CONNEX
Contract Negotiation Support

IMPACT STORY: ZAMBIA

Connecting More Than Minerals: Zambia's Lobito Corridor as a Catalyst for Regional Development

The Lobito Corridor is far more than a minerals railway. It is a once-in-a-generation opportunity to connect regions, expand infrastructure, unlock new revenue streams, and drive long-term economic development.

The Challenge

The Lobito Corridor project is an ambitious regional infrastructure project unlocking the movement of copper and cobalt from Zambia and the Democratic Republic of the Congo to world markets via the Angolan port of Lobito.

The Zambian Ministry of Finance and National Planning, through the Public Private Partnership (PPP) Office, requested CONNEX's negotiation support to support the Government in preparing and planning for the Zambian portion of the Lobito Corridor negotiations.

To clarify the scope in this megaproject, CONNEX engaged directly with government officials, particularly the PPP Office, as well as the Ministry of Transport and Logistics. One of CONNEX's Advisory Committee members, with decades of experience in the mining sector, accompanied the delegation to offer her expertise. Based on these discussions, the scope was refined, but was still extensive – legal, financial, technical and strategic expertise. This was all to support the Government to negotiate a better deal for this generation and the next.

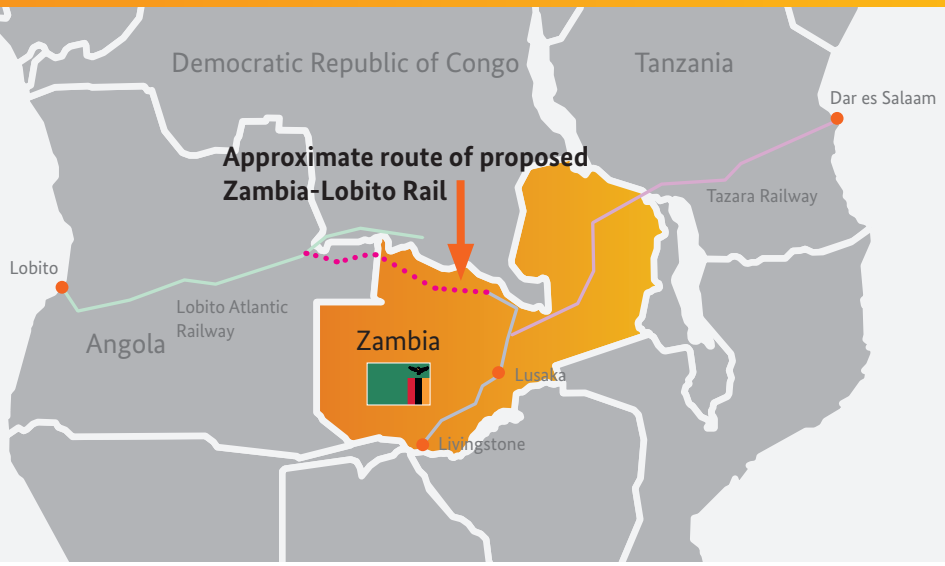
The once-in-a-century project has evolved rapidly from concept to study, with the Africa Finance Corporation (AFC) acting as the main investor. Far more than "just a minerals corridor", the Lobito Corridor represents a very rare opportunity for transformative regional development.

While the transport of minerals will form the railway's economic backbone, an important question emerges: how can the corridor further spur regional development, moving goods and services, supporting agriculture, as well as hosting transmission infrastructure such as electricity lines and fiber optic cables?

Corridors of this dimension are rare and inherently come with significant uncertainties. Just a few of those include:

- How does a government cover its potential exposure should there be delays, based on geography (through a jungle) or through geology (firm ground or through softer clay or wetlands)?

The PPP Office described our work as "client-focused, forward-thinking and solution-oriented", reflecting our demand-driven and strong collaborative approach.



- What project milestones trigger a government's investment (and its financial exposure)?
- How are third party access rights negotiated, which could provide an opportunity for the government to use the corridor to lay down infrastructure development and act as a significant revenue source for the coming decades?

CONNEX has been active in one other major corridor project, which helped to frame some of the issues to be addressed and thoroughly considered.

Our Role

Following Board approval of the Zambian Government's request, CONNEX's Secretariat moved swiftly to identify and deploy tailored expertise to support the Government. Given the project's complexity, the support contained two complementary workstreams: legal analysis, and a broader stream combining technical, financial and strategic expertise.

Through its longstanding partnership with the International Senior Lawyers Project (ISLP), CONNEX mobilized legal expertise to review the Concession Agreement, to undertake a postcontact execution legal risk/gap analysis, which included assessing conditions precedent and identifying potential liabilities. The assigned ISLP expert brought extensive infrastructure experience and valuable local insight, having previously supported the PPP Office in Lusaka.

For a project of this size, the feasibility study serves as the core document, outlining technical specifications, financial models as well as the various operational scenarios under which the railway could operate.

While legal expertise is crucial, without the technical characteristics of the project, as well as the financial models to back them up, legal expertise cannot be optimally deployed on behalf of a government.

To complement the legal workstream, CONNEX engaged strategy, economics, and financial advisory experts to support the Ministry of Transport and Logistics. The CONNEX experts led the technical negotiations, drawing on decades of experience in African infrastructure projects. The assembled team included specialists in infrastructure operations, project financing, and PPP transactions.

Our Impact

CONNEX's support significantly strengthened the Zambian Government's position in complex infrastructure negotiations, ensuring that the Government had a clear understanding of risks, trade-offs, and opportunities in taking its decisions.

On the legal front, key issues were identified, enabling the Government to better understand potential risks and equipped them with targeted questions for negotiations with the investor.

Through reviewing the feasibility study, CONNEX experts provided critical insights into the technical realities, financial constraints, and the strategic decisions the Government needs to keep in mind.

The experts supported the Government with key review points and issue papers that provided an "eyes wide open" assessment. These written products were in addition to a series of virtual meetings clarifying and exploring different negotiation scenarios. This approach strengthened

the Government's ability to assess key considerations, including the importance of securing sufficient offtake agreements and navigating the "boom and bust" cycles typical of commodity markets. In addition, the experts highlighted potential revenue opportunities, including those linked to retaining third-party access rights.

Beyond the "hard" technical expertise, the advisory support also emphasized critical "soft" elements, which included encouraging coordination across relevant ministries and drawing on lessons from past projects to inform future decisions.

Finally, in response to the PPP Office's request, CONNEX also provided comments on the Office's draft transport guidelines. These guidelines are expected to become an important tool for delivering stronger transport projects. Given Zambia's landlocked geography and its ambition to become land-linked, transport infrastructure will remain central to the country's long-term development.

The PPP Office described our work as "client-focused, forward-thinking and solution-oriented", reflecting our demand-driven and strong collaborative approach. Building on this experience, clear potential exists for continued engagement in upcoming negotiations, particularly in mining and renewable energy.

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