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Ethical minerals: Fairer trade for whom?

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ABSTRACT

This paper offers preliminary reflections on the direction and impact of the emerging 'ethical minerals' agenda, focusing specifically on the case of sub-Saharan Africa. Over the past two decades, the mining industry in this region has experienced profound change, reshaped by large injections of foreign investment. During this period, host governments have redrafted fiscal policies in an attempt to attract multinational mining and exploration companies. These moves, however, have stifled the regularization of artisanal and small-scale mine operators, hundreds of thousands of whom have struggled to secure their own permits due to a lack of available land, the exorbitant costs of legalizing their activities, and excessively-bureaucratic registration processes. Ethical mineral schemes and standards, which seek to connect producers to consumers, have been championed as potential mechanisms for alleviating the hardships of these operators. But further analysis reveals that there is considerable discrepancy between the implied and at times, stated, aims and impacts of the interventions being piloted/implemented in the region on the one hand, and what is actually happening in practice on the other hand. The analysis serves as a stark reminder that the ethical mineral schemes and standards being piloted/implemented are not development interventions, as is often believed.

1. Introduction

This paper reflects critically on the direction and impact of the 'ethical minerals' agenda, focusing specifically on the case of sub-Saharan Africa. Over the past two decades, the region's mining sector has undergone profound transformation, reshaped by large injections of foreign investment. During this period, host governments have redrafted fiscal policies with the aim of 'growing' their large-scale mineral exploration and mining economies. The rapid expansion of activity that has followed, however, has stifled efforts to formalize and support artisanal and small-scale mining (ASM) – the low-tech labor-intensive mineral extraction and processing undertaken mostly by local people.

Although long neglected in development circles, ASM's economic importance can no longer be disputed. In sub-Saharan Africa, in addition to providing jobs to millions of otherwise-unemployed people, and tens of millions more in the downstream industries it spawns (Table 1), the sector generates a sizable portion of the region's mineral output, including gold, diamonds and colored gemstone production, and in many countries, has inseparable links with subsistence agriculture. Those who engage in ASM in sub-Saharan Africa, however, mostly do so informally, without a license and generally, under suboptimal working conditions (Hilson, 2016). Aspiring licensees have struggled to secure permits due to a lack of available land, significant quantities of which have been demarcated to, and are now controlled by, foreign large-scale mineral exploration and mining companies; the exorbitant costs of registration, brought about by host governments' failure to take stock of the circumstances facing the individuals in question, in particular the limited financial means at their disposal; and excessively-bureaucratic registration, a direct result of formalization processes not being sufficiently decentralized in practice (International Labour Organization (ILO), 1999; Hentschel et al., 2002; Hilson and Potter, 2005; Banchirigah, 2006; van Bockstael, 2014). The experiences, working conditions and struggles of these miners are well-documented in the literature (Fisher, 2007; Tschakert and Singha, 2007; Hilson and Potter, 2005). Discouraged and marginalized, most have elected to lead an informal sector existence.

Without an accurate picture of these dynamics, policymakers and donors have, not surprisingly, struggled to formalize and support small-scale miners across sub-Saharan Africa. More creative, dynamic solutions are needed if the region's artisanal and small-scale mine operators who now find themselves entrenched – and occasionally, trapped – in the informal economy are to escape its clutches. Ethical mineral schemes and standards, the vast majority of which, according to their designers (mostly NGOs and industry bodies), seek to connect these miners to the

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Table 1
Estimates of ASM employment in selected countries in sub-Saharan Africa.*Sources*: Data extracted from Dreschler (2001), Mutemeri and Petersen (2002), and United Nations Economic Commission for Africa (UNECA) (2011)

Country	Directly working in ASM	Estimated number of dependents	Main minerals mined on a small and artisanal scale
Angola	150,000	900,000	Diamonds
Burkina Faso	200,000	1,000,000	Gold
Central African Republic	400,000	2,400,000	Gold, diamonds
Chad	100,000	600,000	Gold
Côte d'Ivoire	100,000	600,000	Gold, diamonds
Democratic Republic of the Congo	200,000	1,200,000	Diamonds, gold, coltan
Eritrea	400,000	2,400,000	Gold
Ethiopia	500,000	3,000,000	Gold
Ghana	1,100,000	4,400,000	Gold, diamonds, sand
Guinea	300,000	1,500,000	Gold, diamonds
Liberia	100,000	600,000	Gold, diamonds
Madagascar	500,000	2,500,000	Colored gemstones, gold
Malawi	40,000	–	Colored gemstones, gold
Mali	400,000	2,400,000	Gold
Mozambique	100,000	1,200,000	Colored gemstones, gold
Niger	450,000	2,700,000	Gold
Nigeria	500,000	2,500,000	Gold
South Africa [2]	20,000	–	Gold
Sierra Leone	300,000	1,800,000	Gold, diamonds
South Sudan	200,000	1,200,000	Gold
Tanzania	1,500,000	9,000,000	Colored gemstones, gold, diamonds
Uganda	150,000	900,000	Gold
Zimbabwe	500,000	3,000,000	Gold, diamonds, colored gemstones

manufacturing and retail ‘space’ and in the process, develop supply chains in which commodities can be traced to their origins, could assist immeasurably on this front. The schemes being piloted/implemented in sub-Saharan Africa are mostly packaged as ‘pro-poor’ interventions capable of empowering these individuals and lifting them out of poverty. Designers' skillful use of development jargon and imagery which hint that marginalized operators are, indeed, the focus of these schemes, has provided a much-needed source of inspiration at a time when informal ASM activity is expanding unabated across the region.[1]

Further analysis, however, reveals a very different story: that most such interventions are *not* targeting the poor and needy at all but rather *established* small-scale miners. There is little disputing that the programs being launched in sub-Saharan Africa could help to empower marginalized artisanal miners. But few appear to have been conceived for this purpose, despite claims which may suggest otherwise. Most were launched to facilitate the supply of minerals capable of being tracked from the sites where well-networked miners are working, through to manufacturers and retailers, essentially via the most navigable routes possible. The result, in most cases, has simply been a retracing and fortification of the supply chains these operators are a part of.

The paper begins by examining more closely the changes that have occurred in mineral-rich sub-Saharan Africa in recent decades. Emphasis is placed on explaining how the region's informal ASM economy was ‘created’, and ultimately, highlighting the areas which ethical mineral schemes and standards *should* be targeting and the challenges with doing so. Section 3 of the paper examines more closely which groups the schemes and allied interventions launched in the region to date are actually targeting and empowering, and surveys their impact at the local level. As will be shown, there is considerable discrepancy between the suggested aims and impacts of the ethical mineral schemes and standards being piloted/implemented in sub-Saharan Africa on the one hand, and what is actually happening in practice on the other hand. The paper concludes by reflecting critically on the direction the ethical minerals agenda is taking in sub-Saharan Africa, and offers recommendations on how to recalibrate efforts to ensure that they better serve the needs of the region's poorest mine operators.

2. Maneuvering in the reformed mining economies of sub-Saharan Africa

It is instructive to first provide some level of detail about the locations in sub-Saharan Africa where ethical mineral schemes and standards are being piloted and implemented. As indicated, the countries where this work is being undertaken have experienced profound economic transformation in recent decades. Who are the poor miners in the region in need of assistance and who *should* be targeted by ethical mineral schemes and standards? This section of the paper identifies these individuals, and examines the circumstances that have contributed to their marginalization.

2.1. Circumnavigating mineralized landscapes

In addition to making sweeping changes under structural adjustment, most countries in sub-Saharan Africa have, in recent years, implemented major mining sector reforms (Campbell, 2012) aimed specifically at revitalizing defunct mineral exploration facilities and underperforming extraction projects (Otto et al., 2006). The World Bank has catalyzed this, providing counsel and lending to host governments: it contributed, during the period 1988–2012 alone, approximately US$1.4 billion to support mining sector reform.[2] Through a series of technical support loans which have emphasized the overhauling of laws, fiscal regimes and regulatory institutions, the Bank, alongside other donors, has changed the investment climate for mining in sub-Saharan Africa. By 1995, 35 of the region's countries had revised their mining codes (Campbell, 2010), many of which have since been further amended (Table 2), for the sole purpose of luring foreign investment.

There have certainly been considerable macroeconomic gains from mining sector reform observable across sub-Saharan Africa. By ushering in new policies and legislation, host governments have established more appealing economic climates; this has stimulated rapid investment in mineral exploration and extraction. World Bank officials

[1] In sub-Saharan Africa, the policy and development agenda for ASM is focused on formalization – bringing activities into the legal domain, where they are treated as any other small business. Experts have openly debated whether formalization is the ‘silver bullet’, capable of resolving problems associated with ASM. This includes the reviewer of this paper, who stated ‘The assumption which is implicit in this paragraph is that formalisation is the solution to the problems in the sector. This assumption is not valid - the legal/formal status of an activity is no guarantee that negotiations will be somehow more just or favorable to marginalized actors – what has been happening in the LSM sector for decades is testimony to that’. What the reviewer and countless others must recognize, however, are the many changes that would need to be made in order for governments to be in a realistic position to formalize: freeing up land, prospecting and identifying viable areas for people to work, simplifying licensing schemes, and encouraging support services for activities. Moreover, formalization would put regulators in an improved position to address more comprehensively the environmental, health and safety and social concerns which have long plagued the sector and have intensified due to its widespread illegality. In short, whilst formalization would not necessarily be a ‘cure all’ for the sector's problems, it would certainly put policymakers in an improved position to address a number of pressing concerns.

[2] ‘Mining: Sector Results Profile’, www.worldbank.org/en/results/2013/04/14/mining-results-profile (accessed 11 July 2014).