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## **Industrial Development Board**

### **Forty-third session**

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Item 6 of the provisional agenda

### **Medium-term programme framework, 2016-2019**

## **Medium-term programme framework, 2016-2019**

### **Addendum to the proposal by the Director General**

In line with paragraph (1) of conclusion 2015/4 of the thirty-first session of the Programme and Budget Committee, the present document provides the medium-term investment plan to be attached as annex 2 to the medium-term programme framework, 2016-2019 (IDB.43/9). It also provides the revised budget figures for the budgetary framework, as recommended in paragraphs (b) and (c) of the same conclusion.

#### **Budgetary framework**

1. In accordance with conclusion 2015/4 of the Programme and Budget Committee, the estimates contained in paragraph 112 of the medium-term programme framework, 2016-2019 (IDB.43/9), are adjusted as follows:

112. For the first biennium of the planning period, 2016-2017, the Director General's budget proposal is built around a net regular budget of €138.9 million (PBC.31/6-IDB.31/6). Activities from extrabudgetary funds were estimated at the level of €329.8 million as direct input for technical cooperation services and €33.8 million as technical cooperation support activities.

#### **Medium-term investment plan for 2016-2019**

2. Following the recommendation of the Committee in conclusion 2015/4, paragraphs (i) and (l), the current document presents a medium-term investment plan to be funded by the Major Capital Investment Fund (MCIF), in line with the provisions presented in paragraphs 22 and 23 of the enhancements to the financial management framework (IDB.43/5).

3. The medium-term investment plan for 2016-2019 incorporates requirements for capital investments totalling €2.7 million in 2016-2017 and €5.5 million in 2018-2019, to ensure the upkeep of UNIDO's enterprise resource planning (ERP) system and its information and communications technology (ICT) infrastructure. The execution of the plan would most prominently support fine-tuning and developing the ERP system, to have it keep pace with technological progress, at a cost of €1.8 million for 2016-2017. In addition, a major ERP upgrade would become due in 2018-2019 at an estimated cost of €4.8 million. The ICT infrastructure would also require investment of €0.9 million for 2016-2017 and €0.7 million thereafter, in addition to the regular maintenance costs.

4. In line with these estimates, the medium-term investment plan, 2016-2019, predominately covers enhancements to the ERP system and improvements to the overall ICT infrastructure. The items to be funded from MCIF are in accordance with the criteria outlined in the IDB.43/5, paragraph 36, namely:

- (a) Be a compelling priority;
- (b) Have a useful life in excess of one financial year;
- (c) Have a total value throughout their lifespan of €200,000 or more;
- (d) Be of a major infrastructure nature (e.g. buildings, major IT systems, and other infrastructure such as the ERP system);

(e) Be major expenditures of a one-off or infrequent nature, which would cause significant distortion to the levels of the operational portion of the regular budgets. Partial tranches/instalments could be provided over several years in order to avoid spikes in the funding requirements of the regular budget in any one period.

5. The medium-term investment plan has also been conceived in full accordance with the proposed enhancements to the ERP system, as contained in paragraph 108 of IDB.43/9, in paragraph 56 of IDB.43/6, and in paragraphs 43 to 48 of PBC.31/CRP.6.

6. The ERP system has contributed significantly to enhancing the organizational efficiency and effectiveness of UNIDO, as well as improving transparency for both internal and external stakeholders. To ensure that the ERP system continues to effectively support UNIDO's management goals of improving internal operations and increasing transparency, a number of enhancements are necessary. Furthermore, investments in the ICT infrastructure and systems are required to support the managerial goals of improving internal operations and increasing transparency.

7. The tables below list the enhancements and improvements of the ERP system and ICT infrastructure necessary for 2016-2019; including the estimated priority, timeline and cost.

**Table 1: Major ERP and ICT investments for 2016-2017**

Priority	Investment description	Estimated timeline	Estimated amount in millions of euros
<u>ERP functionalities</u>			
1	<i>Strategic reporting: International Public Sector Accounting Standards (IPSAS) based financial statements:</i> Based on the recommendation by the External Auditor (IDB.43/3, paragraphs 25-29 and 40), financial statements and reports need to be standardized and automatically produced by the ERP system, in accordance with IPSAS and donor requirements.	2016	€0.3
	<i>Strategic reporting: Programme and budgets:</i> Missing budgeting functionalities need to be implemented to enable the preparation of the programme and budgets in the ERP system, which will contribute to the efficiency of the process.		
	<i>Strategic reporting: Medium-term programme framework (MTPF) and integrated results performance framework (IRPF):</i> Adjustments are necessary to align the ERP system's monitoring and reporting functionalities to UNIDO's mandate of inclusive and sustainable industrial development (ISID), as operationalized through the MTPF and IRPF.		
	<i>Strategic reporting: Annual report:</i> In line with the ongoing efforts to increase transparency and comply with donor requirements, fully supporting the annual reporting process in the ERP system will considerably increase its efficiency. In addition, the annual report data and information shall be made available online to improve its remote accessibility for Member States, donors and UNIDO partners.		
2	<i>Contract and invoice management:</i> A new module for contract and invoice management will enable the automatic generation of contracts, a more proactive, risk and value-based management of open contracts throughout their life-cycle, maximization of contract visibility, as well as compliance with audit and other recommendations and increasingly stringent donor requirements. Furthermore, the invoice management system will automate and improve the efficiency of approving and processing invoices and payments. This missing functionality was highlighted in a recent report of the Joint Inspection Unit on Contract Management and Administration in the United Nations system (JIU/REP/2014/9).	2016	€0.3
3	<i>Implement ERP changes for the updated International Civil Service Commission (ICSC) compensation package:</i> Implement the necessary system changes to the SAP Human Capital Management and Payroll system for the revised ICSC United Nations-wide compensation package. The system changes will be based on the outcome and proposals from the ICSC Working Group on staff compensation review.	2016-2017	0.2
<u>ERP technologies</u>			
4	<i>Improved remote accessibility and user-experience:</i> There is an increasing demand from staff, Member States, donors and UNIDO partners to improve remote access to ERP functionalities. It is therefore intended to adapt key monitoring and reporting dashboards as well as major business processes to make them better available remotely from everywhere in the world, including on mobile devices.	2016	€0.2

Priority	Investment description	Estimated timeline	Estimated amount in millions of euros
5	<i>Reporting on “big data”</i> : The volume of organizational data is increasing significantly, leading to the need to better integrate, process and understand it. In this regard, the ERP system would require some new technologies such as in-memory storage allowing for large data volumes from various external and internal sources (Internet, social media, ERP, etc.) to be quickly processed and analysed. This item is also necessary to further leverage the investments in the strategic reporting, specifically for the MTPF and IRPF.	2016-2017	€0.3
6	<i>UNIDO websites and intranet</i> : The UNIDO websites are in need of a technical upgrade that will also be integrated with the ERP system and knowledge management and collaboration (KMC) solution. This serves the purpose of improving transparency, advocacy and the image of UNIDO with all stakeholders. Additionally, a new user-friendly and informative intranet platform will further facilitate cross-organizational communication, teamwork and knowledge sharing, especially between headquarters and field locations.	2016-2017	€0.2
7	<i>Resource sharing 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 and training, streamlining upgrades and enhancements, increasing system performance, and improving its availability and accessibility. It will furthermore, prepare the ERP solution to benefit from and contribute towards shared services in line with upcoming United Nations system-wide reforms.	2017	€0.3
<b>ICT infrastructure</b>			
1	<i>ICT disaster recovery facilities</i> : Based on the recommendations by the External Auditor (IDB.43/3, paragraphs 114 and 116 refer) an ICT upgrade of the disaster recovery facilities are necessary. This serves the purpose of safeguarding and ensuring the security of UNIDO’s critical systems and data.	2016	€0.2
2	<i>Personal computers and desktops</i> : The personal computers in use at headquarters are replaced at the approximate rate of 100 per year, which means that the equipment is utilized some three years past its useful life. A complete replacement of at least half of the personal computers would be warranted in 2016-2017. This serves the purpose of increasing staff productivity in the day to day use of the ERP, office software, KMC solution, etc.	2016-2017	€0.4
3	<i>Mobile equipment to improve remote working</i> : To further improve remote accessibility the mobile equipment at headquarters is utilized some two years past its useful life, and availability is limited. A complete replacement of mobile devices as well as additional equipment for staff would be warranted in 2016-2017. This serves the purpose of increasing staff productivity in the day-to-day use of the ERP, office software, KMC solution, etc., and empowers staff to execute key business processes while working remotely.	2016-2017	€0.3
<b>Total for 2016-2017</b>			<b>€2.7</b>

**Table 2: Major ERP and ICT investments for 2018-2019**

Priority	Investment description	Estimated timeline	Estimated amount in millions of euros
<u>ERP functionalities and technologies</u>			
1	<p><i>Major ERP upgrade:</i> Other United Nations organizations' experiences show that ERP systems are typically upgraded after 7 to 8 years from the initial implementation in order to ensure that the system continues to be up-to-date and capable of effectively supporting changing business operations (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).</p> <p>In this context it is to be noted that the SAP software provider has recently launched a totally new version of its ERP solution comprising new functionalities, processes and technologies. This latest version is however not yet available for all the processes and modules that are in place at UNIDO. Therefore, UNIDO will conduct such a re-implementation once this new version is more mature and available for all the key business processes, functionalities and modules.</p>	2018-2019	€4.8
<u>ICT infrastructure</u>			
1	<p><i>Field office communications:</i> Some field offices do not have appropriate telecommunication services. The field offices with the least adequate telecommunication services warrant upgrading in 2018 and 2019. This serves the purpose of enabling field offices to better use the ICT facilities, ERP, videoconferencing, etc.</p>	2018-2019	€0.5
2	<p><i>Videoconferencing equipment:</i> A replacement of videoconferencing equipment is warranted in 2018-2019. This serves the purpose of improving the quality of videoconferencing facilities, which in turn can be used to reduce travel costs and increases communication between headquarters and field operations.</p>	2018-2019	€0.2
<b>Total for 2018-2019</b>			<b>€5.5</b>
<b>GRAND TOTAL for 2016-2019</b>			<b>€8.2</b>

**Action required of the Board**

8. The Board may wish to take note of the information provided in the present document.