INTERNATIONAL TROPICAL TIMBER ORGANIZATION (ITTO)

GUIDELINES FOR ESTABLISHING AUDITING SYSTEMS FOR ITTO CRITERIA &INDICATORS FOR SUSTAINABLE FOREST MANAGEMENT

Implementation of the ITTC Decision 4 (XXXI)

Final Report

Helsinki
October 14, 2003

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ABBREVIATIONS AND ACRONYMS

ATO	African Timber Organization
C&I	Criteria and Indicators
CRESA	CRESA Forêt-Bois
FMU	Forest Management Unit
ITTC	International Tropical Timber Council
ITTO	International Tropical Timber Organization
PCI	Principles, Criteria and Indicators
SFM	Sustainable Management
SUDECOR	Surigao Development Corporation
SUSTEC	Sustainable Ecosystems International Corporation

1. INTRODUCTION

1.1 Background

The International Tropical Timber Organization (ITTO) published the first set of Criteria and Indicators (C&I) for Sustainable Management (SFM) of tropical natural forests already in 1991. The current set of C&I for national and forest management unit levels was finalized in 1998 (ITTO Policy Series 7). The Criteria and Indicators provide an important tool for the assessment, monitoring and reporting on social, ecological and economic impacts of forest management. ITTO has encouraged member countries to adapt the general C&I to the national/regional conditions and to report frequently on the performance level of forest management. Reporting would provide valuable information on a development trends in natural tropical forests and help the member countries to develop forest management on the sustainable basis. Transparent reporting also gives a signal to the markets of tropical timber that ITTO producer countries are making demonstrated progress towards sustainable forest management.

A number of ITTO producer countries have developed national level criteria and indicators for SFM (e.g., Cameroon, Colombia, Ghana and the Philippines) but the majority of countries is still relying on the general ITTO C&I. The African Timber Organization (ATO) and ITTO harmonized the regional C&I for SFM in 2002 and published them as ATO/ITTO Principles, Criteria and Indicators (ITTO Policy Series 14). The implementation of C&I in practical forest management and the national level reporting has not been fully satisfactory and ITTO aims at strengthening their implementation by capacity building in each producing country.

Development of an auditing system for the ITTO C&I and training of auditors in ITTO producing countries provide several benefits for tropical forestry:

- ITTO C&I have been endorsed by all ITTO member countries and can provide an efficient tool to improve forest management and to communicate on the achievement in the markets for tropical timber
- Auditing process brings the C&I to the level of practical forest management planning, implementation and monitoring, and encourages development of feasible national/regional level adaptation of the SFM requirements
- Auditing provides credible information on ecological, social and economic aspects of forest management giving feedback to the FMU-level planning and implementation as well as to national level reporting
- Development of auditing capacity at national and regional levels is essential:
  - (i) Training increases awareness of the C&I
  - (ii) National/regional level experts have a thorough knowledge on forest management in the region/country and its development needs
  - (iii) Increased capacity contributes to the development of internal audits within an organization
  - (iv) External audits become cost-efficient when internal auditing has been carried out aiming at certification

1.2   Objectives of the Training

ITTO commissioned specialists provided by Indufor Oy to *make available the services to assist ITTO in developing a training package and in conducting three training courses on Auditing Systems for ITTO Criteria and Indicators for Sustainable Forest Management in English, Spanish and French respectively* (ITTC Decision 4(XXXI)). Annex 1 contains the full text of the Decision. The training packages and respective courses were prepared under the following terms of reference.

Box 1.1   Terms of Reference on Establishing Auditing Systems for ITTO C&I

I Development of Training Package
1. Prepare draft training package in English
2. Test the draft package during the first training course
3. Translate the training package into Spanish and French
4. Finalize the training based on feedback from the courses and submit the finalized package to the ITTO Secretariat
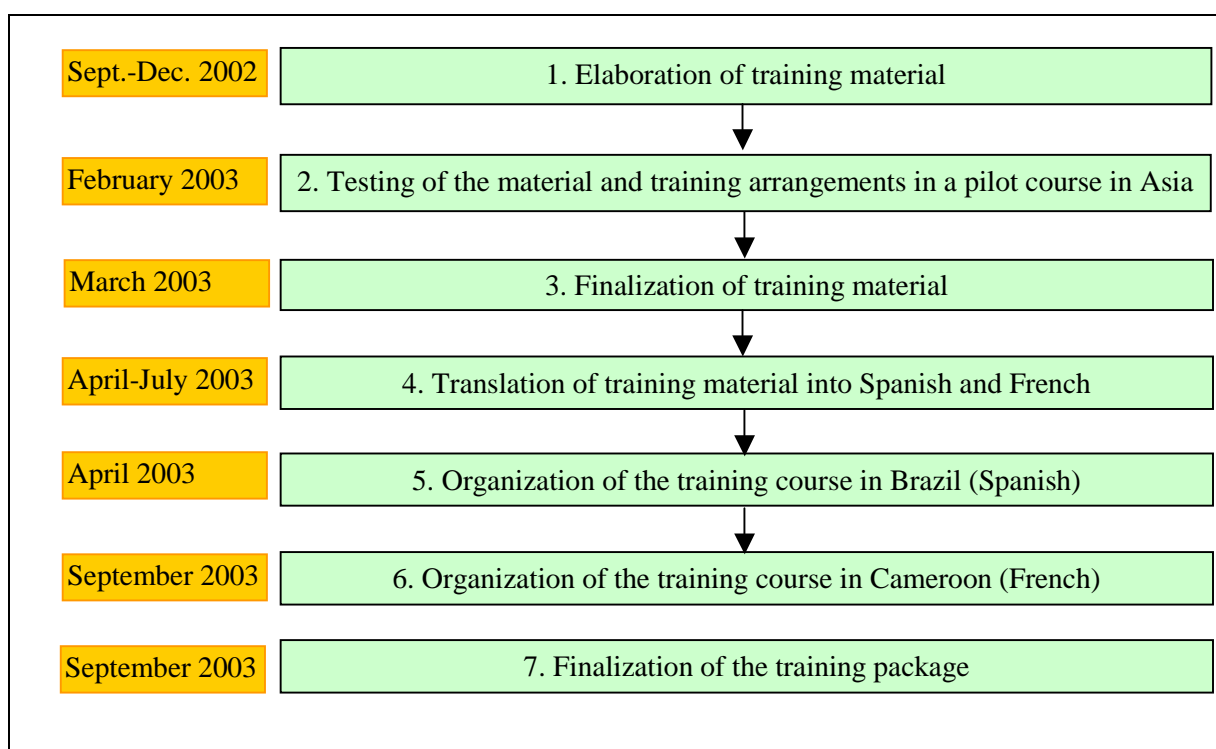
II Conduct of Training Courses
1. Prepare draft programs for the training courses
2. Assist in the selection of participants and identification of teachers for the training courses
3. With the assistance of local consultants, prepare field training arrangements for the training courses
4. Manage the actual conduct of the training courses
5. Prepare a report on the training courses for submission to the ITTO Secretariat

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ITTO contracted consultants on the regional level to assist in conducting three training courses on Auditing Systems for ITTO Criteria and Indicators for Sustainable Forest Management. The responsible parties for the course arrangements were Sustainable Ecosystems International Corp. (SUSTEC) in the Philippines, STCP Engenharia de Projetos Ltda. (STCP) in Brazil and CRESA Forêt-Bois (CRESA) in Cameroon.

2.   IMPLEMENTATION

A review of the existing training materials and other relevant documents was first carried out paying particular attention to applicability in the conditions prevailing in the ITTO producing member countries. The consultants had extensive earlier knowledge on organization of forest management auditing courses which was duly taken into account. The implementation of the activity included seven phases (Figure 2.1).

Figure 2.1   Phases in Implementation

Sept.-Dec. 2002	1. Elaboration of training material
February 2003	2. Testing of the material and training arrangements in a pilot course in Asia
March 2003	3. Finalization of training material
April-July 2003	4. Translation of training material into Spanish and French
April 2003	5. Organization of the training course in Brazil (Spanish)
September 2003	6. Organization of the training course in Cameroon (French)
September 2003	7. Finalization of the training package

The training package prepared contains a comprehensive set of transparencies (Power Point presentation), instructions for group works and material for the group works. The first set of training material was tested in the Training Course held in the Surigao City, the Philippines on February 24 to 28, 2003. Mr. Ricardo M. Umali (SUSTEC) chaired the training course and also participated in the lecturing. The course report is presented in Annex 2.

The course material and arrangements were modified based on the experience and received feedback of the first course. The revised versions were translated into Spanish by sub-consultant STCP, Brazil and into French by CRESA, Cameroon. Both partners were also responsible for the practical course arrangements in their respective countries. Indufor's consultants acted as lecturers.

The Latin American training course was held on April 28 to May 2, 2003 in the city of São José do Rio Claro, Mato Grosso, Brazil (Annex 3). The chairman of the course was Mr. Jefferson Garcia (STCP). The city of Kribi, Cameroon hosted the African course held on September 8 to 12, 2003 (Annex 4). Dr. Richard Eba'a Atyi (CRESA) acted as the chairman of the African course. Course reports were sent to the ITTO secretariat after each training course. Indufor's specialists acted as lecturers and resource persons during the training courses.

Based on the experience of the last training course in Africa the training package was revised once more before submission to the ITTO Secretariat.

3.   TRAINING PACKAGE

The training package on Auditing System for ITTO Criteria and Indicators contains the following elements (Box 3.1):

Box 3.1   Elements of the Training Package on Auditing Systems for ITTO C&I

1. **Program** outline for an Auditing Course (the detailed programs of the implemented courses are presented in the Annex to the respective course report).
2. **Transparencies**
    2.1 Introduction
    2.2 Audit procedure
    2.3 ITTO Criteria and Indicators for SFM (in the African course the ATO/ITTO PCI for SFM were used)
    2.4 Audit process/Audit Techniques
    2.5 Auditing in the context of certification (forest management and chain of custody)
    2.6 Accreditation
3. **Instructions for Group Works**
    3.1 Group work 1: Preparation of audit program and check lists
    3.2 Group work 2: Auditing practice in a forest management enterprise
    3.3 Group work 3: Evaluation of audit evidence
    3.4 Group work 4: Presentation of the audit result
4. **Supporting material:**
    4.1 Outline for an audit program
    4.2 Form for non-conformities
5. **Course evaluation form**
6. **Related Literature**
    - ITTO Criteria and Indicators for SFM. ITTO Policy Series 7 (provided by ITTO)
    - Framework for an Auditing System for ITTO C&I for SFM. Baharuddin & Simula. ITTC (XXIX)/16 (provided by ITTO)
    - Reporting Questionnaires for SFM of Natural Tropical Forests (National and FMU levels) (provided by ITTO) (only in the Philippine and Brazilian courses)
    - ATO/ITTO principles, criteria and indicators for the sustainable management of African natural tropical forests (ITTO Policy Development Series No 14) (only in the African course)
    - Feasibility Study on Pan African Forest Certification. Indufor Oy, Ministry of Foreign Affairs, France, ATO. December 15, 2002 (only in the African course)

The training package has been prepared in English, Spanish and French. The first two packages are practically identical, whereas in the French version the ATO/ITTO Principles, Criteria and Indicators were used as audit requirements instead of the ITTO C&I.

The three versions of the training package are included in Annexes 5 to 7.

4.   TRAINING COURSES

4.1   Participants

Pursuant to Decision 4(XXXI), through which Council made provisions for assistance, upon request, to producer members that may wish to establish credible auditing systems for ITTO's C&I, ITTO informed members on the implementation of the three regional workshops. Twenty-four countries expressed interest in participating in the training workshops.

The participants were mostly forestry professionals from government agencies (Table 4.1). Most of them had been involved in the development initiatives related to SFM and had some familiarity with criteria and indicators and certification. They had a high motivation in practicing the audit techniques and were willing to contribute to the implementation of auditing systems in their own organization. However, very few participants were in the position where they could make decision regarding the implementation of new procedures in their organization.

Table 4.1   Participants' Number and Organizations

Course	Government agency	Private sector	Research	Total
The Philippines	17	1	2	20
Brazil	18	1	-	19
Cameroon	12	2	-	14
Total	**47**	**4**	**2**	**53**

In total 88% of the participants were government officials, 8% represented private sector and 4% research and education institutions. In the future a stronger participation from the private and research/educational sectors should be emphasized.

The breakdown of the course participants was explained by the fact that they had been nominated by governments.

4.2   Course Strategy and FMUs

The training courses were designed to mimic the real-life audit process. This involved going through the following steps:

- introduction to the audit process within the ITTO C&I context
- presentation of the pilot FMU which was hosting the audit exercise
- planning of the audit and lists of verification indicators to be audited
- collection of the audit evidence in the selected FMU through interviews, document review and field observations
- evaluation of the audit evidence
- presentation of the audit results

Group work was an essential element of the 5 to 6-day training courses. The participants worked in two groups during the first two courses. Based on the received feedback the

participants were divided into three smaller groups (4 to 5 members in each) during the third course.

The FMUs hosting the regional courses were as follows:

- Surigao Development Corporation (SUDECOR) concession area on Surigao del Sur, the Philippines
- Guavirá Industrial e Agroflorestal Ltda. (Guavirá) (company owned forest) in Mato Grosso, Brazil
- MMG Sarl (MMG) concession area Lokoundjé-Nyong in Kribi, Cameroon

4.3   Evaluation

In general, the course participants were highly motivated to study the auditing systems and techniques within the framework of ITTO C&I. The approach of voluntary auditing was new to many participants and they felt it could be adapted to the monitoring practices of their own organizations (the great majority of participants represented government organizations). Implementation of an auditing system was also seen as an effective tool to encourage the implementation of criteria and indicators for SFM by different organizations as it obliges them to find a way of practical application for each criteria and indicator providing a basis for monitoring the performance in all the courses. The participants wished continuation of the capacity building within the ITTO framework and an improved contact between participating organizations at the regional level.

Participants made an individual evaluation on the course material, presentations, group works and arrangements after each course. The detailed evaluation results are included in the course reports (Annexes 2 to 4) and Table 4.2 gives a summary on the evaluation results.

Table 4.2   Summary of the Course Evaluation

Content	Training Course (region)			
	Asia	Latin America	Africa	Average
Course material*	4.4	4.5	4.1	4.3
Presentations*	4.3	4.1	4.2	4.2
Discussions*	4.1	4.1	4.5	4.2
Group works*	4.1	4.0	4.2	4.1
GW presentations/discussion*	4.1	4.1	4.2	4.1
Usefulness of training*	4.6	4.4	4.6	4.5
Arrangements*	4.2	4.3	4.4	4.3
Time table**	1.2	1.6	1.9	1.6
Time allocation**	1.8	1.6	1.8	1.7

*Score 5-excellent, 4-good, 3-medium, 2-weak, 1-poor, 0-useless
**Score 3-too much time, 2-appropriate time, 1- too tight

The participants were in general satisfied with the course material and presentations. The group works were particularly appreciated because they allowed applying the new concepts and techniques in practice. However, the schedule for the group works was considered slightly too tight. Participants also pointed out that the schedule did not allow a thorough audit of an FMU organization, which was partly felt unsatisfactory.

In general, the organizations audited were willing to provide the required information and mostly the staff responsible of different activities was mostly available during the audit exercise.

5. CONCLUSIONS

5.1 Implementation of ITTO C&I

The ITTO producing countries in all the three regions have a high motivation to improve forest management. The initiatives that ITTO has taken in the development of Criteria and Indicators and organization of regional seminars, workshops and training courses are highly appreciated. However, the procedures on the implementation of the Criteria and Indicators for SFM in practical forest management are not adequately defined by government agencies and private organizations.

Each country has to develop appropriate procedures for the implementation of the Criteria and Indicators and ITTO has supported these processes through regional cooperation and training.

Many participants wished better coordination between the ITTO's initiatives towards SFM and the rules and regulations of national forest administrations. This can be accomplished by closer contacts with the ministries and government officials responsible for the implementation of national forest policy. Nomination of the regional ITTO representatives was highly appreciated and seen as a step towards a more efficient implementation of Criteria and Indicators for SFM.

5.2 Auditing System

The approach of the training courses was to concentrate on auditing systems and techniques instead of certification which was well justified. It allowed the participants to understand the potentials that an auditing system can provide in internal development of a FMU and promotion of SFM at local or national levels. Auditing is also involved in second or third party auditing.

During the African training course it became evident that priority should be given to the implementation of the regional (ATO/ITTO PCI) or subsequent national criteria and indicators.

The development of certification arrangements should be taken as a separate initiative when the adequate procedures for implementation and monitoring of SFM have already been put in place. However, the situation varies between countries and regions and in Asia and Latin America the participants expressed the need for feasible certification arrangements in the near future.

The ITTO C&I are well adapted to collect information and identify trends on the performance level of forest management, but they are too general to be used as such. They should not be understood as certification requirements. Most ITTO producing member countries are still in a very initial stage regarding certification arrangements and the first task would be a standard development at a national or regional level. Both the ITTO C&I and ATO/ITTO PCI (in the

African member countries) proved an appropriate framework for the development of certification standards.

The participants were generally not fully familiar with the ITTO C&I/ATO/ITTO PCI before the training course but training courses like those organized under the activity help understand the auditing practice and the potential benefits of the practical implementation of the criteria and indicators. An implementation guideline approved by the member countries for the ITTO C&I/ATO/ITTO PCI could improve the understanding on the C&I and their implementation procedures.

5.3   Capacity Building in Auditing

The participants in each course were highly motivated and most of them said that they could directly apply the learned techniques in their current work. However, many of them considered it difficult to efficiently disseminate the know-how or introduce changes in the monitoring systems without the political support from the ministries in charge of forest administration. Closer cooperation between ITTO and national ministries was called for directly or through the recently nominated regional ITTO representatives.

The training courses were considered an excellent step for the capacity building in the implementation and auditing of SFM but further training on the implementation of C&I and auditing would be required. The participants felt that support from ITTO in organization of national training events would be needed. The experience has shown that assessment of the SFM requires so good knowledge on local forestry, ecology, socio-economic structures and culture that the auditing cannot be fully credible without adequate network of local auditors. Initiatives should be taken to strengthen the establishment of local/regional auditing services in the near future.

5.4   Course Arrangements

All the three courses were arranged as intensive courses where the organizer provided accommodation. This arrangement allowed the participants to fully concentrate on the course activities and group works. The courses were arranged in smaller towns situating as close as possible to the pilot forestry enterprise and forest area to be audited during the course. Despite this, the travel time to the field sites was often long limiting the possibilities to collect adequate information during the audit exercise.

The time schedule of the course was estimated slightly too tight especially in the first phase where the lessons on theoretical framework were presented and the participants were supposed to apply the new information in the group works on audit planning. A revised outline for the course program is given in the Annex 8, which includes time for practices on audit planning before the groups start the planning process. This option, however, would require an additional course day.

The forest enterprises where the audit was made were quite well prepared for the exercise and they made the necessary resources and information available. Within the given timeframe it was possible to make a demonstration of an audit but not to carry out a comprehensive

conformity assessment, a fact that was pointed out to the participants so that their expectations were not unduly high.

The three audit courses provided a good introduction in theory and practice into auditing. If the objective is contributing an operational auditing system in the member countries, the issue should be discussed at the policy level and additional resources should be assigned to auditor training.

The second phase of training could be organized e.g., as a real two to three-week audit in a forest management enterprise producing an attestation on the level of conformity. The training would be continuation to the implemented three regional training courses. The work should be done under the supervision of a competent auditor, e.g., in teams of four to six participants corresponding to standard audit team composition. In this case the audits can be arranged in two to three enterprises/countries in the region, and each audit will be made by a different group of participants. The courses of the second phase wold be aimed at participants having already the basic knowledge on audit systems and techniques.

6.   RECOMMENDATIONS FOR ITTO

Based on the activity's results, the following recommendations have been made to ITTO for follow-up activities:

(1)   The ITTO C&I provide a recognized tool that guides the development of sustainable forest management in the producing member countries. There is, however, a need for practical implementation guidelines that would help incorporate the C&I into the forest management planning and monitoring in public and private sector organizations.

(2)   ITTO should develop further training in cooperation with regional/national institutions on

- implementation of ITTO C&I and
- training of auditors assessing the conformity with the ITTO C&I.

(3)   Three more regional courses on auditing of the ITTO C&I should be carried out to establish a critical mass of trained trainers in each country and to integrate auditing of SFM in the existing national forestry curricula and training programs.

(4)   Capacity building should be continuous or based on a program, rather than being project based as at present. It should aim at developing a network of experts having a thorough understanding of regional/local conditions in forest management as well as the competence in the implementation of C&I and their auditing.

(5)   ITTO should ensure that ministries in charge of forest administration be informed and understand the potential benefits related to the implementation of the C&I and auditing systems. This could be achieved through the establishment of an efficient contact person network and by assigning appropriate resources to the regional ITTO representatives for this purpose. Capacity building can be incorporated also to regional projects as it will be done in the project PD 124/01 Rev.2 (M) - *Promotion of Sustainable Management of African Forests*.

(6)   The private sector has a great potential to implement ITTO C&I in practical forest management if there is enough information on how the defined environmental and social aspects should be taken into consideration in the forest management planning

agencies. ITTO should maintain and expand its direct links with private sector organizations by providing further training to forest managers on ITTO C&I implementation and auditing. This would also facilitate data collection on the ITTO C&I at FMU level.

(7) Public sector agencies, supervising the forest management in most tropical countries, should internalize the ITTO C&I when defining the minimum performance requirements for forest management. This would also incorporate the C&I into official monitoring systems.