



Conflict Minerals and the Democratic Republic of Congo

Responsible Action in Supply Chains,
Government Engagement and Capacity Building

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About this Report and the DRC Conflict Minerals Forum

This report was originally written to provide background information and resources for participants in the multi-stakeholder Democratic Republic of Congo Conflict Minerals Forum, held May 12-13 in Washington, DC, and has been updated to reflect learnings from that forum. The Forum was jointly convened by BSR and the Responsible Sourcing Network, a project of As You Sow. Both the report and Forum were made possible by a grant from the GE Foundation.

The Conflict Minerals Forum has grown out of two concurrent efforts. In October 2009, Dell, HP, Intel, Motorola and Philips sponsored a BSR-hosted meeting of industry representatives and stakeholders to develop wider industry support and alignment on conflict minerals issues. Shortly thereafter, the Responsible Sourcing Network initiated monthly multi-stakeholder calls focused on DRC conflict minerals, which continue to provide a venue for participants to discuss ongoing efforts, learnings, and opportunities for engagement.

This report is based on literature review and resources provided by organizations engaged in raising awareness and addressing concerns about conflict minerals, as well as information shared at the DRC Conflict Minerals Forum. It has a particular focus on identifying opportunities for company involvement in addressing DRC conflict minerals issues.

The author would like to thank those who contributed to and reviewed the report. Any errors that remain are those of the author. Please direct comments or questions to Marshall Chase at mchase@bsr.org.

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I. Introduction

The conflict in the Democratic Republic of Congo (DRC) has claimed more than 5.4 million lives since it began in the late 1990s. Now centered in the east of the country, it involves a range of militant groups - local militias, Congolese and Rwandan rebels, and the Congolese army - that use control over the country's rich mineral deposits as a source of financing.



Photo courtesy of Pact, www.pactworld.org

Over 50% of the mines in the eastern DRC are controlled by armed groups,¹ who demand taxes, bribes or other payments for the minerals extracted from the mines. Although extremely difficult to know the amount of funding with certainty, one estimate from the Enough Project, an NGO leading a campaign focused on crimes against humanity, places the figure between \$140 and \$225 million in 2008.²

This issue cuts across industries and requires the support of a variety of stakeholders. As a result, there is a clear incentive to take a collaborative approach to eliminating conflict minerals from all supply chains and addressing the critical situation in the DRC.

The contribution of eastern DRC mineral resources to funding the conflict, and the need to sever this link, has been widely discussed by a range of organizations and governments. Although much of the public focus has been on conflict minerals use in the electronics industry, they feed a range of complex supply chains, serving as raw materials for component parts in everything from cell phones and cutting tools to jet engines and jewelry. NGO campaigners, development organizations, governments, industry working groups and others are attempting to address the link between minerals and the conflict in a variety of ways. The electronics and tin industries have been among the most active in identifying approaches to prevent conflict minerals from entering product supply chains, while recent NGO efforts have focused on raising awareness about connections between conflict minerals and the jewelry and auto industries.

Government actions have included legislative proposals to encourage supply chain verification schemes, support for regional peacebuilding, programs to strengthen governance in the DRC, and other efforts.

Solutions that effectively address DRC conflict minerals cut across a number of industries and require action from a variety of stakeholders. Efforts should be aligned and mutually supporting, and should communicate with each other to limit duplication of effort. As a result, there is a clear incentive to take a collaborative approach to eliminating conflict minerals from all supply chains and addressing the critical situation in the DRC.

This report offers an introduction to the key issues related to conflict minerals from the DRC. It gives an initial overview of the key minerals involved, their supply chains and contribution to the conflict. It then examines three areas for action, highlighting the need for holistic approaches that align and encourage communication among efforts in all areas as well as noting potential opportunities for corporate and stakeholder engagement in existing efforts. These action areas are:

- » Supply chain responsibility
- » Government engagement
- » Economic development and capacity-building

Additional background information about the conflict itself and its link to minerals sourcing can be found in reports and websites from a range of sources, including the United Nations,³ Enough,⁴ Global Witness,⁵ Resource Consulting Services,⁶ and others.

Summary: Opportunities for Company Engagement

Companies need a holistic approach to this issue that includes an understanding of supply chain, government and local development efforts and how they interact, and considers potential action in each area.

The sections below highlight a range of opportunities for company engagement. These are not exhaustive lists, and points may not be relevant for every company, but they are intended as discussion starters for the DRC Conflict Minerals Forum. It should also be noted that, although these opportunities are broken out into distinct categories, companies need a holistic approach to this issue that includes an understanding of supply chain, government and local development efforts and how they interact, and considers potential action in each area. The opportunities highlighted below include:

Supply Chain Responsibility:

- » Public commitments not to purchase conflict minerals or include conflict minerals in any final products, supported by substantive supply chain efforts
- » Internal procurement review and engagement with suppliers to identify and address potential conflict mineral use and sources in company supply chains
- » Engagement in industry efforts focused on supply chain tracking, tracing and due diligence, such as the GeSI-EICC Extractives Workgroup
- » Support for efforts to align, expand and strengthen various supply chain responsibility programs (such as those from ITRI, GeSI-EICC, BGR and ICGLR) across industries and minerals from the region
- » Highlighting conflict minerals as an issue with relevant industry associations

Government Engagement:

- » Engage with legislative and regulatory efforts to support supply chain transparency, for example by supporting efforts to enact such legislation, or helping to inform lawmakers of the uses and limitations of such efforts
- » Consider supporting or contributing to the development of broader (non-supply chain focused) legislation to improve the situation in the Congo through efforts such as development assistance and peace-building. By improving local conditions, such programs would also help stabilize supply chains for critical raw materials.
- » Partner with international aid programs (including public-private partnerships) that can assist in local development
- » Consider providing tools and equipment to support good governance in the region
- » Support improved governance practices, for example through EITI and company-government interactions that can be supported by industry associations and others, or by supporting steps to formalize the artisanal mining sector in the DRC
- » Becoming a signatory of the Voluntary Principles, or encouraging suppliers operating in the DRC to do so.
- » Publish position statements laying out what signatories think should be done to address conflict minerals issues
- » Participate in or support existing government efforts to address the conflict minerals issue. For example, ITRI and others attended the recent ICGLR meeting focused on a regional minerals certification scheme.

Development and Capacity-Building:

- » Work with community-based efforts to ensure local benefit from mining revenues
- » Support for the development of legitimate local trade and transport networks, perhaps through emerging certification schemes
- » Support local efforts to encourage formalization of mining, possibly in conjunction with government efforts
- » Engagement with community-based efforts through corporate philanthropy efforts
- » Identification of ways to link “bottom-up” on-the-ground efforts to produce conflict-free minerals with more “top-down” certification efforts being driven by industry groups and governments

Summary: Opportunities for Stakeholder Engagement

Similar to opportunities for company engagement, the sections below highlight a range of opportunities for stakeholder (NGO, investor and other) engagement. These are not exhaustive lists, and points may not be relevant for every organization, but they are intended as discussion starters for the DRC Conflict Minerals Forum. These opportunities include:

Supply Chain Responsibility:

- » Providing up-to-date information on the situation on the ground in Eastern DRC
- » Contribution to and review of certification schemes and accountability measures

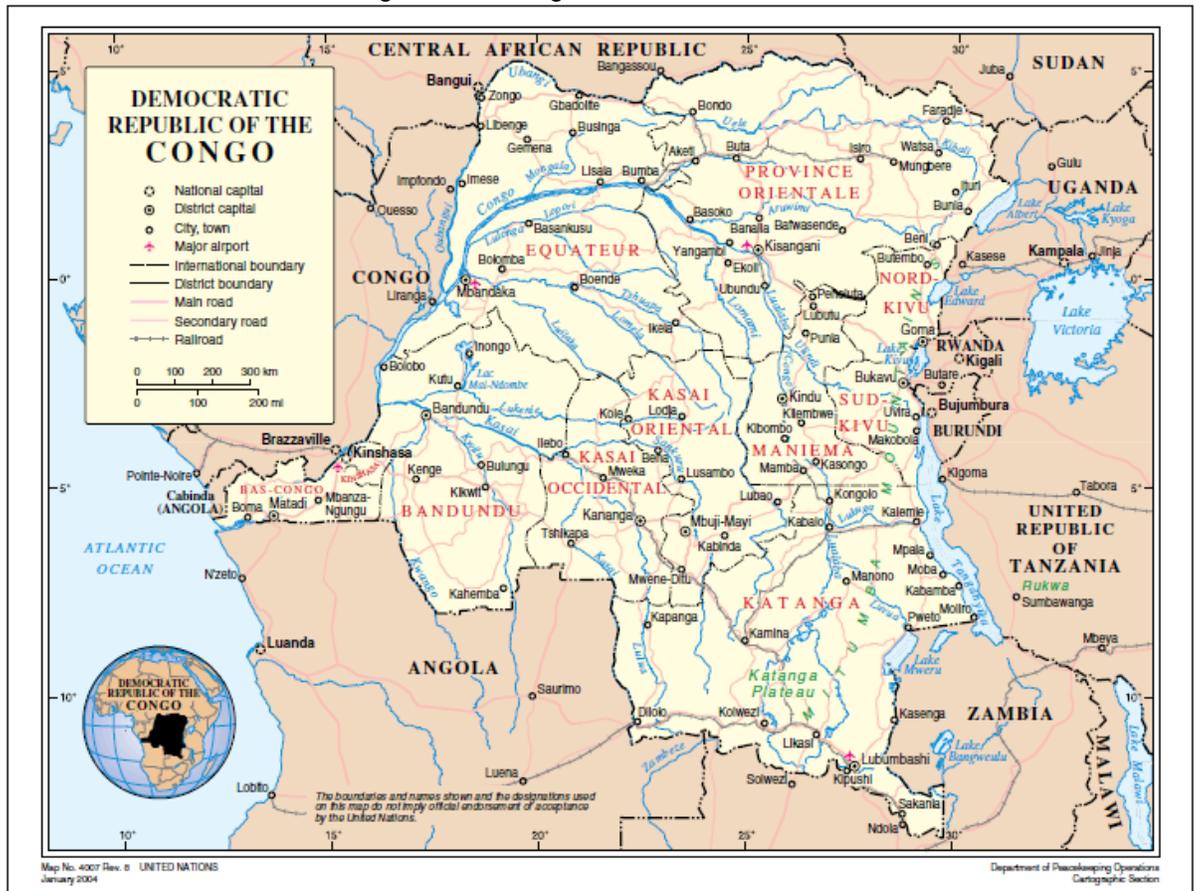
- » Encouraging companies to implement supply chain responsibility policies and practices
- » Encouraging various schemes and industries to align their efforts

Government Engagement:

- » Engage with legislative, regulatory and other efforts to help inform them and generate effective solutions through multi-stakeholder meetings and other efforts
- » Providing up-to-date information on local and regional rule of law and good governance efforts in the DRC, its neighboring countries, and with home countries and multi-national corporations
- » Contribute to national and DRC legislative and diplomatic efforts
- » Support or contribute to the development of broader diplomatic and political action to address the conflict, such as efforts to develop regional peace talks

Development and Capacity-Building:

- » Strengthen relationships with local NGOs and support their efforts (promotion of activities and/or fundraising)
- » Support local community involvement in developing traceability and verification schemes and safe mining practices
- » Support efforts to diversify work opportunities to alleviate the pressure on mining revenues
- » Ensure the stories of community groups are told to corporate boards of directors, investors and faith-based stakeholders
- » Push for the formalization and appropriate taxation of artisanal and large-scale mining



II. Tin, Tantalum, Tungsten and Gold: Context and supply chain descriptions



Photo courtesy of Pact,
www.pactworld.org

The Eastern DRC is a rich source of tantalum, tin, and tungsten (the “3Ts”), as well as gold, and these minerals have helped to fund the continued fighting in the region for years.⁷ In the context of this report, “conflict minerals” are those that result in profits for any of the various armed groups in the Eastern DRC and surrounding region, including:

- » Congolese rebel groups
- » Units of the Congolese army
- » Local militias
- » Rebel groups and armed forces from neighboring states such as Rwanda and Uganda

These groups differ in their dependency on the minerals trade. Although it is difficult to develop accurate estimates and circumstances are constantly changing, Resource Consulting Services (RCS) estimated that in 2008 the Forces Démocratiques de Liberation du Rwanda (FDLR, a Rwandan Hutu rebel group) obtained up to 75% of its revenue from the taxation of DRC minerals (predominantly gold), while that figure was up to 95% for a brigade of the Congolese National Army (the Forces Armées de la République Démocratique du Congo, FARDC), and up to 15% for the Congrès National pour la Défense du Peuple (CNDP, a former Congolese rebel group being integrated into the FARDC).⁸

There are two significant ways that these groups profit from the minerals trade in the Eastern DRC:

- » The groups may control mines directly: A recent mapping exercise conducted by IPIS⁹ found 13 major mines and over 200 total mines in the Eastern DRC. Of these, 12 major mines and over half of all mines are controlled by armed groups.
- » The groups may illegally “tax” the transport and trade of minerals along routes that they control.

These revenues are a major source of funding for armed groups: An “average” estimate developed by the Enough project (using statistics from RCS) suggested that Eastern DRC armed groups may have seen \$185 million from the minerals trade in 2008.¹⁰ An AK-47, in comparison, may cost \$30,¹¹ while individual combatants are paid little.¹²

At the same time that these mines support armed groups, they also contribute to the livelihood of a large number of Congolese and others. As many as one million people in the Great Lakes Region are economically dependent on the minerals trade,¹³ while the World Bank estimates 10 million Congolese (16% of the population) in total are in some way dependant on the artisanal mining industry in the country.¹⁴

⁷ Cobalt, copper and diamonds are also significant resources in the DRC, but are generally not mined in the Eastern DRC conflict region and their extraction does not immediately involve armed groups.

Tin (Cassiterite)

DRC SOURCING AND GLOBAL CONTEXT

At present, cassiterite ore (which is refined to produce tin) is the leading mineral in terms of dollar value contributing to armed groups in the DRC. The country is the world's sixth leading producer of tin, although estimates of total production vary. The Enough Project calculates that the eastern DRC produces over 24,000 metric tons of tin, or 6-8% of global production.¹⁵ This likely contributed about \$115 million to armed groups in 2008.¹⁶ Over half of this material comes from the Bisie mine in North Kivu, which has changed hands among armed groups several times and is currently controlled by a unit of former CNDP rebels now integrated into the Congolese army.¹⁷

Demand and prices for tin have fluctuated considerably over the past several years. A 2008 Reuters news report suggests that instability in the DRC and tight supply contributes to this global price volatility, demonstrated by a 31% price increase coinciding with a rebel offensive against the country's primary tin trading center.¹⁸

USES

According to statistics from ITRI, the leading tin industry association, over half of global tin supply is used in solders (predominantly for electronics), where its use has rapidly increased with the phase-out of lead-based solders. Significant amounts are also used in tinplate (providing a corrosion-resistant coating for steel food cans and other materials), and a range of chemical applications including catalysts and PVC stabilizers. Notable amounts are also used in brass and bronze, and glass manufacturing.¹⁹ (See Appendix A for more detailed breakdown of uses for tin and other metals).

Tantalum (Coltan)

DRC SOURCING AND GLOBAL CONTEXT

Although coltan ore (refined to produce tantalum) is not as significant as cassiterite in its financial contributions to the conflict in the DRC, it was the first conflict metal from the DRC to be the subject of global concern in the early 2000s, as the price for the mineral spiked in conjunction with growing demand from the electronics industry. The DRC is one of the leading producers of this material, estimated by one source at 155 metric tons (tantalum equivalent) annually, or 15-20% of global production²⁰ (in contrast, nominal U.S. Geological Survey (USGS) figures estimate 100 metric tons of production in 2009 and 8.6% of the global total,²¹ indicating some of the variability in statistics related to these minerals). This may have provided armed groups with about \$12 million in 2008.²²

USES

USGS estimates that tantalum capacitors for use in automotive electronics, cell phones, computers and other applications account for over 60% of global use of the metal.²³ Other documents estimate that an additional 10% may be used in superalloys (e.g. for jet and power plant turbines),²⁴ 10% in corrosion-resistant chemical equipment,²⁵ and 5% in cutting tools.²⁶

Tungsten (Wolframite)

DRC SOURCING AND GLOBAL CONTEXT

The Enough Project estimates that annual production of wolframite (tungsten ore) in the eastern DRC is equivalent to 1,300 metric tons of tungsten, approximately 2-4% of global production.²⁷ This would make the DRC the world's fifth largest producer of the mineral according to USGS statistics.²⁸ Overall,

tungsten is a smaller but still significant total contributor to the coffers of armed groups, contributing perhaps \$7.4 million in 2008.²⁹

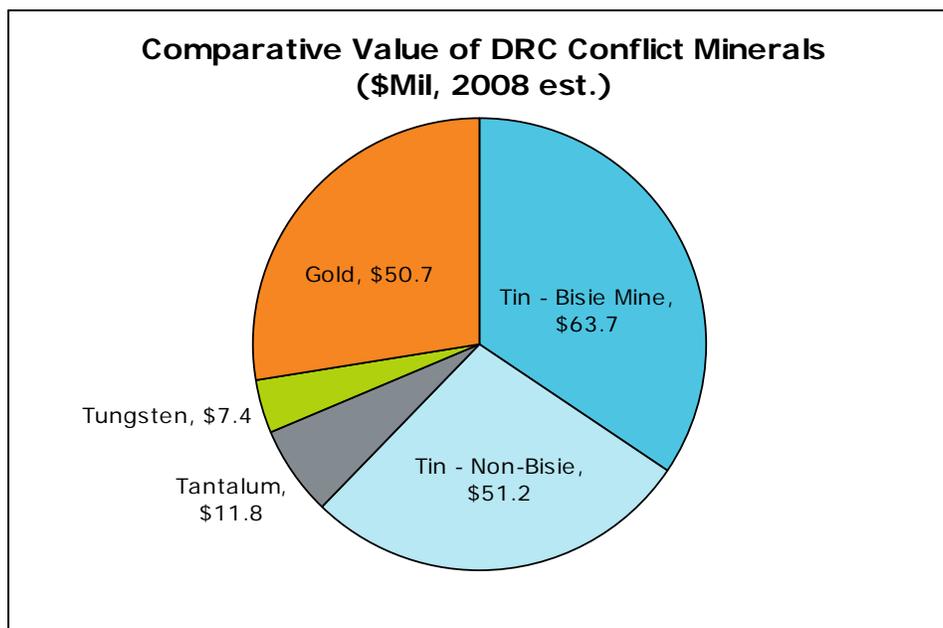
The end uses of tungsten are far more widely distributed and less visible to end consumers than the other three conflict minerals. Where the electronics industry is the dominant user of tin and tantalum, and jewelry is the leading use of gold, cemented carbides and tungsten steel are used in a large number of different supply chains.

USES

The use of tungsten is heavily concentrated in cemented carbides (“hardmetals,” 60% of global use) and tungsten steel (20% of use), materials used in heat and wear-resistant applications such as cutting tools. These materials are used in a wide range of industries, from mining and steelmaking to precision machining and manufacturing (e.g. automotive and aerospace components). Tungsten is also used in other alloys for wear-resistant components like valves, bearings and pistons; superalloys used in jet and power plant turbine components; filaments and electrodes in many types of electric lighting; and in a variety of applications in the electronics industry.³⁰ Geographically, China has become the leading global consumer of tungsten in recent years.

Notably, the use of tungsten is far more widely distributed across industries and less visible to end consumers than the other three conflict minerals. Where the electronics industry is the dominant user of tin and tantalum, and jewelry is the leading use of gold, cemented carbide or tungsten steel cutting tools and other components are used in a large number of different supply chains, and may not make it into consumer-facing products.

Figure 1.



Source: The Enough Project / RCS Data

Gold

DRC SOURCING AND GLOBAL CONTEXT

Gold from the eastern DRC is the smallest conflict mineral by volume, at 6.5 tons, but second only to tin in its contribution to armed groups—estimated at about \$50 million in 2008.³¹ Gold’s high value, low-volume nature makes it much easier to conceal and transport than the “3T” metal ores, and Resource

Consulting Services notes that 95% of the eastern DRC's gold is traded informally.³² In 2008, for example, the country legally exported only 270 pounds of gold, compared with an estimated 11 thousand pounds of domestic production.³³ Although not all of the profits from unaccounted for gold may accrue to armed groups, a significant portion does (particularly to the FDLR, a Rwandan Hutu rebel group), and this ease of concealment may make it hard to establish formal on-the-ground tracking mechanisms for the metal. Although it is an important mineral in funding the conflict, the country produces less than one percent of the global total of gold.

USES

Nearly 80% of the gold produced globally is used to make jewelry.³⁴ Other applications include the financial industry (e.g. coinage) and some uses in electronics, medical equipment and aerospace.

Supply Chain Complexity

Conflict minerals move through complex and non-transparent supply chains, beginning with artisanal mines, becoming blended with minerals sourced from other regions, and go into the manufacture of a range of products, including electronics, aircraft components, medical devices, jewelry, and others.

As discussed in a variety of sources including a recent report from RESOLVE,³⁵ these minerals move through complex and non-transparent supply chains, beginning with artisanal mines, becoming blended with minerals sourced from other regions, and go into the manufacture of billions of items in a range of industries, including electronics, aircraft, medical devices, jewelry, and others.

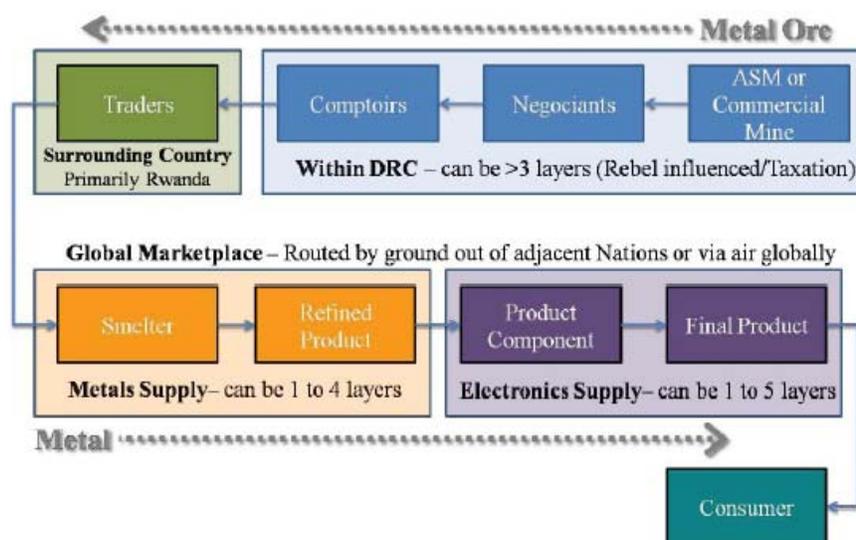
As noted above, over 200 mines have been identified in the eastern DRC. Virtually all of this mining is artisanal (done with minimal mechanization, usually on a small scale). The Congolese government generally does not recognize the legitimacy of artisanal mining, and as a result their activities are usually illegal, or at best exist in a legal gray area. Engaging with these miners may be difficult because of their extra-legal activity, both because there is no central government record of them and because they may be reluctant to disclose their activities to others. Operating on the legal margins also leaves artisanal miners open to exploitation by armed groups, because they cannot go to the government for protection against such exploitation.

Minerals from these mines are transported via a variety of routes, and pass through the hands of a range of négociants (sales agents), comptoirs (trading houses), exporters and traders before reaching a smelter or other processor in the global marketplace (see Figure 2). At any point in this chain, minerals from various mines (both "conflict" and "conflict free") can be mixed together, and records of mineral origins may not be kept or passed to new owners.

Neighboring countries, including Rwanda, Uganda, Burundi and Tanzania play a significant part in these mineral trade routes. A recent UN Group of Experts report³⁶ highlighted the following, among other points:

- » The FDLR and other armed groups are estimated to obtain millions of dollars yearly from gold that is trafficked through Uganda and Burundi to the United Arab Emirates
- » Allegations that Tanzanian officials support an arms dealer to the FDLR desiring to retain their influence over the smuggling of mineral resources from South Kivu to Tanzania
- » Ugandan gold traders have allegedly been encouraged to declare Congolese gold they imported or re-exported from Uganda as gold of southern Sudanese origin on their official documentation
- » Documentation providing evidence that significant amounts of cassiterite are smuggled from the DRC to Rwanda, which has helped finance CNDP and FARDC units.

Figure 2. Example mineral supply chain from DRC to consumer product



Source: RESOLVE, “Tracing a Path Forward,” p10, adapted from EICC-GeSI Extractives Workgroup product

These minerals ultimately reach world markets and make their way into a wide variety of products. There is some aggregation by industry or product category, but that does not mean that supply chains are simple or easy to trace. For example, although tin and tantalum are predominantly used in the electronics industry, these minerals (as well as tungsten and gold) are used in small amounts in billions of electronics and other products worldwide. These products are sold under a large number of brand names, with products and components manufactured by a much larger number of suppliers.

Related Issues

Although this paper focuses specifically on the relationship between minerals sourcing and the armed conflict in the region, there are a number of related issues that are also a concern when examining minerals supply chains in the region. These include human rights and labor issues, environmental degradation, and large-scale mining efforts—touched on very briefly here:

HUMAN RIGHTS AND LABOR ISSUES

The conflict in the eastern DRC includes significant human rights abuses, including attacks on civilians³⁷ and sexual violence conducted by armed groups.³⁸ There are also extensive mining labor rights and safety concerns in the eastern DRC and elsewhere in the country. For example:

- » The U.S. Department of Labor has noted that the DRC demonstrates “the worst forms of child labor,” including forced labor in the mining sector.³⁹
- » Gender issues are very important, as women play significant roles in mining in the region and face particularly significant challenges including sexual violence and abuse, and gender discrimination.⁴⁰

- » There are no enforced health and safety standards for mines in the region, and mine shaft collapses are a common and often deadly occurrence.⁴¹

ENVIRONMENTAL DEGRADATION

Mining is linked with deforestation and environmental degradation in the conflict areas, caused for example by the dumping of mine tailings into river systems.⁴²

LARGE-SCALE MINING

Some larger mining companies do have claims in the conflict area,⁴³ and one Canadian junior miner (Banro Gold) has begun operating in the region. Large-scale mining operations could become sources of 'conflict-free' minerals from the region, but such operations have also been subject to criticism for their displacement of artisanal mining, and poor human rights and environmental records.⁴⁴

Observations

If solutions—such as substitutes or verifiably conflict-free minerals—are found for one industry such as electronics, or for one mineral such as tin, then it will do little to change the overall situation—the conflict minerals will likely continue to be purchased by other organizations outside of effective supply chain governance schemes, and the use of minerals to finance armed groups will continue.

It is evident from the figures above that the electronics industry is the leading user of tin and tantalum, and as a result, has a key role to play in addressing the issue of DRC conflict minerals in the supply chain. It is also important to note, however, that this is a snapshot in time, and an exclusive focus on tin, or on the electronics industry, does not adequately consider issues that create substantial variability over time. Changes in minerals prices, production, industry uses and other factors over time can significantly alter the mix of minerals and their impact on the conflict. For example, the use of tin in the electronics industry has dramatically increased as that metal has replaced lead in solders. At the same time, the price of gold has increased dramatically relative to other minerals over the past several years—particularly when compared with tungsten, the price of which has remained relatively stable.

If solutions such as substitutes or verifiably conflict-free minerals are found for one industry such as electronics, or for one mineral such as tin, then it will do little to change the overall situation. The conflict minerals will likely continue to be purchased by other organizations outside of effective supply chain governance schemes, and the use of minerals to finance armed groups will continue. As a result, it is important that multiple industries support coordinated supply chain due diligence down to the mine level, while also working with mutually-supporting government engagement and local capacity-building efforts.

III. Supply Chain Responsibility

As discussed above, minerals from the eastern DRC conflict zones are destined for a range of industries and products, from electronics and jewelry to cutting tools and aircraft engines. Developing a clear picture of these supply chains and determining whether conflict minerals form a part of them is a necessary step in efforts to eliminate the link between the minerals and conflict in the country. Such efforts can help identify and reduce incentives for armed groups in the region to use bribes, violence and other means of coercion to control mining areas and trade. As a result, supply chain efforts have received significant attention from NGOs, industry and governments, and a range of efforts are being developed (outlined below).

Identifying the chain of ownership and origin of these minerals, however, can be challenging. The supply chains include multiple entities, from small scale producers, to local consolidators and traders all over the world, as well as smelters and other processors. In addition, the smelting and refining of minerals often combines ore from multiple sources—various mines in various regions—making it extremely difficult to trace their origin after refining occurs. There are also a range of challenges and differing points of view about how supply chain responsibility efforts should be implemented. Some groups suggest that the schemes being developed are insufficiently detailed to ensure the elimination of conflict minerals from supply chains, others are concerned that such efforts may result in blanket minerals bans that would increase hardship for millions of people dependent on artisanal mining in the region, and others feel that a paper trail without sufficient people monitoring the situation on the ground could lend itself to bribery and falsification.

Supply Chain Approaches

Resource Consulting Services identifies four primary approaches that can be used in combination to begin to understand and address conflict minerals in supply chains:⁴⁵

- » Due diligence: Market to mine **tracing** mechanisms to assure mineral legitimacy and legality
- » Certificate of origin: in-country **tracking** measures to assure site or country of production
- » Investigation or punitive measures, typically against individuals or companies
- » Geographical and geological mapping of various mine sites and their minerals, contributing to scientific ‘fingerprinting’ of mineral supply chains

The Enough Project proposes three key supply chain steps, in a somewhat different but not opposing approach:⁴⁶

- » **Trace:** Companies must determine the precise sources of their minerals, which requires efforts to develop rigorous means of ensuring that the origin and production volume of minerals are transparent.
- » **Audit:** Companies should conduct detailed examinations of their mineral supply chains to ensure that taxes are legally and transparently paid to the Congolese government and guard against bribery and fraudulent payments. Credible third parties should conduct or verify these audits.
- » **Certify:** For consumers to be able to purchase conflict-free electronics made with Congolese minerals, a certification scheme that builds upon

the lessons of the Kimberley Process will be required. Donor governments and industry should provide financial and technical assistance to galvanize this process.

BANNING EASTERN DRC MINERALS SOURCING: “RESPONSIBLE” OR NOT?

If companies have sufficient understanding of their supply chains, they may attempt to eliminate conflict minerals by stopping any purchases of materials that contain minerals from the region, as European metals dealers AMC and Traxys did last year, and has been discussed by others. Similarly, governments may attempt to ban the purchase, sale, export or import of these minerals, as the DRC’s Ministry of Mines did when it banned trade in cassiterite from Walikale (the location of the large Bisie cassiterite mine) in 2008, or as has been suggested to the UN Security Council in the past.

There is significant debate about potential bans like this. Companies may favor banning conflict minerals from their individual or industry supply chains because, if effective, it would simplify their own risk management and potential responsibility related to the DRC conflict. NGOs such as Global Witness point out the difficulty of accurately verifying whether specific minerals purchases from the eastern DRC help fund the conflict, and note that a market for conflict minerals will continue to exist unless a ban is put in place. Given that, it is argued that a ban lasting until the conflict and human rights conditions improve is the only way to ensure that mineral sourcing does not go to fund the conflict.

Others such as Resource Consulting Services and Pact suggest that banning the trade in conflict minerals is unlikely to sever the link between minerals sourcing and the conflict. Because minerals extraction in the DRC is poorly monitored and the resulting metals are undifferentiated commodities, it is relatively easy get around bans, particularly in supply chains where minerals from many sources are blended in a variety of supply chain steps. The 2008 Ministry of Mines effort, for example, simply rerouted minerals from the banned area to another region not subject to the ban. Just as importantly, blanket bans (if they are effective) will affect sources that do not contribute to the conflict, as well as those that do. Millions of people in the Congo depend in some way on the minerals trade, and a large-scale ban could significantly increase hardship for them. Those in favor of a ban acknowledge this hardship, and note that such a ban should be accompanied by significant international development efforts promoting peace and sustainable livelihood development.

The implication for companies in this debate is that the end goal of supply chain responsibility efforts should not be a ban on minerals from the Eastern DRC. It may be that a temporary, carefully-implemented ban (coupled with large-scale regional assistance and probably managed through international institutions) could form part of a solution, but the ultimate goal should be to develop effective, verifiably conflict-free sourcing from the region, in collaboration with industry, NGO and other efforts.

Key Challenges for Building a Supply Chain Approach

As suggested above, there are a range of challenges that make it difficult to build a supply chain approach to addressing conflict minerals issues. Among them:

- » Most of the minerals produced in the Eastern DRC are from mines which are illegal or part of the informal economy, and therefore no formal records are kept.

It is difficult for supply chain programs by themselves to succeed in reducing overall trade in conflict minerals and resulting revenue flows to militants. Given the current structure of mineral supply chains, if one company or industry attempts to eliminate conflict minerals from its supply chain, then new ways may be found to disguise their origins, or they may simply move to other supply chains with less rigorous standards.

- » Smuggling minerals to neighboring countries, including Rwanda, Burundi and Uganda, is commonplace and encouraged by the fact that the DRC levies export tariffs on minerals, unlike the other countries in the region. The smuggled minerals are then reported as local production in the new countries and sold to smelters on the global market.
- » Metals from multiple mines and other sources are typically undifferentiated and mixed at various points in the supply chain, including by traders, exporters, and smelters, making it extremely difficult to trace their origins
- » Although over half of the mines in the Eastern DRC are controlled by armed factions, many are not, and there needs to be a way to identify minerals from both “conflict free” mines and “conflict” mines to avoid punishing those who deal in local conflict-free minerals
- » Global Witness reports that increasing levels of extortion and bribery is happening along the minerals trade routes, so even if minerals come from a “conflict free” mine, armed groups may still profit from the trade
- » A supply chain approach may need to address other concerns in addition to conflict minerals from the DRC, such as conflict minerals from other sources, or sources with significant forced labor or environmental degradation problems
- » Supply chains for these minerals are very complex, involving a large number of stages from mine to finished product, and billions of final items
- » Mineral specific challenges:
 - Tin may be processed and mixed at any stage of the supply chain, thus making changes in traceable physical characteristics such as batch weight and chemistry inevitable. In addition, some minerals are sold through sales agents (négociants) or consolidators, while others are sold directly to trading houses (comptoirs), increasing the challenge of tracking.
 - Tracing tantalum ore supplies using their trace element composition is challenging, as tantalum ores are frequently partially processed at or near the production site. Processing the ore changes its chemical characteristics by altering the mix of trace elements that can be useful in identifying the mine of origin. Typing ore is therefore intrinsically difficult in the most optimistic circumstances. Moreover, producers and traders can blend ores from multiple sites, rendering them anonymous.⁴⁷
 - The facts that gold is very valuable in small quantities, and its mining is geographically dispersed, make it much easier to conceal and transport than the other metals
 - Tungsten has diverse industry uses, contributes a smaller amount of money to the conflict, and Congo contributes a smaller percentage of global volume than tin or tantalum, which may result in less industry focus on this metal

With these challenges, particularly for gold and tungsten, it may not be surprising that there are currently no fully operational supply chain responsibility programs in the Eastern DRC, and most of those being developed are focused on tin and tantalum. In addition, the challenges mentioned above make it difficult for supply chain programs by themselves to succeed in reducing the overall trade in conflict minerals and its resulting revenue flows to militants. Given the current structure of mineral supply chains, if one company or industry attempts to eliminate conflict

minerals from its supply chain, then new ways may be found to disguise their origins, or they may simply move to other supply chains with less rigorous standards.

Current Efforts in Supply Chain Tracking and Tracing

As the issue of conflict minerals has moved into the spotlight over the last few years, a number of organizations have sought ways to increase transparency in mineral supply chains. Some of these efforts have also started to identify areas of convergence and explore collaboration. The efforts highlighted here represent some of the leading efforts in the area, but this is not intended to be an exhaustive list.

International Tin Research Institute—ITRI, the international trade body of the tin industry, initiated the ITRI Tin Supply Chain Initiative (iTSCi) in 2009 to establish a traceability system for cassiterite. The first phase of the traceability scheme was implemented in July 2009 and established a requirement for the provision of official and industry documents as well as written declarations of lack of involvement of illegal armed groups in the upstream supply chain by all comptoir exporters. The second phase of the initiative aims to improve traceability from the mine to the comptoirs through the use of unique serial numbers on every bag of minerals produced at mine sites, as well as records of other features of the bags including their weight. Pilot projects have been proposed to test the system before full implementation, and the organization is beginning implementation of Phase 2.⁴⁸

EICC/GeSI Efforts—The Electronics Industry Citizenship Coalition (EICC) and Global e-Sustainability Initiative (GeSI), two electronics industry associations focused on sustainability and responsible manufacturing, are working collaboratively on a set of supply chain initiatives, and these groups are also supporting the ITRI effort focused on tin. These efforts are spearheaded by the Extractives Workgroup,⁴⁹ which is also open to participation from non-ICT industry representatives. The scope of the Workgroup includes determining due diligence for each step in the supply chain to support responsible minerals sourcing, with an ultimate goal of having one process for all metals across all industries.⁵⁰ Efforts include the following:

- » **RESOLVE Research:** EICC and GeSI contracted the nonprofit organization RESOLVE to research the supply chain for electronics products starting with three metals: tin, tantalum, and cobalt. In April 2010, RESOLVE published findings from the research which included a supply chain tracking/tracing survey and mapping, as well as desk-based research on other supply chain initiatives with relevance to the industry. The findings aim to support multi-stakeholder collaboration in eliminating conflict minerals from the supply chains of electronics companies.⁵¹
- » **Tantalum Smelter Validation Plan:** Based in part on research that identified a limited number of smelters as a key choke point in the tantalum supply chain, EICC/GeSI companies are working on an electronics industry effort to validate the tantalum supply chain that is focused on review of smelters and the material they purchase. This effort is expected to require documentation of mine origin, transport, export licenses and certificate of analysis for 12 smelters' purchased materials, with more detailed review for African and DRC-sourced materials to ensure that they do not come from a conflict mine or become subject to illegal taxation while being transported. It is expected that initial audits will begin late in 2010.

Kimberley Process—Although the Kimberley Process Certification Scheme (KPCS) to stem the flow of conflict diamonds is not being applied to the Eastern DRC (as diamonds are, at most, a very small contributor to financing the conflict), it provides useful lessons for the region. The KPCS imposes extensive requirements on its 75 member countries to enable them to certify shipments of rough diamonds as ‘conflict-free.’ Under the terms of the Process, participating states must meet minimum requirements and must put in place national legislation and institutions; export, import and internal controls; and also commit to transparency and the exchange of statistical data. Participants can only legally trade with other participants who have also met the minimum requirements of the scheme, and international shipments of rough diamonds must be accompanied by a KP certificate guaranteeing that they are conflict-free. The KPCS uses a “voluntary self-regulation” approach on the part of the diamond industry and a peer review system to ensure compliance. While trade in conflict diamonds has dramatically declined since the implementation of the KPCS in 2003, in the last few years the process has been criticized by NGOs including Human Rights Watch, Global Witness and others for lacking accountability, authority and commitment to suspend membership for states that do not comply.

German Federal Institute for Geosciences and Natural Resources (BGR)—Over the last few years, the German government through the Federal Institute for Geosciences and Natural Resources (BGR) has been testing the feasibility of ‘fingerprinting’ coltan (tantalum) samples based on mineralogical characteristics. The findings helped BGR develop a technique to analyze ore attributes that reduces the average time needed for geological tracing. It is currently being expanded to look at tin (cassiterite) and tungsten (wolframite) ore concentrates using the same instrumentation.

BGR is also developing a chain of custody assurance system (certified trading chains - CTC), which includes certification of specific mine sites by third party audit and the introduction of minimum standards (based on OECD guidelines) for origin and Corporate Social Responsibility (CSR) through voluntary certification. This is currently being explored through a pilot in Rwanda where companies and their mine sites are assessed according to five principles related to transparency of the trading chain, finance, health, safety and environment. Similar to the Kimberley Process, the critical piece of these trading chains is the certificate of origin, which includes an appraisal based on plausibility checks of the documentary system as well as the trading volume. The fingerprinting method is incorporated as a possible additional checking instrument in case of doubt. This process also advocates an internationally accredited auditor to ensure compliance with the guidelines. As a next step, technical cooperation between BGR and the Congolese Ministry of Mines will begin with the aim of introducing a certification system for coltan, cassiterite, wolframite and gold. The cooperation will combine pilot implementation of CTC (with a focus on transparency of origin and finance) at selected mining sites in South Kivu with capacity building of sector institutions.⁵²

International Conference on the Great Lakes Region Regional Certification Mechanism—In April 2010, the International Conference on the Great Lakes Region (ICGLR) adopted a set of key principles for a regional minerals certification process, and is working to further develop this process. When in place, the system will include:⁵³

- » Chain of custody tracking from mine site to export, implemented by national governments prior to export and founded on ICGLR Regional Certificates to serve as proof of compliance
- » Regional tracking of mineral flows via a publicly-accessible ICGLR database, which will be analyzed to determine areas where minerals flows (e.g. imports and exports) do not balance.

- » Regular independent third-party audits, which all actors must submit to and pass if they are to be considered compliant
- » A fully-independent mineral chain auditor to monitor the full chain for discrepancies and anomalies, who has the authority and resources to initiate investigations at their discretion.

This proposal was initially developed by Partnership Africa Canada, and is based on lessons learned from the Kimberley Process.

The Initiative for Responsible Mining Assurance (IRMA) is a multi-sector effort launched in Vancouver, Canada, in June 2006 to develop and establish a voluntary system to independently verify compliance with environmental, human rights and social standards for large-scale mining operations. Participants include mining companies, jewelry retailers, NGOs and trade associations, but the effort is not currently operational in the DRC.⁵⁴

Initiatives for artisanal gold mining—There are a range of voluntary initiatives focused on encouraging responsible artisanal gold mining globally. Although none are currently active in the Eastern DRC, they provide useful illustrations and potential opportunities to support responsible gold development in the region. These efforts include:

- » Alliance for Responsible Mining (ARM) / Fairtrade Labeling Organizations (FLO)
- » EcoAndina
- » Mammoth Tusk Gold (MTG)
- » Oro Verde™

More information about these efforts is contained in “The Quest for Responsible Small-Scale Gold Mining.”⁵⁵ In addition, the No Dirty Gold campaign (led by EARTHWORKS and Oxfam America) has developed the “Golden Rules” principles for responsible sourcing of precious metals. These principles include a commitment to work to ensure that gold is not being sourced from areas of armed conflict, and⁵⁶ have been signed by over 60 jewelry retailers.

Opportunities for Company Involvement in Supply Chain Responsibility

As noted in the GeSI-EICC and other examples above, companies are working on supply chain responsibility in a variety of ways. Key areas of focus for company action and collaborative industry efforts in this arena may include:

- » Public commitments not to purchase conflict minerals or include conflict minerals in any final products, supported by substantive supply chain efforts
- » Internal procurement review and engagement with suppliers to identify and address potential conflict mineral use and sources in company supply chains
- » Engagement in industry efforts focused on supply chain tracking, tracing and due diligence, such as the GeSI-EICC Extractives Workgroup
- » Support for efforts to align, expand and strengthen various supply chain responsibility programs (such as those from ITRI, GeSI-EICC, BGR and ICGLR) across industries and minerals from the region
- » Highlighting conflict minerals as an issue with relevant industry associations

Opportunities for Stakeholder Involvement in Supply Chain Responsibility

Stakeholder support of company actions and industry efforts may include:

- » Providing up-to-date information on the situation on the ground in Eastern DRC
- » Contribution to and review of certification schemes and accountability measures
- » Encouraging companies to implement supply chain responsibility policies and practices
- » Encouraging various schemes and industries to align their efforts

As with the other segments of this paper, these are not intended to be exhaustive lists of options, and the most appropriate area for action will vary substantially depending on the position and influence of a given company or stakeholder.

Observations

Supply chain responsibility efforts have significant limitations and will take time to implement. They need to be supported by on-the-ground efforts to improve governance, demilitarize the mines, and ensure that minerals extraction benefits the local population, as well as by domestic and international government efforts.

Supply chain tracking, tracing and certification efforts have received a great deal of attention from companies and others as a way to cut the ties between mineral sourcing and armed conflict in the eastern DRC. Such programs are a critical component to an overall solution for the region, and are essential to help companies understand whether their supply chains utilize conflict minerals. However, such efforts have significant limitations and will take time to implement, as noted above. They may negatively affect the livelihoods of millions of people dependent on the minerals trade, and may force conflict minerals into other outlets rather than encourage their demilitarization. As a result, these efforts need to be complemented with on-the-ground efforts to improve governance, demilitarize the mines, and ensure that minerals extraction benefits the local population. In addition, domestic (Congolese) and international policy, regulatory, and other government efforts are needed to reinforce the implementation and effectiveness of supply chain efforts.



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IV. Government Engagement

Supply chain efforts are necessary but not sufficient to sever the relationship between minerals and the conflict in the eastern Democratic Republic of Congo. Weak local governance institutions, porous borders and limited transparency in international supply chains create significant challenges for supply chain schemes, and need to be remedied through engagement and support of constructive government efforts.

Weak local governance institutions, porous borders and limited transparency in international supply chains create significant challenges for supply chain schemes, and need to be remedied through engagement and support of constructive government efforts.

At the local level, weak governance has been identified as a root cause of the conflict in the DRC,⁵⁷ and it is unlikely that the overall conflict will be resolved without significant efforts to strengthen government authority. Governments and international institutions both in the region and globally have a critical role to play in supporting improved local governance and promoting formalization in the mining sector.

In addition, various countries in the region have been implicated in supporting both the ongoing violence and the illicit mineral trade in the eastern DRC, as noted above. Various international organizations, countries and companies have significant diplomatic and financial influence in the region, which may be used to encourage regional dialogue and peace-building measures.

Internationally, governments of countries that serve as transit points or destinations for potential conflict minerals and the products they are used in can also support supply chain responsibility efforts in a variety of ways.

Overall, government effectiveness programs, intergovernmental assistance and anticorruption measures need to work together with regional peace-building and supply chain responsibility programs to make a significant difference in the DRC.

Approaches

Company engagement with governments to address conflict minerals can take a variety of forms, including the following:

- » Informing and advocating for government requirements for the identification and potential removal of conflict minerals in company supply chains
- » Public-Private Partnerships may reduce companies' risks through the offer of insurance and improved financing terms (such as those offered by the U.S. Overseas Private Investment Corporation), or other guarantees that encourage investment and support of the local economy in the DRC
- » Supporting stronger international diplomatic efforts to broker a peace deal involving all regional players
- » Given the weak government presence in the eastern DRC, companies can engage with and support local government efforts by providing needed tools. For example, junior Canadian miner Banro Corporation is constructing the first modern gold mine in the region, and has purchased computers for government offices that help to speed local decision-making in customs and other areas.⁵⁸ Efforts like this must be handled carefully to avoid corrupt practices, but there are significant opportunities to enhance local government capacity and transparency through improved ICT infrastructure ("e-government") and other means.

Challenges



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Government efforts to address conflict minerals sourcing and company efforts to engage in them involve their own set of challenges:

- » As with industry-led supply chain work, government efforts may result in trade bans or embargoes on minerals from the Congo that result in redirecting minerals trade (e.g. smuggled into alternate trade routes) or increased problems for local communities, many of which rely on mining as a source of income
- » The DRC government is seen as highly corrupt (it ranks among the most corrupt in Transparency International's 2009 Corruption Perception Index, at 162 out of 180 countries⁵⁹), and the country is a difficult place to do business (ranking 182 out of 183 countries in the World Bank Doing Business Guide to country business climates), so companies are likely to face significant challenges if attempting to work with the country's government
- » Governments (whether in the DRC or elsewhere) might not have the political will or capability to develop or implement solutions
- » A comprehensive solution to conflict minerals issues in the region will have to include the governments of Rwanda, Uganda, and others. Each of these governments has unique and potentially conflicting interests, and in some cases may profit from the illicit cross-border minerals trade with the DRC as discussed above.

Current Efforts

Government and international community efforts have changed with the nature of the conflict over the years. Current efforts include international pressure and support for governance improvement, in combination with local efforts; local, regional and international efforts to encourage supply chain transparency; and support for local development and stabilization initiatives. The efforts listed here include some prominent efforts, but this is not an exhaustive list.

DRC Government - The DRC government lacks substantial control over the mineral-rich areas of North and South Kivu and neighboring provinces. There remains a significant discrepancy between the legal framework governing mining and trade in the DRC and practices on the ground. Although the DRC's Mining Code was revised in 2002 to bring it into accord with international standards, it is effectively disregarded in the conflict zone, or, even worse, as Resource Consulting Services' Nicholas Garrett argued, it is "used by the powerful to exploit artisanal miners through manipulation, harassment, and extortion."⁶⁰ Overall, an intricate patchwork of government agencies and regulatory bodies are responsible for oversight and taxation of mining and trade in minerals.⁶¹

According to a recent report from the Enough Project, however, the federal and provincial governments show increasing attention to reforming the mining sector, with a particular focus on supply chain traceability. There are also attempts to implement a stabilization plan that deals with the natural resources issues by moving toward demilitarizing the mines and encouraging a range of reforms.⁶²

U.S. Legislative Efforts—Several bills have been introduced in the U.S. Congress attempting to address DRC conflict minerals issues. Current efforts include the Conflict Minerals Trade Act⁶³ (H.R. 4128) in the House, sponsored by Rep. James McDermott (D-WA), which was recently advanced by the House Committee on Foreign Affairs; and the Senate's Congo Conflict Minerals Act (S. 891) cosponsored by Senators Sam Brownback (R-KS), Dick Durbin (D-IL) and Russ Fiengold (D-WI).⁶⁴ The Senate bill would require U.S.-registered

companies using coltan, cassiterite, or wolframite, or their derivatives, to annually disclose the origin of their mineral supplies to the Securities and Exchange Commission, and if the country of origin is the DRC or neighboring countries, the mine of origin would have to be disclosed. Similarly, the House bill would require importers of goods on a proposed potential conflict goods list to declare that their imports either contain conflict minerals, or are conflict minerals-free. In addition, both bills call for greater U.S. efforts to improve livelihoods in mining-dependent Eastern DRC communities, a U.S. government strategy to address conflict minerals, and other requirements.

In late May 2010, the Senate approved an amendment to its key financial regulation bill based on the language introduced by Sen. Brownback and including language based on his conflict minerals bill. This bill is currently in conference committee with the House.⁶⁵

U.S. State Department and USAID—The conflict in the DRC has been one of the focuses of recent U.S. State Department efforts in Africa. In August 2009, U.S. Secretary of State Hillary Clinton urged the country's officials and people to address the issues of sexual violence and corruption during a visit to the DRC, including the eastern city of Goma. More recently, the U.S. Assistant Secretary of State for the Bureau of African Affairs (the State Department's top diplomat for Africa) highlighted the need to improve the country's economic climate in discussions with the DRC's leaders⁶⁶ and testified in Congress regarding U.S. policy in the region, including discussion of the State Department's recently-approved "Strategic Action Plan for Conflict Minerals in the Eastern DRC."⁶⁷

In addition, the U.S. facilitates the Tripartite-Plus Joint Commission which brings together senior government officials from Rwanda, Uganda, Burundi and the DRC. It is also a member of the Great Lakes Contact Group that includes the U.S., EU, UN, and several European nations. The Contact Group works to address political, diplomatic, security, and development issues in the region, and since 2008 has included a task force focused on the illegal trade in natural resources.

USAID efforts in the DRC focus on mining related issues such as peace and security, governance, and economic growth.⁶⁸

United Nations—The UN has been actively involved in the Eastern DRC in a variety of ways, including peacekeeping, research into the conflict, and peace-building efforts. Since 2001, the UN has recommended a variety of measures to address conflict minerals in the DRC, ranging from an embargo on select conflict minerals to softer measures such as a traceability system for mineral supply chains or due diligence requirements for companies buying minerals from the region.⁶⁹ The UN maintains a Group of Experts that conducts research and issues regular reports on the region that document some of the connections between minerals trade and armed groups in the region.⁷⁰

European Union—According to the EU Special Representative for the African Great Lakes, Roeland van de Geer, the EU has confirmed its commitment to more formal and legal ways of cooperating in the fight against illegal exploitation of conflict minerals, and leads the Great Lakes Contact Group task force on natural resources. But so far, the EU has not introduced legislation to prevent conflict minerals from eastern DRC entering Europe.⁷¹ General EU activities in the DRC include assistance for mining-related issues such as governance and human rights, as well as others.⁷²

German diplomatic efforts—A long-term initiative being championed by the German government and the G-8 includes the development of Certified Trading Chains, or CTCs, with legitimate mining sites linked to international purchasers. This initiative is connected with the BGR efforts mentioned above to "fingerprint"

the origin of specific minerals and enable their traceability. The German government has bilateral assistance programs with both Congo and Rwanda to help develop such a monitoring system for tantalum, with possible expansion to also include other minerals (see supply chain section for more information).

International Conference on the Great Lakes Region—In accordance with protocol 11 of the ICGLR (established in 2003), Member States agreed to put in place regional rules and mechanisms for combating the illegal exploitation of natural resources. In addition to the regional certification system mentioned above, the ICGLR’s Regional Initiative against the Illegal Exploitation of Natural Resources (RINR) steering committee has adopted the following pillars of its strategy to combat illegal practices:⁷³

- » Review of Member States’ legislation and harmonization of laws to prevent mineral flows based on differences in mineral taxation
- » Set-up of a regional database to track trade flows, in order to identify irregularities in trade statistics
- » An anonymous whistle-blowing system for the identification of irregularities
- » Formalization of informal artisanal mining in pilot regions

The Extractives Industry Transparency Initiative—The EITI is a coalition of governments, companies, civil society groups, and others that focuses on improving governance in resource rich countries by increasing transparency. Specifically, the organization focuses on the publication and verification of company contracts, payments and government revenues from extractives.⁷⁴

The Voluntary Principles on Security and Human Rights—The Voluntary Principles (VPs) are guidelines for security and human rights issues in the extractives sector, which provide guidance on risk assessment and engagement with public and private security forces. They were launched in 2000 by the U.S. and UK governments, and include companies and NGOs as participants. The VPs can help companies improve security by supporting more effective monitoring of local situations, improved local relations, and greater professionalism in security forces. They can also help address potential reputational risks by creating relationships and alliances with NGOs and other companies. The VPs are being implemented in the DRC.

OECD Guidelines for Multinational Enterprises—The OECD Guidelines⁷⁵ are recommendations made by governments to multinational enterprises regarding responsible business conduct in a range of areas. The effort includes a Risk Awareness Tool for Multinational Enterprises working in weak governance zones,⁷⁶ and there is currently a project to develop guidance for due diligence for responsible mineral supply chain management from conflict-affected and high-risk areas, in particular from the DRC.⁷⁷

PROMINES—The World Bank with a range of other actors and the Congolese government is implementing an effort focused on “Growth with Governance in the Mining Sector,” a multi-year reform effort that supports improved governance of Congolese mining sector and increased volume and value of mineral production. It is doing this by improving the national geological database, strengthening mine management capacity, improving tax transparency and collection, improving revenue distribution, and promoting sustainable development based on mining. The DRC government has designated PROMINES as the coordination mechanism for all donor and other interventions in the development of the DRC mining sector.⁷⁸

Trading for Peace—The UK Department for International Development (DFID) and USAID have been working with the Common Market for Eastern and

Southern Africa (COMESA) and the East African Community on an effort to better understand how trade in natural resources and other materials can support peace-building and poverty reduction in the Great Lakes region of Africa. The program supports discussions among relevant parties, training, research and investment in border equipment. Efforts include research exploring value chain structures and financial flows, building cross-border networks, and strengthening trade across borders.⁷⁹

Opportunities for Company Involvement

Companies will see different avenues for involvement in government-led efforts to address the conflict and related minerals issues, depending on their activities and opportunities for influence. Mining companies or others with active, on the ground operations may focus primarily on a combination of generating support for their operations from their home governments and improving governance through efforts such as the Extractives Industry Transparency Initiative. Other companies without operations on the ground in the DRC may choose to engage their own governments in dialogue about conflict minerals issues in an effort to improve pending legislation or regulation, or engage governments collectively through their industry associations.

Companies are engaging with governments in a variety of ways, and areas of focus for action and collaborative efforts may include the following:

- » Engage with legislative and regulatory efforts to support supply chain transparency, for example by supporting efforts to enact such legislation, or helping to inform lawmakers of the uses and limitations of such efforts
- » Consider supporting or contributing to the development of broader (non-supply chain focused) legislation to improve the situation in the Congo through efforts such as development assistance and peace-building. By improving local conditions, such programs would also help stabilize supply chains for critical raw materials.
- » Partner with international aid programs (including public-private partnerships) that can assist in local development⁸⁰
- » Consider providing tools and equipment to support good governance in the region
- » Support improved governance practices, for example through EITI and company-government interactions that can be supported by industry associations and others, or by supporting steps to formalize the artisanal mining sector in the DRC
- » Becoming a signatory of the Voluntary Principles, or encourage suppliers operating in the DRC to do so.
- » Publish position statements laying out what signatories think should be done to address conflict minerals issues
- » Participate in or support existing government efforts to address the conflict minerals issue. For example, ITRI and others attended the recent ICGLR meeting focused on a regional minerals certification scheme.

Opportunities for Stakeholder Involvement

- » Engage with legislative, regulatory and other efforts to help inform them and generate effective solutions through multi-stakeholder meetings and other efforts

- » Providing up-to-date information on local and regional rule of law and good governance efforts in the DRC, its neighboring countries, and with home countries and multi-national corporations
- » Contribute to national and DRC legislative and diplomatic efforts
- » Support or contribute to the development of broader diplomatic and political action to address the conflict, such as efforts to develop regional peace talks

Observations

Local and international government efforts overlap significantly with both supply chain responsibility efforts and on-the-ground development and capacity-building needs. It is critical that private sector endeavors like the ITRI and EICC/GeSI supply chain programs work with government efforts such as those from ICGLR and U.S. legislation, so that end results are mutually supporting and do not end up with potentially conflicting and confusing requirements.

At the same time, there are opportunities for companies and stakeholders to go beyond dialogue with governments exclusively about supply chain responsibility for conflict minerals. They can encourage and support government efforts to work toward diplomatic and local development solutions to the conflict that both help to address the conflict's humanitarian concerns and encourage a stable, resilient and fair mineral supply chain.



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V. Development & Capacity-Building

As discussed above, supply chain efforts are unlikely to be successful without efforts to build local capacity, support formalization of mining and local supply chains, and empower local communities. Perhaps the most significant criticism of the supply chain efforts being developed by ITRI, EICC/GeSI and others is that they may not consider some important details on the ground. Examples may include the ability to identify whether minerals are illegally taxed by armed groups while in transit between mines and markets, or how tagged bags will be verified with certainty. A recent Reuters article highlighted this challenge, quoting a Global Witness representative saying "Any scheme that does not include on-the-ground investigation on a regular basis, looking at the routes the minerals take as well as the mines is meaningless." This stands in contrast to an ITRI statement that "if we can find a way to collect information along the trading route we will, but spot checks are not practical.... We're not going to go off into the jungle and ask the army what they are doing."⁸¹

Despite this debate and the need for such on-the-ground efforts in the DRC, there has been relatively limited focus on a "bottom-up" approach to conflict minerals issues in the DRC that emphasizes improving conditions at mines and on local trade routes. Some industries, governments and NGOs are working on improving local mining and trading issues (as discussed in the sections above), but there may be much more that organizations and companies can do in this space, particularly to cover the "first mile" local trade route concerns in the DRC.

Approaches

Development and capacity-building efforts in general can encompass a wide range of efforts and issues, from small business and infrastructure development to women's education and support for local NGOs. This discussion will take a narrower focus on efforts that address mining communities and local minerals trade. Such efforts may address the following, among other issues:

- » Effective local oversight of mining and trade practices and ensuring they are not contributing to the conflict, or harming workers or the environment
- » Assurance that local communities are able to benefit from revenues from the minerals trade
- » The movement of illegal or informal mining activities into the formal sphere
- » Community engagement and conflict management efforts that attempt to prevent or address conflict between outside mining companies and local communities and artisanal miners
- » Local economic development that generates income for members of mining communities and discourages a return to conflict

Challenges

The Eastern DRC conflict, legal structures, and other factors create challenges for local development and capacity-building efforts related to mining:

- » Security concerns resulting from the conflict in the Eastern DRC may prevent access to mining communities, limiting the ability to implement local development and capacity-building efforts
- » Groups with vested interests in the status quo may attempt to disrupt local development efforts

- » With approximately 200 small-scale mines, the artisanal mining sector in the eastern DRC is extraordinarily broad and diffuse, making it extremely difficult to have large-scale impact in the short term
- » Lack of clear land rights or legal recognition of artisanal mining creates challenges for bringing small-scale miners into the formal economy and supporting their activities
- » Development efforts may be poorly or inconsistently funded
- » End-users of minerals from the region may feel that local development efforts deep in their supply chain are less significant or more difficult to act on than other opportunities

Current Efforts

As with the sections above, this is not intended to be an exhaustive list, and focuses exclusively on efforts closely related to the mining sector:

Pact is an NGO working extensively on local development efforts, particularly related to artisanal mining in the DRC and elsewhere. The organization assists artisanal miners with efforts such as:⁸²

- » Training in financial management, small enterprise development, and agriculture
- » Training of mine supervisors in safety standards
- » Supporting the legalization of artisanal mining activities
- » Establishing consultation efforts between large-scale and artisanal miners

Pact is supporting the implementation of the PROMINES efforts related to artisanal mining discussed above.

Others—There are overlaps in this area with local and international government activities, as governments may fund development NGO efforts, while NGOs may support efforts to improve government capabilities. In addition, some supply chain responsibility programs may include local development efforts. As a result, some of the efforts listed in the government engagement and supply chain sections above are also relevant here.

Opportunities for Company Involvement

As with previous sections discussing opportunities for company involvement, these points are intended to help generate ideas discussion, but are not an exhaustive list, and the relevance of opportunities will vary with the position of individual companies and industries.

Opportunities may include:

- » Work with community-based efforts to ensure local benefit from mining revenues
- » Support for the development of legitimate local trade and transport networks, perhaps through emerging certification schemes
- » Support local efforts to encourage formalization of mining, possibly in conjunction with government efforts
- » Engagement with community-based efforts through corporate philanthropy efforts

- » Identification of ways to link “bottom-up” on-the-ground efforts to produce conflict-free minerals with more “top-down” certification efforts being driven by industry groups and governments

Note that efforts to directly engage in the DRC mining sector should liaise with PROMINES, as the government-designated coordinating mechanism for interventions.

Opportunities for Stakeholder Involvement

- » Strengthen relationships with local NGOs and support their efforts (promotion of activities and/or fundraising)
- » Support local community involvement in developing traceability and verification schemes and safe mining practices
- » Support efforts to diversify work opportunities to alleviate the pressure on mining revenues
- » Ensure the stories of community groups are told to corporate boards of directors, investors and faith-based stakeholders
- » Push for the formalization and appropriate taxation of artisanal and large-scale mining

Observations

As discussed in previous sections, local development and capacity-building efforts will be vital for the effectiveness of conflict minerals supply chain responsibility efforts. In the bigger picture, they also meet a critical need to improve livelihoods and provide alternatives to conflict. Such efforts face considerable challenges as a result of the ongoing conflict, and there are significant opportunities to expand these efforts alongside growing supply chain and government efforts.

VI. Conclusion: Putting the pieces together

Addressing the links between minerals sourcing and the conflict in the DRC requires an integrated, multi-stakeholder and multi-sector approach. Actions by individual companies to prevent conflict minerals from entering their supply chains must work with industry efforts, national and international governance efforts and capacity building in the region if they are to be effective and contribute to long-term solutions.

Supply chain responsibility efforts are certainly necessary and a leading element of any effective, long-term solution. Blanket efforts to eliminate Eastern DRC minerals from individual company supply chains, however, will only shift the use of these minerals to other supply chains. As a result, any such efforts need to be carefully established in cooperation with others. It should also be done in a way that supports a transition of mines to the jurisdiction of Congolese government and creates the opportunity to improve labor and environmental conditions, as well. Supply chain efforts will only be successful at reducing the conflict if they are supported by local economic development and capacity-building work that increases opportunities for local populations to benefit from mining, reduces corruption and supports legitimate government authority.

Governments also play a critical role in these efforts. Strengthening Congolese institutions so that the government's civilian authorities can exercise effective jurisdiction over the mines will help to reduce the funds that flow from minerals sourcing to armed groups. But unless stronger authorities are coupled with a range of improvement and support efforts (including better border controls, trade route monitoring, international tracking and tracing schemes, formalization of artisanal miners, and anticorruption efforts), they may allow significant problems to continue while introducing new ones like corrupt government officials and increasing marginalization of artisanal miners.

While the supply chain is often the clearest and most traditional point where companies should address conflict minerals issues, the best efforts will include a more holistic exploration of opportunities for responsible action. There are significant opportunities to support local capacity-building and domestic and international government efforts to address the conflict in the DRC. Action in all of these areas, and alignment and coordination among them, are needed to support real improvement in the DRC conflict regions and genuinely stable, conflict-free supply chains.

Appendix A. Industry Uses of Tin, Tantalum, Tungsten and Gold

Mineral	Primary Uses	Key Industries
Tin	<ul style="list-style-type: none"> • Solders for electronics (44%) and industrial applications (8.8%) • Tinplate (16.4%) • Chemicals (13.9%) • Bronze (5.5%) • Float glass (2.1%) 	<ul style="list-style-type: none"> • ICT (e.g. cell phones) • Automotive • Jewelry • Medical • Food (e.g. cans)
Tantalum	<ul style="list-style-type: none"> • Electronic components such as capacitors in portable phones, pagers, PCs, automotive electronics (60-70%) • Super alloys for jet engine and turbine components (10%) • Chemical equipment (10%) • Carbide cutting tools (~5%) 	<ul style="list-style-type: none"> • ICT • Automotive • Medical (e.g. prosthetic devices, skull plates, etc) • Aerospace • Energy
Tungsten	<ul style="list-style-type: none"> • Cemented carbides (60%) • Tungsten steel (20%) • Other—super alloys, electron emitters, tungsten wire in copiers & printers, electronic circuit boards & heat sinks, etc 	<ul style="list-style-type: none"> • Manufacturing • Automotive • Jewelry • Medical • Aerospace • Energy
Gold	<ul style="list-style-type: none"> • Jewelry (80%) 	<ul style="list-style-type: none"> • Jewelry

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