



Cameroon – due diligence in practice

Timber Regulation Enforcement Exchange – Prague – April 2016



NEPCon: a non-profit organisation



Guided by a value-based mission:

To ensure the responsible use of natural resources and secure sustainable livelihoods by transforming land-use, business practises and consumer behaviour.



About NEPCon

Engaged in legal and sustainable forest management

- ✓ Twenty years experience with verification and certification of legal and sustainable forest management practices
- ✓ Recognized EUTR Monitoring Organization, August 2013





Agenda

- ✓ Short introduction to NEPCon's national risk assessment approach
- ✓ Summary of findings of the national risk assessment for Cameroon
- ✓ Short introduction to NEPCon LegalSource due diligence approach
- ✓ Case Study: Sapelli and Movingui imports from Cameroon under the LegalSource System



National Risk Assessments



Overview

- NEPCon have been working on National Risk Assessments for timber legality, and other issues since 2014.
- Working on timber, palm oil, beef/leather and soy.
- For timber legality, we have or are working in 63 Countries.
- 20 risk assessments have been published.
- Many more are complete and in final stages of readiness for publishing.



European Commission





Contents of a risk assessment

1. Legal Framework Overview

- a. Overview of forest sector
- b. Source type overview
- c. Identification of legal sources

2. National legality assessment

- a. Applicable laws and regulations
- b. Legal Authority
- c. Legally required documents or records
- d. Sources of Information
- e. Risk determination
- f. Control measures and verifiers

Risk is Evaluated against 21 legality categories – conclusion is either **LOW RISK** or **SPECIFIED RISK**



Legal Categories and sub-categories

Legal rights to harvest

- 1.1 Land tenure and management rights
- 1.2 Concession licenses
- 1.3 Management and harvesting planning
- 1.4 Harvesting permits

Taxes and fees

- 1.5 Payment of royalties and harvesting fees
- 1.6 Value added taxes and other sales taxes
- 1.7 Income and profit taxes

Timber harvesting activities

- 1.8 Timber harvesting regulations
- 1.9 Protected sites and species
- 1.10 Environmental requirements
- 1.11 Health and safety
- 1.12 Legal employment

Third parties' rights

- 1.13 Customary rights
- 1.14 Free prior and informed consent
- 1.15 Indigenous/traditional people's rights

Trade and transport

- 1.16 Classification of species, quantities, qualities
- 1.17 Trade and transport
- 1.18 Offshore trading and transfer pricing
- 1.19 Custom regulations
- 1.20 CITES

Diligence/due care procedures

- 1.21 Legislation requiring due diligence/due care procedures



Forest legality risk assessments





Results: National Risk Assessment for Cameroon



Overview

- Completed in 2015 as part of an EC funded project in Vietnam
- **Specified risk** (not low) found in 14 of the 21 categories
- **Low risk** found for:
 - Concession Licenses
 - Customary Rights
 - Free, prior and informed consent
 - Third party rights
 - Offshore trading and transfer pricing
 - CITES
- Legislation requiring due diligence/due care procedures deemed **not applicable**



Cameroon – specified risks

- Land tenure and management rights
- Management and harvesting planning
- Harvesting permits
- Payment of royalties and harvesting fees
- Value added taxes and other sales taxes (Specified risk for wood sold at auction. N/A for all other sales)
- Income and profit taxes
- Protected sites and species
- Environmental requirements (Low risk for FMU, Specified risk for all other forest types)
- Health and safety
- Legal employment
- Classification of species, quantities, qualities
- Trade and transport
- Customs regulations



Land Tenure and Management rights - main risks:

1. Areas with overlapping land classifications means that the legal classification of the land category and the legal use of the land is conflicting (e.g. mining, infrastructure establishment, plantation establishment, pipeline establishment, conversion for agriculture etc.) (Chatham House 2015, USAID Undated, Fern 2013).
2. Unofficial land claims and shifting cultivation. Forest areas may be converted to agriculture against the law in cases where people illegally encroach on forest areas. The timber from such areas may enter the log supply.



Land Tenure and Management rights continued

There are significant corruption and poor governance issues in Cameroon (Transparency International 2015, World Bank 2013, Chatham House 2015). There are numerous reports about corruption specifically related to land tenure issues. (Chatham House 2015, Anti-Cor website). Based on this information, it is determined that there is a specified risk for this category.



Land Tenure and Management rights – control measures

- In areas with land ownership conflicts, consultation with neighbours, local communities and others shall confirm that land tenure rights are clear.
- A valid and approved forest management plan and valid annual work plan shall exist
- Contractors shall have a valid timber extraction contract covering the relevant area of extraction.
- Timber extraction shall be verified to be carried under a valid Timber Extraction Permit
- Inspections of harvesting site shall confirm that harvesting takes place within property limits (including felling, transport and log landings).



NEPCon's approach to due diligence – the LegalSource Programme



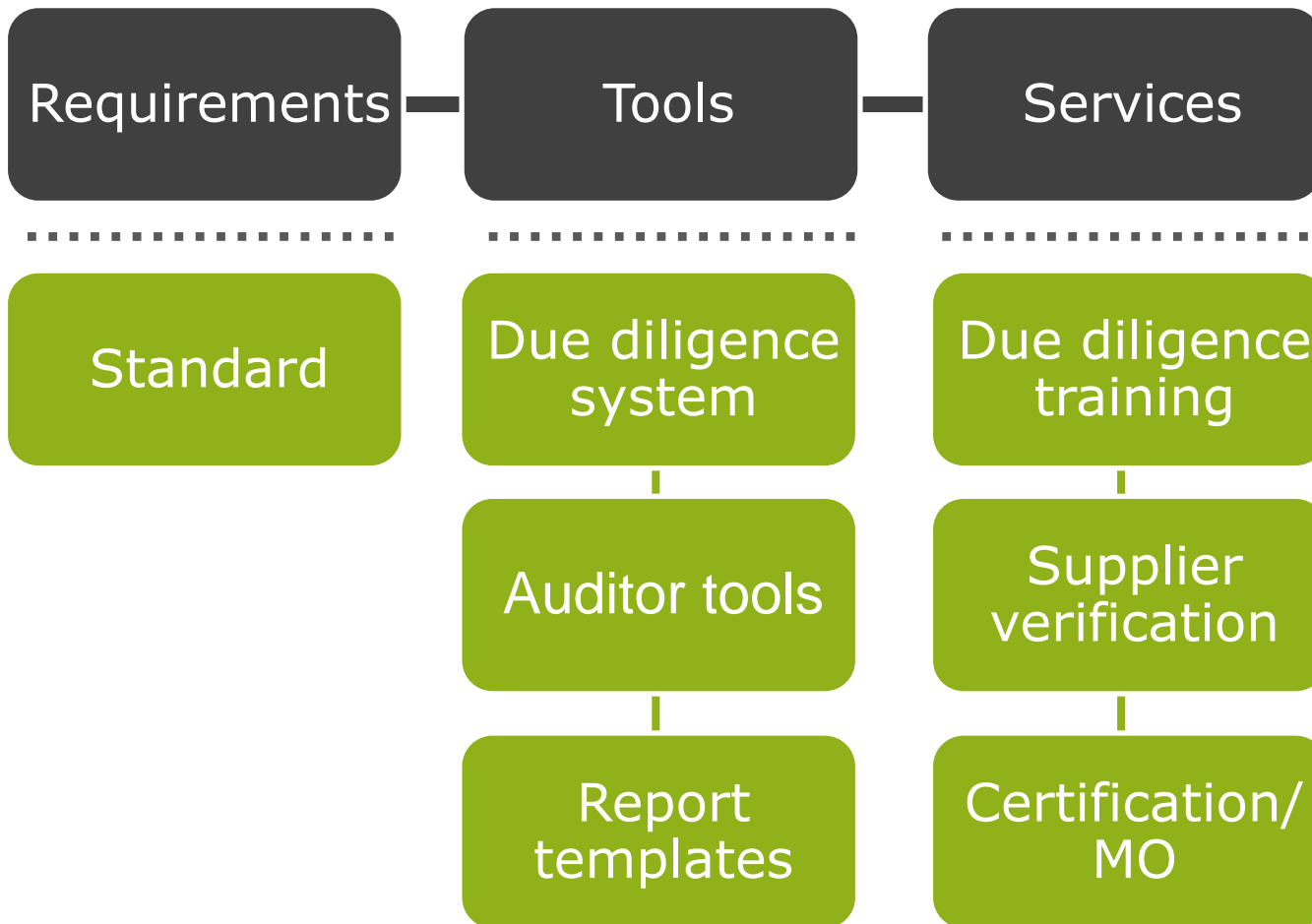
LegalSource Due Diligence System

- ✓ Based on EUTR, Lacey Act and Australian Illegal Logging Prohibition act requirement
- ✓ Provides a complete due diligence system for organisations to implement themselves
- ✓ Used for NEPCon MO application
- ✓ The ETRF due diligence system has been developed by NEPCon based on the LS DD system
- ✓ Requirements are outlined in the NEPCon LegalSource standard





LegalSource Programme





- ✓ Commit to legal sourcing
- ✓ Establish responsibilities & assure competence
- ✓ Establish procedures
- ✓ Initiate performance monitoring
- ✓ Define scope of supply chain & products

- ✓ Evaluate supply chain info
- ✓ Identify risks:
 - forest management level
 - supplier level
 - risks of mixing and substitution
- ✓ Specify risks where identified

1 Commit, scope & establish processes

2 Obtain & manage supply chain info

3 Risk assessment

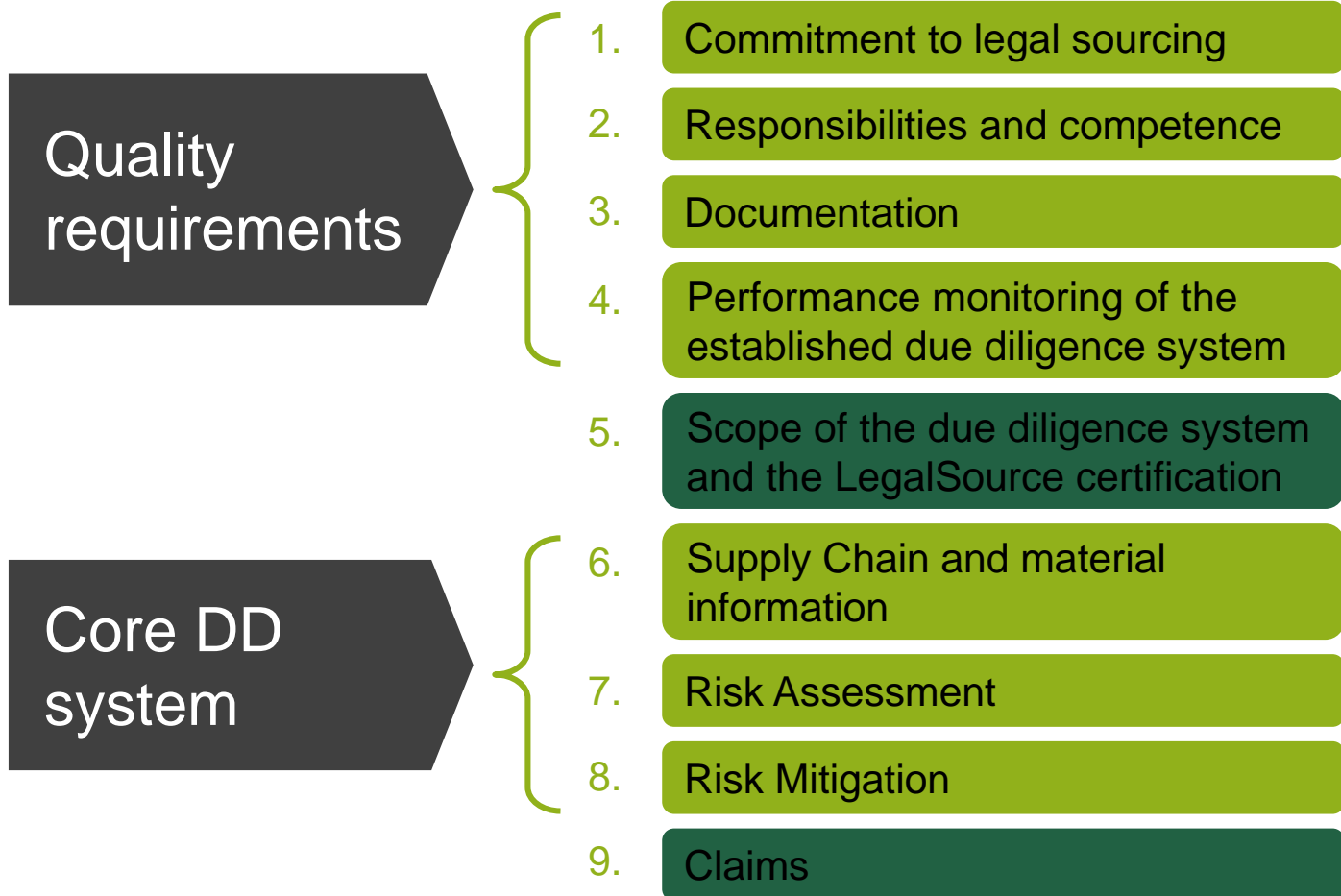
4 Risk mitigation

- ✓ Record supply chain info:
 - origin
 - suppliers
 - species
 - legality documentation
- ✓ Collect additional supply chain info

- Mitigation options
- ✓ Additional documentation
 - ✓ Replace supplier
 - ✓ Source certified material
 - ✓ Supply chain verification audits



LegalSource Standard requirements





Requirements: LegalSource standard

Introduction: Scope of standard

Section G: Quality management and due diligence requirements

This is the main normative part of the standard.

Annex 1

Legality
requirements
for FMEs

Annex 2

Legality
requirements
for processing
and trade

Annex 3

CoC
requirements

Annex 4

Group
management

Annex 5

Credible
certification
systems

Used also for risk assessment



Case study: Imports from Cameroon under the LegalSource System



Context

- NEPCon client – importing a number of products from Africa, including timber from Cameroon.
- Sought LegalSource certification.
- Source a number of products lines from Africa, including products from Cameroon.



Due diligence system

Established a due diligence system to meet the requirements of the EUTR (and the LegalSource Programme), included:

Commitment to legal sourcing

Responsibilities and competence

Documentation

Performance monitoring of the established due diligence system

Scope of the due diligence system and the LegalSource certification

Supply Chain and material information

Risk Assessment

Risk Mitigation

Claims



LegalSource Evaluation

NEPCon conducted a pre-assessment in 2013 and assessment in 2014 (gaps identified had to be closed) .

We were looking at the quality requirements (i.e. did they have all of the systems and procedure in place as required by the LegalSource Standard)

And

How they conducted due diligence on their supply chains – was their due diligence system robust?

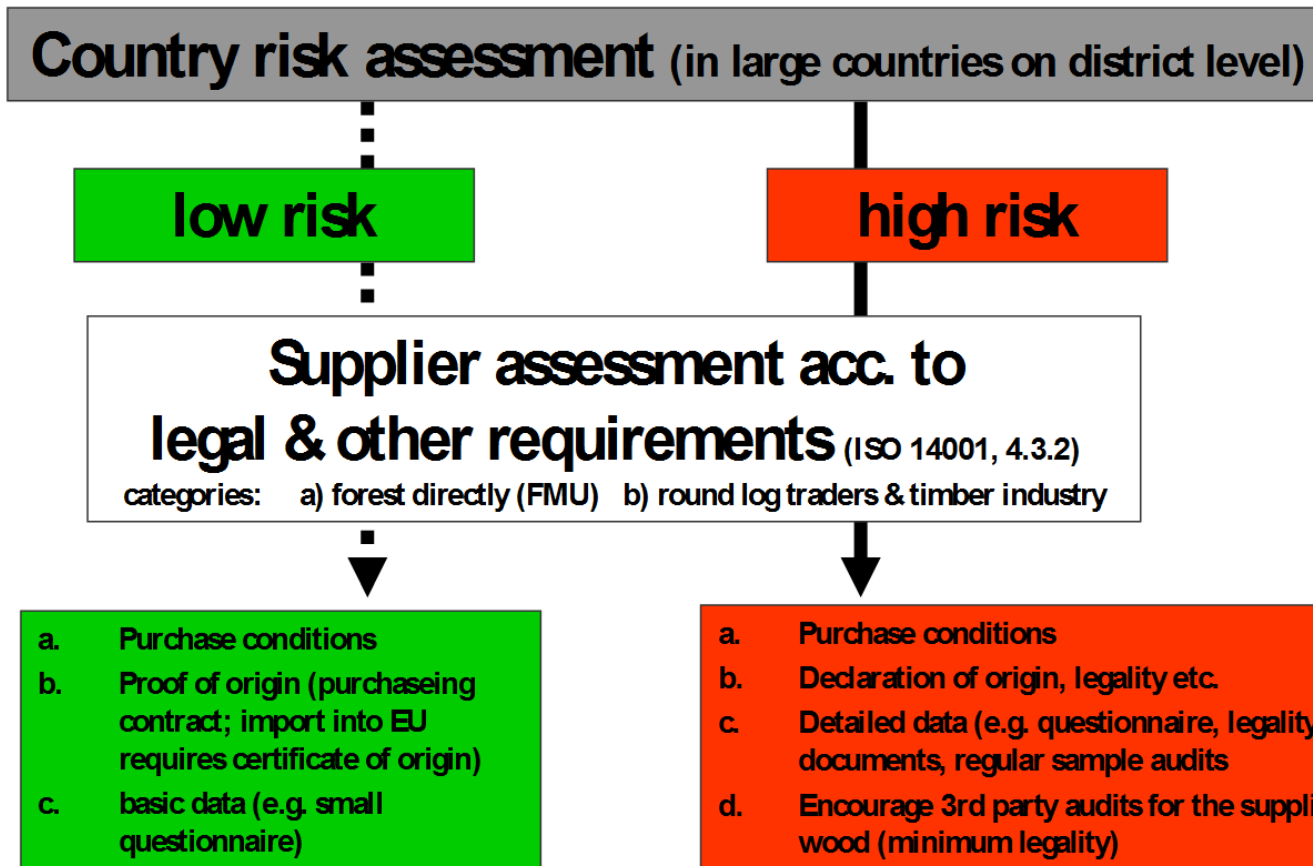


Documents and records constituting the DDS

- Scope of Procurement
- National Legal and other requirements
- Procedure for Timber Procurement
- Species and Spatial Risk Rating Procurement
- Resp. procurement Information
- Resp. procurement _Declaration-Origin timber
- Resp. procurement -Due Diligence System
- CoC- Procurement_Responsibilities
- Responsible Forestry and Procurement
- Legal Documents per Country
- Supply chain evaluation-CHECKLIST
- Legal & other requirements per country
- Management Review Procurement
- Suppliers data-risk assessment-approval
- Supplier audit reports



Risk assessment for procurement





For High Risk countries (ex. in Afrika) Path to responsible procurement

Implementation is illustrated in the ladder approach below



Legal and other requirements

General framework → xxx32-02_v3_Legal and other requirements



Texts of Legal & other Requirements for ESMS Procurement Africa [▶▶ back to start / overview](#)

	Last update on:	Update due	years	M. to update / Overdue
Cameroon	17/10/2012	17/10/2015	3	6

n.a. = not/non applicable ▶ see also VPA - FLEGT agreement, National Legality Defintion

Criteria for Legal & other Requirements Cameroon

Steps	Requirement	Documents to proof	Controll. Wood ref.	Legal reference	Description
STEP 1: LEGALITY*					
a) Known source: Known origin up to source forest (Traceability);					
b) Legally: Right to harvest forest sources and legal trading/manufacturing					
1.1 Legal Right to Harvest	1.1a) Known source forest: Traceable to the forest level (concession, forest management unit, logging permit).	The source forest is well known and can be positioned on a map	Annex 2, B 1		GFTN: Confirm, where appropriate, existence of the following documents covering the licence issuing process: <ul style="list-style-type: none"> • Prospection report • Forest inventory report • Annual harvesting plan • Provisional agreement • Allocation decree • The Bureau Veritas (BIVAC) independent inspection and audit report.
	<i>Preuves d'origine, de traçabilité:</i>	Proofs of origin, traceability, CoC			
	<i>Carnets de chantier - volume exploité</i>	"Carnet de chantier" - logbook - harvested volume		Arrêté n°0222/A/MINEF du 25/05/2002, Art.42 ; Art. 43 ; Art. 44	inscriptions au carnet de chantier (D.F. 10)
	<i>lettres de voiture / feuilles de route</i>	transport document / sheet		Arrêté n° 0222/A/MINEF du 25/05/2002, Art. 88 (2) Décret N°95/531 art. 127 (2) ; Décret n° 94/436/PM, art. 73(3)	Obligation d'accompagner le transport des produits forestiers par une lettre de voiture sécurisée.
	<i>registres d'approvisionnement des usines</i>	Register for sawmill entry - exit of logs / wood products			les propriétaires des industries de première transformation des produits forestiers doivent tenir un carnet d'entrée desdits produits, indiquant leur provenance, et un carnet de des produits transformés précisant leur quantité, qualité et destination.
	<i>marquage & enregistrement des souches, culées, houppiers, grumes est réalisé conformément à la réglementation en vigueur</i>	marking of stumps; canopy; logs is realised conforming with the applicable regulations		Arrêté n° 94/436 /PM du 23/08/1994, art. 88 Décret N°95/531 art. 127 ;	



specie name	specie risk	quantity	unit	Vendor legal status-Actual QM System	vendor country	country of origin	country of origin risk	Product	Result risk	Third party
AIELE	high risk	107.16	M3	VLC	Tunisia	Cameroon	high risk	Logs in volume	low	b 3rd party
MOVINGUI	high risk	43.87	M3	VLC	Cameroon	Cameroon	high risk	Hardwood Lumber	low	b 3rd party
SAPELLI	high risk	23.99	M3	VLC	France	Cameroon	high risk	Hardwood Lumber	low	b 3rd party
TALI	high risk	95.53	M3	Approved - medium risk	Cameroon	Cameroon	high risk	Logs in volume	medium	b 3rd party
BETE	high risk	27.15	M3	VLC	Cameroon	Cameroon	high risk	Hardwood Lumber	low	b 3rd party
MUKULUNGU	high risk	27.94	M3	VLC	Cameroon	Cameroon	high risk	Hardwood Lumber	low	b 3rd party
BILINGA	high risk	35.91	M3	VLC	Cameroon	Cameroon	high risk	Logs in volume	low	b 3rd party
TALI	high risk	47.96	M3	VLC	Cameroon	Cameroon	high risk	Logs in volume	low	b 3rd party
MUKULUNGU	high risk	103.71	M3	VLC	Cameroon	Cameroon	high risk	Logs in volume	low	b 3rd party
BILINGA	high risk	82.19	M3	VLC	Cameroon	Cameroon	high risk	Logs in volume	low	b 3rd party
AFZELIA DOUSSIE BIPINDENSIS	high risk	6.33	M3	FSC	France	Cameroon	high risk	Hardwood Lumber	low	b 3rd party
SAPELLI	high risk	53.92	M3	FSC / PEFC / CW / VL	France	Cameroon	low risk	Logs in volume	low	b 3rd party
SAPELLI	high risk	40.19	M3	Approved - medium risk	Malaysia	Cameroon	high risk	J Material	medium	b 3rd party



Some issues relating to Cameroon

1. **Forest Level Risks:** A planned/new supplier in Cameroon had not been 3rd party audited. According to company's DDS this was a requirement for timber from Cameroon.
 - NEPCon went with Company to Cameroon to conduct the audits.
 - FMU would not allow access.
2. **Mixing risks:** risk of mixing in a sawmill in Cameroon was identified by the Company's own verification programme. During the pre-assessment it was deemed that the Company had not followed their own internal procedures to address this risk.
3. **Certified product risk:** Planned to purchase OLB certified. Evaluation of OLB certification programme showed that the OLB system allowed unacceptable mixing of high risk timber.
 - Legal requirements related to trade and customs are not addressed beyond forest management level.
 - OLB CoC standard allows mixing of other 'acceptable sources' into OLB-certified products. Assessment of acceptable sources did not require full compliance with the EU TR legality requirements.





A unique perspective

Thank you

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**CERTIFIED
WOOD
UPDATE**

www.nepcon.net/newsletter

NEPCon works to ensure responsible use of natural resources and secure sustainable livelihoods by transforming land-use, business practises and consumer behaviour.