



Small-scale mining in Ghana: The government and the galamsey

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ABSTRACT

This paper argues that the current formalization system for small-scale gold miners in Ghana has been undermined and the small-scale mining laws no longer capture the reality of the sector's activities. The paper will examine the small-scale mining system and shows that registered and unregistered actors operate not only in parallel but are actually intertwined and highly dependent on one another. The paper shows that the perceived dichotomy of formal and informal actors in the sector does not actually exist. The sector has instead evolved into a highly intertwined group of semi-formal sectors operating with varying degrees of legal registrations. The paper concludes that political leniency and law enforcement corruption has resulted in a booming small-scale gold system under poor government control. The paper recommends that politicians move to enact reforms to regularize the small-scale mining sector and curtail ubiquitous environmental and occupational safety problems. Anti-corruption initiatives and law enforcement reforms are the most urgent. However, reforming the laws is also necessary to capture and regulate the technological innovations the sector is currently using.

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Introduction

Small-scale gold mining around the world is usually thought of as an informal activity (Hentschel et al., 2002). In many states, small-scale mining is illegal and dealing or exporting small-scale mined gold amounts to smuggling. However, in a growing number of states, recognition of small-scale mining's economic importance has resulting in attempts to bring small-scale miners into the formal sector (Dreschler, 2001; Hentschel et al., 2002; World Bank, 2008). The 1989 small-scale mining laws (Ghana Government, 1989a; 1989b; 1989c; 2006) sought to regularize and govern Ghana's small-scale operators. The laws were then revised under the 2006 Minerals and Mining Act (Ghana Government, 2006). However, Ghana's small-scale gold industry is no longer being captured within the framework of these laws. Actors are able to easily skirt regulations yet continuing to draw on the market framework and legitimacy the laws provide.

The purpose of this paper is to argue that the current formalization system for small-scale gold miners in Ghana has been undermined to the point where the small-scale mining laws no longer capture the reality of the sector's activities. To make this argument, the paper will examine the small-scale mining system and show that registered and unregistered actors operate not only in parallel but highly intertwined and highly dependent on one another. The paper will show that the perceived dichotomy of formal and informal actors in the sector does not actually exist. The sector has instead evolved into a highly intertwined group of "semi-formal" sectors operating with varying degrees of legal registrations as well as technological and market innovations of varying legal status. The paper concludes that political leniency and law enforcement corruption with respect to the enforcement of the small-scale mining laws has resulted in a booming small-scale gold system under poor government control.

This paper is organized as follows. First, the paper will provide a brief discussion of the important actors in Ghana's small-scale gold sector and show how the actions of the sector interact with one another in both formal and informal ways. Second, the paper will provide some possible explanations for why informal activities are able to persist. Finally, the paper will provide conclusions and recommendations to the Ghanaian government for formalizing the sector.

Evidence for this study was collected in Ghana's Western Region in the area surrounding the town of Tarkwa where

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countless registered and unregistered small-scale mining ventures are active.

The small-scale gold market: Who are the players?

In order to understand the nature of the sector it is important to understand who the players are in Ghana's small-scale mines, the small-scale gold market and how they interact with each other. The process of small-scale gold production begins with mine proprietors and their employees. Gold then changes hands through middle-men, private and state-owned gold dealers before it is finally exported to the international market. Appiah (1998) estimated that 200 thousand people were employed by the Ghana's small-scale mining sector; estimates now are as high as one million (United Nations Economic Commission for Africa, 2011). If we assume that a miner is supporting not only himself but also three to five other people,² it is easy to see how economically important the sector has become to rural Ghanaians.

The 1989 laws established a supply chain of registered actors though the market (Ghana Government, 1989a; 1989b; 1989c; 2006). However, Ghana's small-scale gold mining and gold market has become populated by more unregistered market actors than registered ones as actors skirt legislation and fill market gaps. Gold moves between registered and unregistered actors with ease (Levin and Gberie, 2006; Portes et al., 1989). Fig. 1 shows the interactions between these actors and shows some of the potential paths for the gold product's migration between legal and illegal actors. In reality though, registered and unregistered actors in each phase of the gold mining and marketing process share more similarities in their operations than differences and the supposed formal and informal supply chains are actually one highly intertwined "semi-formal" supply chain. To put it another way, legal and illegal actors must not be equated with formal and informal economic actions.

Small-scale miners and the *galamsey*

There are two legally distinct types of small-scale gold mines in Ghana. Since there is a formalized process for mining gold on the small-scale, there are legally recognized small-scale mines. Small-scale mining permits can be acquired for a parcel of land by Ghanaian citizens who are over 18 years old (Ghana Government 1989a). Although the process is available, roughly 85% of Ghana's small-scale mines do not register for these permits (Hilson and Potter, 2003). By local convention, registered "legal" mines are commonly referred to as "small-scale mines" and the unregistered are called "galamsey" mines. However the different terms and legal distinction suggest a dichotomy of activities where no such dichotomy exists. In reality, "small-scale" mines and "galamsey" mines are indistinguishable in the operation. Therefore, many Ghanaians and some scholars choose to use the term "galamsey" as a catch-all for any Ghanaian small-scale miner or mining venture. This study uses the term "small-scale mine" to refer to both types of operations.

The process of formally registering a mine is reported to be cumbersome and highly inefficient which strongly discourages miners from registering. Miners have reported that fees were unreasonable and the paperwork excessive. One report cited that 10 identical forms needed to be completed by the applicant — a

process which is especially cumbersome because applicants are often illiterate (Ghana Government 1989a; Hilson and Potter, 2003).

Complicated registration processes are annoying, but not the primary disincentive from registering. The fact that state allows the unregistered *galamsey* to benefit from the framework of the gold market including competitive prices for their product and access to production inputs means that *galamsey* receive most of the benefits of registration without incurring the costs and annoyances. The simple fact that a registered small-scale mine and a *galamsey* mine are indistinguishable without examining each operations registration paperwork (or lack thereof) means that *galamsey* mines can appear legitimate. Meanwhile, the legitimacy of registered mines is called into question. Every miner in the Tarkwa area will tell you that he works at a "small-scale mine" implying that it is registered and that his practices are entirely legal. Likewise, a small-scale miner who is actually registered will boast a similar level of legality despite the fact that a brief tour of the mine would turn up countless examples of legal violations and informal activities commonly associated with the unregistered *galamsey*.

The unregistered *galamsey* can also easily take advantage of the availability of mining inputs such as mercury and machinery made available by the laws to support the registered few. The Chinese run Chang Fa small engine depot in Tarkwa imports diesel powered rock crushing machines and water pumps designed specifically for small-scale mining applications. Salesmen at Chang Fa reported that they are certain that they make the majority of their sales to the *galamsey*, not registered miners. However, no registration paperwork is required to purchase these machines and therefore there is no way for Chang Fa to tell the difference between the two. The sale and transportation of small-scale mining machinery by the *galamsey* is not questioned by law enforcement either because of the limited presence of the registered small-scale sector and the resulting legitimacy of the small-scale mining equipment depot.

A similar phenomenon was observed with the use of mercury. Miners use mercury to separate gold from wastes in the final steps of sluicing and panning. Registered small-scale miners are permitted to purchase mercury in quantities "shown to be necessary for the purposes of their mining operations" and the law further mandates that miners adopt "good mining practices in the use of mercury" (Ghana Government 1989c). Unregistered miners are technically not allowed to possess mercury because of the health and environmental risks associated with the substance (Babut et al., 2003). However, it is abundantly clear that the use of mercury is not limited to the registered few. Small-scale and *galamsey* miners alike take their ores to common sluicing stations where mercury is used liberally. Government-facilitated, inexpensive mercury can be seen in a silvery sludge all over the ground and in puddles of standing water at sluicing sites. The state does not enforce the Mercury Law so nearly everyone has access to this dangerous input. By providing inexpensive, unchecked access to mercury, the law has resulted in the noncompliance of environmental laws by both registered and unregistered miners. Highly mercury contaminated air, water and soil is a sad reality throughout Tarkwa and other small-scale mining towns (Hinton et al., 2003; Hentschel et al., 2002; Hilson 2002a; Babut et al., 2003).

Galamsey often operate on mining property registered to another entity (such as another small-scale operator or a large-scale company). Registered small-scale miners have registered their plot and are therefore able to demand some legal rights that come from the registration process. Mineral rights in Ghana are vested in the state by the constitution. However, a registered small-scale miner is legally entitled to exclusive mineral extraction rights from his lease and the right to transfer the lease to a potential buyer (Ghana Government 1960; 1986; 1989a; 2006).

² A conservative value in a society where one man may financially provide for multiple wives, children, parents and sometimes his wives' relatives.

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