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Programme and Budget Committee
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Item 14 of the provisional agenda
Updated medium-term investment plan

Medium-term investment plan 2019–2022

Report by the Director General

In line with paragraph (l) of decision IDB.43/Dec.6 adopted by the Industrial Development Board at its forty-third session, the current document presents an updated medium-term investment plan to be funded by the Major Capital Investment Fund (MCIF). This investment plan updates the one presented in document IDB.46/8-PBC.34/8.

1. The updated medium-term investment plan for 2019–2022 incorporates requirements for capital investments totalling €2.1 million in 2019–2020 and €7.3 million in 2021–2022, to ensure that UNIDO's enterprise resource planning (ERP) system, web platforms, reporting and collaboration tools, as well as its information and communications technology (ICT) infrastructure remain up-to-date with technological progress and meet changing business requirements and the need to innovate to contribute to the achievement of inclusive and sustainable industrial development (ISID).
2. As outlined in IDB.46/8-PBC.34/8, the Director General approved the utilization of €400,000 from the MCIF for ICT central server equipment at the UNIDO Headquarters and €300,000 to replace the email systems. Implementation of these extensive capital replacement projects has progressed steadily and both are anticipated to be in full productive use in 2019–2020.
3. Also as outlined in IDB.46/8-PBC.34/8, the Director General approved the utilization of €331,000 for additional ERP functionality for funds and position management. This is essential to recover the direct costs of technical cooperation projects, also known as "full cost recovery". This investment in the ERP includes extensive reporting, improved and simplified interfaces for time reporting, improvement of financial control modules, and the introduction of a new ERP module for improved financial management of project-funded staff positions.
4. As foreseen in the integrated results and performance framework (IRPF), the ERP customer satisfaction survey was conducted in 2018 and showed an increase in

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overall user satisfaction with UNIDO’s ERP system from 68 per cent to 70 per cent. This is attributable to extensive work to continuously improve the ERP and ICT landscape, and to the adoption of customer-centric best practices in the conduct of IT business in general.

5. In line with the criteria outlined in IDB.43/5, paragraph 36, the tables below list the improvements of the ERP system, ICT infrastructure and other IT systems anticipated for 2019–2022, whose capital investments are estimated to be above the threshold of €200,000. The table also includes the estimated timelines and cost of these improvements. In 2018, improved internal guidelines were promulgated for the MCIF, further aligning it with IPSAS standards. The list of capital investment proposals adheres to these guidelines. The implementation of the planned items will be conditional on the contribution of funds to the MCIF, and the ability of UNIDO to fund additional recurring costs resulting from these investments.

Table 1
Major proposed investments for 2019–2020

Priority	Investment description	Estimated timeline	Estimated amount in millions of euros
<u>Business Applications and Integration</u>			
1	<i>Strategic planning, programme and budgets:</i> Budget planning functionalities need to be migrated to the ERP platform to improve the preparation of the programme and budgets in the ERP system. This initiative is in line with the strategic priority of increasing efficiency. Additionally, the current process is running on an unsupported legacy system with significant operational and security risks for UNIDO.	2019–2020	€0.2
2	<i>Talent acquisition and management upgrade:</i> An upgrade to a cloud-based human capital management suite solution (e-recruitment, performance, staff learning management and workforce time/attendance) would improve outreach to the best international skill set, and provide timely information on talent acquisition and development, including but not limited to, geographic and gender representation. Such an enhancement would decrease administrative work and also be in line with Joint Inspection Unit recommendations 7 and 8 (JIU/REP/2017/1) and recommendations by the External Auditor (IDB.45/3, subsection D.1).	2019–2020	€0.5
3	<i>New Open Data platform:</i> The Open Data platform requires investment to address new requirements (including the upcoming new version of IRPF), new technology landscape, lessons learned, and improvements of UNIDO’s IATI publication (in particular comprehensiveness and inclusion of forward-looking budgets).	2019–2020	€0.2
4	<i>Knowledge management and collaboration (KMC) and ERP integration:</i> Further integration of systems into the KMC and ERP is required, e.g. network and archive storage, and donor reporting workflows. Improving KMC and ERP integration will improve workflow processes and accessibility, and eliminate manual updating and maintenance procedures.	2020	€0.3
Subtotal for 2019–2020			€1.2
<u>ICT Infrastructure, Operations and IT Security</u>			
1	<i>Integrated communication and conferencing services:</i> UNIDO currently uses a desktop-telephony (BCS) system called “Meridian CS1000”, acquired in 1993 and managed by BMS. The system components have reached end-of-life, end user devices are no longer available on the market and current maintenance costs are very high. The maintenance contract will expire in December 2021. As such, a replacement is both timely and mandatory. The investment attributable to UNIDO may be significantly reduced if other VBOs join this initiative led by BMS, thanks to gains of scale. The replacement will also deliver improved, integrated communications to UNIDO at a lower operational cost.	2019–2020	€0.4

Priority	Investment description	Estimated timeline	Estimated amount in millions of euros
2	<i>ICT Headquarters central network equipment:</i> The bulk of the central network equipment in use at Headquarters was installed in 2011, which means that the equipment is being utilized beyond its anticipated useful life expectancy and complete replacement is warranted in 2020.	2020	€0.3
3	<i>ICT data centre and disaster recovery facilities:</i> Based on the recommendations by the External Auditor (document IDB.43/3, paragraphs 114 and 116 refer), an ICT upgrade of the disaster recovery and data centre facilities is necessary. This safeguards and ensures the security of UNIDO's critical data and systems.	2020	€0.2
Subtotal for 2019–2020			€0.9
Total for 2019–2020			€2.1

Table 2
Major proposed investments for 2021–2022

Priority	Investment description	Estimated timeline	Estimated amount in millions of euros
<u>Business Applications and Integration</u>			
1	<i>Full ERP review:</i> Benchmarks with other United Nations organizations show that ERP systems are typically fully reviewed after 7 to 8 years from the initial implementation to ensure that the system continues to be up-to-date and capable of effectively supporting changing business requirements. UNIDO's implementation started in late 2010. The cost of such major upgrades amounts typically to 30 to 40 per cent of the original implementation. UNIDO's total budget for the ERP implementation was €13 million. SAP will discontinue mainstream maintenance of most of our current ERP landscape by 2025, forcing customers to either migrate to different solutions or accept an increasingly higher cost of maintenance of the legacy solution.	2021–2022	€4.8
2	<i>Cloud-based ERP operations to achieve economies of scale:</i> Operating UNIDO's ERP solution via internet-enabled devices/hosts and cloud-based solutions will contribute to reducing the system's total cost of ownership, as well as enabling faster deployment of solutions; streamlining upgrades and enhancements; increasing system performance; and improving its availability and accessibility. It will also prepare the ERP solution to benefit from and contribute to shared services in line with the United Nations system. Moving to a cloud-based solution is expected to result in long-term operational cost savings.	2021–2022	€0.3
3	<i>Advanced analytics, decision-making and quality monitoring support systems:</i> This initiative delivers state-of-the-art systems to improve decision-making and quality monitoring for UNIDO management and Member States by allowing users to visualize critical information in an attractive, responsive and user friendly interface.	2021–2022	€0.3
4	<i>Global payment:</i> Improvement of the current global payment process, especially the use of current worldwide payment technologies, would optimize worldwide transfers and thus increase accuracy, timeliness and ultimately delivery in the field.	2021–2022	€0.3
5	<i>Improvements in Asset Management:</i> The current implementation of ERP asset management module requires significant manual work from the Departments of Finance and Operational Support Services, is not transparent and is very prone to errors. A reimplementation of this module is required to achieve transparency, efficiency and integrity of the process.	2021–2022	€0.2

Priority	Investment description	Estimated timeline	Estimated amount in millions of euros
<u>ICT Infrastructure, Operations and IT Security</u>			
1	<i>Microsoft Office 365 for Headquarters and the field:</i> In line with best practice in the United Nations system, UNIDO intends to adopt a state-of-the-art, cloud-based, client productivity software (Microsoft Office 365, Skype for Business, etc.). This solution would greatly improve user experience, particularly in the field offices.	2021–2022	€0.4
2	<i>ICT Headquarters desktop equipment:</i> The personal computers in use at Headquarters are replaced at approximately a rate of 100 per year, which means that the equipment is utilized several years past its useful life. A complete replacement of at least half of the personal computers in 2019 and 2020 would significantly increase staff productivity in the daily use of the ERP system, office software, the KMC solution, etc.	2021–2022	€0.2
3	<i>ICT field office desktop and communications equipment:</i> The personal computers in the field offices are non-standard and obsolete. A complete replacement of the personal computers and basic communications equipment in 2020 and 2021 would significantly increase staff productivity in the daily use of the ERP system, office software, the KMC solution, etc.	2021–2022	€0.3
4	<i>Improved collaboration and accessibility:</i> There is an increasing demand from staff outside Headquarters and from UNIDO partners to improve the remote access to ERP functionalities. It is therefore intended to adapt key monitoring and reporting as well as major business processes to make them better available remotely, including on mobile devices.	2021–2022	€0.2
5	<i>Mobile equipment to improve remote working:</i> The mobile equipment at Headquarters is utilized some two years past its useful life, and availability is limited. A complete replacement of mobile devices and the provision of additional equipment for staff would be warranted in 2020 and 2021. While also increasing staff productivity during day-to-day tasks, this would especially empower staff to execute key business processes while working remotely.	2021–2022	€0.3
Total for 2021–2022			€7.3
GRAND TOTAL for 2019–2022			€9.4

Action required of the Committee

6. The Committee may wish to take note of the information provided in the present document.