

PROMOTING DEVELOPMENT THROUGH CONTRACT NEGOTIATION SUPPORT



Durable investment agreements in the extractive sector have long-lasting effects on the development potentials of partner countries. Not only can they reflect the development efforts and priorities of the host government; they can also contribute substantially to their achievement and help provide the financial resources required to finance the progress on reaching the Sustainable Development Goals (SDGs).

The CONNEX Support Unit, with its focus on multidisciplinary support to governments of partner countries when they negotiate with mining investors, places development, in its multiple facets, at the core of its support activities.

Private Sector Development

A key condition for private sector development is stability. In the mining sector, where projects typically last for decades, stability is best achieved with contracts that adjust government take from mineral projects to market prices and nature of mineral discoveries. Such stable contracts do not lead to attempts by government to renegotiate when, for instance, the price of commodities incre-

ase. With the rise of investor-state dispute settlement (ISDS) systems over the past decade, attempts to renegotiate can be very expensive for governments and can result in costly arbitrations. Besides, stable contracts that cater to the interests of different stakeholders, including local communities, help forestall social unrest, helping to make a country more attractive for foreign direct investment. Getting the terms of the contract right from the beginning therefore becomes even more important. That is achieved by a well-prepared government negotiation team.



Social and Economic Development

The link of stable mining agreements to economic development is quite clear: stable contracts contribute to government budgets – revenues that can be used to finance public spending in sectors such as health, education, infrastructure and other development goals. However, mining can contribute much more than that. With a strong negotiation team, governments can also ensure that mining projects have linkages to the country's social and economic development priorities. Mining can then act as economic multipliers in the communities where they are located, catalysing development in local communities through the creation of new local business as well as through knowledge and technology transfer.





Environmental Sustainability

Mining does have a strong impact on the environment and can trigger adverse environmental effects. Therefore, environmental and social impact assessments are essential – as well as the host government's ability to assess the mitigating measures proposed by the investors. Mine closure and rehabilitation of mine sites also have to be carefully considered and negotiated with investors on an equal footing. This is especially important in the context of international climate policy agendas. Mining sites can birth eco-parks – and they indeed have in some contexts. The government however needs to have the right negotiation team to carefully negotiate their terms with the investor.

Fighting Corruption and Creating a More Transparent Sector

The economic importance of the extractive sector means that contract negotiations are sometimes highly sensitive political issues, often accompanied by significant risk of corruption. Even the best-intentioned government can find itself battling with entrenched interests. However, the ability to call in a professional and disinterested party to support in negotiating mining contracts can be a way to help hold these interests at bay. Support in contract negotiation thereby complements other international initiative working on combating corrupting in the extractive sector, such as the Extractive Industries Transparency Initiative (EITI).

Preparing for the Future: Supporting the Global Energy Transition

To stave off the worst effects of climate change, an unprecedented growth of mining activity is required. Wind turbines and electric vehicles need copper and other metals. Storage, which

is critical to addressing short-term fluctuations in demand and supply, also requires minerals: global demand for lithium alone is projected to grow by up to 965% by 2050. Much of these strategic minerals are found in countries that are not used to negotiating the terms of large-scale investment projects. Having support to negotiate the terms of their extraction can assist the government to ensure that the minerals will contribute to the development of the countries, and that they will be mined responsibly.



“The Advisor shall give special attention to the economic, social, environmental and cultural implications of the planned investment and support transparency and accountability in the process.”

Excerpt from the CONNEX Code of Conduct

Imprint

This publication was produced with the financial support of the European Union and the German Federal Ministry for Economic Cooperation and Development. Its contents are the sole responsibility of GIZ and do not necessarily reflect the views of the EU or the Federal Ministry for Economic Cooperation and Development.

Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH

Registered offices: Bonn and Eschborn, Germany
Friedrich-Ebert-Allee 36 + 40, 53113 Bonn, Germany
T +49 228 44 60-0, F +49 228 44 60-17 66
Dag-Hammarskjöld-Weg 1 – 5, 65760 Eschborn, Germany, T +49 61 96 79-0
F +49 61 96 79-11 15, E info@giz.de, I www.giz.de

Programme / Contact: CONNEX Support Unit Secretariat, Potsdamer Platz 10
10785 Berlin, Germany, E support@connex-unit.org, I www.connex-unit.org

Design: creative republic, Frankfurt, Germany

Image source: © Page 1: shutterstock, Page 2: Connex & shutterstock



Co-funded by the European Union



Implemented by



Deutsche Gesellschaft
für Internationale
Zusammenarbeit (GIZ) GmbH