



# CONNEX: Supporting governments to realize their resource potential through better deals

## Overview

The G7 CONNEX Initiative supports governments of emerging economies in the negotiation of large-scale commercial contracts with international investors, principally in the extractives sector. Established at the 2014 G7 summit in Brussels, CONNEX became operational in 2017 with German government funding.

Since then, CONNEX's support has assisted partner countries with contract negotiations, strengthening domestic resource mobilization and promoting sustainable investments. Initially focused on the extractives sector, CONNEX has also provided support in negotiations linked to mining-related infrastructure and renewable energy projects.

## Rationale and Value Add

CONNEX's aim is to address knowledge and capacity gaps that often put governments of emerging resource-rich economies at a



*Since 2017, CONNEX has assisted 16 governments across three continents.*

significant disadvantage in state-investor negotiations.

In almost all of these economies, the extractives sector is an important driver for the country's economic development. Well negotiated investment contracts are crucial to ensuring countries and their citizens benefit from resource wealth. Balanced terms and conditions enable governments to generate additional revenue while providing a sound basis for important social and environmental safeguards.

The conclusion of contracts helps to ensure a steady supply of critical raw materials, many of which are needed to secure a more sustainable energy transition. In addition, these contracts mobilize domestic resources, enabling positive knock-on effects in resource-rich countries. Finally, contracts that have been negotiated well from both sides - eyes wide open - act as an indirect insurance policy. Contracts which overly favour investors are at risk of renegotiation and potentially to arbitration.

## CONNEX's Offer

To enable governments to negotiate on an equal footing, the CONNEX Support Unit makes on a short-term basis, independent, multidisciplinary experts available 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 and can include strategic, legal, financial, environmental and geological support. All costs related to the advisory support are covered by CONNEX.

Some examples of our assistance include:

#### Geological

- Assessing and analysing of geological data for a mining site;
- Valuing a mining project’s reserves, including comparing existing estimations with international standards;

#### Financial

- Assessing an investor’s financial models;
- Providing advice on critical financial issues in current financial model, allowing for own simulations of various scenarios.

Liberia	CONNEX supported the renegotiation of an advance pricing agreement for an iron-ore mine translated into a potential increase of future royalty revenues of up to 24%, or \$17 million USD.
Argentina	CONNEX supported the Provincial Government of Catamarca in the country’s first experience in negotiating terms and conditions for the closure of a large-scale mine.
Afghanistan	CONNEX supported the Government in preparing and implementing the tender process for a large-scale hydropower project in line with international standards.

A brief overview of CONNEX-facilitated support in Afghanistan, Argentina and Liberia.

*“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*

#### Cross-cutting expertise

- Strategic advice during the preparation and implementation phases of negotiations;
- Provision of lessons learned and insights from other large-scale projects (international best practice and international standards).

Other expertise includes legal, community development and environmental issues.

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.

#### Achievements

The CONNEX Support Unit has grown into an established and recognised service provider among 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.



*"The idea is very simple – leveling the playing field for governments of resource rich countries vis-à-vis investors, supporting governments in the negotiation process through independent advisors."*

*Günter Nooke, German Chancellor's Personal Representative to Africa*

To date, CONNEX has successfully provided support services to 16 governments across Sub-Saharan Africa, Central Asia and Latin America.

The demand for CONNEX support is steadily growing. In 2020 – despite the Covid-19 pandemic – eight partner governments reached out to the Support Unit requesting assistance. On-going support activities cover nine countries across three continents.

## Partners

To meet this growing demand, CONNEX is evolving into a multi-donor initiative. Germany, as CONNEX's initial backer, has committed additional funding to 2024. The European Union's commitment as a second financial partner in October 2020 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), the Intergovernmental Forum on Mining, Minerals, Metals and Sustainable Development (IGF), the Columbia Center on Sustainable Investment (CCSI) and the Natural Resource Governance Institute (NRGI).

CONNEX's unique approach of providing tailored, rapid and time-bound support complements existing assistance and advisory activities.

The Covid-19 pandemic has placed governments under significant pressure to stem revenue losses and CONNEX-facilitated support helps countries better capitalise on their extractive resources to the benefit of their citizens, now and into the future.

## CONNEX's Structure

Governing Board	<ul style="list-style-type: none"><li>• Mr. Günter NOOKE, the German Chancellor's Personal Representative to Africa</li><li>• Dr. Soren DENGGE, Director, Energy, Infrastructure, Raw Materials and Hydrogen, German Ministry for Development Cooperation</li></ul>
Advisory Committee	Senior leaders from the mining, legal and finance sectors, academic institutes and civil society provide strategic advice and counsel to the Secretariat and the Board.
Secretariat	The small team works with experts, advises on the process and administers the expert assistance for recipient countries.

## **CONNEX has supported contracts for the following minerals:**

**Gold/copper** (Afghanistan, Argentina, Colombia, Ecuador, Ghana, Mongolia), **lithium** (Argentina), **rare earth** (confidential basis), **graphite** (Mozambique), **antimony** (confidential basis), **molybdenum** (Argentina), **mineral sands** (Kenya, Sierra Leone), and **iron ore** (Cameroon, Liberia).

**Since September 2017, CONNEX has sourced over 2,050 expert days in its 16-country portfolio.**

*"Governments hold important cards in their hands. We may be at the beginning of a new commodity boom, and international investors are seeking investment opportunities in their international competition with each other."*

*Karl P. Sauvant, Co-Chair, CONNEX Advisory Committee*

## **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 all phases of the negotiation process, including pre- and post-negotiation. 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.

### *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 experts who will best meet the government's advisory requirements.

*For questions, please contact Richard Dion, Partner Outreach of the CONNEX Support Unit Secretariat: [dion@connex-unit.org](mailto:dion@connex-unit.org)*

