NALULE ENERGY & MINERALS CONSULTANTS

UNDERSTANDING LINKAGES IN THE EXTRACTIVE INDUSTRIES

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1. INTRODUCTION

The extractive industries (oil, gas and mining) are associated with various advantages as a result of the linkages in these sectors. For instance, the presence of Large Scale-Mining (LSM) companies in different mining communities is prima facie associated with increased public investment in social and economic infrastructure including transport systems, healthcare and educational facilities. In this respect, investments in the extractives sector do create economically viable linkages. To ensure that the host communities benefit from such investments, governments have embraced various strategies and policies, including local content policies, corporate social responsibility (CSR), and local processing standards. Nevertheless, most mining communities remain under-developed with poor infrastructure networks. This is mainly due to the inadequate laws and most importantly lack of implementing mechanism to ensure that these countries benefit from the economic and fiscal linkages that accrue from these sectors. Consequently, local mining communities have mostly suffered the negative impacts associated with extractives including pollution, gas faring, oil spills and all other effects connected with a 'resource curse'.

2. TYPES OF LINKAGES

In the table below, I highlight some of the key linkages in the extractive industries.

Table 1.1 The different types of linkages in the extractive industries.

Economic Linkages	**Details**
Fiscal linkages	These deal with payments and taxes. In the extractive industries, these are intended to enable the state to maximise economic returns. They include, among others, cost recovery provisions; mining royalties; oil production sharing; fiscal pricing; service contracts and bonus payments.
Production linkages	These include: Backward (or upstream) linkages and Forward (or downstream) linkages.

Some of the linkages stated in Table 1.1 positively and directly impact host communities. For instance, backward linkages involve not only employment opportunities but also the supply of goods, services and security. On the one hand, the enforcement of local content policies in different countries is, in principle, aimed at achieving the backward/upstream linkages. On the other hand, forward/ downstream linkages are focused on adding value to the commodities extracted. The establishment of infrastructure such as refineries is key in achieving forward linkages. Nevertheless, although the African continent is home to massive oil and mining resources, it has the fewest refineries; hence limiting the benefits that accrue from forward linkages including job creation. Forward linkages are therefore focused on beneficiation or value addition which can lead to tax and export earnings. Some resource-rich African countries such as Botswana have benefited from both the forward and backward linkages. Specifically, the establishment of Debswana Diamond Company enabled De Beers' sales and sorting operations to move from London to Botswana.

Besides the production linkages, other benefits that accrue from the extractive industries' activities include the establishment of developmental infrastructure such as roads, healthcare services, and water facilities. These are sometimes referred to as Side-stream linkages. Additionally, besides technology transfer, extractive industries' activities also are associated with skills development which can easily be transferred to other non-extractive industries sectors. Furthermore, with increased earnings, consumption linkages are realised.

3. PRESENCE OF EXTRACTIVE COMPANIES & WAYFORWARD

The presence of many extractive companies is associated with the realisation of various economic linkages. Table 1.2 highlights some of the LSM companies operating in different African countries.

Table 1.2 Large-scale Mining Companies Operating in African Countries

Mineral	Company	Country
Gold	AngloGold Ashanti Limited; Gold Fields Limited	South Africa
	Kefi Gold and Copper; Newmont	Ethiopia
	Acacia Mining Tanzania	Tanzania
	Orca Gold Inc	Sudan
Diamonds	De Beers	Namibia; South Africa
	Namdeb – a partnership between De Beers and the Republic of Namibia.	Namibia
	Debswana Diamond Mining Company – a partnership between the Botswana government and De Beers.	Botswana
	Lucapa Diamond Company	Angola

Some of the companies listed in Table 1.2 above have been in existence since the colonial era. For instance, Gold Fields Limited is one of the oldest gold mining companies with an operation history dating as far back as 1887, when Cecil John Rhodes and Charles Rudd founded Gold Fields of South Africa. The company's modern incarnation came to be with the 1998 Gold Fields of South Africa/Gencor merger. Briefly known as Goldco, this new entity was subsequently renamed Gold Fields Limited. In 1888, De Beers established the first diamond mine in South Africa. In 1905, the world's largest diamond, the 3,016.75 carat Cullinan, was discovered in South Africa. Whereas mining started in South Africa during the colonial era, diamond mining in Botswana started in 1967 after the country gained independence from

Britain. Botswana is home to some well-established mines including Jwaneng, Karowe and Letlhakane. Ownership and control of minerals dictates the licensing regime and operation of the different mining companies.

Moving forward, we note that countries such as Botswana and Namibia have significantly benefited from both the forward and backward linkages in the mining sector. How can other African countries such as Uganda learn from these countries' experience? The obvious answer is to ensure more investment in key infrastructure such as refineries. Refineries are essential to ensure that the country benefits from forward linkages- which are focused on beneficiation or value addition which can lead to tax and export earnings. Additionally, the implementation of the various local content provisions is key in ensuring backward linkages.

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ABOUT DR VICTORIA R NALULE

Victoria is a lawyer and an Energy and Mining expert, with extensive experience working on various projects in the different parts of the Globe. She is a holder of a PhD in International Energy Law and Policy (Dundee). Victoria is the Founder and Executive Director of the African Energy and Minerals Management Initiative. She is the CEO and lead consultant at Nalule Energy & Minerals Consultants (NEM- www.nemenergyco.com).

She is an Energy Arbitrator at the Energy Disputes Arbitration Center (EDAC), Turkey. She is also a Senior Research Fellow in Mining Law & Governance at the Institute for Oil, Gas, Energy, Environment and Sustainability Development (OGEES). She is a committee member at the International Law Association (ILA): and at Access for Women in Energy-an international NGO.

Victoria is an author and has widely published on topics relating to oil, gas, renewable energy, climate change, mining and International Arbitration. Her latest five books covering energy, mining, land access and Extractives, energy arbitration, and negotiation in Extractives.

Victoria offers extensive experience in the Energy and Mining sectors having worked with various institutions; regional and international organizations including assignments for The Queen Mary University of London (EU Energy Project); The International Energy Charter Secretariat in Belgium; The Columbia Center on Sustainable Investment in New York; the East African Community Secretariat in Tanzania; the University of Dundee; the Southern African Development Community Secretariat in Botswana; International Arbitration Case Law in New York; Institute of Petroleum Studies; Uganda Christian University; Journal of Mines, Metals and Fuels (Editorial Board Member); She has also worked with both the private and public legal sectors of Uganda including Kakuru & Co. Advocates and the Anti-Corruption Court.

She has presented as a speaker and panellist in several forums and conferences. She has also advised African governments on oil, gas and mining projects including appearing as an expert witness before the Commission of Inquiry into Land matters in Uganda; presenting comments on the South African Petroleum Bill before the country's Policy Makers; leading a team of energy experts in reviewing Energy/Mining laws and policies for countries such as Namibia, Ethiopia, Uganda etc. Victoria has an active YouTube Channel and Podcast both focused on energy and mining discussions. She is one of the few people who got her PhD in less than 3 years below the age of 30 years. For more, visit www.victorianalule.com.

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