

Public-Private Alliance for Responsible Minerals Trade

PPA Governance Committee Statement on Assessment of Solutions for Hope, Conflict Free Tin Initiative, and KEMET's Partnership for Social and Economic Sustainability

About this Assessment

This assessment was conducted by Estelle Levin Ltd. (ELL) at the request of the PPA to evaluate the social and economic impacts and performance of the Solutions for Hope (SfH), Conflict Free Tin Initiative (CFTI), and KEMET's Partnership for Social and Economic Sustainability minerals sourcing efforts in the Democratic Republic of Congo (DRC).

In 2011, concerns and confusion over the conflict status of and company reporting requirements for tin, tantalum, tungsten and gold emerging from the DRC had resulted in a decision by many companies to stop sourcing these minerals from the DRC or the surrounding region. This de facto boycott had significant economic implications for artisanal miners operating in these countries, as well as for their families and communities.

To support responsible sourcing and economic development in the DRC, industry partners launched three pilots: SfH in July 2011, KEMET's in October 2011, and the CFTI in October 2012. These projects are linked by a common approach: they each pre-identified all supply chain participants in order to minimize due diligence risks and secure end-user confidence in the conflict-free nature of the tin and tantalum produced in the pilots, and all utilized due diligence and mineral traceability systems including the ITRI Tin Supply Chain Initiative (iTSCi), Conflict Free Smelter Program (CFSP), and BGR's Certified Training Chain (CTC).

As these projects are seen by various stakeholders –including participants, funders, and civil society –as examples of the value of downstream engagement in sourcing from DRC and Great Lakes Region, PPA members sought an independent assessment of the projects to understand:

- The degree to which each program has achieved its stated goals/impacts
- The business model for direct sourcing projects and bringing conflict-free Eastern DRC minerals into formal, global supply chains, including competitiveness in the global market, and the ability to scale pilots
- Local social and environmental benefits of the programs, including livelihoods, environmental impacts, benefits for women, and security improvements, although these elements were not part of the programs' goals
- Gaps, shared lessons, and opportunities to enhance positive impacts associated with these projects

Key Takeaways from the Assessment

The Governance Committee has thoughtfully reviewed the report, and we wish to highlight the following as key takeaways for consideration by the PPA and others wishing to foster

and support responsible sourcing from the Great Lakes Region and other conflict-affected areas:

Demonstrated and communicated “proof of concept” for viability and value of sourcing tin and tantalum from the DRC. These programs served as incubators or case studies that helped illustrate and communicate the concept that legitimate minerals trade from the GLR was possible. While conflict-free mineral trading occurred outside of these initiatives, a significant portion of the downstream market was hesitant to source from the region. By pre-determining the actors involved in the supply chain, participating downstream companies were able to operate with confidence that risks were being appropriately managed. The involvement of OEMs and other recognized brands in the systems lent credibility and encouraged others to support minerals trade with the region rather than avoid sourcing. Through industry and multi-stakeholder dialogues, the participating companies also helped downstream actors understand the due diligence systems that were being put into place and challenges associated with the DRC and artisanal and small-scale mining operations.

Provided a platform for global-local engagement. Communications and site visits to establish and view operations involved in the programs allowed for interaction, information sharing, and problem solving between local and global stakeholders. The international and multi-sector attention focused on the programs and related supply chains also provided a spotlight and a means to encourage greater cooperation from local government. For example, collaboration among CFTI and SfH participants and donors, KEMET, local civil society, and business encouraged local government officials to negotiate an improved tax regime that had previously disadvantaged conflict-free tin.

Demonstrated a business case for responsible sourcing of tin and tantalum. The SfH and KEMET systems allowed downstream companies to pay world market prices while creating opportunities for improved continuity of supply and market stability. Programs built on existing due diligence tools like iTSCi, CTC, CFSP, and other local structures; thus being less disruptive and minimizing compliance and cost burden on participants. The SfH and KEMET business models created disruptive change by shortening the supply chain. CFTI’s evolution from initially asking smelters to batch treat material from the region to allowing a mass-balance method provided useful insight on economic feasibility of each method.

Highlighted misunderstandings and mismatched expectations. The assessment highlighted an opportunity for the PPA and other responsible sourcing advocates to improve communications about such sourcing efforts. The Governance Committee has observed confusion among stakeholders around the “closed pipe” definition. The model is not meant to be exclusive or restrictive, but rather a system that identifies supply chain relationships from source to final production to enable due diligence as well as sharing lessons learned and continuous improvement. Multiple buyers are expected and encouraged to “widen the pipe.” There was also some confusion about the role of existing due diligence systems; the programs integrated iTSCi and the Conflict Free Smelter Program rather than creating new approaches.

Demonstrated the importance of identification and transparent collection of baseline data. The team conducting the assessment encountered two critical challenges: both of which limited the robustness of the report's findings. Because no formal baseline data was collected at the outset of the programs, assessments of impacts and progress is primarily based on recollections of participants and stakeholders. The assessment also faced difficulties in accessing data due to challenges of site visits, proprietary information, and limited staff availability. The Governance Committee notes the value of including metrics at the onset of future programs that can be measured along the way and as programs mature.

Offered examples of community partnership and beneficitation. While the programs did not establish initial baseline metrics regarding community benefit, there were anecdotal findings in the report demonstrating the kinds of community benefit - such as the schools, medical facilities, and clean water provided by the KEMET program - that are an example for future projects and those seeking to engage in responsible sourcing from the region.

Highlighted broader challenges relating to ASM and governance. Finally, these programs highlighted the remaining challenges regarding ASM and governance challenges that must be primarily addressed by government and others (e.g., security, rule of law, mining sector reform). Closed pipe models operate within a complicated context and are not immune to the challenges associated with ASM globally. The report also highlights opportunities to enhance these models as the systems mature or new programs are launched. Participants have used the programs as an opportunity to communicate and work to address challenges with a broader set of industry, government, and civil society partners.

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