

Public-Private Alliance for Responsible Minerals Trade

Meeting Summary

June 12, 2013

The second meeting of the Public-Private Alliance for Responsible Minerals Trade (PPA) including the following objectives:

- Welcome and introduce existing and new PPA Participants
- Understand the current state of the PPA and plans for remainder of 2013
- Discuss opportunities for PPA to support responsible minerals sourcing and economic development in the Great Lakes Region (GLR)
- Hear an update on the PPA funded projects
- Hear an update on European Commission conflict minerals activities
- Reflect on PPA value to date, discuss PPA 2014 priorities and beyond, and identify opportunities to bolster resources to support PPA activities
- Identify next steps and timeline

After a brief welcome from Jen Peyser, RESOLVE, and introductions by meeting participants, Ambassador Walkley, U.S. Special Advisor for the Great Lakes and the Democratic Republic of the Congo, provided opening remarks. The Ambassador highlighted several reasons why now is the best opportunity for stability, security, and development in the Kivus of the past decade. UN Special Envoy Mary Robinson's strong leadership of the UN Peace Process is pushing economic development as the way to bring peace to the region. Meanwhile, Russ Feingold will be sent to the region as a U.S. Special Envoy, which will provide greater U.S. presence and support for the process. Additionally, a UN Intervention Brigade will be deployed in the region as part of the peace keeping effort. Ambassador Walkley encouraged the PPA to provide its expertise and perspective to both Robinson and Feingold.

Status of the PPA and 2013 Activities

Jen Peyser provided a brief [presentation](#) on the PPA's year 1 activities and year 2 priorities, highlighting the formation of the PPA governance structure and operations, the 2012 RfP and two funded projects, alignment meetings, 2013 activities such as the second RfP, and the new members and funding status. Ms. Peyser also highlighted the opportunities for new and current members to get involved with the Governance Committee (selection taking place at the end of 2013), In-region Work Group, and Communications and Membership Work Group.

Report on Funded Projects

International Organization for Migration (IOM) Infrastructure and Traceability Project

Richard Robinson, US Agency for International Development (USAID), provided an update on the IOM project that was funded through a USAID match under the auspices of the PPA. The IOM project includes funding to support the validation and monitoring of conflict-free

mineral production from mine to export. To date, 55 tin, tantalum, and tungsten (3Ts) mine sites (estimated 10% of ASM sites) have been validated and another 80 are expected to be validated soon.

IOM also supports the Conflict-Free Tin Initiative site at Nyabibwe in South Kivu through this grant. The site employs the iTSCi traceability system and will earn ICGLR certification soon. IOM is working with iTSCi and consulting with the DRC government to develop additional sites and supply chains. Anecdotally, the site has been a tremendous success, providing twice as much income for the miners.

Additionally, IOM is assisting the developers of an industrial mine with moving artisanal/small-scale mining (ASM) operations to legal concessions. Lastly, IOM provided funding through a subgrant for a year of PPA facilitation and secretariat services.

CENADEP

Ms. Peyser provided an update on CENADEP's PPA-funded project. Now that CENADEP has completed the due diligence process and they are official PPA Participants, they will receive their first grant payment and begin implementation. The project aims to promote active and informed participation of the region's civil society organizations in the process of implementing the regional protocol against the illegal exploitation of natural resources. The project will initially involve sixteen civil society organizations in Burundi, Uganda, Democratic Republic of Congo and Rwanda, grouped together into four national platforms.

Partnership Africa Canada (PAC) and Diamond Development Initiative (DDI)

Joanne Lebert, PAC, provided an [update](#) on PAC's and DDI's PPA-funded project. The pilot project's overall objective is to create ICGLR-certified exports of clean, conflict-free, artisanal gold, with a number of on-the-ground interim objectives relating to miner registration, semi-mechanization, and traceability steps. The project's focus on artisanal gold addresses a gap—the 3Ts (tin, tantalum, and tungsten) are easier to trace but the price per weight of gold can lend itself to smuggling. Orientale's substantial ASM gold industry and relative accessibility and security make it a good location to test the project concept before moving to the more challenging provinces of North Kivu and South Kivu.

PAC began the project in December 2012, with a pre-phase completed by mid-February 2013. The pre-phase steps included building partnerships and relationships with various stakeholders in the province, hiring a project coordinator, and conducting research and selecting the sites. With this preparatory work complete, Phase I consists of miner registration. They are registering approximately 10,000 miners, exceeding their goal of 1,500. In phases II and III, PAC/DDI will choose specific mine sites and mining partners, provide technical support for tracking conflict-free sales (using sales receipts), provide appropriate technology to artisanal/small-scale miners, and establish legal channels for gold sale.

Ms. Lebert enumerated risks and recommendations for project progress. Security remains a concern, regarding both the Congolese army and rebel groups. Clarification and simplification of government procedures and taxes would particularly help in establishing

purchasing channels. In addition to recommending government solutions to these problems, PAC and DDI suggest implementing a law to reduce the cost of legalization cards for ASM to lower the burden of registration.

In the discussion following her presentation, Ms. Lebert and meeting participants made the following points and clarifications:

- The basic steps in the gold supply chain are, in order: miner, negotiant (trader), licensed exporter, refiner, and manufacturer.
- Pre-finance is a key component. Money flows from the refiner upstream to the miner. Downstream actors need to incentivize these types of pilot projects by being willing to pay market price for verified conflict-free minerals, which will provide more money to flow up to the miner.
- The ICGLR is a standards-setting body for the region, while iTSCi is currently the only traceability system being implemented. The first ICGLR certificates are planned to be issued in September after a few technical steps are complete. Rwanda has three sites and the DRC two sites that are ready for certification.
- With only three legal exporters in the DRC, the gold from PAC's project will be mixed with other gold, resulting in a percentage of an exporter's gold that is verified conflict-free. The system is not developed enough to segregate 100% conflict-free product.
- PAC's traceability system will use receipts, which are passed along the chain. The receipts are checked at the end to ensure there are not mismatches.
- The miner registration data is handwritten into books, transferred to a digital database that is owned by the DRC government. It includes a variety of information, including gender, age, and education level of the miner.
- PAC is receiving additional funding to build on the quantitative data from the miner registration with qualitative research on the impacts on women and girls regarding mechanization, financing, disenfranchisement, and sexual violence.
- The relationship between negotiant and miner is not always fair, indeed cheating appears throughout the supply chain. While not under PAC's/DDI's control, they plan to introduce electronic scales to support greater fairness in the process.

Supporting Responsible GLR Sourcing

Peter Harrell, Sasha Lezhnev, and Jean-Paul Meutcheho provided opening remarks followed by discussion on ways to expand and incentivize responsible sourcing from the GLR, with a focus on the PPA's role.

Mr. Harrell, Deputy Assistant Secretary for Counter Threat Finance and Sanctions, identified two main questions for the group: With pilots proving the success of various systems, what are the incentives to scale up? In light of Dodd-Frank, why have some companies chosen a conflict-free sourcing strategy as opposed to Congo-free?

Mr. Lezhnev, Enough Project, echoed the need for scaling up successful models and asked the group to brainstorm the obstacles to in-region responsible sourcing. He explained the goal was never to cut off minerals trade in the region, but instead create the conditions

where governments and their partners could invest in clean trade. Mr. Lezhnev pointed to Mary Robinson and the UN peace process as an opportunity to engage a supportive and influential partner on these issues.

Mr. Meutcheho, Global Advanced Metals (GAM), identified the need to progress from the current situation—largely pilot-driven, where 10% of DRC-based artisanal/small-scale mines are verified conflict-free—to a market-driven approach that captures the remaining 90% capacity. He also noted civil society's role: engaging with businesses interested in sourcing in-region, providing public recognition to help justify in-region sourcing internally, and providing a safe conduit for investment in the region, as the PPA does.

Participants offered considerations and factors in a company's decision to choose a conflict-free rather than Congo-free sourcing strategy. Much of the discussion focused on upstream suppliers of Original Equipment Manufacturers (OEMs), particularly smelters. End users are not the only firms making the decision to source conflict-free—their suppliers need to feel comfortable with choosing conflict-free over Congo-free, and know they will be recognized in a positive way for choosing the riskier path. Convincing suppliers who would otherwise not be subject to an audit based on the SEC Dodd-Frank regulations to source from the DRC can be a difficult proposition because of the administrative burden. Indeed, the burden of the audit has yet to be determined, and companies are seeking to conduct their due diligence processes in a low cost manner. Specifically, developing one system that complied with Dodd-Frank and aligned with the Conflict-Free Smelter (CFS) audit would assuage some of the fear of cost. This is an objective of the Organisation for Economic Co-operation and Development (OECD) due diligence guidance effort.

Enabling conflict-free sourcing from the GLR ultimately rests on the smelter. Incentivizing smelter participation to source responsibly from the region would enable downstream actors to do so as well. The US Department of State is engaging smelters on this issue, particularly in Asia, and will continue to do so. Some smelters are receiving mixed messages from customers (i.e., some customers are asking them to avoid sourcing from the region, while others are encouraging conflict-free sourcing from the GLR). Providing clarity to the smelters on the scope of the rule—namely that it includes every manufacturer, not only the electronics sector—is a priority. A pamphlet on how to source responsibly from the DRC would be valuable for end users to provide a common message to their smelters and suppliers.

Participants also noted that encouraging sourcing from the region quickly encounters a scaleability challenge. The traceability and certification systems are a bottleneck; validation of mine sites and other steps in the trading chain in the region requires significant resources and time. Further, there is no distinction between regions with varying risks for conflict minerals. A flexible, risk-based regime would ease some of the bottleneck and enable increased sourcing. The PPA could consider facilitating discussion on a PROMINES study on traceability systems that will be getting underway this summer. Further, US government (USG) continues diplomatic efforts to encourage the ICGLR to more quickly progress implementation of the Regional Certification Mechanism, including initiating the work of an Independent Mineral Chain Auditor.

Meeting participants made the following additional points and clarifications:

- Rick Goss' hearing remarks include a preliminary list of incentives that the PPA could develop further, including but not limited to:
 - Tax incentives
 - USG preferential procurement
 - Public recognition, including an award for companies sourcing relatively higher amounts of conflict-free minerals from the region
- Since its inception, the PPA has focused on GLR on-the-ground activities. Meanwhile, the PPA has grown into a role as convener on issues like market acceptance, encouraging on-the-ground engagement. The group agreed that the PPA's priority should remain on on-the-ground pilot projects. The PPA should, however, also continue its alignment work and could engage the CFSI as a non-in-region effort that impacts PPA's main priority.
- Specific ideas for activities from this session include the following; they would not all fall within the PPA's mandate but can be further considered and shared with other partners:
 - Government and industry delivering clear message to smelters about the need for conflict-free sourcing.
 - Raising awareness about practicability, feasibility, benefits of conflict-free sourcing; specifically, developing a pamphlet that OEM's can distribute to smelters
 - Creating an award for excellence in conflict-free sourcing
 - Facilitating a "nuts-and-bolts" discussion on how to make audits manageable
 - Encouraging those engaged in and leading the UN peace process to address some of the bottleneck issues mentioned above.

Responsible Minerals and Economic Development: Opportunities for PPA Engagement

The meeting discussion turned to the role of responsible minerals in economic development and how the PPA can use its role to contribute to this broader challenge. A panel opened the discussion with comments:

- Eric Postel, USAID Assistant Administrator for Economic Growth, Education, and Environment
- Richard Robinson, USAID DRC
- Patricia Jurewicz, Responsible Sourcing Network
- Bill Millman, AVX

Mr. Postel reiterated the success of on-the-ground pilots, the need for scaling, and the value of multi-stakeholder efforts, which are increasing confidence in the region's mineral supply chain. He noted several priorities for USAID that build on its current investment in the region. To complement company investments in community development, USAID is providing funding for education objectives, likely in combination or consultation with the private sector. USAID is also looking at opportunities to provide health, microfinance, and

agriculture funding as well. Building these sectors will strengthen the overall economic development and security of the region.

Mr. Millman described the history of Solutions for Hope—a closed-pipe supply chain that included two pilot sites in Katanga. With the backing of major electronics manufacturers, AVX's willingness to pay world market price for the minerals, and the establishment of cooperatives to provide protection and bargaining power for miners, the income for mining families has increased ten-fold. He reiterated the need for a universally accepted audit protocol, the lack of which is a bottleneck.

Ms. Jurewicz stressed that while a lot of good work has been done to create responsible supply chains, the economic development component has lagged. Ms. Jurewicz identified the co-development of mining and agriculture as a particularly ripe opportunity. With fertile soils, the growth of an agriculture industry in tandem with mining—as MMR is interested in fostering with their DRC mining project—will create small businesses, provide essential goods, and diversify income streams.

Mr. Robinson highlighted the robust downstream interest in conflict-free sourcing from the region and the new challenge of developing enough upstream capacity to meet demand. He noted ASM gold as a gap, which struggles from lack of formalization and pricing, smuggling, and money laundering challenges. He also echoed the call for development of agriculture to mitigate the unsustainably high proportion of the population working in the minerals industry. Mr. Robinson also echoed Ms. Lebert's earlier assertion that secure, scalable and sustainable ASM gold supply chains will not succeed unless the DRC government reforms taxes, regulations, and the legal system, which are unnecessarily burdensome and promote corruption.

Participants offered considerations for the PPA's role in encouraging economic development in the region:

- In addition to the macro reforms that Mr. Robinson mentioned, social services are a major gap that compounds the governance issues. They require government investment and NGO pressure for delivery and transparency.
- In AVX's Solutions for Hope experience, the traders set the price for the tantalum artisanal/small-scale miners. To incentivize clean tantalum, AVX assumed the role of the trader in the closed-pipe system to ensure the world market price they were willing to pay translated into higher profits for the miners. Traders have larger margins and useful skills, but their exact role in a clean supply chain needs to be recalibrated. Further, a new law in the DRC mandates that traders must add value to the product and abide by certain transparency measures.
- MMR's community development efforts were widely praised. MMR set up a system where the community guides MMR's investments in roads, schools, water infrastructure, hospitals, and agriculture. The resulting economic development boosts tax revenue which should be reinvested in community improvements.
- Education and health improvements—of particular interest to USAID—are important priorities because of its positive impact on developing the work force.

- In addition to health, education, and agriculture, power is another sector in need of progress, particularly industrial mining becomes more common. The Inga dam project on the Congo River is a major energy source for the region in the future, but it comes at enormous financial cost.
- While economic development writ large is not a PPA objective, there is a general objective that could cover alternative livelihoods if PPA participants determined that to be a priority.

European Commission Update on Conflict Minerals Activities

Benjamin Harrison, Senior Trade Advisor, Delegation of the European Union (EU) to the United States, provided a brief update on the public consultation for a possible EU initiative on responsible sourcing of minerals originating from conflict-affected and high-risk areas. Mr. Harrison described the EU Delegation structure and the EU legislative process.

The first step in the legislative process is sometimes a public consultation period; one is currently underway for the responsible mineral sourcing effort, via online questionnaire, launched in March and ending June 26. They will aggregate and distill comments later in the summer. Following the consultation process, the EU Commission, which enjoys the right of legislative initiative in the EU system, can draft legislation, starting a process that can lead to new EU law, including a regulation (binding on all Member States) or a directive (binding on all Member States with flexibility on implementation). The legislative process includes significant consultation/back-and-forth between the EU Commission, the Council of the EU, and the European Parliament. Legislative initiatives must be approved by both the Council and the Parliament, who act as co-legislators in the EU system. One challenge for responsible mineral sourcing legislation will be the timeframe—Parliamentary elections are next May and the current EU Commission mandate ends in October 2014. However, the goal is to have legislation introduced during the fall of this year.

Mr. Harrison provided several details regarding the EU's direction:

- The consultation is not country- or region-specific.
- The endeavor is not to determine if the EU should replicate or not replicate Dodd-Frank, although of course Dodd-Frank informs the EU's effort. Mr. Harrison encouraged participants to relate their experience with Dodd-Frank, both pros and cons.
- So far, they have received 67 contributions, 50 from the business sector, many European, and a significant number of smaller companies. Many of the comments echo the sentiments heard during this meeting.
- Any legislation will likely align with OECD due diligence guidance and other relevant international standards.

PPA Reflections and Planning for 2014 and Beyond

Meeting participants reflected on the benefits of PPA membership for their organization and discussed priorities for 2014 and beyond and ways to attract new members and resources.

Participants highlighted the following PPA membership benefits:

- The PPA is a vetted, safe channel for organizations seeking to provide funding to spur development of conflict-free sourcing in the GLR.
- The PPA has created a community of peers where members can share challenges. Multi-stakeholder and multi-sector participation creates the best way to avoid unintended consequences of sourcing from the region.
- The PPA allows end users to communicate and demonstrate their commitment to conflict-free mineral sourcing and to reinforce that commitment with their suppliers.
- Alignment meetings benefit both members and non-members alike, creating harmonization on mine site inspections, audits, and data.
- For members who are donors, it is a platform to manage various funding priorities. Further, it provides donors with a relatively flexible and efficient funding channel.
- For investors in mining and extraction, the PPA provides 1) a network that can assist with planning for ASM; and 2) a platform to explain their interests to NGOs.
- It provides a forum for end users to provide input to those on the ground, and vice versa, which is critical for the ongoing management of conflict-free supply chains as problems emerge.

Participants discussed potential priorities for the PPA in 2014 and beyond:

- Activities currently underway will remain priorities, including funding on-the-ground projects in-region, communications on the issues, providing visibility for PPA members, and conducting alignment meetings.
- Document and communicate successes on the ground, i.e., the rise in income for miners at the Nyabibwe Conflict Free Tin Initiative (CFTI) site.
- Create a document of PPA deliverables/outcomes achieved and those not achieved because of lack of funding (for purposes of raising additional funds).
- Provide input to the broader diplomatic processes regarding taxes, security, and alternative livelihoods in the region; i.e., meeting with Mary Robinson, linking with the UN peace process, and explaining the value of progress on these reform issues to in-region politicians.
- Provide clarity to stakeholders who want to become engaged but are daunted by the complexity of conflict-free sourcing from the region. Additionally, communicate incentives for companies to engage in the region. Conduct outreach to sectors not currently represented in the PPA: jewelry, clothing, and microfinance. PPA representatives could attend industry conferences to promote membership.
- Encourage closed-pipe pilot projects for tungsten, which lags behind the other 3Ts.
- Provide a forum for various partnerships to make each other aware of their activities.
- Although not within the PPA objectives, several participants suggested outreach to smelters to encourage their participation in Conflict Free Smelter program, and for the PPA to consider its relationship to CFS and broader sourcing initiatives.

Jen Peyser ended the meeting by a call for additional participation in PPA work groups—the In-region Work Group and Communications and Membership Work Group. The Governance Committee will hold a selection process at the end of 2013 as the two-year

terms of current members will be ending. In the meantime, there will be a selection process for the two open Other Organization seats and will be reseating Jean-Paul Meutcheho now that GAM is a PPA member. Eileen Kane will be replacing Brad Brooks-Rubin. RESOLVE will be contacting the appropriate members regarding this selection.

Acronym List

- ASM – Artisanal/small-scale mining
- CENADEP - Centre National d'Appui au Développement et à la Participation Populaire
- CFS – Conflict-free Smelter
- CFSI – Conflict-free Smelter Initiative
- CFTI – Conflict-free Tin Initiative
- DDI – Diamond Development Initiative
- Dodd-Frank – Dodd-Frank Wall Street Reform and Consumer Protection Act
- DRC – Democratic Republic of the Congo
- EU – European Union
- GAM – Global Advanced Metals
- GLR – Great Lakes Region
- ICGLR – International Conference of the Great Lakes Region
- IOM – International Organization for Migration
- OECD –Organisation for Economic Co-operation and Development
- OEM – Original equipment manufacturer
- PAC – Partnership Africa Canada
- PPA – Public-Private Alliance for Responsible Minerals Trade
- RfP – Request for Proposals
- SEC – Securities and Exchange Commission
- UN – United Nations
- USAID – US Agency for International Development
- USG – US Government