

## South Africa's Intractable Illegal Gold Mining Problem

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Earlier this year, the London Bullion Market Association estimated that there are 15 million artisanal and small-scale gold miners in the world, responsible for 15-20 percent of global annual gold production. It points out that while the sector plays an important role in local livelihoods, it is also associated with 'social and political instability ... and the [lost economic promise](#) borne by smuggling and the continued marginalisation of the sector'.

Artisanal and small-scale mining tends to be a hand-to-mouth enterprise with economic sustainability being achieved only further along the value chain by aggregators involved in buying, smelting and trading the yellow metal. Nowhere along the value chain are taxes and royalties consistently paid and much of the industry, in all countries, is in the hands of [criminal networks](#).

All these issues were recently seen in South Africa. At the end of July, a film crew making a music video at a mine dump near Krugersdorp was [assaulted by illegal gold miners](#) – known in South Africa as *zama zamas* ('those who strive') – and eight models were raped. There is little doubt that the incident was especially newsworthy on account of high-profile national campaigns against gender-based violence and the fact that urban professionals had been involved. Members of the local community say they have been [terrorised](#) by the illegal miners for years, with little response from the local police.

In Krugersdorp, the local response was outrage with members of the local community attacking the miners camp while police, initially, stood by and watched. Eventually 130 alleged illegal miners were arrested, many of them to face charges related to [illegal immigration](#). Although news reportage only covers the most egregious incidents, illegal gold mining has become an enduring issue in South Africa. However, the solutions currently on the table do not look capable of addressing it.

All artisanal and most small-scale mining (ASM) is illegal in South Africa, by definition. The basic mining law, the [Mineral and Petroleum Resources Development Act](#) (MPRDA) of 2002, simply fails to mention artisanal mining and treats small-scale miners in the same way as large mining companies (in itself an incentive to informalisation). This regulatory gap is to be filled by legislative amendment and to this end an [Artisanal and Small-scale Mining Policy](#) was published at the end of March 2022. The idea is that new legislation will be dropped into Section 27 of the existing Act, allowing artisanal and small-scale miners who meet the new definitions (in terms of investment thresholds) to apply for ASM licences. The aim is ‘to formalise artisanal miners and small-scale miners so that they are part of the mainstream economy.’ (p. 23)

While there can be no doubt that it is useful to fill an existing regulatory gap, this policy is only a very small part of a much larger solution which, however, looks rather elusive at this point.

The sheer scale and criminality, or at least evasion of law, in the sector suggest that simply formalising a few actual mining operations will achieve very little. The Artisanal and Small-scale Mining Policy paper itself suggests that [R70 billion per year](#) is lost to gold smuggling alone (p. 28). That figure is consistent with calculations made for [a tralac blog](#) earlier this year, based on figures released by SARS in Rappa resources case, and suggests that something of the order of at least 70-80 tonnes of gold is exported annually outside of official (Rand Refinery/South African Reserve Bank) channels.

While it is not clear how much of this illicit gold is a product of illegal mining and how much a result of the (illegal) smelting of Kruger Rands, some sense of the significance of this figure is captured when it is compared to legal gold exports. These were [100 tonnes](#) in 2021, according to official sources. None of the large-scale miners active in South Africa exports gold to the United Arab Emirates, yet 2021 receipts for that country, according to the UN ComTrade data base, were 41 tonnes. India, also not a primary export destination for formal gold miners in South Africa, reported importing 71.68 tonnes of South African gold.

There are [well-documented problems](#) with the UN ComTrade gold trade figures, among them double-counting and under-reporting. The South African government does not feed through gold export figures to the database, which is surely a hold-over from the secrecy that was one of the characteristics of the apartheid siege economy. Nevertheless, even figures of dubious accuracy point to a massive illegal gold economy in South Africa.

Most, probably all, illicit gold mined in South Africa comes from deep level mines which have either been closed by formal owners, or, where they are still operating, through illegal access. In this regard, an emphasis on an improved security response is appropriate. The establishment of [a joint unit](#), incorporating the expertise of both the South African Police Service (SAPS) and the Department of Mineral Resources and Energy, has been mooted. So too has the idea of reviving the [specialised SAPS units](#) (including possibly the Diamonds, Gold and Precious Stones Unit) closed by former SAPS Commissioner Jackie Selebe in 2001.

There are obvious gaps in mining security which go a long way beyond the incapacity of local police stations. The 2005 Precious Metals Act, which regulates the acquisition, smelting and refining of gold removed the prior involvement of the SAPS, effectively replacing it with the [South African Diamond and Precious Metals Regulator](#). This is the body which issues licenses to precious metal smelters including scrap dealers and jewellers. But its inspections – of which it [conducted 130 in 2019/20](#) – appear to focus on Black Economic Empowerment in beneficiation, not illicit trade.

It seems clear that illicit gold mining and the associated trade is a considerable challenge in South Africa. It also seems evident that the existing instruments for dealing with it have considerable gaps and areas of incapacity. It is quite possible that the illicit industry is so deeply entrenched as to be ineradicable. There are many signs that it is socially embedded including reports that some community members are dependent on [accommodation rents](#) paid by illegal miners. Where livelihoods shade into illegality, the problem becomes all but intractable.

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