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Item 10 of the provisional agenda
Updated medium-term investment proposals

Updated medium-term investment proposals, 2024–2025

Report by the Director General

In line with paragraph (1) 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. These investment proposals update the ones contained in document IDB.51/14-PBC.39/14.

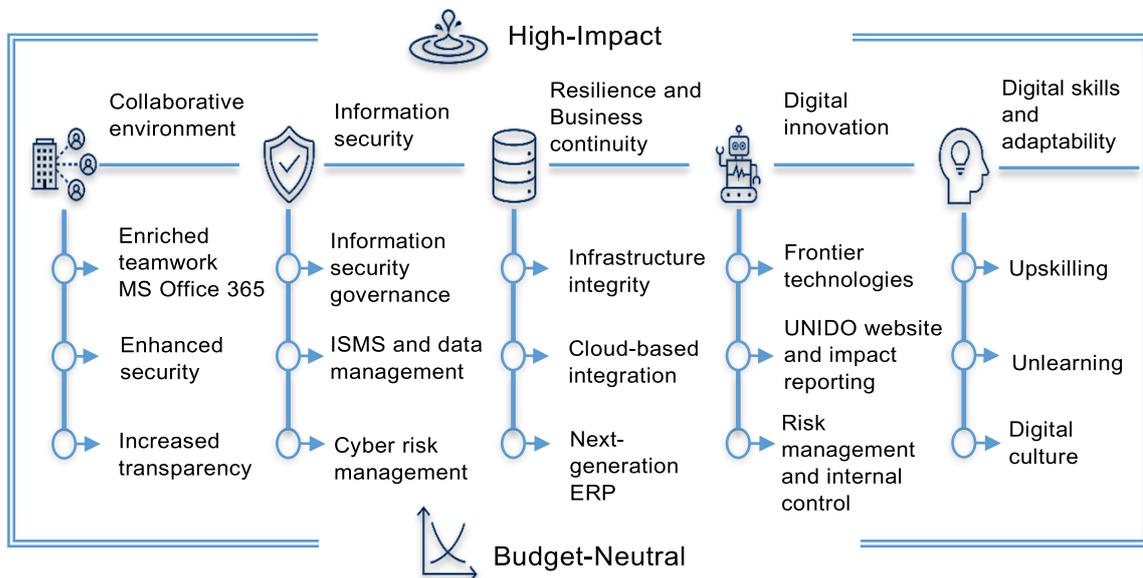
I. Updated medium-term investment proposals

1. The following updated medium-term investment proposals relate to UNIDO's capital investment requirements for 2024–2025, and are aligned with the programme and budgets, 2024–2025 and the medium-term programme framework, 2022–2025. The proposals are updated annually to reflect the Organization's need to sustain sufficient operational, reliable and modern information technology (IT), digitalization tools and other infrastructure to deliver its mandate of promoting and accelerating inclusive and sustainable industrial development (ISID).
2. UNIDO is dedicated to maintaining state-of-the-art IT and digital solutions to ensure better collaboration; strengthened information and cybersecurity; and business continuity and resilience; to introduce digital transformation. Hence, the proposed investments cover the essential initiatives associated with upgrading and introducing new IT and digitization tools and infrastructure through the procurement of IT and field-based infrastructure, hardware, software and cloud- or subscription-based services.
3. 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 taken note of by the Board through decision IDB.43/Dec.6 (i). The MCIF provides a funding mechanism to secure funding for major capital investments or replacements of a one-off or infrequent nature that are necessary to ensure the upkeep of UNIDO's infrastructure, as well as to avoid significant distortion to levels of the regular budget (IDB.43/5 refers).

For reasons of sustainability, this document has not been printed. Delegates are kindly requested to refer to electronic versions of all documents.



4. A distinction shall be made between the MCIF and the new Innovation and Transformation Fund (ITF).
5. The implementation of the proposed initiatives will be conditional on the allocation of funds to the MCIF, which could also be voluntary contributions received from Member States.
6. In line with document IDB.43/5, paragraph 28, Member States are encouraged to voluntarily contribute to the 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 the MCIF.
7. In accordance with document IDB.43/5, paragraph 36, which outlines the criteria for items to be funded by the 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 enterprise resource planning (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.
8. As noted in document IDB.50/CRP.14, most of the initiatives are aligned with the five pillars of the IT and digitalization framework of UNIDO. 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 the five pillars of the framework showcases how the proposed investment initiatives will support UNIDO’s digitalization efforts on an organizational level, benefiting its headquarters, field networks, Member States, partners and beneficiaries.
9. The IT and digitalization framework below illustrates the priorities in line with the above-mentioned principles and across the five corresponding pillars: collaborative environment; information security; resilience and business continuity; digital innovation; and digital skills and adaptability.



10. The updated MCIF requirements for the 2024–2025 biennium are estimated at €2,965,000. As of end of March 2024, funds available under MCIF for allocation were €433,000.

11. There is a need for an increase relative to the total of €2,850,000, highlighted in document IDB.51/14, which arises from: inflationary pressures; the imperative to introduce emerging technologies such as artificial intelligence (AI), machine learning and robotic process automation; as well as other additional requirements aligned with the organizational priority to scale-up technical cooperation activities and increase operational efficiency. Notably, MCIF has already supported essential projects such as modernizing user equipment and its management and replacing the outdated IT infrastructure data storage.

12. The updated required investments for 2024–2025 will be distributed to the following proposed initiatives, which are categorized under the five pillars of the IT and digitalization framework.

	<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 enable personnel to better collaborate, interact and communicate essential information internally to ensure a better contribution towards reaching UNIDO’s ISID mandate and motto of “progress by innovation”.	2024	€115,000
2	<i>Donor and partnership customer relationship management (CRM) system</i>	A CRM system designed to manage and enhance interactions with stakeholders, including Member States, partners, organizations and individuals, to support UNIDO’s ISID mandate.	2024	€170,000
SUBTOTAL				€285,000
Pillar 2 – Information security				
3	<i>Enhance the information and security monitoring system</i>	Strengthening information security monitoring to timely identify and respond to any cybersecurity incidents or breaches, therefore minimizing risks for the Organization. This also includes the improvement of the incident response capabilities. This proposal covers some of the recommendations from the External and Internal Auditors on improving this process.	2024	€100,000
4	<i>Improve protection of information assets from cybersecurity threats</i>	Ensuring a secure and unified end-user devices management is necessary to provide a collaborative environment at UNIDO and for the Organization to remain resilient and up-to-date with business continuity. This will significantly improve the response capabilities, management and availability of corporate devices used by UNIDO global workforces.	2024	€100,000
SUBTOTAL				€200,000
Pillar 3 – Resilience and business continuity				
5	<i>Collaboration, document and management platform</i>	To better support UNIDO by improving internal document management, sharing and collaboration, as well as teamwork through a replacement of the current 10-year-old system. This will be supported by the new intranet.	2024–2025	€250,000
6	<i>Strengthen the integrity of IT infrastructure until the shift towards 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 recommendations of the Joint Inspection Unit, ¹ there is also an urgent need to replace and upgrade the on-premises IT infrastructure that poses significant risk of failure. The estimated cost is based on the assumption that UNIDO will continue using the existing on-premises legacy system, instead of fully migrating to a cloud-based solution for the Organization’s critical IT systems.	2024–2025	€380,000

¹ *Managing cloud computing services in the United Nations system (JIU/REP/2019/5)*: www.undocs.org/JIU/REP/2019/5.

	<i>IT and digitalization investment initiatives</i>	<i>Expected impact and benefit</i>	<i>Estimated timeline</i>	<i>Estimated amount in euros</i>
7	<i>Phase I of the next-generation ERP system</i>	To enhance efficiency and reduce costs, UNIDO needs to renew or replace its current ERP system. Benchmarks show that ERP systems typically require renewal every seven to eight years. UNIDO's current ERP solution is over a decade old. A feasibility study estimated the costs for phase I focused on finance, travel and logistics. Additionally, maintenance of the current SAP system will stop by 2027.	2024–2025 and beyond	€1,500,000
SUBTOTAL				€2,130,000
Pillar 4 – Digital innovation				
8	<i>Process simplification and optimization through digitalization</i>	Technologies like AI, machine learning and robotic process automation will optimize processes, especially to contribute to the priorities of scaling-up technical cooperation operations, improving risk management and boosting efficiency. In particular, implementation of AI usage by the Service Desk will enhance the overall efficiency and improve response times to the users.	2024–2025	€100,000
9	<i>Interactive digital map as a replacement of the Open Data Platform</i>	A new digital map with dashboards and analytics showing UNIDO's contribution to the Sustainable Development Goals; the ISID mandate and related success stories; programme and project indicators necessary for monitoring and reporting; and other key indicators to measure organizational impact, efficiency and effectiveness. The current Open Data platform is now eight years old and is based on obsolete technology. The funds received for the digital map project in 2023 were allocated to the implementation phase, which is currently 60 per cent complete. Considering the expanded scope for visualization enhancements, an additional €50,000 would be required.	2024–2025	€50,000
SUBTOTAL				€150,000
Non-IT item: Field operations investments				
10	<i>Enhancing security and safety of UNIDO's personnel in the field, promoting the image of UNIDO as a responsible employer and contributing to enhanced road safety in target countries</i>	As per United Nations security standards and UNIDO requirements and practice, it is mandatory to replace official field office vehicles after seven years of service. This involves the procurement of replacement vehicles for the field network in compliance with requirements of the United Nations Department of Safety and Security (UNDSS). The replacement of old vehicles is a duty and responsibility of UNIDO. The Organization risks non-compliance with International Public Sector Accounting Standards (IPSAS) and security requirements, including those of UNDSS, endangering the life of its staff and exposing itself to potential risks in connection with third party liability. UNIDO is also faced with increased maintenance costs associated with its aging field office vehicles.	2024–2025	€200,000
GRAND TOTAL FOR 2024–2025				€2,965,000

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

II. Action required of the Committee

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