



28 March 2008

Dear Mr Ambassador,

Thank you for your letter of 8 February 2008 concerning the eight areas that have been particularly highlighted by the US Government in the framework of transparency and accountability of UN Funds and Programmes

I am pleased to inform you about a number of steps that have further consolidated and strengthened relevant procedures and mechanisms in UNDP. In particular, the document, "Report on UNDP accountability system (accountability framework and oversight policy)" that has been presented to the Executive Board in January this year, provides a comprehensive approach to the way UNDP management understands the need for transparency and accountability. This approach is two-fold: i) to enable an open and interactive way for all member states to access relevant information, taking into account general confidentiality requirements and ii) to guide our Organization's work according to the priorities established by the Board.

Also, against the backdrop of discussions in - and decisions by - the High-Level Committee on Management, operating under the Secretary-General's Chief Executives Board, UNDP is in the position to meet contemporary standards of transparency and accountability. Naturally this will have to be assessed and followed up on a regular basis. I trust that the Executive Board will provide the necessary guidance, including through the active involvement of your representatives. We have appreciated your particular encouragement on the eight points, as already set out in our response of 11 June 2007.

Below, I would like to provide a comprehensive update with particular emphasis on additional steps taken in the recent period.

**1. Availability of internal audits and other reports, e.g. evaluations, investigations, etc. to Member States:**

Following the outcome of the second regular session of the United Nations system Chief Executives Board for Coordination (CEB) for 2007, which endorsed the recommendation on the disclosure of internal audit reports, providing for "disclosure to Member States, respecting the management prerogatives of executive heads and subject to conditions and criteria to be defined within the context of an organization policy that should not be applied retroactively" (CEB/2007/2 para 50), UNDP set forth its intended policy to the Executive Board in January 2008 in the framework of its general oversight policy (DP/2008/16).

His Excellency  
Mr. Mark D. Wallace  
United States Representative for United Nations Management and Reform  
Permanent Mission of the United States of America to the United Nations  
New York, N.Y.



On this basis, we are currently elaborating the modalities for the viewing of internal audit reports in accordance with the CFB endorsement. As you know, in its oral decision, the Executive Board has expressed the wish that the Administrator revert on this matter at the Executive Board's second regular session in 2008. In addition, we are in dialogue on this issue with the US Government.

**2. Public access to all relevant documentation related to operations and activities including budget information and procurement activities:**

In July 2007, UNDP issued an internal instruction to Country Office management to ensure information is posted on Country Office websites with the goal of explaining i) why UNDP works in the country; ii) who are the decision-makers; iii) where UNDP funds come from and what they are spent on; iv) how UNDP does business; and v) what we aim to accomplish. As you can no doubt imagine, this is a complex task, but the results are encouraging with all of our Country Offices embarking upon a course of action for higher quality and the standardization of information that needs to be publicly available. In the course of the year, we will follow up where necessary in order to achieve the required information by the end of the year.

**3. "Whistleblower protection" policies**

UNDP has issued the updated "Legal Framework for Addressing Non-compliance with UN standards of Conduct". The document provides a comprehensive expression of the application of UN Staff Regulations 10.1 and 10.2 and Chapter X of the Staff Rules to UNDP. This document updates and replaces the Accountability, Disciplinary Measures and Procedures that were approved on 1 January 2004. Among the major changes are expanded provisions defining the rights and obligations of staff in reporting wrongdoing, including regarding whistleblower protection and clarification of the due process rights of staff members in the course of, and conclusion to, an investigation.

**4. Financial disclosure policies**

UNDP has broadened and deepened its financial disclosure policies applicable to 2006 and onwards. Meanwhile, virtually all of the 1585 staff obligated to file financial disclosures, cooperated with the request to file the required disclosures for 2006.

Given the sizeable resources required to conduct a review of all data on every form received and the need to be cost-effective, we are preparing the implementation of a three-pronged approach:

- A full review of all disclosures to ensure valid data
- A full automated review of all cases where staff has indicated a possible conflict of interest with outside activities. In such cases, we intend to follow up with all staff who identify a potential conflict to resolve such situations.
- A sample review of records to review categories of assets, liabilities, sale of property, stock options, outside income and liabilities and supplements against entity lists with whom UNDP has business dealings.

UNDP is now embarking on the 2007 reporting exercise, during which we intend to review the 2006 and 2007 data at the same time.



An on-line learning programme on the Financial Disclosure Policy has also been developed and launched, which is compulsory for all senior managers and staff engaged in procurement processes.

#### **5. An effective system-wide Ethics office**

UNDP is fully committed to the highest standards of ethics and integrity among its staff. In November 2007, the UNDP Administrator appointed an Ethics Advisor who, in addition to responsibilities for UNDP, serves as a member of the UN Ethics Committee. This role is part of an effort to further harmonize ethical standards and policies across the UN system, and particularly between the United Nations Secretariat and the Funds and Programmes.

The UNDP Ethics Office operates independently. The Ethics Advisor, who is head of the UNDP Ethics Office, is responsible for the implementation and strategic development and implementation of the Financial Disclosure Policy and takes a proactive role in fostering management and staff awareness of UNDP standards on ethical behavior, the prevention of conflicts of interest, proper conduct and sound business practices, as established in the United Nations Staff Regulations and Rules and the 2001 Standards of Conduct for the International Civil Service. The Ethics Advisor reports to the Administrator and advises UNDP management and staff in order to promote a work environment that is characterized by high ethical standards and in full compliance with applicable regulations, rules and other administrative issuances. The Ethics Advisor will receive complaints of retaliation and review them in accordance with Chapter II of the UNDP Legal Framework referenced above.

In February 2008, the Administrator launched UNDP's customized training course on Ethics. This computer-based training explains important aspects of the United Nations Code of Conduct, which is based on the Secretary-General's Bulletin on the Status, Basic Rights and Duties of UN Staff Members (ST/SGB/2002/13) as well as the Standards of Conduct for the International Civil Service and the UN Staff Regulations and Rules. The on-line course on Ethics is mandatory for all UNDP colleagues at all levels and is required to be completed by the fourth quarter of 2008.

#### **6. Independence of the respective internal oversight bodies**

Oversight is organized institutionally in UNDP through: a) independent external oversight (United Nations Board of Auditors and Joint Inspection Unit) and the independent Audit Advisory Committee (AAC); and (b) independent internal oversight (Office of Audit and Investigations and Evaluation Office).

The Director of the Office of Audit and Investigations (OAI) and the Director of the Evaluation Office report to the Administrator with the purpose of independently advising management. Each office reports to the Board independently on its findings and concerns. OAI has recently issued its Charter describing the mandate of the Office and the applicable standards and procedures. The Charter requires OAI to report on its performance against agreed key performance indicators, which include the timeliness of audit and investigation reports.

The AAC assists the Administrator in fulfilling his responsibilities regarding financial management and reporting; internal and external audit matters; risk management arrangements; and systems of internal control and accountability. The AAC annual report was made available at the regular



session of the Executive Board in June 2007. As an additional step, this year the AAC will present its annual report as an official document to the Executive Board.

**7. Adoption of IPSAS accounting standards in the Funds and Programmes:**

UNDP senior management has taken the decision to introduce IPSAS in 2010 to ensure all financial systems are in place and that training has been provided. Preparations are underway with the involvement of considerable human and financial resources. A coordinated approach is sought with other agencies and actors in the UN system.

**8. Establishing a cap on administrative overhead costs for the Funds and Programmes**

The UNDP management budget is contained within the Biennial Support Budget (in 2008/2009 in EB document DP/2008/3) and is subject to Executive Board approval every two years (refer to EB decision 2008/1 for EB approval for 2008/2009). The preparation and subsequent approval of the Biennial Support Budget requires a consultative process with the Executive Board and the Advisory Committee on Administrative and Budgetary Questions (ACABQ), a process which, de facto, limits the size of the administrative overhead of the organization.

The ratio of management support budget over total resources for programmes and the biennial support budget for the 2008/2009 biennium for UNDP operations, as stated in the resource plan contained within DP/2008/3, is 10.1 per cent. This compares favorably with ratios calculated in analyses done by UNDP, based on other UN agencies' 2008/2009 biennial support budget documents

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Ad Melkert', written in a cursive style.

Ad Melkert