

## **CONNEX Guiding Principles towards Sustainable Development**

The G7 Initiative on “Strengthening Assistance for Complex Contract Negotiations (CONNEX),” launched at the G7 Brussels Summit in 2014, aims to provide developing country partners with multi-disciplinary and concrete expertise for negotiating complex commercial contracts, with an initial focus on the extractives sector. The CONNEX Initiative is designed to ensure such complex commercial contracts are well-conceived and well-negotiated for a host country’s successful and inclusive development, while protecting interests of the host country and investing companies.

The G7 outlined its measures to be taken under the CONNEX Initiative in the Fact Sheet attached hereto, which was published at the occasion of CONNEX Launch Event on June 17, 2014, in New York, and has therein identified the following three pillars that constitute the CONNEX Initiative: Information integration and accessibility on existing resources (Pillar 1); Enhancing existing negotiation support (Pillar 2); and Linking to long-term capacity building and increasing transparency (Pillar 3).

Progress has been made over the past two years, including: the establishment of collaborative relationship with the Columbia Center on Sustainable Investment (CCSI) on its open web portal ([www.negotiationsupport.org](http://www.negotiationsupport.org)) to enhance the accessibility to negotiation support through the integration and accessibility of relevant information; the endorsement of the CONNEX Code of Conduct to provide model elements to improve advisory support on contract negotiations; and the establishment of the Negotiation Support Forum (NSF) in collaboration with the Development Centre of the Organisation for Economic Co-operation and Development (OECD), aiming to improve knowledge sharing and peer learning among support providers, partner countries and investors.

Recognizing the increasing importance and relevance of the CONNEX Initiative in the face of current low commodity prices which have impacts not only on the revenues but also on economic development and employment, the G7 reaffirms its commitment to continue its collective efforts within the framework of the Initiative. Moreover, the G7 recognizes that immediate assistance such as dispatching experts for the contract negotiations through the CONNEX Initiative should be carried out in parallel with the long-term capacity building and the improvement of transparency.

The G7 hereby confirms that the CONNEX Initiative will be implemented in accordance with the following principles. Since the following set of principles reflects the current focus of the Initiative on the extractives sector, the principles could be reviewed and modified, if the necessity arises with future expansion of the Initiative’s scope.

### **CONNEX Guiding Principles**

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| <p><b>1. The G7 will implement the CONNEX Initiative to contribute to the on-going global efforts towards the achievement of the Sustainable Development Goals contained in the <i>2030 Agenda for Sustainable Development</i>.</b></p> |
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Revenues generated from the development of natural resources can play a significant role in the global efforts towards the achievement of the Sustainable Development Goals (SDGs), when they are effectively and efficiently mobilized and utilized by developing country partners that are endowed with natural resources. However, for these revenues to fully play their roles, each resource-holding developing country that relies on contracts in addition to the relevant laws and regulations should first ensure the natural resource

contracts are properly and legitimately negotiated, concluded and implemented, and that the revenues resulting from the development projects of its own natural resources are obtained in a fair and legitimate manner.

The CONNEX Initiative helps developing country partners secure fair contracts that guarantee fair revenues, and then to mobilize and effectively and efficiently utilize their domestic public resources for their sustainable development, in line with the *Addis Ababa Action Agenda*, adopted at the Third International Conference on Financing for Development in July 2015. The Initiative, therefore, constitutes an integral part of the G7's contributions to the on-going global efforts to achieve the SDGs contained in the 2030 Agenda for Sustainable Development, adopted at the United Nations Sustainable Development Summit in September 2015.

The G7 will seek further opportunities of utilizing the CONNEX Initiative to leverage extractive-related investments for the achievement of the SDGs. To ensure the Initiative's contribution to the achievement of the SDGs, the G7, when extending supports under the Initiative, will also give careful consideration to potential unintended impacts of extractive activities on the goals and principles contained in the 2030 Agenda, including all dimensions of sustainability, in particular those relevant to the environment, human rights and the quality of life in local communities. The G7 will also continue its collective endeavors to address potential negative impacts of volatility in commodity prices on the achievement of the SDGs.

**2. The CONNEX Initiative will be implemented in the spirit of mutual trust among stakeholders, and on the basis of collaboration between G7 members and developing country partners, building upon the ownership of the latter.**

Mutual trust among stakeholders, especially among developing country partners, support providers, and advisors dispatched by support providers, is the key to the success of the CONNEX Initiative. Recognizing this, the G7 has formulated the CONNEX Code of Conduct for multi-disciplinary advisory services as a set of guidelines with which support providers carry out their work in complex contract negotiations under the CONNEX Initiative, guaranteeing the position of advisors dispatched from them to work for the benefit of host countries. The G7's efforts continue to identify negotiation support projects/programs that can be utilized to pilot the application of the CONNEX Code of Conduct and to gather lessons for better use of the core elements of the Code. Such pilot projects would also provide opportunities for negotiation supports with multi-disciplinary teams.

The CONNEX Initiative is to support the efforts of developing country partners to secure fair contracts for their extractive projects, and therefore cannot realize its desired effects without the ownership of developing country partners. The Initiative can be successful only when it is combined with the efforts of such partners to identify challenges they face and spontaneously seek assistance to address such challenges.

Any assistance under the Initiative thus will be carried out only by support providers who declare to function under the CONNEX banner, and apply the CONNEX Code of Conduct or conduct their assistance in close alignment with the core elements contained in the Code. Also, the assistance should be triggered only when and where a developing country clearly expresses its request for such assistance.

**3. The G7 will align their assistance under the CONNEX Initiative with their long-term assistance for capacity building in developing countries, covering all the phases of projects in the extractives sector.**

One of the core elements of the CONNEX Initiative rests in information integration and accessibility, and the Initiative's short-term assistance is supposed to fill the gaps that developing country partners find between their urgent needs of expertise and capacity for negotiation of complex contracts and the assistance they can obtain from the existing mechanisms.

The CONNEX Initiative, though it can occasionally offer opportunities of providing on-the-job training in the course of its negotiation support projects or pilot projects, does not directly address the root causes of such gaps, namely the lack or shortage of institutional capacity and human resources with expertise necessary for complex contract negotiations. The CONNEX Initiative therefore should be implemented by aligning the Initiative's assistance with the G7's long-term assistance for capacity building that is intended to help developing country partners eliminate their bottlenecks on capacity and expertise.

The range of such capacity building efforts should encompass all the phases of extractive projects, including the establishment of effective legal, regulatory and policy frameworks, the preparation for contract negotiations, the monitoring of investment implementation, and settlement of disputes arising from natural resource investments. It should also be extended, as appropriate, to include various support efforts by countries and international organizations for strengthening domestic resource mobilization including through building capacity of administrations for tax, royalty and other government revenues in developing countries to ensure and improve their financial resources. Those efforts include developing practical toolkits to address Base Erosion and Profit Shifting (BEPS) related issues that developing countries face, such as strengthening capacity development on tax treaty negotiation and work on determining appropriate prices for mineral commodities.

**4. The G7 will align their assistance under the CONNEX Initiative with their long-term assistance to developing country partners in improving governance and transparency in the extractive industries.**

For revenues generated from extractive projects to play their crucial role to realize sustainable and inclusive development of host countries, the benefits of such revenues should be redistributed to its nationals at national, regional and local levels in a fair and equitable manner, or effectively and efficiently utilized to support the national development and the improvement of welfare and living standard of its nationals. This is also applied to any revenues gained through contracts that are concluded as a result of assistance under the CONNEX Initiative.

In order to ensure a proper redistribution of the national wealth arising from natural resources, it is imperative that developing country partners have a proper strategy or policy regarding governance in the extractives sector, transparency in tax collection, fair benefit sharing and the flow of relevant public financial resources generated from extractive projects, as well as proper management and equitable allocation of such financial resources. In this relation, various countries and international organizations have provided assistance to developing countries to implement global standards on tax transparency and exchange of information to mitigate information asymmetry problems

that tax administrations of developing countries face.

Therefore, any assistance under the CONNEX Initiative should be provided in a consistent manner with the G7's efforts in helping developing country partners improve its strategy or policy related to fair and inclusive national development and improvement of national welfare, and thereby facilitate or encourage the efforts of the developing country partners in improving governance and transparency in the extractives sector.

Also in this respect, the G7 will consider additional activities necessary to further improve transparency on the contracts concluded with the assistance under the CONNEX initiative, in a manner that the civil society can observe its process, and in collaboration with various initiatives and frameworks that promote transparency in extractives industries and natural resource governance, including the Extractive Industries Transparency Initiative (EITI).

**5. The G7 will implement the CONNEX Initiative in a manner complementary with the efforts made by relevant stakeholders in the areas pertaining to the extractive industries and sustainable development.**

There are an extensive range of on-going efforts in the fields related to the extractive industries and sustainable development by a number of relevant stakeholders including national and local governments, international and regional organizations, multilateral development banks, international financial institutions, private companies, think tanks and research institutes, and civil society organizations.

The CONNEX Initiative, through establishing and enhancing synergy with them, can make significant contributions to these efforts on the one hand, and can receive valuable inputs from such efforts on the other. Such efforts include, but not limited to, those under the OECD including its BEPS Project and anti-corruption-related programs, the Energy & Extractives Global Practice of the World Bank, the Intergovernmental Forum on Mining, Minerals, Metals and Sustainable Development, and other initiatives to facilitate dialogue among negotiation support providers and other stakeholders.

The CONNEX Initiative will be also implemented in collaboration with efforts made by regional organizations, including the African Development Bank, the African Legal Support Facility, the Asian Development Bank, and the New Partnership for Africa's Development. The Initiative has no geographical boundary in terms of its implementation, and thus can be extended to developing country partners in any regions.

The G7 will take measures to seek opportunities for further collaboration and synergy with those on-going efforts in order to improve coherence among these efforts made by the relevant stakeholders. The G7 will also coordinate their efforts to shape the agenda setting and actions of these relevant stakeholders in order that all contributions for those institutions may be formed in-line with the goals of the CONNEX Initiative. To this end, the G7 will also continue its efforts to identify support providers among relevant stakeholders who are willing to promote the CONNEX Initiative by aligning their efforts with the core elements of the CONNEX Code of Conduct.

**Fact Sheet: G7-CONNEX Initiative**  
**STRENGTHENING ASSISTANCE FOR COMPLEX**  
**CONTRACT NEGOTIATIONS**  
June 17, 2014

Well conceived and negotiated contracts are essential to a country's successful and inclusive development, protecting both host country and investing company interests. Such contracts can boost development and economic growth.

To address this, G7 leaders announced at the 2014 Brussels G7 summit:

“(...) a new initiative on Strengthening Assistance for Complex Contract Negotiations (CONNEX) to provide developing country partners with extended and concrete expertise for negotiating complex commercial contracts, focusing initially on the extractives sector, and working with existing fora and facilities to avoid duplication, to be launched in New York in June and to deliver improvements by our next meeting, including as a first step a central resource hub that brings together information and guidance.” G7 Summit Communiqué, June 5, 2014

**Bringing together Information on Existing Resources to Improve Accessibility**

The G7, working with the Columbia Center on Sustainable Investment, will support the central resource hub [www.negotiationsupport.org](http://www.negotiationsupport.org) that compiles under one internet address information on existing assistance providers and guidance on preparing for negotiating and monitoring the implementation of complex contracts. This web-based platform is freely accessible and provides a one-stop shop with resources currently available for technical support in contract negotiation and enforcement.

**Enhancing Existing Negotiation Support**

Currently, numerous initiatives, including those sponsored by International Financial Institutions, bilateral assistance programs, academic institutions, the private sector, and NGOs, provide varying types of contract negotiation assistance. CONNEX will develop a series of improvements which are to be identified in cooperation with existing support providers in order to enhance rapid and holistic assistance to developing countries. By committing to consistent best practices, donors will work with providers to maximize the effectiveness and efficiency of their efforts.

CONNEX will, in consultation with governments of developing countries, companies and current providers, explore and discuss guiding principles for experts on the ground. In a holistic approach, the assistance should offer legal support as well as expertise on other relevant aspects.

**Linking to Long-Term Capacity Building and Increasing Transparency**

CONNEX will contribute to long-term capacity building of host governments and will be linked to existing programs in this area. CONNEX complements initiatives aimed at increasing transparency in the extractives sector.

Further steps of the initiative will be discussed at the next meeting in Berlin in autumn 2014.

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