



# **INTERNAL AUDIT DIVISION**

## **REPORT 2025/077**

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### **Audit of the International Trade Centre project activities in Iraq**

**Some aspects of strategic planning and governance, project management, business continuity, and safety and security arrangements need to be strengthened**

**23 December 2025**

**Assignment No. AE2023-350-01**

# **Audit of International Trade Centre project activities in Iraq**

## **EXECUTIVE SUMMARY**

The Office of Internal Oversight Services (OIOS) conducted an audit of International Trade Centre (ITC) project activities in Iraq. The objective of the audit was to assess the adequacy and effectiveness of governance, risk management, and control processes in ensuring efficient and effective management of ITC project activities in Iraq. The audit covered the period from December 2019 to September 2025 and included a review of: (a) strategic planning and governance; (b) project management; and (c) management of administrative and financial services.

Controls related to administrative management were satisfactory. However, there was inadequate guidance or tools in some areas of strategic planning including conflict-sensitive planning, country-level intelligence, monitoring of sector strategies, capacity-building approaches, and stakeholder engagement. There were also weaknesses in the quality of performance data, monitoring of implementing partners, business continuity planning, and safety and security arrangements.

OIOS made nine recommendations. To address issues identified in the audit, ITC needed to:

- Institutionalize conflict sensitivity planning tools developed by the Division of Market Development to ensure their consistent application across operations in conflict-affected contexts.
- Update its Middle East and North Africa Strategy and revise the project approval workflow to align with the 2025 rules of collaboration for inclusive planning across divisions.
- Facilitate a review of the sector strategies developed under the Strengthening the Agriculture and Agri-Food Value Chain and Improving Trade Policy project to assess progress and address challenges in updating the Strategy Implementation Management Tool.
- Adopt a strategic capacity-building framework for Iraq that establishes structured pathways for deploying trained personnel, supported by formal partnerships with national institutions.
- Assess the case for establishing a separate host country agreement considering lessons learned from its operations in Iraq; and review and formalize collaborations with key government stakeholders in Iraq.
- Develop entity-wide guidelines on financial and programmatic oversight of implementing partner activities.
- Develop guidelines on business continuity planning in field offices and safety and security in countries in conflict.

ITC Division of Market Development needed to:

- Establish a practice of developing action plans to address recommendations and lessons learned from evaluations and midterm reviews, along with a mechanism to track and ensure their implementation.
- Strengthen project data collection and reporting by implementing partners by ensuring data collection tools used comply with ITC corporate standards; and providing training and guidance on ITC's data management practices.

ITC accepted the recommendations and has initiated action to implement them. Actions required to close the recommendations are indicated in Annex 1.

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# Audit of International Trade Centre project activities in Iraq

## I. BACKGROUND

1. The Office of Internal Oversight Services (OIOS) conducted an audit of project activities managed by the International Trade Centre (ITC) in Iraq.
2. ITC is a technical cooperation agency jointly funded by the United Nations Conference on Trade and Development (UNCTAD) and the World Trade Organization (WTO). It supports small- and medium-sized enterprises in developing and transitioning economies to become more competitive and access international markets. In addition to core funding, ITC receives extrabudgetary contributions from donors and other international organizations, some of which are earmarked for specific projects.
3. ITC is organized into five divisions: (a) Division of Country Programme; (b) Division of Enterprises Competitiveness and Institutions; (c) Division of Market Development (DMD); (d) Division of Sustainable and Inclusive Trade; and (e) Division of Programme Support.
4. In Iraq, DMD managed overall implementation of projects, with technical contributions from the Division of Enterprises Competitiveness and Institutions and the Division of Sustainable and Inclusive Trade. Between September 2020 and September 2025, ITC implemented three major European Union (EU)-funded projects in Iraq: (a) Strengthening the Agriculture and Agri-Food Value Chain and Improving Trade Policy (SAAVI); (b) the second phase of SAAVI - Jobs and Entrepreneurship Opportunities to Build Sustainable Inclusive Development (JOBS-SAAVI II); and (c) Boosting Economic Inclusion and Trade (BEIT). In addition, two projects (SPRING<sup>1</sup> and POMSDI<sup>2</sup>) were at conception stage.
5. As of September 2025, the five ITC Iraq projects had a combined budget of \$57.5 million and cumulative expenditures of \$26.8 million as shown in table 1. The expenditure comprised staff costs (\$12 million), grants to implementing partners (\$8 million), travel (\$2 million) and other direct project expenses and operating costs (\$4.8 million). The five projects represented ITC's only activities in Iraq

**Table 1: Budget and expenditure of ITC Iraq projects as of September 2025**

<b>Project</b>	<b>Implementation period</b>	<b>Budget \$ million</b>	<b>Expenditure \$ million</b>
SAAVI	September 2020 to September 2025	24.6	24.3
BEIT	March 2024 to February 2028	6.3	2.5
JOBS-SAAVI II	August 2025 to February 2029	15.8	-
SPRING and POMSDI	Projected to start in 2026	10.8	-
<b>Total</b>		<b>57.5</b>	<b>26.8</b>

6. SAAVI was structured around four key expected results:
  - (a) Expected Results 1 - micro, medium, and small enterprises (MSMEs) competitiveness and sustainability strategies designed for high-potential products targeting domestic markets (managed by DMD).

<sup>1</sup> Sustainable Production for a Resilient Iraq Towards Net-Zero Growth

<sup>2</sup> Potato Market System Development in Iraq

- (b) Expected Results 2 - productive and commercial value chain alliances and capacity of MSMEs to compete effectively enhanced (co-managed by DMD and the Division of Enterprises Competitiveness and Institutions).
- (c) Expected Results 3 - increased capacities in the enabling business environment to better support value chain competitiveness (managed by the Division of Sustainable and Inclusive Trade).
- (d) Expected Result 4 - improvement in Iraq's trade policy for enhanced performance and value chain competitiveness (managed by DMD).

7. Key project activities included the provision of specialized technical assistance to public and private institutions; policy advice to the Government of Iraq on WTO accession and trade-related reforms; development of market-driven value chain strategies; capacity-building for business support organizations; and targeted support to MSMEs and farmer groups through competitiveness upgrades, finance access, workshops, consultations, and microgrants.

8. BEIT was jointly implemented with the International Labour Organization and the United Nations Human Settlement Programme. The project focuses on four outcomes/expected results: (a) improved alignment of national policies and regulations with international labour standards and their enforcement in the construction sector; (b) increased green affordable housing and decent employment in Iraq; (c) improved business environment and participation of local MSMEs and investors in the construction sector; and (d) strengthened influence on labour markets of employers' and workers' organizations involved in social dialogue with the government.

9. ITC had project offices in Baghdad, Erbil, Mosul, and Basra. As of 1 September 2025, 33 personnel were working on the Iraq portfolio of projects, including 15 professional and 1 general service staff, 11 individual contractors, and 6 consultants. Seventeen personnel were based in ITC Headquarters at Geneva, 4 worked remotely, and the remaining 12 were based in the project offices in Iraq. In addition to the dedicated project staff, the projects benefited from technical support provided by ITC Headquarters-based personnel across the substantive divisions.

10. ITC uses Umoja as its main information management system for administrative transactions. In addition, ITC developed other systems to support project management including: (a) the Data Management System (DMS), which serves as a centralized repository for project events and beneficiary data and is equipped with tools for conducting surveys; (b) the Legal Instruments Tool for tracking and managing formal agreements such as memoranda of understanding (MOUs) and letters of intent; (c) the Project Portal for planning, tracking, and reporting project activities; (d) electronic Roster of Consultants, for managing the recruitment and administration of consultants and contractors; and (e) electronic Contract Management Form, a system for managing staff assignments to projects.

11. Comments provided by ITC are incorporated in italics.

## **II. AUDIT OBJECTIVE, SCOPE AND METHODOLOGY**

12. The objective of the audit was to assess the adequacy and effectiveness of governance, risk management, and control processes in ensuring efficient and effective management of ITC project activities in Iraq.

13. This audit was included in the 2025 risk-based work plan of OIOS due to operational and financial risks that could hinder ITC from effectively managing its projects in Iraq.

14. OIOS conducted this audit from July to September 2025 remotely in Geneva. The audit covered the period from December 2019 to September 2025, corresponding to the full duration of the SAAVI project. The audit covered: (a) strategic planning and governance; (b) project management; and (c) management of administrative and financial services.

15. The audit methodology included: (a) interviews with key personnel; (b) review of relevant documentation; (c) assessment of data management systems; (d) analytical review of data; (e) sample testing; and (f) remote verification of physical assets using electronic means.

16. OIOS assessed the reliability of data related to project activities and expenditure by: (a) reviewing existing information about the data and related systems; (b) sample testing to determine data accuracy and completeness; and (c) interviewing ITC personnel knowledgeable about the data. Based on the assessment, OIOS determined that the data was sufficiently reliable for the purpose of addressing audit objectives.

17. The audit was conducted in accordance with the Global Internal Audit Standards.

### **III. AUDIT RESULTS**

#### **A. Strategic planning and governance**

The overall strategic alignment and governance arrangements of ITC Iraq interventions were satisfactory

18. DMD developed a country-specific strategy for Iraq, outlining four strategic objectives aligned with national development priorities. The design of the SAAVI and BEIT projects was anchored in this strategy and demonstrated strategic alignment with ITC's corporate priorities, the donor's development objectives in Iraq, and the broader priorities of the United Nations country team (UNCT) in Iraq. ITC also actively engaged with UNCT and contributed to both the United Nations Sustainable Development Cooperation Framework (UNSDCF) for Iraq for 2020-2024 and the draft UNSDCF for 2025-2029.

19. Both SAAVI and BEIT adopted a dual-layered governance model. Strategic oversight was provided by ITC's Senior Management Committee and operational oversight by a field-based Project Steering Committee comprising government officials and key stakeholders. These governance arrangements were functioning satisfactorily. Further, ITC complied with donor reporting requirements for both financial and substantive reporting. Donor representatives OIOS interviewed expressed satisfaction with the reports and in their relationship with ITC in the implementation of SAAVI. However, there were also some areas for improvement, as provided below.

Need to finalize and institutionalize conflict sensitivity planning tools at the corporate level

20. The 2022 good practice note issued by the United Nations Sustainable Development Group on conflict sensitivity, peacebuilding, and sustaining peace provides guidance for integrating conflict sensitivity into country-level programming. Drawing on this guidance, in 2023 and 2024, ITC strengthened its conflict sensitive planning by developing and implementing two key tools: the Conflict Sensitivity Assessment Guide, and the Fragility Strategy. These tools also drew on lessons learned from ITC's operations in Iraq and other fragile contexts and were informed by its enterprise risk management framework. The tools aim to enhance resilience, foster local ownership, and uphold the 'do no harm' principles.

21. Although DMD led the adoption of these tools, they had not been formally endorsed by ITC Senior Management Committee as corporate-wide instruments, and their use was limited to projects implemented

by DMD. With 39 per cent of ITC's country presence and 23 per cent of its projects in fragile contexts, there is a need to elevate these tools to the corporate level to promote a more consistent and risk-informed approach across ITC operations. In addition, some of the systemic gaps discussed later in the report dealing with country-level intelligence, partnerships with national authorities, implementing partners, safety and security, and business continuity offer valuable lessons that could be integrated into these tools.

**(1) ITC should institutionalize conflict sensitivity planning tools developed by the Division of Market Development at the corporate level to ensure their consistent application across operations in fragile and conflict-affected contexts.**

*ITC accepted recommendation 1 and stated that it would develop a conflict-led fragility strategy and technical framework based on the concept note developed by DMD in 2024 and refined in 2025. As part of this process, DMD will refine the conflict sensitivity tools piloted in Iraq and validate them through consultations with the Conflict-Led Fragility Task Force and submit them for corporate endorsement and rollout.*

#### Need to update the ITC Middle East and North Africa Strategy and the project approval workflow

22. The ITC Executive Director's bulletin on the project development process (ITC/EDB/2020/01) stipulates that project proposals must respond to beneficiary and donor needs in a coherent, timely, and cost-efficient manner, grounded in country-level intelligence, lessons learned, and existing ITC strategies.

23. The Division of Country Programme is responsible for providing country-level intelligence, managing ITC's engagement with partner countries and ensuring alignment with national priorities. It designated country managers and developed the Middle East and North Africa Strategy for 2021-2023. The strategy addressed specific country-level intelligence including that of Iraq. However, it was based on a 2019 needs assessment that lacked conflict-sensitive input, limiting its relevance for Iraq projects.

24. The Project Portal for Iraq projects reflected contributions from DMD leadership and the Strategic Planning, Performance and Governance Section but input from key stakeholders such as the Division of Country Programmes and the Legal Office was not evident. Some contributions were reported to have occurred via email and in-person discussions and could therefore not be verified. Proper documentation of interdivisional collaboration during the project initiation and planning phases is essential for preserving institutional knowledge, generating country-level intelligence, and demonstrating collaborative efforts.

25. The absence of an ITC specific host country agreement (discussed later in the report) also affected ITC's ability to fully align scoping of projects with local realities. For example, the initial value chain selection in SAAVI did not fully reflect critical on-the-ground realities such as infrastructure constraints, government policies, finance access, role of local chambers and provincial authorities in mobilizing MSMEs, and cultural and mobility barriers that affected women's participation.

26. To strengthen cross-divisional collaboration, ITC introduced rules of collaboration in April 2025 requiring inclusive planning teams across all divisions. However, the internal workflow chart outlined in ITC/EDB/2020/01 had not yet been updated to reflect these changes. Updating this chart is essential to ensure consistent compliance and alignment with the revised coordination framework.

**(2) ITC should: (a) update its Middle East and North Africa Strategy taking into account the Division of Market Development's strategy for Iraq and lessons learned from past implementation of projects in the country; and (b) revise the 2020 project approval workflow to align with the 2025 rules of collaboration for inclusive planning across divisions.**

*ITC accepted recommendation 2 and stated that it would propose a draft ITC Middle East and North Africa strategy to the Senior Management Committee for discussion and endorsement.*

#### Need to strengthen use of sector strategies monitoring tools

27. Under Expected Results 1 of SAAVI, ITC facilitated the development of national level market-led strategies in Iraq for the tomato and poultry sectors for the period 2022-2026 and for the potato sector for the period 2024-2028 along with operational plans for their implementation. To facilitate effective implementation monitoring of the operational plans, ITC established a national core team and introduced its corporate Strategy Implementation Management Tool (SIMT). ITC also trained relevant government departments on how to use SIMT and required them, in coordination with other stakeholders, to regularly update progress in SIMT.

28. As of August 2025, SIMT reflected an implementation rate of between 10 to 20 per cent for the operational plans, which understated actual progress due to incomplete updates. Government level stakeholders were still updating data for the potato strategy based on their field visits and planned to update tomato and poultry sectors thereafter. Such delays may limit ITC and its partners' ability to effectively demonstrate progress and share success stories of the three strategies. According to ITC, delays stemmed from limited institutional acceptance of SIMT by the government departments and lack of English translations for SIMT and related documents. In September 2025, ITC addressed the translation issue by making English versions available.

29. Since the tomato and poultry strategies are valid until 2026 and the potato strategy until 2028, a progress or midterm review of the sector strategies, done in consultation with all stakeholders, would help to further assess root causes of delays. This would be useful since the strategies developed under SAAVI are expected to serve as a foundation for the second phase of the project.

**(3) ITC should facilitate a review of the sector strategies developed under the Strengthening the Agriculture and Agri-Food Value Chain and Improving Trade Policy project to effectively assess progress and identify and address challenges in updating the Strategy Implementation Management Tool.**

*ITC accepted recommendation 3 and stated that DMD would conduct a structured midterm review of the sector strategies developed under SAAVI. The review will be conducted in coordination with national counterparts and will assess progress, identify implementation challenges, and update SIMT.*

#### Need to strengthen strategic planning for sustainable capacity-building

30. ITC is required to strategically plan capacity-building initiatives in accordance with its internal quality assurance standards. This includes ensuring training content is contextually relevant, deployment mechanisms for trained personnel are clearly defined, and institutional partnerships are established to align with national priorities and ensure long-term sustainability.

31. Under SAAVI Expected Result 3, ITC launched initiatives to support MSMEs development and youth entrepreneurship in Iraq, including the SAAVI Tadreeb online training platform and the Quality Champion Programme. These efforts aimed to build institutional capacity, improve business practices, and foster job creation for the youth through targeted training and support mechanisms. Despite the strategic intent, there were some implementation gaps that could be attributed to the absence of a coherent strategic framework to guide capacity-building efforts. OIOS made the following observations:

- (a) The SAAVI Tadreeb platform offered 10 core modules but lacked coverage on business formalization and access to finance - two critical constraints affecting over 80 per cent of Iraqi firms according to ITC assessment.
- (b) The Quality Champion Programme, launched in 2024, was delayed by about a year due to national approval processes. Although 49 champions were trained by May 2025, only a few had begun applying their skills by July 2025. Also, as of July 2025, some of the trained quality champions were associated with farmers' co-operative alliances, but initially no formal roadmap existed to connect them with MSMEs or complementary initiatives. This was developed later.
- (c) The engagement with the Central Organization for Standardization was limited to WTO accession-related activities.

**(4) ITC should adopt a strategic capacity-building framework for Iraq that establishes structured pathways for deploying trained personnel, supported by formal partnerships with national institutions such as the Central Organization for Standardization and Quality Control.**

*ITC accepted recommendation 4 and stated that it would develop a draft strategic capacity-building framework for Iraq that will be submitted to the Senior Management Committee for discussion and endorsement.*

Need to assess the case for a separate host country agreement and formalize collaborations with government stakeholders

32. ITC did not have a dedicated host country agreement for Iraq. It relied on local legal frameworks of other United Nations entities including the United Nations Development Programme (UNDP), the United Nations Assistance Mission in Iraq (UNAMI), and EU agreements with the host country. Interviews with project staff indicated that this caused some uncertainty and operational challenges such as delays in staff visa processing, and processing of asset transfers from UNAMI to ITC. With UNAMI preparing for liquidation by December 2025, the absence of a host country agreement may have heightened implications. ITC was participating in the ongoing UNCT efforts to establish a common service centre in Iraq post UNAMI. Given ITC's intention to expand operations in Iraq, this is an opportune time to seek legal advice and reassess whether to pursue its own host country agreement. Further, ITC agreements with the Ministry of Trade and Ministry of Youth and Sports expired at the end of SAAVI and had not been renewed. Timely renewal is essential for effective collaboration in the remaining ITC Iraq projects. In addition, partnerships with other key stakeholders, including the Ministry of Planning and the Baghdad Chamber of Commerce were informal with no documented agreements in place. Formalizing these engagements would help to enhance their effectiveness.

**(5) ITC should: (a) assess the case for establishing a separate host country agreement considering lessons learned from its operations in Iraq; and (b) review and formalize collaborations with key government stakeholders in Iraq to enhance accountability and optimize effectiveness.**

*ITC accepted recommendation 5 and stated that it would present an assessment of the case for establishing a separate host country agreement to the Senior Management Committee for discussion.*

## B. Project management

### Need to track and address issues and recommendations arising from evaluations

33. Both SAAVI and BEIT had clearly defined performance indicators, with appropriate verification methods. Performance reports indicated that most targets were exceeded. For SAAVI, some indicators surpassed targets by over 400 per cent as of July 2025. This was an indication that the targets may have been set too low, likely due to ITC's limited prior experience in Iraq. Although a midterm evaluation in 2022 revealed the overachievement of several targets, no action was taken to revise them. Further, DMD had not developed an action plan to implement the six recommendations from the 2024 evaluation of SAAVI nor a system to track their implementation. These recommendations focused on strengthening stakeholder engagement and promoting long-term sustainability of project results. DMD indicated that while it did not develop a formal action plan, it had advanced implementation of the recommendations through various activities. Establishing formal action plans and tracking and monitoring systems would help ensure all recommendations are effectively addressed and lessons learned are captured.

**(6) ITC Division of Market Development should establish a systematic practice of developing action plans to address recommendations and lessons learned from evaluations and midterm reviews, along with a mechanism to track and ensure their effective implementation.**

*ITC accepted recommendation 6 and stated that it had already established a practice for responding to recommendations from evaluations managed by the Internal Evaluation Unit. Management responses, including corresponding action points, timeframes, and responsibilities, are also publicly available. To further strengthen accessibility and usability, ITC management would develop a dedicated and systematic approach that enables project teams and divisions to directly access the status of management response and related action points.*

### Need to improve the quality of data for project performance monitoring

34. The ITC data management policy (ITC/EDB/2023/02) outlines a strategic approach for managing data to support results-based reporting. In line with this policy, ITC divisions are required to use DMS to track beneficiaries and events, and to collect feedback on implemented activities. Both SAAVI and BEIT had a dedicated Monitoring and Evaluation officer and had established monitoring systems including logframe matrices in Excel (Excel logframes) to capture data on beneficiaries, events, and outcome survey results undertaken by implementing partners. OIOS confirmed that ITC complied with data privacy requirements. However, there were some gaps as discussed below.

- (a) Discrepancies between the data in DMS and the Excel Logframe - As of June 2025, the Excel Logframe recorded 329 events, while DMS reported only 263. Since no reconciliations were performed, it was not evident that the differences were solely due to methodological differences.
- (b) Incomplete recording of training participants in the Excel Logframe - Eight training events involving 119 participants, were not initially included in the validated Excel Logframe. Although corrective action was taken to record the events, participants' feedback data remained missing.
- (c) Recently introduced DMS survey tools not being fully utilized as required - Implementing partners under SAAVI continued using older DMD survey tools with which they were familiar. There was no evidence that all key partner staff had received training in ITC's data management practices. Consistent use of updated corporate tools is essential to facilitate data comparability, coherence in performance reporting, and institutional learning.

- (7) ITC Division of Market Development should strengthen project data collection and reporting by implementing partners by: (a) ensuring data collection tools used comply with ITC corporate data standards; and (b) providing training and guidance on ITC’s data management practices to improve compliance with reporting standards and data quality requirements.**

*ITC accepted recommendation 7 and stated that it would define and apply standard interoperability and documentation requirements for partner tools feeding into DMS and strengthen training and guidance for partners on ITC data management practices and, where appropriate, on the use of DMS survey and related tools.*

Need to strengthen monitoring of implementing partners activities

35. Effective oversight of implementing partners is essential for successful project delivery and the responsible use of financial resources. The ITC projects in Iraq engaged six implementing partners with total grant funding amounting to \$8.1 million. The largest was a grant of \$7.5 million to a non-governmental organization (the Principal IP) from November 2021 to February 2025. The main budget allocations were project staff costs (\$2 million); training/capacity building of beneficiaries (\$1.9 million); microgrants (\$1.2 million); fair share allocation costs (\$1.7 million) and other operating costs including vehicle hire charges (\$700,000).

36. DMD used coordination meetings, field visits, and review of narrative and financial reports and occasional on-site verification of vouchers to monitor partner performance. OIOS’ review of three major budget items in the Principal IP grant showed weaknesses in both financial and programmatic monitoring as outlined below.

(a) Vehicle hire charges

37. The budget allocation for vehicle hire charges was \$430,590. The Principal IP submitted to ITC vehicle logbooks, contracts and invoices for each vehicle hired. OIOS’ review of supporting documents for 18 vehicles for the first quarter of 2024 showed several gaps, including: (i) 20,676 km of unaccounted mileage; (ii) missing driver and traveller signatures in 18 cases; and (iii) overlapping or inconsistent trip details. Due to capacity gaps, the review of financial statements was done by project staff who focused on invoice verification without reviewing underlying supporting documentation or a sample of the documents. DMD explained that with support from the ITC Finance Section, it had, in 2025, contracted an external auditing firm to assist with the regular verification of grant expenditures, in addition to the external audits required under the grant agreement.

(b) Microgrants

38. In line with the approved project, the Principal IP disbursed microgrants totalling \$1.2 million to 113 beneficiaries (15 microgrants to farmers’ co-operative alliances and 98 microgrants to youth). OIOS review of 20 microgrants (6 to farmers’ co-operative alliances and 14 to youth) showed that the beneficiaries met the established eligibility criteria. However, there were inconsistencies and weaknesses in monitoring leading to the following gaps:

- (i) Although ITC was expected to be part of the selection committee for microgrant beneficiaries, it only participated as an observer in the selection process under the microgrants to youth component and had no involvement in the microgrants to farmers’ co-operative alliances.

- (ii) There were missing proofs of bank transfers and other supporting documentation for 4 out of the 12 disbursements relating to the six microgrants to farmers' co-operative alliances that OIOS reviewed, amounting to \$70,000.
- (iii) No reports were submitted on the physical verification of items purchased by beneficiaries using the microgrants. Also, procurement documentation was incomplete for some of the purchases of assets by beneficiaries
- (iv) For microgrants awarded to youth, there was no evidence of business performance appraisal or mentoring of grant recipients as required in the terms of reference for grants administration.

39. A more thorough review of the supporting documents submitted by the implementing partner and monitoring of the grant activities would have enabled ITC to identify and promptly address the gaps noted.

(c) Inadequate supporting details for the fair share allocation costs

40. Fair share allocation costs refer to the proportional distribution of shared or indirect costs (such as administrative or overhead expenses) across projects based on a standardized methodology. For the Principal IP grant these costs amounted to \$1.7 million representing approximately 23 per cent of the total \$7.5 million grant. However, despite the significant amount involved, no assessment for potential ineligible costs were conducted during the original grant review in August 2022. The original grant agreement also lacked specific reporting requirements for these costs.

41. Concerns about the eligibility of fair share allocation costs were first raised during the ITC Grants Committee's review of the amendment to the Principal IP grant agreement in November 2023. The Committee highlighted the risk that some of the shared costs might be indirect costs that overlap with programme support costs and therefore ineligible. In response, the Director, Division for Programme Support approved the amendment to the agreement with new reporting requirements that required the Principal IP to submit detailed cost breakdowns. However, there was no change in the documentation submitted by the Principal IP nor in ITC's review process. Given that the Principal IP grant was among the first large ITC implementing partner grants to include fair share allocation costs, it is essential for ITC to draw lessons and establish guidelines for review of such costs in future.

(d) Inadequate performance monitoring

42. Despite regular coordination between ITC Iraq field teams and the Principal IP, programmatic weaknesses noted below were not addressed timely, indicating shortcomings in performance monitoring.

- (i) Delays in resolving complaints by beneficiaries - None of the 105 beneficiary complaints recorded by the Principal IP as of 27 May 2025 were resolved within the prescribed timeframe of 24 hours (sensitive) and 14 days (non-sensitive). Although the complaints tracking system included a field for documenting reasons for delays, this was left blank.
- (ii) Failure to record a training-related recommendation in the tracking system - A key recommendation from a November 2024 training event on adapting training materials to participants' literacy levels and using appropriate surveys and local languages was not recorded in the Principal IP's learning tracker. Such omissions could result in the recommendation being overlooked.
- (iii) Inadequate monitoring of post-distribution reports - After disbursements of microgrants, the Principal IP conducted surveys to solicit feedback from microgrant beneficiaries and reported the results in post-distribution monitoring reports. The survey results indicated low beneficiary

awareness of grievance mechanisms: 55 per cent in October and 36 per cent in December 2023. There was no documented explanation for the low awareness, nor was the issue addressed by either the Principal IP or ITC.

43. The above gaps highlight the need to strengthen both financial and substantive monitoring practices for implementing partners. This weakness was raised in the 2022 OIOS audit of implementing partners at ITC (Report 2023/051) but recommendations remained unaddressed as of the time of the audit, and additional actions were needed.

**(8) ITC should develop entity-wide guidelines for financial and programmatic oversight of implementing partner activities, incorporating lessons learned from the large grant in the Strengthening the Agriculture and Agri-Food Value Chain and Improving Trade Policy project.**

*ITC accepted recommendation 8 and stated that it would refer the recommendation to the Senior Management Committee for further discussion.*

### **C. Management of administrative and financial services**

The arrangements for the provision of administrative and financial services were satisfactory

44. In addition to the support provided by the ITC Headquarters Programme Support Service, ITC relied on local service providers including UNDP, UNAMI and the United Nations Department of Safety and Security (UNDSS) for provision of administrative and security services. The projects were supported by two dedicated administrative staff, one reporting to the Project Operations Manager in Baghdad, and the other based in Geneva who reported to the SAAVI and BEIT Project Manager. OIOS' review showed that controls over procurement, travel, recruitment and management of project equipment were satisfactory:

- (a) Procurement - Sample check of 30 procurement cases and analysis of the 366 purchase orders totalling \$1.8 million issued between 2021 and 2024 showed compliance with competitive procurement requirements. Procurement delays that existed in the early phases of SAAVI were addressed over time.
- (b) Travel – Between January 2020 and May 2025 ITC processed 416 trips totalling \$1.1 million. Analysis of the travel data and review of a sample of 30 cases showed general compliance with travel approval and expense reporting requirements.
- (c) Recruitment - OIOS reviewed recruitment of two professional staff, 13 UNDP service contractors, and 30 consultants during and found overall compliance with requirements, including competitive processes and clear deliverables. Three performance evaluations lacked detail on actual outputs, but ITC was developing a new template to address this gap
- (d) Equipment - ITC Iraq projects acquired 57 equipment items valued at \$307,543 between 2023 and 2025, including two motor vehicles. Vehicle usage and fuel consumption were properly monitored. Sample check of 22 items confirmed that all items physically existed.

Need to strengthen arrangements for safety and security

45. In Iraq, ITC relies on shared services from UNAMI, UNDP, and UNDSS for some aspects of business continuity. However, it had no corporate-level business continuity plan (BCP) or guidelines to

guide field offices during disruptions, an essential tool for operations in fragile and high-risk environments. Also, contingency protocols such as the use of personal vehicles were ad hoc. Formal guidelines had been developed but not yet signed by ITC and the Iraq Area Security Coordinator. The upcoming liquidation of UNAMI in December 2025 underscores the urgency of business continuity planning to ensure preparedness in the event of disruptions.

46. With regard to safety and security, ITC Iraq had established basic protocols such as evacuation plans, drills, and a warden system. ITC also participated in the Programme Criticality Assessment undertaken in coordination with UNCT. The Senior National Advisor at the project office in Baghdad was designated as the ITC Security Focal Point in Iraq and maintained coordination with UNDSS, host authorities and informed ITC Iraq personnel on security protocols. At ITC Headquarters, the Director, Division of Programme Support was the ITC Security Focal Point and had designated the Chief of Central Support Services as the Alternate Security Focal point and a member of the Crisis Management Committee. In practice, the Alternate Security Focal Point acted as the de facto ITC Security Focal Point.

47. However, some gaps existed that were attributed to the absence of ITC specific safety and security guidelines. No terms of reference were defined for the ITC Security Focal Point role. Further, no security professional was part of the Crisis Management Committee, and members had not undertaken recommended training such as the Crisis Management course run by UNDSS. In addition, the Alternate Security Focal Point did not receive the ITC Iraq Security Focal Point reports, as these were sent exclusively to the ITC Iraq Project Manager. This gap limited the flow of critical safety and security information from the project office in Iraq to Headquarters, reducing the effectiveness of decision-making. At the field level, the ITC Iraq Security Focal Point completed the mandatory United Nations security courses but had not undertaken other advanced trainings available for field security staff. Further, only one staff member in the ITC Iraq project offices had completed fire awareness training, which is important due to the unique operational and security challenges in the region.

**(9) ITC should develop guidelines on: (a) business continuity planning in field offices; and (b) safety and security in countries in conflict that clearly defines the terms of reference for the ITC corporate security focal point, field office reporting requirements, and recommended trainings.**

*ITC accepted recommendation 9 and stated that it would expand business continuity planning to address the needs of ITC field offices and draft guidelines on safety and security for the ITC security focal point.*

#### **IV. ACKNOWLEDGEMENT**

48. OIOS wishes to express its appreciation to the management and staff of ITC for the assistance and cooperation extended to the auditors during this assignment.

Internal Audit Division  
Office of Internal Oversight Services

## STATUS OF AUDIT RECOMMENDATIONS

## Audit of the International Trade Centre project activities in Iraq

Rec. no.	Recommendation	Critical <sup>3</sup> / Important <sup>4</sup>	C/ O <sup>5</sup>	Actions needed to close recommendation	Implementation date <sup>6</sup>
1	ITC should institutionalize conflict sensitivity planning tools developed by the Division of Market Development at the corporate level to ensure their consistent application across operations in fragile and conflict-affected contexts.	Important	O	Receipt of the approved corporate conflict-sensitivity planning tools.	30 June 2026
2	ITC should: (a) update its Middle East and North Africa Strategy taking into account the Division of Market Development's strategy for Iraq and lessons learned from past implementation of projects in the country; and (b) revise the 2020 project approval workflow to align with the 2025 Rules of Collaboration for inclusive planning across divisions.	Important	O	Receipt of the updated and endorsed Middle East and North Africa Strategy and the revised project approval workflow.	30 June 2026
3	ITC should facilitate a review of the sector strategies developed under the Strengthening the Agriculture and Agri-Food Value Chain and Improving Trade Policy project to effectively assess progress and identify and address challenges in updating the Strategy Implementation Management Tool.	Important	O	Receipt of the results of the midterm review of the sector strategies developed under SAAVI.	30 June 2026
4	ITC should adopt a strategic capacity-building framework for Iraq that establishes structured pathways for deploying trained personnel, supported by formal partnerships with national institutions	Important	O	Receipt of the endorsed strategic capacity-building framework for Iraq.	30 June 2026

<sup>3</sup> Critical recommendations address those risk issues that require immediate management attention. Failure to take action could have a critical or significant adverse impact on the Organization.

<sup>4</sup> Important recommendations address those risk issues that require timely management attention. Failure to take action could have a high or moderate adverse impact on the Organization.

<sup>5</sup> Please note the value C denotes closed recommendations whereas O refers to open recommendations.

<sup>6</sup> Date provided by ITC in response to recommendations.

## STATUS OF AUDIT RECOMMENDATIONS

## Audit of the International Trade Centre project activities in Iraq

Rec. no.	Recommendation	Critical <sup>3</sup> / Important <sup>4</sup>	C/ O <sup>5</sup>	Actions needed to close recommendation	Implementation date <sup>6</sup>
	such as the Central Organization for Standardization and Quality Control.				
5	ITC should: (a) assess the case for establishing a separate host country agreement considering lessons learned from its operations in Iraq; and (b) review and formalize collaborations with key government stakeholders in Iraq to enhance accountability and optimize effectiveness.	Important	O	Receipt of the results of the assessment and formalized collaboration agreements with key government stakeholders in Iraq.	31 March 2026
6	ITC Division of Market Development should establish a systematic practice of developing action plans to address recommendations and lessons learned from evaluations and midterm reviews, along with a mechanism to track and ensure their effective implementation.	Important	O	Receipt of details of the system established to track and address issues and recommendations arising from evaluations and midterm reviews.	30 June 2026
7	ITC Division of Market Development should strengthen project data collection and reporting by implementing partners by: (a) ensuring data collection tools used comply with ITC corporate data standards; and (b) providing training and guidance on ITC's data management practices to improve compliance with reporting standards and data quality requirements.	Important	O	Receipt of evidence of action taken to strengthen project data collection and reporting by implementing partners.	31 March 2026
8	ITC should develop entity-wide guidelines for financial and programmatic oversight of implementing partner activities, incorporating lessons learned from the large grant in the Strengthening the Agriculture and Agri-Food Value Chain and Improving Trade Policy project.	Important	O	Receipt of approved guidelines for financial and programmatic oversight of implementing partner activities.	30 June 2026
9	ITC should develop guidelines on: (a) business continuity planning in field offices; and (b) safety and security in countries in conflict that clearly	Important	O	Receipt of approved guidelines on business continuity planning and safety and security in countries in conflict.	30 June 2026

## STATUS OF AUDIT RECOMMENDATIONS

## Audit of the International Trade Centre project activities in Iraq

<b>Rec. no.</b>	<b>Recommendation</b>	<b>Critical<sup>3</sup>/ Important<sup>4</sup></b>	<b>C/ O<sup>5</sup></b>	<b>Actions needed to close recommendation</b>	<b>Implementation date<sup>6</sup></b>
	defines the terms of reference for the ITC corporate security focal point, field office reporting requirements, and recommended trainings.				

# **APPENDIX I**

## **Management Response**

## Management Response

## Audit of the International Trade Centre project activities in Iraq

Rec. no.	Recommendation	Critical <sup>1</sup> / Important <sup>2</sup>	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
1	ITC should institutionalize conflict sensitivity planning tools developed by the Division of Market Development at the corporate level to ensure their consistent application across operations in fragile and conflict-affected contexts.	Important	Yes	Chief Strategies and Policy for Trade and Investment /Division of Market Development	Q2 2026 (from endorsement of Task Force report)	ITC will proceed with the development of a Conflict-Led Fragility Strategy and technical framework, based on the concept note developed by DMD in 2024 and further refined through the Conflict-Led Fragility Task Force consultations conducted in 2025. As part of this process, DMD will refine the conflict sensitivity tools piloted in Iraq and validated through Task Force consultations and submit them for corporate endorsement and rollout. These tools are intended to ensure consistency in project scoping, design, implementation, and monitoring across conflict-affected operations.
2	ITC should: (a) update its Middle East and North Africa Strategy taking into account the Division of Market Development's strategy for Iraq and lessons learned from past implementation of projects in the country; and (b) revise the 2020 project approval workflow to align with the	Important	Yes	Director Division of Country Programme	Q2 2026	This recommendation will result in a draft strategy to be proposed to SMC for discussion and endorsement.

<sup>1</sup> Critical recommendations address those risk issues that require immediate management attention. Failure to take action could have a critical or significant adverse impact on the Organization.

<sup>2</sup> Important recommendations address those risk issues that require timely management attention. Failure to take action could have a high or moderate adverse impact on the Organization.

## Management Response

## Audit of the International Trade Centre project activities in Iraq

Rec. no.	Recommendation	Critical <sup>1</sup> / Important <sup>2</sup>	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
	2025 Rules of Collaboration for inclusive planning across divisions.					
3	ITC should facilitate a review of the sector strategies developed under the Strengthening the Agriculture and Agri-Food Value Chain and Improving Trade Policy project to effectively assess progress and identify and address challenges in updating the Strategy Implementation Management Tool.	Important	Yes	Chief Strategies and Policy for Trade and Investment /Division of Market Development	Q2 2026	ITC Division of Market Development will lead a structured midterm review of the sector strategies developed under SAAVI. The review will focus on tracking progress, identifying implementation constraints, and updating the strategy implementation management tool. This process will be carried out in close coordination with national counterparts, i.e. MoA to ensure continuity and ownership.  MOV: Midterm review report led by ITC; updated strategy implementation management tool; interview records; meeting minutes
4	ITC should adopt a strategic capacity-building framework for Iraq that establishes structured pathways for deploying trained personnel, supported by formal partnerships with national institutions such as the Central Organization for Standardization and Quality Control.	Important	Yes	Chief Strategies and Policy for Trade and Investment /Division of Market Development	Q2 2026 (from endorsement of Task Force report)	This recommendation will result in a draft framework to be proposed to SMC for discussion and endorsement.

## Management Response

## Audit of the International Trade Centre project activities in Iraq

Rec. no.	Recommendation	Critical <sup>1</sup> / Important <sup>2</sup>	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
5	ITC should: (a) assess the case for establishing a separate host country agreement considering lessons learned from its operations in Iraq; and (b) review and formalize collaborations with key government stakeholders in Iraq to enhance accountability and optimize effectiveness.	Important	Yes	Director Division of Country Programme and Director Division Programme Support	Q1 2026	This recommendation will result in an assessment to be presented and discussed by SMC.
6	ITC Division of Market Development should establish a systematic practice of developing action plans to address recommendations and lessons learned from evaluations and midterm reviews, along with a mechanism to track and ensure their effective implementation.	Important	Yes	Office of the Executive Director/Strategic Planning, Performance and Governance/ Internal Evaluation Unit	System testing is planned for Q1 2026, with full implementation scheduled for Q2 2026.	<p>A systematic practice for developing action plans in response to recommendations from midterm and final evaluations is already in place and applied twice annually for all IEU-managed evaluations. The Management Responses, including corresponding action points, timeframes, and responsibilities, are also publicly available.</p> <p>To further strengthen accessibility and usability, ITC Management will develop a dedicated systematic approach that provides project teams and Divisions with direct access to the status of Management Response actions and related action points.</p>
7	ITC Division of Market Development should strengthen project data collection and reporting by implementing partners by: (a) ensuring data collection tools used comply with	Important	Yes	Office of the Executive Director/Strategic Planning, Performance and	Q1 2026	ITC shares OIOS's objective to strengthen project data quality, consistency and institutional learning and understands Recommendation 7 as seeking to

Management Response

Audit of the International Trade Centre project activities in Iraq

Rec. no.	Recommendation	Critical <sup>1</sup> / Important <sup>2</sup>	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
	ITC corporate data standards; and (b) providing training and guidance on ITC's data management practices to improve compliance with reporting standards and data quality requirements.			Governance and Strategies and Policy for Trade and Investment /Division of Market Development		<p>reinforce the use of corporate data standards and tools. It would, however, place stronger focus on utilizing agreed corporate standards and on interoperability, documentation and data protection, rather than mandatory front-end use of corporate tools in all projects, especially those as complex and implemented by multiple partners as those in Iraq.</p> <p>Given the scale and complexity of a large, grant-based portfolio such as Iraq, making corporate tools the sole front-end for all partner data entry would be difficult to operationalise and could adversely affect coverage and timeliness. Management therefore proposes to address the intent of the recommendation by:</p> <ul style="list-style-type: none"> <li>-Defining and applying standard interoperability, documentation requirements for partner tools feeding into DMS;</li> <li>-Strengthening training and guidance for partners on ITC data management practices and, where appropriate, the use of DMS survey and related tools.</li> </ul>

## Management Response

## Audit of the International Trade Centre project activities in Iraq

Rec. no.	Recommendation	Critical <sup>1</sup> / Important <sup>2</sup>	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
8	ITC should develop entity-wide guidelines for financial and programmatic oversight of implementing partner activities, incorporating lessons learned from the large grant in the Strengthening the Agriculture and Agri-Food Value Chain and Improving Trade Policy project.	Important	Yes	Chief Financial Management/Division of Programme Support	Q2 2026	This recommendation is proposed to SMC for further discussion.
9	ITC should develop guidelines on: (a) business continuity planning in field offices; and (b) safety and security in countries in conflict that clearly defines the terms of reference for the ITC corporate security focal point, field office reporting requirements, and recommended trainings.	Important	Yes	Central Support Services/Division of Programme Support	Q2 2026	ITC is accepting the recommendation and will expand the existing Business Continuity plan into one that suits field office needs. DPS/CSS will draft the guidelines on safety and security for ITC security focal point.