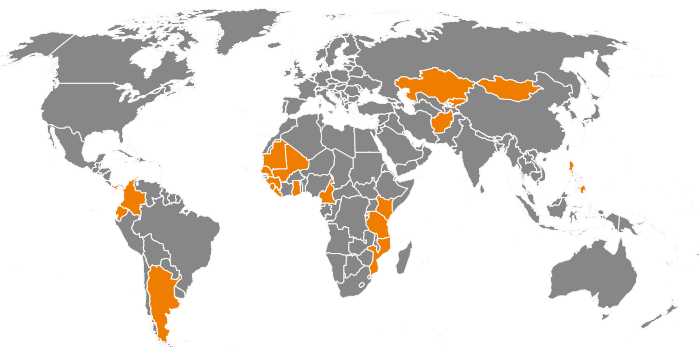


Supporting governments to realise their resource potential through better deals

Overview

The CONNEX initiative supports governments of emerging economies in the negotiation of large-scale investment contracts that future generations can be proud of. Initially focused on the extractive sector, CONNEX also provides negotiation support to governments in infrastructure and renewable energy.

Spurred on by African leaders such as Liberian President Ellen Johnson-Sirleaf, the G7 established CONNEX in 2014, with the establishment of the CONNEX Secretariat in 2017 through German government funding as a major step in its operationalisation. Since then, CONNEX's support has assisted 23 partner governments in 36 contract negotiations, across Africa, Central Asia, the Caribbean and Latin America, strengthening domestic resource mobilisation and promoting sustainable investments.



Since 2017, CONNEX has assisted 23 governments in 36 projects across three continents.

Rationale and Value Add

With its mission of empowering governments to negotiate better investment contracts, CONNEX's aim is to address knowledge and capacity gaps that often put governments of emerging resource and energy-rich countries at a significant disadvantage in state-investor negotiations.

In almost all of these economies, the extractive, energy and infrastructure sectors are important drivers for the country's economic development. Furthermore, the sustainable development of these industries plays a critical role for countries achieving their energy transition targets. Well-negotiated investment contracts are crucial to ensuring countries and their citizens socio-economic benefits in the short and long-term.

Better negotiated contracts not only encourage steady supply of and investment in minerals critical for the transition to a greener economy worldwide but promote responsible supply chains and supply security in various industries as well as local value creation. Investment contracts grounded in social and environmental standards can address issues such as energy poverty and security as well as lack of accessibility and traffic congestion. In addition, these contracts mobilise domestic resources and revenue and promote sustainable growth in the respective sectors (mining, renewable energy, infrastructure), enabling positive knock-on effects in other emerging economies. Finally, contracts that have been negotiated well from both sides – on an equal footing – act as an indirect insurance policy for both parties. Contracts which overly favor investors are often prone to renegotiation and potentially to arbitration.



“ CONNEX has recently supported negotiations that have already led to additional revenues of millions of euros that Liberia can commit to financing development and the achievement of the SDGs.

Ellen Johnson Sirleaf,
Former Liberian President

CONNEX's Offer

To enable governments to negotiate on an equal footing, CONNEX provides short-term, independent, multidisciplinary experts to partner countries on demand. These experts support local negotiation teams in the preparation of and during negotiations of a single, well-defined project. Advisory support is tailored to the specific needs of the partner country and the project can include strategic, legal, financial, environmental, social, and geological/technical assistance. CONNEX covers all costs related to the advisory support.

As an example, CONNEX supported the Government of Liberia in 2019 with legal and fiscal-strategic advice to support the renegotiation of an advance pricing agreement for an iron-ore mine. The financial expert assisted the Liberian Revenue Authority in reviewing certain financial assumptions to verify the potential for renegotiation. The legal expert provided support in the preparing for, as well as during, the four rounds of subsequent negotiations (for more information see [Liberia Impact Story](#)).

In Colombia, CONNEX provided geological, environmental and mining expertise to the provincial government of Antioquia in the evaluation around the licensing of a large-scale copper-gold mine. The support led to better decision making regarding potential renewable energy sources to operate the mine, as well as how to engage with surrounding communities. It also resulted in the government requesting missing environmental information from the company (for more information see [Colombia Impact Story](#)).

Another example showcases CONNEX provision of technical, legal and strategic support to the provincial government of Catamarca in Argentina to assess the closure plan submitted by the company and negotiations of financial guarantees for the closure of the country's biggest copper mine to date Bajo de Alumbreira. Gaps and missing information were identified, and an appropriate financial guarantee was negotiated to cover closure activities (for more information see [Argentina Impact Story](#)).

Some examples of our assistance include:



GEOLOGICAL / TECHNICAL

- » Assessing and analysing of geological data for a mining or (energy-) infrastructure site;
- » Valuing a mining project's reserves, including comparing existing estimations with international standards;
- » Evaluating the feasibility of a given project from an engineering perspective



FINANCIAL

- » Providing advice on critical issues in financial models, allowing for own simulations of various scenarios.



STRATEGIC

- » Strategic advice during the preparation and implementation phases of negotiations;
- » Provision of lessons learned and insights from other large-scale projects



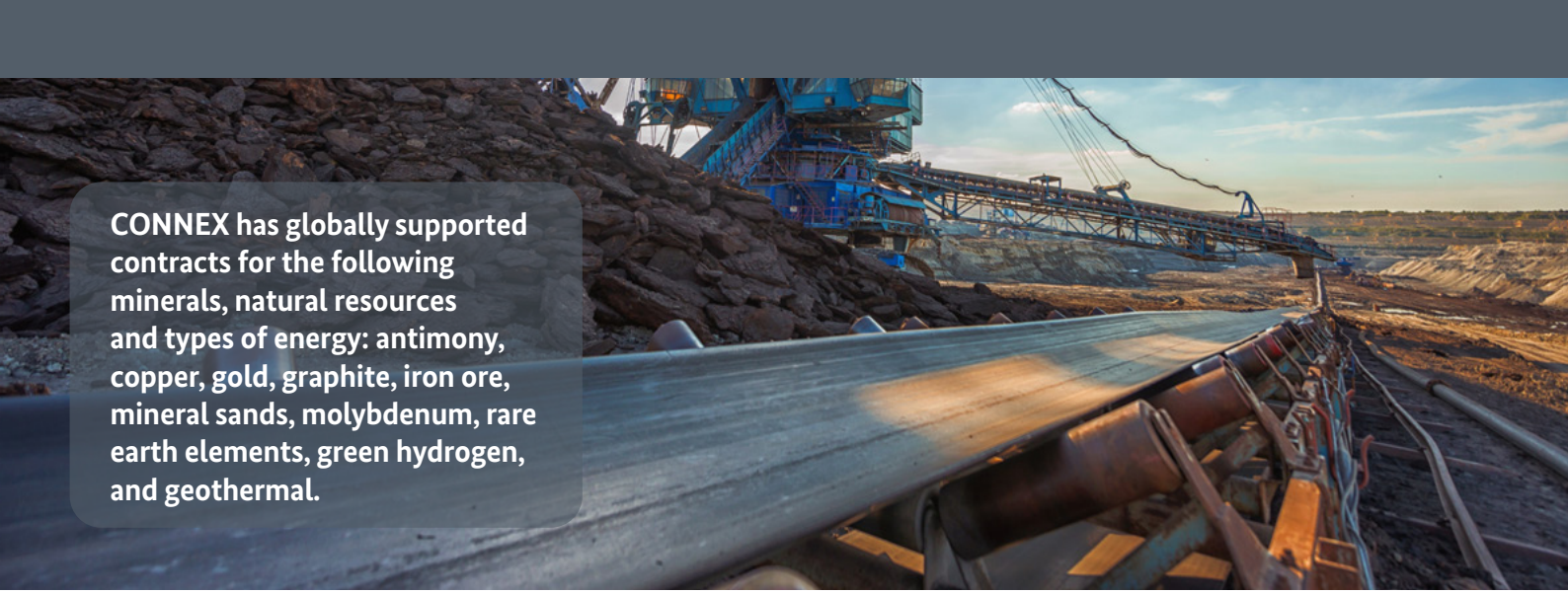
LEGAL

- » Legal navigation on specific legal issues and/or on contract drafting



ENVIRONMENTAL AND SOCIAL

- » Inclusion of international best practice and international standards (i.e. sustainability, human rights, environmental and social standards)
- » Advice on sustainable mine closure practices



CONNEX has globally supported contracts for the following minerals, natural resources and types of energy: antimony, copper, gold, graphite, iron ore, mineral sands, molybdenum, rare earth elements, green hydrogen, and geothermal.

Achievements

CONNEX has grown into an established and recognised service provider among developing countries as well as development partners, noting its short-term and practical impact. GIZ GmbH manages the Unit as part of Germany's development cooperation.

“ You have someone in your corner that provides the capacity or the information that you may not ordinarily have. CONNEX comes in and gives you advice on how to de-risk, also balance between public and private perspectives.

Dennis Gatera (Head of Transactions Team, Rwanda Development Board, CONNEX High Level Forum 2022).

Partners

To meet this growing demand, CONNEX is evolving into a multi-donor initiative.

Germany, as CONNEX's initial backer, has committed additional funding up to 2024. The European Union's commitment as a second financial partner in October 2020 and then again in late 2023 is a welcome step in achieving financial sustainability.

CONNEX avails itself of a global first-rate network of experts and works closely with the International Senior Lawyers Project (ISLP) and the Intergovernmental Forum on Mining, Minerals, Metals and Sustainable Development (IGF).

CONNEX's unique approach of providing tailored, rapid and time-bound support complements existing assistance and advisory activities. The Covid-19 pandemic and the war in the Ukraine has placed governments under significant pressure to stem revenue losses and CONNEX-facilitated support helps countries better capitalise on their extractive resources and energy potential to the benefit of their citizens, now and into the future.

Other examples of CONNEX's support:



SENEGAL

CONNEX assisted the Government with the (re-)negotiation of agreements for two existing gold mines, leading to additional revenues, avoiding costly arbitration and building capacity along the way.



RWANDA

CONNEX experts provided a detailed overview of the potential debt burden of a large infrastructure project helping the Government to make a distinct decision on whether and if so, how to move forward with the project.



MONGOLIA

CONNEX provided financial modelling experts through the International Senior Lawyers Project (ISLP) that questioned and countered the financial model created by the private sector company. In addition, tax and legal experts have been engaged to better understand the contract's implications regarding Base Erosion and Profit Shifting (BEPS) and the 15% global tax.



“

It reminded us of what international cooperation should be like. It was not a soft project, with no definable results. It was like, here is a problem and let's tackle it together.

Santiago Perez Ospina,
Director of Mining for Antioquia

Working with CONNEX

ELIGIBILITY

CONNEX's advisory services are open to governments of developing countries and economies in transition which are seeking support in negotiating or renegotiating large-scale, complex investment contracts in mining, mining-led infrastructure and renewable energy.

Advisory services can be requested during the pre-negotiation phase and during negotiations themselves. The Secretariat assists interested parties to verify eligibility.

Government ministries or authorities responsible for the negotiation of large-scale commercial contracts or investment agreements send an initial email to CONNEX. The Unit then begins a dialogue with the authorities to better understand the government's needs.

SUBMISSION OF FORMAL REQUEST

The official process starts with the submission of a formal letter (via email) from the requesting government and should include background information on the project, the specific services needed and a timeline for the support.

For questions, please contact the CONNEX Support Unit Secretariat: support@connex-unit.org

Since 2017, CONNEX has sourced
over 4,500 expert days
to partner governments in its
23-country portfolio.

ASSESSMENT

Each request is carefully assessed through due diligence procedures that assess potential human rights, environmental, legal and other risks. Engagement with other international partners working with the partner country is considered to identify potential synergies.

After the successful completion of the assessment, an official approval letter is sent to the requesting government. CONNEX then works with the government to identify the expertise needed which will best meet the government's advisory requirements.

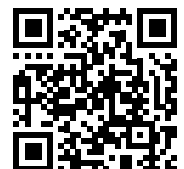


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