Informal mining

1. Geopolitical and Security Implications:

Informal mining has far-reaching geopolitical consequences, most notably the escalation of cross-border resource conflicts. Disputes often erupt between neighboring states or armed groups over control of mineral-rich areas, as seen in the Sahel region. The smuggling of illegally extracted minerals also fuels transnational criminal networks, which use the proceeds to finance terrorism, human trafficking, and money laundering, thereby undermining national sovereignty and regional stability.

2. Impact on Domestic Stability in African States

• Natural Resources as Fuel for Armed Conflicts

In several African countries—such as the Democratic Republic of the Congo and parts of the Sahel—informal mining has become a primary source of revenue for armed groups. These factions use the profits to purchase weapons and recruit fighters, perpetuating a "war economy" in which natural wealth prolongs conflict rather than promoting peace and development. Instead of improving citizens' lives, these resources intensify political violence and undermine domestic stability.

• Involvement of Political Elites and Entrenched Corruption

In weak state systems, political elites often benefit from illicit mining revenues, either through direct collusion or informal protection of these activities. The entanglement of illegal interest networks with decision-makers exacerbates political corruption, erodes public trust in institutions, and undermines the state's ability to

enforce sovereignty—heightening the risk of institutional collapse.

• Erosion of the Rule of Law and Culture of Impunity

The widespread practice of informal mining weakens the rule of law, as authorities either deliberately ignore or are unable to address violations related to environmental damage, labor rights, and human rights. This tolerance reinforces a culture of impunity and erodes respect for legal norms, encouraging broader noncompliance. As governance structures deteriorate, the state loses control over increasingly lawless peripheral regions.

3. Economic Consequences

• Expansion of the Informal Economy and Fiscal Challenges

Informal mining significantly contributes to the expansion of the unregulated economy, reducing the state's capacity to collect taxes necessary for funding public services and infrastructure. This problem is particularly acute in developing countries that heavily rely on natural resources for revenue, as informal activities weaken fiscal capacity and place further strain on public spending—ultimately undermining economic growth and social stability.

• Weakening of the Formal Economy and Rise of Oligarchy

The dominance of informal networks in the extraction of strategic mineral resources undermines the formal economy, marginalizing legal sectors and weakening their viability. This dynamic empowers economic oligarchies that control vast wealth, deepening social and economic inequalities and diminishing prospects for inclusive development and social justice.



4. Environmental Impacts

• Challenges to State Sovereignty in Environmental Management

Informal mining presents a significant challenge to the state's ability to sustainably manage natural resources. The unchecked depletion of mineral wealth in the absence of government oversight erodes state sovereignty over its environment and hampers efforts to implement sustainable development policies that preserve resources for future generations.

• Weak Environmental Governance and National Security Risks

Many countries with widespread informal mining suffer from weak environmental institutions and inadequate environmental security policies. As a result, they are ill-equipped to address the pollution and degradation caused by these activities. This exacerbates environmental crises such as climate change and desertification—direct threats to food security, national stability, and the resilience of local economies .

5. Social Consequences

• Deepening Marginalization and Reproduction of Class Inequalities

Marginalized groups—such as indigenous populations and migrant laborers—are often exploited in informal mining operations, bearing the brunt of environmental and health hazards for minimal economic return. This reality reinforces systemic social and economic marginalization, intensifying class divisions and undermining efforts toward equitable and balanced development.

• Rising Ethnic and Communal Tensions Over Resource Competition

Competition over access to valuable mineral resources sparks tensions between ethnic and communal groups, potentially escalating into internal conflict or full-scale civil unrest. Such rivalries increase the likelihood of sectarian violence, disrupt social and political stability, and complicate reconciliation and development efforts in affected areas.

Case Study: Informal Mining in South Africa

South Africa has long been one of the world's leading mining powers, with gold playing a pivotal role in its economy and politics. However, a decline in the formal mining industry, driven by the depletion of old mines and reduced global demand, has led to industrial stagnation and significant job losses. Amid this challenging economic climate, informal artisanal mining has emerged as a growing phenomenon, with thousands of workers, known as zama zamas, resorting to rudimentary mining in abandoned shafts.

The number of informal miners in South Africa is estimated at over 30,000, concentrated in officially closed mines. This unregulated activity accounts for approximately 10% of the country's annual gold production, highlighting its significant economic scale. Many of these workers are migrants or those who have lost formal employment, representing a vulnerable population facing serious health and safety risks. In some cases, these groups have become entangled with international criminal networks, exacerbating corruption and weakening state control over its natural resources.

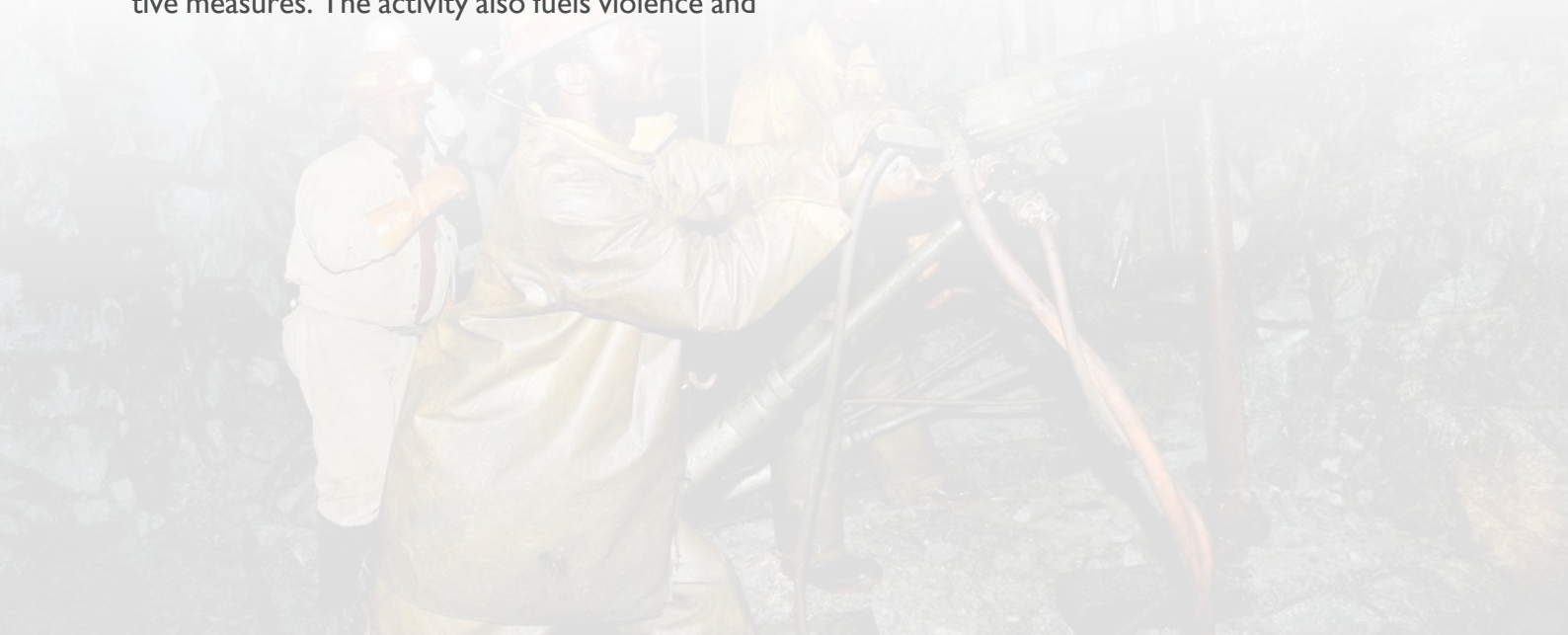
Risks and Economic Impact in South Africa:

Conducted outside official laws, illegal mining poses serious risks to workers, who often face mine collapses and falling rocks without protective measures. The activity also fuels violence and

bloody conflicts over control of mineral-rich areas. Economically, illegal mining causes significant losses to the state treasury. In 2010, South Africa lost an estimated \$500 million in gold revenues, and the government acknowledges that annual losses from illegal gold mining currently reach around \$4 million.

Government Response and Future Outlook:

Despite calls from citizens and researchers for effective regulation, the government's response has been largely negative. The Ministry of Mineral Resources has refused to grant licenses to artisanal miners, viewing their proliferation as an undesirable development that the state lacks the capacity to monitor. Security agencies are also under-resourced and avoid intervening in deep, high-risk mines, creating a regulatory vacuum that allows these activities to expand unchecked. As a result, illegal mining in South Africa is likely to continue growing, driven by high unemployment rates exceeding 30%. The absence of government solutions, whether through formalization or the creation of alternative jobs, reinforces this trend. This foreshadows greater challenges in the medium term, including rising poverty, an erosion of state authority, and threats to security and economic stability in mineral-rich areas.





Conclusion:

Informal mining in Africa is more than just an unregulated economic activity; it is a reflection of state weakness, social injustice, and the failure of sustainable development policies. The lack of effective governance has led to catastrophic consequences for the environment, economy, and society, as seen in countries like Ghana, Mali, and South Africa. This chaotic activity contributes to deforestation, river pollution with toxic substances, and soil degradation, while also fueling organized crime and complicating the region's security landscape. Addressing this phenomenon requires a comprehensive strategy that goes beyond security measures to include enforcing the rule of law, combating corruption, and providing real economic alternatives to ensure a fair and sustainable distribution of natural resource revenues.