Within the context of the 2030 Agenda and the Sustainable Development Goals, foreign direct investment (FDI) is crucial for sustainable development, especially in developing countries and economies in transition. FDI can bring a wide range of benefits for countries beyond simple revenue generation. Other benefits include the creation of employment and the transfer of technology, as well as the creation of local businesses that feed into the supply chain of the investor.

Investment into the natural resource sector has the potential to drive economic growth and development for many developing countries and economies in transition. For many countries, the mining sector often serves as the most viable means of generating revenue for the national budget, along with the potential to drive economic growth and development. The importance of the mining sector to these countries calls for a concerted effort to ensure that mining projects deliver on the promised benefits of FDI in addition to unlocking the revenue potentials needed to achieve the Sustainable Development Goals.

To ensure this happens, it all starts with the contracting process. It is during the contracting process that the terms of the complex relationship between host governments and mining companies are negotiated and agreed upon.

UNCTAD estimates that current Goals-related investments in developing countries by the public and private sector combined are in the order of $1.4 trillion, and total annual investment needs to accomplish the Goals by 2030 are around $3.9 trillion. This leaves an annual gap of $2.5 trillion.

Foreign direct investment is the largest source of external finance for developing countries. It is also a significant source of finance in the least developed countries, along with official development assistance and remittances. Potential benefits of foreign direct investment include the creation of higher skilled jobs, the introduction of technology and innovation and improved access to international markets.

HOW TO REQUEST SUPPORT
Representatives of governments of developing countries or economies in transition that are facing an ongoing or upcoming negotiation can send an email to support@connex-unit.org to request support. Any points of clarification or questions regarding eligibility can also be addressed to the same email address.
HOW CONNEX SUPPORTS

The CONNEX Support Unit provides demand-driven and targeted but comprehensive assistance in negotiating or renegotiating large-scale contracts in the extractive sector.

» The range of expertise needed to negotiate mining contracts is diverse. CONNEX provides teams of multi-disciplinary experts to support governments in contract negotiations.

» As the scope of support required may not be clear at the beginning, CONNEX support is flexible and responsive to the changing negotiation context. Governments do not need to know the full scope of the required support when they request assistance from CONNEX.

» Since each project is very different, support is tailored-made to each particular negotiation context.

CONNEX support typically takes two forms: pre-negotiation support and direct negotiation support.

PRE-NEGOTIATION SUPPORT

Whether a mining company has approached the host government or the government is initiating the process itself, CONNEX can provide support to the pre-negotiation process. The pre-negotiation stage is just as important as the actual negotiation. This is when the host government gathers as much information as possible about the project and identifies its negotiating position. The government wants to know the value of the resources by evaluating geological data and reviewing feasibility studies. It also wants to understand the economic importance of the project and understand the social and environmental impacts of the development of the project.

Any expertise that helps the government adequately prepare for the negotiation of the project at hand is available to requesting governments at this stage. For example, CONNEX experts can advise the government on the optimal structure of its negotiating team. An industry-specific expert can support the government in understanding global market trends in the sector, commodity pricing trends, and the current market conditions for the mineral under consideration—allowing the government to make key decisions about the investment. A social specialist and an environmental engineer can assist in reviewing the Environmental and Social Impact Assessment, in order to assess crucial information on potential adverse impacts of the project on the environment, human health, and social dimensions.

DIRECT NEGOTIATION SUPPORT

CONNEX support to host governments can continue or begin during negotiation rounds with the investor. Each negotiation context is unique, and CONNEX is agile and responsive in tailoring support delivery—in close consultation with the requesting government.

HOW CONNEX EXPERTS WORK

"The job of an advisor is not to tell a host government what it should do, but to work with government officials to find ways to accomplish what they want. That often involves coming up with alternative approaches and working through, with client officials, the advantages and disadvantages of each. The decision, of course, can only be made by officials.

Professor Lou T. Wells, Member, CONNEX Support Unit Advisory Committee.

For example, a geologist can join the multi-disciplinary team to support the government in understanding the value of the mineral the company has discovered—and gauge how much effort will go into extracting it. A financial expert may provide invaluable insight on fiscal issues to allow the government make decisions regarding revenue streams. An environmental and social specialist can support the government in making sure that adverse effects are minimized, that environmental standards are binding, and that the projects conformity to required standards becomes part of the contractual agreement. Lawyers join these experts to draft the contracts.

These experts and more are available to requesting governments while they negotiate with mining companies.
SUPPORT TO INTERNATIONAL TENDER PROCESSES

For countries that award licenses through competitive bidding or tender processes, CONNEX is able to provide support in preparing and managing the process. Just like other licensing processes, information is key. The government needs to have enough understanding of the geology of the project it seeks to put up for tender, as well as the market conditions for the mineral. The bid documents must be well prepared and comprehensive. These documents provide the required information about the project and set out the preconditions and parameters for investment. Multi-disciplinary expertise is required to ensure that the process is well run and that the resulting agreement between the investor and the host government addresses the interests of all stakeholders.

HIGHLIGHTS AND RECENT ACHIEVEMENTS

Since beginning operations in 2017, the CONNEX Support Unit has implemented support activities in several African and

“...We appreciate how responsive CONNEX was to our request for support. The CONNEX Secretariat worked with us in defining the right expertise required for the negotiation. The independent and highly qualified experts supported us in preparing for the negotiation and during negotiation rounds. We had access to the right experts at the right time, even when the scope needed to be extended during negotiations."

Professor Fabien Nkot, Coordinator of the Permanent Secretariat of the Strategic Council for Negotiations and Implementation of Mining Contracts, Republic of Cameroon.

SUPPORTING SUSTAINABLE INVESTMENT WITH AN EYE TO THE FUTURE

Experience so far has provided evidence for the significance, relevance, and the value addition of CONNEX support, as well as the unique approach CONNEX takes in providing support and implementing support activities.

Given the importance of FDI to achieving the sustainable development goals, the global demand for resources, and the importance of the extractive sector for many developing countries and economies in transition, request for multi-disciplinary assistance in this context can only increase. The CONNEX Support Unit is ready and well equipped to assist countries in making mining projects support sustainable development and inclusive growth.

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