

PPA June 10, 2014 Meeting Summary

The Public-Private Alliance for Responsible Minerals Trade (PPA) convened its third annual member meeting in Washington, DC, on Tuesday, June 10, 2014. All materials distributed at the meeting, along with presentations, are available on the PPA Members Only website at <http://www.resolve.org/site-ppamo/event/ppa-members-meeting/>. (The password is “PPA12GLR”.)

The meeting included a [general overview](#) of the PPA’s activities and financial status, a panel on experiences and challenges relating to [responsible sourcing from the region](#), updates from [U.S. Department of State](#) and opportunities for collaboration and support in achieving mutual goals, a debrief of key messages and lessons from the [PPA’s recent Alignment meeting](#), a discussion of [lessons from PPA’s grant projects and grant making experiences](#), and [prioritization of activities](#) for the next 18 months.

PPA Overview and Status

The PPA Facilitator, RESOLVE, provided a summary of the recent and upcoming activities of the PPA and an update on the PPA’s financial status (see [PPA Update presentation](#)).

For 2014, the PPA’s priorities center on the following:

- Providing additional funding and support for projects in the Great Lakes Region (GLR)
- Supporting alignment of systems implemented in the GLR
- Communicating about responsible sourcing and PPA’s activities
- Continued recruitment of new members

The PPA has funded two on-the-ground projects to date. Between December 2012 and March 2014, grantee Partnership Africa Canada (PAC) attempted to create the first traceable conflict-free mineral chain for artisanal gold from the Orientale province of the Democratic Republic of Congo (DRC). Grantee CENADEP is supporting civil society capacity to monitor transparency, implementation of an early warning system, and accountability of the mining sector in the South Kivu province of DRC. More information on both projects appears on the [PPA Members Only website](#) (password: PPA12GLR). The PPA has approved a grant to one additional organization (currently in the due diligence process) to support a telephone hotline through which community members can report suspected gold and tin smuggling activities in North and South Kivu. The Governance Committee (GC) and In-Region Work Group are also exploring two additional projects. The first would provide interim funding for the Independent Mineral Chain Auditor (IMCA) position. The IMCA is intended to act as an ombudsman for the ICGLR’s Regional Certification Mechanism (RCM), a set of tools to verify and trace minerals produced in-region as conflict-free. The position, which is currently unfilled, will add a critical element of credibility to the RCM. The second proposed project would support an independent review of impacts of three closed-pipe sourcing platforms: Solutions for Hope (tantalum), KEMET’s Partnership for Social and Economic Sustainability (tantalum), and the Conflict Free Tin Initiative (CFTI). These two prospective projects are expected to be advertised later this summer with selection of implementers taking place this fall.

Since its inception, the PPA has convened five alignment sessions to support coordination between the International Conference on the Great Lakes Region (ICGLR), member states of the ICGLR, in-

region system implementers, companies sourcing from the region, and global non-governmental organizations (NGOs). Members have also met with key partners and in-region actors, including U.S. Special Envoy (SE) to the GLR, Russ Feingold. In a meeting with several PPA members, SE Feingold requested that the PPA draft a memo capturing the key messages that SE Feingold could deliver to ICGLR member states. SE Feingold subsequently sent a letter to Angolan Foreign Minister Georges Chikoti (Angola is the chair of the ICGLR), referencing his meeting with the PPA and reiterating the key messages identified by the PPA.

Other accomplishments of the PPA include the \$1.2M USD it has received in total member contributions (with another \$50,000 in the pipeline in additional contributions from existing members), as well as \$3.5M USD in parallel funding via USAID to support infrastructure and traceability in the Great Lakes Region. After expenditures to support grants, alignment meetings, and secretariat services, the PPA currently has approximately \$264,700 remaining and available for future activities and grants. An additional \$150,000 in new member contributions is anticipated in the coming months, assuming all current applicants are approved through the due diligence and member approval processes. If all pledges are collected, the PPA would have approximately \$439,700 available to support future activities and grants.

RESOLVE reminded members that there are multiple opportunities to participate actively in PPA activities, including:

- The Communications Work Group, which oversees PPA external communications, development of informational resources, and the public and members-only websites;
- The In-Region Work Group, which oversees and provides guidance to grantees and identifies potential projects the PPA could support;
- Contributing supplemental funding to the PPA; and
- Providing assistance in recruiting new members or donations.

Responsible Sourcing Panel

Members heard from a panel of companies who have been involved in closed-pipe sourcing programs from the GLR, and an NGO that has been involved in developing and overseeing the programs. The panel provided an overview of the programs, shared their individual organization experiences, and discussed some of the challenges and opportunities to support expanded sourcing from the region.

Solutions for Hope

Bill Millman, AVX

AVX is a co-founder of Solutions for Hope, along with Motorola Solutions.

AVX is a producer of capacitors for electronics used by the communications, medical, and military sectors. These capacitors contain tantalum. As a member of the [Electronics Industry Citizenship Coalition](#) (EICC), AVX heard many customer concerns about opacity in the supply chain. A lack of knowledge about the origin of material exposes companies to the risk of unwittingly supporting armed groups, smuggling, or other activities that contribute to instability. This risk also includes potential reputational damage if such connections are discovered.

Initiatives for providing customer assurance began to emerge. To address consumer and producer concerns, the [Conflict Free Smelter Program](#), a program of the [Conflict Free Sourcing Initiative](#) (CFSI), validates smelters and refiners as “conflict-free” using independent, third party audits. While smelters can ensure a conflict-free supply by avoiding GLR sources altogether, a *de facto* embargo would result in significant negative impacts to the millions of artisanal miners in the region.

Programs like [Solutions for Hope](#) (SfH) were developed to maintain investment in the region while ensuring that sourcing does not support armed conflict. These programs source from sites that have been validated as conflict-free. The material then flows through a “closed-pipe” system, which pre-defines all supply chain partners from a mine to the end corporate customer.

In comparison to a closed-pipe, a typical supply chain for artisanal mining (see slide 8) in the GLR involves multiple potential actors at any given position in the supply chain. Individual miners receive pre-financing from one of many local dealers (negociants), who receive pre-financing from one of many larger dealers/preliminary processors (comptoirs), who receive pre-financing from one of several international traders. Miners are vulnerable and must make cash-based deals on a daily basis, leaving them with little opportunity to advocate for better sales arrangements.

In a closed-pipe with pre-identified participants, one actor (in this case, AVX) negotiates directly with the mining cooperative (CDMC) and concession owner (MMR) to establish a guaranteed purchase of fixed volumes at fixed prices over a fixed amount of time. As opposed to the traditional “spot” buying and selling model, this direct relationship enables downstream actors to establish expectations for miners and mine operators to adhere to OECD due diligence standards. The concession owner must also negotiate directly with a mining cooperative, giving artisanal miners a somewhat unique opportunity to advocate for themselves. Further, MMR is contractually obligated to reinvest 10% of revenue into social improvement programs, and the longer-term agreement (compared to more typical trading agreements) with them ensures more consistent and strategic investment in the area. The closed-pipe approach simplifies the typical supply chain model (see slides 8-9) by eliminating some of the traders that become unnecessary when supply chain actors are pre-established. (This elimination also created economic efficiencies, creating the opportunity to support traceability implementation while offering a higher wage to miners to participate in this system, without impacting the market price of the end product.)

Summary of Key Changes for Upstream Actors in Closed Pipe Supply Chain Model

Actor	Typical supply chain	Closed Pipe
Miners	<ul style="list-style-type: none"> - Prefinanced by individual negociants - Frequent deals – no long term contracts - Often exposed to poor working conditions/safety concerns - Little opportunity to negotiate for favorable trading terms or better working conditions - No incentive to adhere to OECD due diligence 	<ul style="list-style-type: none"> - Prefinanced through cooperative - Represented by elected cooperative official, who can negotiate better terms and working conditions on behalf of miners - Longer term arrangements act as an incentive to adhere to due diligence guidance

Concession owner	<ul style="list-style-type: none"> - The legal ownership of the concession is often uncertain 	<ul style="list-style-type: none"> - Long term contracts create incentive to reinvest in local community and regional stability - Have incentives to ensure adherence to due diligence guidance - Have incentives to invest in worker safety and technical assistance/semi-mechanization, enhancing miners' skill sets and earning potential - Reinforces legitimate mining ventures by working with licensed and formally recognized legal entities
Mining police	<ul style="list-style-type: none"> - Vulnerable to corruption because not being paid 	<ul style="list-style-type: none"> - More steady stream of tax revenues from legitimate materials leads to more consistent pay¹
Negotiants	<ul style="list-style-type: none"> - Local dealers that consolidate material from many miners. Negotiants pre-finance miners and are themselves pre-financed by comptoirs 	<ul style="list-style-type: none"> - No longer function as primary source of spot buying, but negotiants assist in facilitating arrangements for mineral transport, collection, and delivery.
Comptoirs	<ul style="list-style-type: none"> - Middlemen between negotiants and international traders. Sometimes provide preliminary processing of minerals. Comptoirs pre-finance negotiants and are themselves pre-financed by international traders 	<ul style="list-style-type: none"> - Largely eliminated from the system, unless they add value (e.g., through preliminary processing). Some are re-establishing themselves as processors, or even concession and mine owners.
International traders	<ul style="list-style-type: none"> - Act as middlemen between comptoirs and smelters 	<ul style="list-style-type: none"> - Required to formalize their activities, including by adding due diligence and monitoring.
Smelters	<ul style="list-style-type: none"> - Uncertainty about origin and conflict-status encourages de facto 	<ul style="list-style-type: none"> - Traceability enables sourcing from the region - Long-term arrangements

¹ The provision of an income stream to all levels of government by legitimate activities is critical. The duties and levies are now collectable and local authorities see the value in protection of this new and steady income.

	embargo from GLR	allow for more certainty of supply and price
Downstream companies	<ul style="list-style-type: none"> - Opacity of supply chains creates vulnerability to reputational risk and potential to unwittingly support conflict - Little opportunity to influence conditions of miners - Price fluctuations associated with frequent purchasing agreements create uncertainty in planning 	<ul style="list-style-type: none"> - Direct relationship with mine creates opportunity to influence mining conditions - Transparency in supply chain reduces reputational risk and identifies inefficiencies - Longer term agreements allow more certainty of supply and cost

To test the approach to tracking materials through the closed pipe, a first pilot was conducted outside of the primary conflict zones (North and South Kivu provinces). Mai Baridi and Luba – two sites slightly southeast of Nyunzu, in the nearby Katanga Province – were chosen for the pilot. A clear transportation route to the port city of Kalemie was necessary to address concerns about access, ability to safely monitor the transport, and vulnerability to illegal “taxation” by armed groups.

The pilot sought to test the commercial feasibility of this approach and found that it is financially sustainable. Through the pilot, over 165 metric tons of upgraded ore were produced at the two mine sites and converted into product. AVX sold material to SfH co-founder Motorola Solutions, and later to Intel, HP, Motorola Mobility, Blackberry, Bosch, Nokia as well as manufacturing contract customers like Flextronics and Foxconn (manufacturers who in turn sell to many customers), meaning that Solutions for Hope material appeared in the products of many major electronics brands.

After finding success with the sites in Katanga, the model is ready to be tested in areas closer to conflict. SfH has begun sourcing from a new mine in North Kivu province. The mine is owned by a new participant, but most of the other supply chain actors are the same.

Bill mentioned that RESOLVE hosts a [public website on SfH](#), which contains links to photos from the project, reports and assessments, and other information. Bill also credited Motorola Solutions for its willingness to take on reputational risk by publicly sourcing from Solutions for Hope when systems were still unproven. That participation played an important role in encouraging other downstream interest in sourcing from the region and in educating all stages of the supply chain about responsible sourcing.

Participants wondered what kind of financial commitment buyers had to make to participate in SfH. For Motorola Solutions, employee time and some travel to the region have been the primary costs (beyond the expected cost of purchasing materials at world market price). Initially, Motorola Solutions elected to track all material supplied by AVX under a specific code as a risk mitigation step, which added cost, but once the traceability system was proven, this separation (and resulting cost) has been discontinued.

Bill also noted that an ongoing challenge is the ability of traceability schemes in the region to scale up. iTSCi does not have the immediate capacity to monitor and implement traceability at all newly validated “green” sites. The cost of start-up for traceability at a new site can be prohibitive for small cooperatives, so mines must find another outlet for their minerals. Lengthy delays in scaling of traceability schemes could serve to cement a “two-tier” (legal and illegal) system.

Mike Loch, Motorola Solutions

Motorola Solutions is a co-founder of SfH. In other supply chains, end-users like Motorola Solutions purchase from a supplier and have little input as to the origin of materials or the conditions surrounding production. Motorola Solutions was motivated to begin SfH because the closed-pipe approach allowed the company to buy directly from the GLR. Further, longer-term price agreements through SfH allowed for more predictable supply at a predictable cost. Mike mentioned that participation has boosted employee morale – an unintended benefit.

Motorola Solutions also participates in the Conflict Free Tin Initiative, discussed by Mike below.

Andrea Fava, Intel

Andrea explained that Intel was driven to participate in SfH to help prevent a de facto embargo from the DRC and to signal to its supply chains that “conflict-free doesn’t mean DRC-free.” Intel supports SfH by encouraging the U.S. Government to support responsible sourcing from the region, accepting SfH material into its supply chains, and supporting suppliers in addressing any needs around sourcing through SfH.

Conflict Free Tin Initiative

Mike Loch, Motorola Solutions

After SfH demonstrated proof of concept, it attracted the attention of the Dutch Ministry of Foreign Affairs and BGR, who thought the model could be applied to tin in South Kivu. The Dutch government recruited participants, including two mining cooperatives, a handful of solder manufacturers, a smelter, and an end-use company. The Dutch government also provided funding to help initiate traceability at a site that had been used to pilot iTSCi in 2010.

CFTI has faced some challenges – the pilot site had a lower-quality ore vein, which has impacted its competitiveness on a global market. Other challenges benefited from stakeholder engagement. For example, there was a smuggling incident in which three officers smuggled tin away from the project; this issue was raised by Global Witness and resulted in the removal of those officers. Further, the provincial government at one point levied a 500% tax on conflict-free tin, creating a further price differential compared to untagged tin and effectively shutting down production and trading of conflict-free material. The PPA and others met with officials in November 2013 to highlight the negative consequences of this tax, which was ultimately reduced in negotiation with local stakeholders.

The pilot site offered useful lessons on concession title and ore quality, and CFTI has expanded to a site in Maniema Province (west of the Kivus and north of the Katanga Province), which has proved more productive. The project has also had a positive impact on political will of provincial ministers and governments, who are seeing the impacts of retrocession (the return of taxes to the local community).

Artisanal Gold Sourcing Pilot

Olivier Demierre, PAMP

PAMP considered purchasing gold from artisanal miners participating in a pilot sourcing project supported by the PPA. Due to several challenges, PAMP was ultimately unable to purchase the gold.

PAMP is part of the MKS PAMP group, a leading precious metals trading distribution, refining, and fabrication group. It is a London Bullion Market Association and London Platinum and Palladium Market Referee, which means it can evaluate and assess the technical capabilities of other members of those organizations. It is certified as Good Delivery in all markets, which means that its gold bars and other metals are accepted at their face value in trading between banks.

Olivier explained that gold differs from the other minerals discussed above in several ways:

- 1) There has been little work to source conflict-free gold from the DRC to date;
- 2) DRC and GLR represent a relatively low percentage of global gold supply. However, relatively small quantities can be of substantial financial value, which can play a critical role in supporting conflict; and
- 3) There can be many miners (potentially 1000+) at each site, each producing very small quantities.

PAMP's objective in embarking on the pilot project with PAC was primarily to support the ASM sourcing in the region while satisfying strict due diligence requirements (know your customer, anti-laundering, anti-terrorist financing, pro-human rights, and other safety and environmental requirements). In its collaboration with PAC, PAC provided operational and local knowledge and performed on-the-ground monitoring and training through their substantial diligence field work. PAMP was interested in purchasing gold produced with a verifiable conflict-free supply chain, take final responsibility for due diligence, and conduct a few on the ground visits.

The artisanal gold supply chain has several layers: miners, PDGs (mine owners), petits negociants (who buy from the miners or mine), negociants (who buy from petits negociants), exporters, and finally, PAMP.

The collaboration faced several operational challenges, predominantly

- 1) 98% of ASM gold in DRC is smuggled out of the country. The difference in export taxes between DRC and surrounding nations makes it more profitable to smuggle illegal gold and export it from another country than to pay taxes on legal gold. Smuggling poses very little risk due to lack of enforcement.
- 2) There were questions about negociants' adherence to the closed-pipe chain.
- 3) In late stages of the pilot, the project team discovered a concession title conflict at the mine where the gold was produced.

Olivier shared several lessons from the experience:

- 1) The level of due diligence risk requires help on the ground; the presence of PAC assisted with this.
- 2) Some of the OECD requirements are impractical, particularly the need to assess the political affiliation of all actors along the chain. For instance, is it vital to assess each gold producer when there are thousands, each producing very small quantities?
- 3) There is a need to clarify the acceptability of mass balance rather than true traceability or chain of custody. (In a mass balance scheme, a customer accepts 1 kg of material at the end of a supply chain when it has proof that 1 kg of material meeting its standards entered the chain. It does not permit the buyer to say that the particular molecule at the end of the chain

is the exact same molecule that entered the chain. It is similar to purchasing renewable energy credits from a utility company – depending on the time of day, weather, etc., the actual kilowatts used by the customer may be produced using traditional energy sources, but there is verification that the same number of kilowatts of renewable energy has entered the electrical grid.)

- 4) Documentation is a continuous challenge in the region. It is often inaccurate or incomplete – as with the concession title – or unavailable, as with the distribution of mining identification cards, which was delayed for political reasons.
- 5) For artisanal gold, there is no equivalent of iTSCi to conduct traceability (iTSCi's bag and tag scheme would not be practical for gold).

An NGO Perspective on Closed-Pipe Sourcing

Sasha Lezhnev, Enough Project

Sasha reflected on the significant impacts resulting from efforts surrounding responsible sourcing from the GLR. When Enough started its work on conflict minerals a few years ago, the UN had said that every single mine in the DRC was operated by one of many military groups. Armed groups operated with total impunity and inflicted major human rights abuses on communities near mines.

Today, 67% of the tin, tantalum, and tungsten mines in North Kivu, South Kivu, and Maniema Provinces (those where most conflict has occurred) are conflict-free. Those were previously significant sources of revenue for warlords. There are fewer armed groups; some remain, but the threat has been significantly reduced.

112 out of 155 mines visited by validation teams have been validated as conflict free, though traceability must be ramped up. 16 companies are sourcing from SfH mines, where miners are receiving a significant increase in their wages, and they aren't facing a threat from armed groups. There are social programs starting in these areas – though Enough continues to encourage those programs to go further.

Sasha encouraged more companies to get involved in sourcing through these programs. He also noted that the PPA has been a real driver of change through the projects it has supported. Further, multi-sector visits to the region allow companies, NGOs, and governments to communicate key messages to in-region governments – for example, indicating that the downstream market will disappear if they don't fix the tax problems, ethnic divisions, and other governance issues. This is turning regional governments into advocates for responsible sourcing.

Sasha mentioned that Enough's next company ranking will be a leader board for jewelers and will strongly emphasize the need to work in the region. Criteria for strong performance in the ranking will include participation in the PPA, closed pipe programs, and other responsible sourcing programs.

Sasha noted that recruiting more buyers remains a challenge. Expanding traceability is a priority, but there must be a sufficient demand to purchase the material once it reaches scale.

Additional Panel Discussion

- All three programs benefitted from a tripartite group of participants who can educate one another and work together to send key messages through the supply chain. This multi-

sector approach – particularly NGOs working collaboratively to educate and recognize participating companies – has also resulted in faster progress than parallel issues (e.g., conflict diamonds).

- Participants asked how they can develop closed-pipe systems, or how this model can be applied to other minerals. Mike felt that tantalum was an easier case than some, because there are only a few specific uses for the mineral and the electronics sector is a majority user. By recruiting just a few key industry players, there was sufficient demand to reach economies of scale. Tin has many uses across many industries and thus it has been more difficult to build sufficient demand for GLR minerals. Tungsten also has many buyers and smelters have largely chosen to avoid purchasing from the GLR.
- Companies that wish to create their own closed-pipe systems should look to see whether they have a supplier or buyer who is significant in the market. All companies should maintain awareness to ensure they are sourcing from CFS smelters.
- Mike noted that AVX and Motorola Solutions are working with RESOLVE to create a Solutions for Hope *platform* that draw lessons from SfH Tantalum and CFTI and will seek to facilitate closed-pipe systems in other geographic regions and applying to other minerals.
- Supply stability, reputational security, employee morale, and corporate social responsibility contribute to a business case for responsible sourcing.
- The PPA can articulate the reasons to support responsible sourcing, but there may also be an opportunity to address the objections that companies sometimes raise.
- The use of the terminology “conflict minerals” – especially in Dodd-Frank – has resulted in the confusing situation in which companies sourcing verifiably conflict-free minerals from the GLR must declare the presence of “conflict minerals” in their products. The press is largely uneducated about this nuance and is publicly rebuking companies who are in fact behaving responsibly. There is a need to educate the media to avoid creating incentives for obfuscation in supply chains. NGO partners can be helpful in this education process. Sophia Pickles, Global Witness, further noted that activities by companies to understand their supply chains, to mitigate the problems they find, and to support transparency should be recognized and applauded.
- With the depletion of armed groups, the DRC is transitioning into a post-conflict state. PPA’s work on certification and traceability is just as critical in this phase, as is the need to attract a broader set of purchasers to support job development.
- The term “conflict minerals” is misleading when attending to issues of development and reconstruction – corruption and labor issues, among them – rather than active conflict, and it serves as a powerful disincentive to the purchasers who are so important to providing investment into the region. There is a need to pivot messaging to give better perspective on the status in the DRC and the need for responsible sourcing work.

State Department Updates and PPA Engagement Opportunities

Peter Harrell, Deputy Assistant Secretary for Counter Threat Finance and Sanctions, U.S. Department of State

Peter thanked the PPA and the organizations involved for all they are doing. From the perspectives of U.S. Department of State and USAID, the PPA’s presence and support for on the ground projects has been important for ensuring that Dodd-Frank promoted responsible minerals trade from the region, rather than a *de facto* trade embargo. The State Department and USAID are committed to supporting the work of the PPA in demonstrating that responsible sourcing from the region is possible. Peter noted that Special Envoy Feingold is extremely supportive and, as discussed earlier

in the day, SE Feingold has followed up from his meeting with the PPA to disseminate the PPA's recommendations – both in his letter to Angolan Foreign Minister Chikoti and in direct dialogue with DRC officials. Staff from the State Department's Bureau of Economics and Business Affairs are also meeting with companies around the globe to encourage their participation in the PPA.

Peter mentioned that President Obama will host a summit of heads of state from North and Sub-Saharan Africa in Washington, DC to focus on issues within Africa and between the U.S. and Africa. It will be an opportunity to highlight collaborative work between the U.S. and many African states. The State Department is hopeful that it can host a side event focused on responsible mining in Africa, highlighting the work of many NGOs and companies in Africa. This will be an opportunity to spread the messages from the PPA.

Participants asked what work is being done to highlight the need for governments in the GLR to improve governance and improve the climate for foreign investment. Peter responded that the U.S. is encouraging the Congolese government to move forward with appropriate regulatory regimes and security reform.

Peter asked what the PPA and its members would suggest the U.S. Government could do to advance the PPA's agenda, for example, whether there other industries the State Department should be reaching out to. Participants indicated that parts of the global smelter community is still largely uncertain about sourcing from the region; outreach to these companies or their governments to stress the importance and feasibility of sourcing from the region through validated systems would be beneficial. Peter has already met with individual smelters in Malaysia, China, Dubai, and Indonesia, and will continue outreach to that community. He has also met with government and industry representatives in Japan, Korea, and the European Union to talk about joint approaches and the work of PPA.

Members also noted that the State Department could be helpful by:

- Engaging with OECD and the European Union to encourage consistency in definitions (e.g., Dodd-Frank includes a definition for "conflict free", but OECD does not; OECD allows for mitigation, whereas Dodd-Frank does not) and reporting requirements.
- Promoting (to colleagues in Congress and the Administration) consistency and reciprocity to help reduce the burden on industry in a meaningful way, particularly for GLR businesses, who must issue OECD conforming due diligence reports in order to receive ICGLR certificates. That progress is also important to recognize and encourage.
- Supporting consistency in EU regulations to those of Dodd-Frank; members are concerned about preliminary indications that compliance will depend on individual member state interpretations of the law, and will be vulnerable to inconsistent enforcement capacity;
- Providing ongoing support to ICGLR and member states for fully implementing the ICGLR RCM;
- Helping to coordinate donors to encourage efficiency, reduce duplication, and better prioritize;
- Encouraging Asian governments – especially China – to join the U.S. in promoting tax harmonization among GLR governments to prevent smuggling;
- Engaging with GLR nations to disrupt smuggling and to sanctioning traders who participate in smuggling; and
- Continuing to encourage participation by ICGLR member states in PPA's alignment activities. SE Feingold's outreach to Angola was much appreciated, as the PPA had not engaged directly with Angola to date. State Department outreach to Burundi, Uganda, and Tanzania has been helpful in encouraging their participation in the past.

Key Themes and Outcomes from OECD Meeting and PPA Alignment Meeting

Sophia Pickles and Olivier Demierre shared impressions from the May 2014 OECD Meeting and PPA Alignment Meetings in Paris.

Overall, there is evidence of real progress on the ground. Although there are still significant challenges, including the presence of armed groups in much of the gold sector, there are also important milestones being achieved – for instance, many local companies are beginning to perform due diligence activities.

Burundi, Rwanda, and DRC governments were keenly engaged in the May 29 alignment meeting. They are demonstrating an understanding of the value of certification and demonstrable due diligence. This meeting helped to advance an understanding of the importance of credibility. Participation by downstream companies in communicating this message was very useful.

ICGLR also participated actively in the meeting and there was a sense of renewed engagement. The meeting also reiterated that the Independent Mineral Chain Auditor position (which provides oversight for minerals work happening in the region) is important to fill and that the role is very important to fill for credibility of the system.

The meeting highlighted several continuing challenges:

- Widespread gold smuggling continues because of insufficient enforcement and differing export tax rates;
- There is a need to determine how to handle “legacy” stocks – material produced at sites prior to the beginning of traceability at that site. This must be addressed before certification begins at these sites, to ensure that illegal material doesn’t enter into the system, while also acknowledging that these stocks reflect the livelihoods of miners.
- Corruption of the Congolese military and its involvement in illegal trading extends to very high ranks in some cases; and
- The disconnect (as discussed above) between Dodd-Frank and OECD due diligence guidance

The meeting highlighted the unique role the PPA has held in creating a dynamic of honesty among the member states, companies, and NGOs, and the meeting yielded a very rich and honest exchange. The PPA’s role has also generated a level of respect from local authorities – as evidenced by the fact that the PPA was the only non-Congolese organization invited to speak at the DRC’s Natural Resources Transparency Conference in March. This recognition only increases the PPA’s ability to obtain progress on the ground. Members also mentioned that the meeting was held in Paris, on a holiday, after several days of meetings, and yet interest in attendance was so great that the PPA had to turn people away. Further, these meetings have encouraged a competitive spirit between regional governments in that governments recognize that there are investment opportunities for those countries who demonstrate the highest levels of due diligence.

PPA Reflections and Planning for Remainder of 2014, 2015, and Beyond

Lessons Learned on Grant making

The Governance Committee presented some of the lessons it has identified from the PPA's grant making experiences. These are summarized on the [PPA's Members Only website](#). Highlights from the PAC project include the following:

- Inexpensive and low tech equipment can make a significant difference. PAC saw a 30% increase in miners' yields just by using simple sluices.
- However, getting that equipment into the DRC proved a significant challenge. A lesson was that in-region sourcing for such materials would save significant time, effort, and cost.
- Supply chains are very dynamic with a host of potential and sometimes competing incentives. Equipment that increased production served as an important incentive for miners to participate, but some of the incentives around taxation and other economics drew negociants away from the program.
- Inconsistencies in documentation demonstrate the need to engage with all levels of government to verify due diligence compliance.

RESOLVE will schedule a webinar for the PPA to hear a briefing from PAC on the project and its findings.

The Governance Committee also presented some process and grant making lessons, among them:

- PPA funding can spur interest from other donors, but that can also pose some risk. For instance, PPA had committed to funding two of three stages of the PAC project, but when sufficient supplemental funding wasn't secured, the scope had to be consolidated.
- PPA's grants have raised the profile of key issues in the region.
- The PPA possesses the collective knowledge and experience to identify those projects that would make the biggest contributions to responsible sourcing from the region. Rather than issuing an open call for proposals, the PPA should proactively seek proposals for projects that it identifies.
- Projects should tie into relevant government processes, and the PPA should seek opportunities to engage with those processes to assist grantees' work.

Priorities for Remainder of 2014 and 2015

Participants discussed their sense of the activities and issues the PPA should priorities over the next 18 months:

The PPA, particularly the Communications and Membership Work Group, should consider several activities to address the challenges and opportunities identified throughout the day. Suggestions included the following:

- Consolidating and disseminating the information and priorities distilled in the course of the PPA's alignment activities. Even if the PPA can't fund all priority activities, it can highlight them for other donors;
- Collecting information on the roadblocks within companies that prevent them from sourcing from the GLR;
- Developing a summary of the business case for supporting and participating in responsible sourcing from the region;
- Highlighting the progress that has been made in transparency and reporting (such as mine site validations, activities of local committees, etc.), perhaps through an opinion editorial;
- Convening meetings with downstream industry associations to discuss opportunities to encourage suppliers to source responsibly from the region;
- Developing a summary or "map" of how responsible sourcing guidelines, efforts, and key actors (e.g., ICGLR, OECD, Dodd-Frank, CFSI, iTSCi, SfH, PPA, etc.) fit together. Downstream

industry would benefit from understanding how those things work in practice and how they are distinct but complementary;

- Identifying easy steps that companies interested in responsible sourcing from the GLR can take;
- Developing a “conflict minerals for dummies” resource – potentially incorporating some of the above material – to educate media and the public; and
- Considering outreach to the CFS program to encourage smelters not to avoid the region.

The PPA should develop projects and plan education and outreach addressing priority issues:

- o Responsible sourcing of artisanal gold – through education and outreach on taxation issues, as well as projects supporting development of systems to trace gold through the supply chain;
- o Expanding the scale of traceability systems;
- o Supporting credibility and capacity of the RCM;
- o Continuing to support and encourage transparency and reporting by regional governments;

The PPA should explore new approaches to funding and execution of projects. Options include the following:

- Organizations can make supplementary financial contributions beyond the one-time contribution required for corporate membership;
- An organization could seek PPA oversight of a project it was already planning to fund (although this would also require the same vetting given to PPA-funded projects to ensure alignment with PPA objectives and no due diligence concerns); or
- Organizations could make in-kind contributions, perhaps through participation of communications staff in developing some of the resources identified above, or sponsoring a meeting with industry associations.