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Item 9 of the provisional agenda

Updated medium-term investment proposals

Medium-term investment proposals, 2022–2025

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 updated medium-term investment proposals to be funded by the Major Capital Investment Fund (MCIF). These investment proposals update the ones contained in IDB.49/11-PBC.37/11.

1. The updated medium-term investment proposals for 2022–2025 incorporate requirements for capital investments totalling €1.6 million in 2022–2023 and €700,000 in 2024–2025. Investments ensure, inter alia, that UNIDO's enterprise resource planning (ERP) system, web platforms, reporting and collaboration tools, and information and communications technology (ICT) infrastructure are up-to-date with technological progress, remain resilient and meet changing business requirements. These investments also enable the Organization to innovate and contribute to inclusive and sustainable industrial development.

2. In line with the criteria outlined in IDB.43/5, paragraph 36, the tables below list the improvements to the ERP system, ICT infrastructure and other information technology (IT) systems anticipated for 2022–2025, whose capital investments are estimated to be above the threshold of €200,000. The tables also include 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 the International Public Sector Accounting Standards (IPSAS). This updated list of capital investment proposals aligns with UNIDO's recognized need to strengthen its cybersecurity and IT general controls.

3. 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 such significant upgrades typically amounts to 30 to 40 per cent of the original project cost. UNIDO's total budget for the ERP

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implementation was €13 million. Furthermore, SAP will discontinue mainstream maintenance of most of the Organization's current ERP landscape by 2027.

4. In 2021, UNIDO ran a proof of concept to test its ERP implementation system on the next-generation ERP platform (S/4HANA). The encouraging results led to the presentation of a phased transition proposal presented to the nineteenth session of the General Conference through conference room paper GC.19/CRP.9 titled "Investment proposal for unutilized balances". As the resources available in the MCIF are currently not sufficient to cover the full implementation of the next-generation ERP platform, a separate investment proposal will be prepared and presented to the fiftieth session of the Industrial Development Board in November 2022.

5. UNIDO relies on several Microsoft products for its infrastructure, desktop software and productivity. Several of these products will reach their end of support status on 14 October 2025, and must be replaced before that date to ensure security, efficiency and business continuity.

6. In this regard, UNIDO is proposing to adopt the Microsoft 365 bundle, which comprises innovative products and applications offering better mobility, seamless communication and collaboration, security functions, lower maintenance effort and much more. This transition would require the replacement of legacy computers, as these may not be compatible with some components of current state-of-the-art software.

7. The implementation of the proposed 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 when 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 2022–2023

Priority	Investment description	Estimated timeline	Estimated amount in millions of euros
<u>Business Applications and Integration</u>			
1	<i>Implement IT systems enhancements towards improved controls, better records management, new ways of working, improved analytics and transparency, and digital transformation.</i> This proposal covers investments of a capital nature (particularly non-tangible assets such as IT licenses and development). These investments aim to improve the existing corporate IT system landscape, including the ERP, towards improved controls and processes, new ways of working and enhanced transparency mechanisms, also taking account of additional requirements.	2022–2023	€0.3
2	<i>IT operationalization of the UNIDO Information Security Management System (ISMS):</i> New specialized systems will be required to support the ISMS function when UNIDO starts implementing it. This proposal will cover the non-recurring costs of the new system(s).	2023	€0.3
Subtotal for 2022–2023			€0.6
<u>ICT Infrastructure, Operations and IT Security</u>			
1	<i>ICT disaster recovery and off-site data centre facilities:</i> The ICT disaster recovery and off-site data centre facilities require an upgrade to ensure business continuity in case the headquarters data centre is incapacitated. The off-site data centre is an essential element of the UNIDO Business Continuity Plan and requires investment towards the primary on-premises facilities. This further safeguards and ensures the security of UNIDO's critical data and systems.	2022–2023	€0.3
2	<i>Microsoft 365 bundle 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, Microsoft Teams, Azure Active Directory Multi-Factor Authentication, etc.). This solution would significantly improve user experience and increase security and controls, particularly among mobile and field personnel. This proposal only covers implementation (non-recurring) costs as recurring costs are included in regular budget proposals.	2022–2023	€0.4
3	<i>Data centre equipment in UNIDO headquarters:</i> The UNIDO data centre received significant investments in 2018. This proposal addresses the equipment that was not replaced in 2018 and is approaching end of support, as well as the expansion of storage and backup systems to cater for the organic growth of data in on-premises systems.	2022–2023	€0.3
Subtotal for 2022–2023			€1.0
Total for 2022–2023			€1.6

Table 2: Major proposed investments for 2024–2025

Priority	Investment description	Estimated timeline	Estimated amount in millions of euros
<u>ICT Infrastructure, Operations and IT Security</u>			
1	<i>Data centre equipment in UNIDO headquarters:</i> The UNIDO data centre received significant investments in 2018. It is anticipated that part of the acquired equipment will be approaching the end of economic life and require enhancements and expansions to maintain the necessary level of resilience.	2024	€0.3
2	<i>Replacing legacy UNIDO computers:</i> UNIDO's current desktop operating system (Windows 10) will stop receiving essential security updates by October 2025. This proposal seeks to replace computers that could not be replaced through the regular budget and will not support the new operating system (Windows 11).	2024	€0.4
Total for 2024–2025			€0.7
GRAND TOTAL for 2022–2025			€2.3

Action required of the Committee

8. The Committee may wish to take note of the information provided in the present document and encourage Member States to voluntarily contribute towards the proposals outlined.