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Item 15 of the provisional agenda
Updated medium-term investment proposals

Medium-term investment proposals, 2025–2026

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 for 2025 and 2026. These investment proposals update the ones contained in [IDB.52/10-PBC.40/10](#).

1. The following updated medium-term investment proposals relate to UNIDO's capital investment requirements for 2025–2026, and are aligned with the upcoming programme and budgets 2026–2027 and the medium-term programme framework 2026–2029. The proposals are updated annually to reflect the Organization's needs to sustain sufficient operational, reliable and modern information technology (IT), digitalization and innovative solutions, and other infrastructure to support the motto "Progress by Innovation" and accelerate inclusive and sustainable industrial development.
2. UNIDO is dedicated to maintaining advanced IT and innovative and digital solutions to ensure operational efficiency, security and resilience. Investing in new IT infrastructure, hardware and software as well as in the enterprise resource planning (ERP) systems is essential for collaboration, innovation and fulfilling UNIDO's mandate. Significant efforts have been made to deploy advanced technologies and strengthen partnerships for digital transformation and business continuity. However, urgent investments are needed to modernize IT and digital capabilities, including upgrading the infrastructure, implementing the next-generation ERP and customer relationship management (CRM) systems, and adopting cloud-based services.
3. These investments are essential for several reasons:
 - (a) Supporting strategic priorities: By investing in digital infrastructure, UNIDO can better align with its strategic goals, ensuring that the Organization remains relevant and effective in delivering its mission;

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(b) Addressing Member States' requirements: These investments will help meet the specific needs and expectations of Member States, enhancing their satisfaction and engagement with UNIDO;

(c) Adopting the UN 2.0 quintet of change: Embracing these principles and tools will position UNIDO at the forefront of digital transformation, fostering innovation and improving overall efficiency;

(d) Implementing key external and internal audit recommendations: By addressing audit recommendations, UNIDO can improve its governance, transparency and accountability, which are crucial for maintaining trust and credibility;

(e) Scaling up technical cooperation (TC) operations: Enhanced digital capabilities will enable UNIDO to expand its TC initiatives, reaching more beneficiaries and delivering greater impact; and

(f) Boosting operational efficiency: Modernizing IT infrastructure and adopting new technologies will streamline operations, reduce costs and improve service delivery, making UNIDO more agile and responsive to changing needs.

4. The capital investments need to be funded through the Major Capital Investment Fund (MCIF), which was established in accordance with financial regulations 6.3 and 6.4, and which was taken note of by the Board through decision IDB.43/Dec.6 (i). MCIF provides a funding mechanism to secure funding for major capital investments or replacements of a once-off or infrequent nature that are necessary to ensure the upkeep of UNIDO's infrastructure, as well as to avoid significant distortions in the regular budget (IDB.43/5 refers). A distinction shall be made between MCIF and the Innovation and Transformation Fund (ITF).

5. In line with document IDB.43/5, paragraph 28, Member States are encouraged to voluntarily contribute to MCIF to ease the burden on regular budget resources for capital investment expenditure. Clear recognition in the form of sponsorship will be given to those Member States and funding partners who provide such extrabudgetary contributions for purposes covered by MCIF.

6. In accordance with document IDB.43/5, paragraph 36, which outlines the criteria for items to be funded by MCIF, the proposed initiatives:

(a) Have a compelling priority;

(b) Will be useful for more than one financial year;

(c) Have a total value throughout their lifespan of €200,000 or more for each pillar;

(d) Are of a major infrastructure nature, as they aim to achieve the required improvements to the ERP system, IT infrastructure and other IT and digital solutions, or non-IT infrastructure or capital expenditure; and

(e) Are major expenditures of a one-off or infrequent nature.

7. The updated MCIF requirements for 2025–2026 are estimated at €2,920,000. As of the end of January 2025, funds available under MCIF for allocation were €175,000.

8. Underfunding of MCIF poses a significant risk to UNIDO's ability to effectively and efficiently deliver its services to Member States and other stakeholders. To mitigate this risk, additional funding is urgently required to support a digital transformation initiative which includes the implementation of a next-generation ERP system; the scale-up of advanced technologies such as artificial intelligence (AI), machine learning and robotic process automation. Additionally, increased investment is required for upgrading of the IT infrastructure and enhancing cybersecurity.

9. Notably, MCIF has already played a key role in supporting essential initiatives by introducing new digital tools, such as the UNIDO Solutions Platform (www.unido.org/solutions) and Compass (<https://compass.unido.org/?year=2025>), and AI technologies; modernizing user equipment; improving device management;

and replacing IT infrastructure related to data backup and storage systems. However, continued investment remains vital to sustain UNIDO’s digital transformation journey.

10. The required investments for 2025–2026 will be distributed across the following proposed initiatives, which are categorized under the five pillars of the IT and digitalization framework UNIDO outlined in document IDB.50/CRP.14. The framework encompasses key focus areas to promote digital transformation, modernize core operations and support the Organization’s motto, “Progress by Innovation”, by leveraging opportunities stemming from new and emerging technologies. The alignment of the major proposed investments to these pillars of the framework underscores their critical role in advancing UNIDO’s digitalization agenda, benefiting its headquarters, field networks, Member States, partners and beneficiaries.

	<i>IT and digitalization investment initiatives</i>	<i>Expected impact and benefit</i>	<i>Estimated timeline</i>	<i>Estimated amount in euros</i>
Pillar 1 – Collaborative environment				
1	<i>Interactive UNIDO intranet</i>	To enhance collaboration, interaction and internal communication among personnel, significant steps were already taken in 2024, notably the initiation of the first phase of design and implementation of the new UNIDO intranet, including a pilot roll-out, through the allocation of €115,000. To expand this initiative and systematically engage more divisions by creating dedicated communication sites, a second phase has been planned requiring an additional €80,000 in funding.	2025–2026	€80,000
2	<i>Donor and partnership customer relationship management system</i>	The CRM system is a new tool to streamline and enhance interactions with key stakeholders, including Member States, partners, organizations and individuals. In 2024, the allocated funds of €170,000 were utilized to initiate the first pilot phase of implementation and cover the initial licensing costs of the software for both 2024 and 2025. This initial phase encompasses core CRM functionalities such as account management, contact management and partnership tracking. To expand the CRM, including implementing advanced functionalities such as AI and increasing the number of users, an additional €150,000 is required.	2025–2026	€150,000
SUBTOTAL				€230,000
Pillar 2 – Information security				
3	<i>Enhance the information and security monitoring system</i>	Strengthening information security monitoring is crucial to promptly detecting and responding to cybersecurity incidents, minimizing risks to the Organization. This initiative strengthens incident response capabilities for swift reactions to threats and addresses key audit recommendations, improving overall IT security.	2025	€100,000
4	<i>Improve protection of information assets from cybersecurity threats</i>	To enhance and ensure IT security, UNIDO is improving device management and updates. This includes efficient software deployment, system replacements and necessary upgrades, as support ends in 2025. Additionally, remote support tools will be introduced, requiring around 2,200 licenses. These will enhance IT security, and ensure device reliability and availability to better support UNIDO’s global workforce.	2025	€100,000
SUBTOTAL				€200,000

Pillar 3 – Resilience and business continuity				
5	<i>Strengthen the integrity of IT infrastructure until the transition to cloud-based solutions</i>	While a transition to a cloud-based strategy ensures enhanced information security and cost-efficiency, and is in line with efforts of other United Nations agencies and the recommendations of the Joint Inspection Unit, ¹ there is also an urgent need to replace and upgrade the on-premises IT infrastructure that supports the legacy ERP, knowledge management and file storage systems. This infrastructure poses a significant risk of failure due to the extended period UNIDO will need to continue operating aging on-premises systems while transitioning to cloud-based solutions for critical IT systems.	2025–2026	€340,000
6	<i>Collaboration, document and management system</i>	The replacement of the 12-year-old system will improve UNIDO’s operations by modernizing internal document management, sharing and collaboration, as well as teamwork. This upgraded solution will integrate with the new intranet, ensuring a modern and efficient platform to support organizational goals, including a new extranet for Member States.	2025–2026	€250,000
7	<i>Digital transformation and next-generation ERP system</i>	<p>A next-generation ERP system is essential for supporting UNIDO’s strategic objectives, enhancing operational efficiency and scaling up TC operations while addressing audit recommendations. The current ERP system, over a decade old, requires renewal by 2027 to maintain effective operations, with benchmarks suggesting updates every seven to eight years. Technical feasibility studies are ongoing.</p> <p>The new ERP system will improve scalability, data analytics and decision-making by integrating AI and robotic process automation, streamlining TC delivery processes for sustainable growth. This will simplify processes, reduce ownership costs and mitigate risks associated with outdated systems, such as rising maintenance expenses and limited scalability. Ultimately, it will ensure long-term efficiency and resilience for UNIDO.</p> <p><i>The final cost will depend on the selected software, with a detailed business case and cost-benefit analysis to be presented to Member States in due course.</i></p>	2025–2026	<i>Phase I only</i> €1,500,000
SUBTOTAL				Up to €2,090,000
Pillar 4 – Digital innovation				
8	<i>Process simplification and optimization through digitalization and AI</i>	Implementing AI and machine learning will enhance core processes, supporting priorities like scaling TC, strengthening risk management and improving operational efficiency. By integrating AI into key processes such as human resources management, procurement, finance, TC operations and IT service desk functions, it will boost productivity, service quality and decision-making. These advancements will streamline workflows, reduce costs and deliver more value to stakeholders, while ensuring data security and ethical AI usage.	2025–2026	€200,000
SUBTOTAL				€200,000

¹ Managing cloud computing services in the United Nations system (JIU/REP/2019/5).

Non-IT item: Field operations investments				
9	<i>Security and safety of UNIDO's personnel in the field</i>	To comply with United Nations security standards and UNIDO requirements, it is mandatory to replace official field office vehicles after seven years of service. This procurement ensures compliance with the requirements of the United Nations Security and Safety Service, reduces maintenance costs and mitigates risks associated with outdated vehicles, such as non-compliance with International Public Sector Accounting Standards (IPSAS), personnel safety and third-party liability.	2025–2026	€200,000
SUBTOTAL				€200,000
GRAND TOTAL FOR 2025–2026				€2,920,000

11. The list of capital investment initiatives adheres to the internal MCIF guidelines promulgated in 2018 which are aligned with IPSAS.

Action required of the Committee

12. The Committee may wish to take note of the information contained in the present document and strongly encourage Member States to voluntarily contribute towards MCIF initiatives outlined above.
