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**Updated medium-term investment proposal**

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

## Medium-term investment proposals 2021–2024

### 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 proposal funded by the Major Capital Investment Fund (MCIF). This investment proposal updates the ones presented in document [IDB.48/9-PBC.36/9](#).

1. The updated medium-term investment proposal for 2021–2024 incorporates requirements for capital investments totalling €2.9 million in 2021–2022 and €1.5 million in 2023–2024. Investments ensure that UNIDO's enterprise resource planning (ERP) system, web platforms, reporting and collaboration tools, and information and communications technology (ICT) infrastructure remain up to date with technological progress and meet changing business requirements. These investments also enable the organization to innovate and contribute to inclusive and sustainable industrial development (ISID).
2. The Director General approved the utilization of €404,000 from the MCIF to upgrade the central network equipment at headquarters as outlined in [IDB.48/8-PBC.36/8](#). Implementation of this vital project has progressed steadily. The new network at headquarters is expected to be in full productive use in 2021.
3. Resource optimization for technical cooperation (ROTC) has so far been implemented in the ERP system without the need for large capital investments by leveraging available resources and existing functionality of the ERP system and UNIDO's enterprise service portal.
4. 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 information technology (IT) systems anticipated for 2021–2024, 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. The list of capital investment proposals adheres to the improved internal MCIF guidelines promulgated in 2018 that further aligned it with IPSAS standards. The list of capital investment proposals also aligns with the UNIDO Corporate ICT Strategy 2019–2021.



5. Benchmarks from other United Nations organizations show that traditional ERP systems require a full review after seven to eight years from the initial implementation. The cost of ensuing significant upgrades typically amounts to 30 to 40 per cent of the original project cost. UNIDO's total budget for the ERP implementation was €13 million. Furthermore, SAP will discontinue mainstreaming maintenance of most of UNIDO's current ERP landscape by 2027. UNIDO needs to choose between migrating to different solutions or accept increasing maintenance costs for what is becoming a legacy solution. The proposals in this document allow an essential path into a next-generation ERP over several years. These proposals leverage past investments and reduce the need for a disruptive, high-cost ERP reimplementation.
6. Previous investments funded by the MCIF proved essential for UNIDO to continue operating during the COVID-19 pandemic, such as the approval of new ICT central server equipment at UNIDO headquarters (approved by the Director General in 2018, as per [IDB.47/14-PBC.35/14](#)). That investment allowed UNIDO to immediately scale critical systems, which are vital to continuous operations under new and challenging circumstances.
7. The list of proposed investments is itemized in order of priority, based on alignment to UNIDO priorities and/or risks. Implementation of these initiatives typically involves procurement activities, following UNIDO's procurement rules and best practices. Procurement notices are published transparently, on the UNIDO web site and the United Nations Global Market Place (UNGM).
8. 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 (if applicable). Member States are encouraged to voluntarily contribute to the MCIF to ease the burden on regular budget resources for capital expenditure.

**Table 1: 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>Next-generation ERP (Phase I/Foundation): Proof of concept, finance, core human resources, and project and portfolio solution:</i> Enable the existing ERP system to support the latest SAP S/4 HANA product, new General Ledger, Asset Management and mobile and web-based Fiori User interface. This proposal aims to improve UNIDO’s work through effective collaboration, simplified and enhanced business processes combined with extended mobility and enhanced user experience.	2021–2022	€1.2
2	<i>Advanced analytics, decision-making and monitoring support systems to support the internal control framework, enterprise risk management, and the new results framework:</i> This initiative delivers state-of-the-art systems to improve decision-making and monitoring for UNIDO management and Member States by allowing users to visualize critical information in an attractive, responsive and user-friendly interface e.g. enterprise risk management (DGB/2021/01) and integrated results and performance framework (GC.18/CRP.4).	2021–2022	€0.3
3	<i>Talent acquisition and management upgrade:</i> Continue the upgrade to a cloud-based talent management suite solution (onboarding, performance, staff learning management and workforce time/attendance) to 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 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).	2021–2022	€0.3
4	<i>Knowledge management and collaboration (KMC) and ERP integration:</i> Further integration and new functionalities of systems into the KMC and ERP is required, e.g. records management and digitization, and donor reporting workflows. Improving KMC and ERP integration will enhance workflow processes and accessibility, collaboration, and eliminate paper-based work and other manual procedures.	2021–2022	€0.2
5	<i>New Open Data Platform:</i> The Open Data Platform requires investment to address new requirements, new business models, technology landscape, lessons learned, and improvements of UNIDO’s International Aid Transparency Initiative (IATI) publication in particular comprehensiveness and inclusion of forward-looking budgets.	2021–2022	€0.2
<b>Subtotal for 2021–2022</b>			<b>€2.2</b>
<u>ICT Infrastructure, Operations and IT Security</u>			
1	<i>ICT disaster recovery and offsite data centre facilities:</i> The ICT disaster recovery and offsite data centre facilities require an upgrade to ensure business continuity in case the headquarters data centre is incapacitated. The headquarters data centre received investments in 2018 and has increased capacity. The offsite data centre requires increased capacity as well. This further safeguards and ensures the security of UNIDO’s critical data and systems. The offsite data centre is an essential element of the UNIDO Business Continuity Plan.	2021–2022	€0.3

Priority	Investment description	Estimated timeline	Estimated amount in millions of euros
2	<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, increase security and controls, particularly in the field offices. This proposal covers non-recurring costs.	2021–2022	€0.4
<b>Subtotal for 2021–2022</b>			<b>€0.7</b>
<b>Total for 2021–2022</b>			<b>€2.9</b>

**Table 2: Major proposed investments for 2023–2024**

Priority	Investment description	Estimated timeline	Estimated amount in millions of euros
<u>Business Applications and Integration</u>			
1	<i>Next-generation ERP Phase II: Advanced analytics, decision-making, talent management, reporting and procurement solutions combined with further enhanced (cloud based) human resources functionality for the end users:</i> This initiative delivers state-of-the-art B/4 HANA reporting solution to improve decision-making and reporting for UNIDO management and Member States by allowing users to visualize critical information in an attractive, responsive and user-friendly interface and enhance the end user-related human resources functionality.	2023–2024	€1.0
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 reduce the system’s total cost of ownership, as well as enable faster deployment of solutions; streamline upgrades and enhancements; increase system performance; and improve its availability and accessibility. It will also prepare the ERP solution to benefit from and contribute to shared services across the United Nations system. Moving to a cloud-based solution is expected to result in long-term operational cost savings.	2023–2024	€0.3
<u>ICT Infrastructure, Operations and IT Security</u>			
1	<i>Data centre equipment in UNIDO headquarters:</i> The UNIDO data centre received investments in 2018. It is anticipated that part of the acquired equipment will be approaching end of economic life and/or require enhancements and expansions to address new requirements.	2024	€0.2
<b>Total for 2023–2024</b>			<b>€1.5</b>
<b>GRAND TOTAL for 2021–2024</b>			<b>€4.4</b>

### Action required of the Committee

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