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Process innovation and digitalization programme

Annual financial report on the status, utilization and balance of the budget allocated to the process innovation and digitalization programme

Summary

This document is presented in response to decision 2026/9, in which the Executive Board requests that UNOPS provide an annual financial report on the status, utilization and balance of the budget allocated to the process innovation and digitalization programme.

Progress in process simplification and the modernization of UNOPS systems is well under way across all key operational areas: project management, procurement, human resources and financial management, artificial intelligence, and data-driven decision-making. Out of 30 projects currently in scope, 13 have successfully concluded and an additional 13 will conclude by the end of 2027. Of the four remaining projects, two are paused (replacement of the current UNOPS enterprise resource planning (ERP) system, paused in 2024), and two are expected to continue beyond 2027 (efforts in artificial intelligence and strategic data management).

For 2026, the report provides an update on the status, utilization and balance of the $12.02 million allocated to the programme and an overview of actuals and commitments until the end of the year.

For 2027, the report provides an overview of planned activities and a detailed breakdown of the $13.45 million budget (excluding any costs related to the replacement of the current ERP system). This budget will allow UNOPS to keep the programme running at the current pace and conclude the implementation of core operational processes and systems that are at the heart of UNOPS ambitions, as laid out in its Strategic Plan, 2026–2029.

Elements of a decision

The Executive Board may wish to consider authorizing $13.45 million from UNOPS liquid excess reserves to fully fund the 2027 plan of work for the process innovation and digitalization programme and agree to revisit future funding of the programme at its second regular session in 2027.

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I. Introduction

1. This annual report is prepared in response to Executive Board decision 2026/9. As requested ahead of the second regular session of the Executive Board, the report provides a comprehensive update on the status, utilization and balance of the budget allocated to the process innovation and digitalization programme.

2. In line with the reporting timeline established by the Executive Board, detailed information on the progress of each deliverable under the programme, as well as programme risks and mitigation measures, is reported at first regular sessions.

3. Specifically, the report includes:

(a) background (section II): a brief overview of the origins of the programme, its business case and overall approach;

(b) status, utilization and balance of the budget allocated to the programme (section III): an overview of the multi-year budget, funding allocations and spending over past years, actuals and commitments for 2026, and the projected budget performance and balance by the end of 2026;

(c) priorities and budget for 2027 (section IV): an overview of ongoing and planned activities for 2027, together with the budget summary for the year;

(d) conclusion and proposed way forward (section V): key takeaways and proposed elements of a decision for Executive Board consideration.

4. Securing funding authorization at the second regular session of 2026 is critical to sustaining the programme into 2027 and avoiding the premature conclusion of activities, which would jeopardize prior investments, disrupt the continuity of key personnel and compromise the implementation of essential systems. Furthermore, owing to the net-zero operational budget and the suspension of the growth and innovation reserve, liquid excess reserves remain the only viable source of funding for this multi-year initiative that is aligned with United Nations practice.

5. This report should be read in conjunction with the annex, “Process innovation and digitalization programme funding status and outlook,” which provides detailed financial information.

II. Background

6. **Programme overview and goals.** The process innovation and digitalization programme is a multi-year initiative launched in 2023 as part of the broader transformation of UNOPS. The aim of the programme is to strengthen the organization’s capacity to serve its beneficiaries by simplifying processes and adopting appropriate digital systems.

7. By strengthening digital and data capabilities, the programme also supports the future revenue-generating capacity of UNOPS, enabling faster partner engagement and more competitive delivery, and ensuring greater value for money and value addition across project life cycles.

8. **Programme approach**. The programme creates a complete operating system for UNOPS, structured around six core subprogrammes:

(a) partnerships and project management;
(b) procurement;
(c) human resources;
(d) finance;
(e) data-driven decision-making;
(f) knowledge management.

9. The approach is holistic, ensuring that UNOPS processes are made as simple and flexible as possible, with digital systems optimally configured to meet the organization's needs. The programme is implemented jointly with teams across the organization and in consultation with other United Nations entities, reflecting a shared commitment to best practice and harmonization.

10. The five-year programme (2023–2027) originally included the selection and implementation of a new enterprise resource planning (ERP) system. ERP-related work was postponed following decision 2024/28, in which the Executive Board requested a third-party review, and remained postponed following decisions 2025/20 and 2025/33. It has subsequently remained paused pending further consideration of a potential merger between UNOPS and UNDP. No ERP-related work is included in the allocation request for the process innovation and digitalization programme in 2027.

11. Overall, of the 30 projects outlined in the programme implementation strategy and reflected in the budget presented in this report, 13 have been completed, four are on track for delivery by the end of 2026 and a further nine will be finalized by the end of 2027. Of the four remaining projects, two are paused — the replacement of the current UNOPS ERP system and the redesign of the UNOPS financial data model — and two are expected to continue beyond 2027, namely efforts in artificial intelligence and strategic data management.

12. Over the past two years, in response to the rapid evolution of artificial intelligence, UNOPS has strategically pivoted its digital transformation programme towards an "Artificial Intelligence First" approach. By embedding artificial intelligence into partnership, delivery and enterprise solutions, UNOPS is strengthening its capacity to convert opportunities into results for partners, improving speed, quality and value addition, while supporting future revenue growth across the global portfolio.

III. Status, utilization and balance of the budget allocated to the programme

13. **Budget overview.** The programme was initially planned as a five-year effort (2023–2027), with an overall budget of $62.94 million, and included the replacement of the current ERP system. Following the pause of ERP-related work (see paras. 10 and 11), the timeline and budget for the programme went through successive annual iterations to reflect expanded timelines and associated costs. Given current uncertainties, UNOPS has revised the assumptions underlying its multi-year schedule and budget and is now focusing only on implementation activities and estimates through the end of 2027. Any activities and digital modernization efforts that may take place beyond 2027, including ERP-related work, will be reviewed once current uncertainties are resolved.

14. Table 1.a. below provides an overview of the revised multi-year programme budget through the end of 2027, including actuals for past years) and the budget for 2026–2027, with a breakdown by cost type. A breakdown by subprogramme is provided in the annex, table 1.b.

Cost type	2023 (actuals)	2024 (actuals)	2025 (actuals)	2026 (budget)	2027 (budget)	Total 2023–2027
Posts and other staff costs	244,725	395,683	398,287	446,822	469,163	1,954,680
Travel	99,477	56,791	44,075	200,000	146,000	546,342
Consultants	147,360	3,204,439	5,934,140	9,853,673	11,945,800	31,085,412
Contractual services	456,570	1,777,286	238,591	1,191,000	830,937	4,494,384

Operating expenses	31,034	10,263	32,973	50,000	30,000	154,271
Furniture and equipment	1,598,338	1,642,590	1,727,280	277,857	28,500	5,274,565
Reimbursements	0	0	0	0	0	0
Total	**2,577,504**	**7,087,052**	**8,375,346**	**12,019,352**	**13,450,400**	**43,509,654**

Table 1. a. Budget overview, 2023–2027

15. **Funding status.** Since its inception in 2023, the programme has been funded from UNOPS liquid reserves in excess of the minimum operational reserves, initially as part of the comprehensive response plan during the 2023–2025 period ($19.01 million), and subsequently through Executive Board decisions 2025/33 and 2026/9, under which $3 million and $10.12 million, respectively, were allocated to the programme.

16. Of the $19.01 million allocated as part of the comprehensive response plan, the programme utilized $16.94 million and refunded $2.08 million to the reserves at the end of 2025, upon completion of the plan.

17. The remaining active funding allocation to the programme amounts to $13.12 million ($3 million under decision 2025/33 and $10.12 million under decision 2026/9). Of that amount, $1.1 million was utilized in 2025 and $1.9 million, representing the closing balance from 2025, was rolled over to 2026. The programme therefore has $12.02 million in funding for 2026, which is also the total budget for the year. The estimated programme costs for 2027 are not currently funded.

18. An overview of the annual funding status and utilization is provided in table 2 below:

	2023 (actuals)	2024 (actuals)	2025 (actuals)	2026 (budget)	2027 (budget)	TOTAL
Actuals / budget	2,577,504	7,087,052	8,375,346	12,019,352	13,450,400	**43,509,654**
Funding						
• Comprehensive response plan (CRP) utilization (2023–2025)	2,577,504	7,087,052	7,274,698			**16,939,254**
• $13.12 million allocation (decisions 2025/33 and 2026/9)			1,100,649	12,019,352		**13,120,001**
Unfunded					**Funding request for 2027**	**13,450,400**

Table 2. Funding status

19. **Funding utilization, commitments and balance.** Of the $12.02 million available for 2026, a total of $3.42 million was utilized between January and May 2026. Taking into account commitments through the end of the year, projected expenditure amount to $9.98 million, leaving an estimated balance of $2.04 million.

20. Commitments include personnel costs for all team members already on payroll, the estimated cost of vacant positions for which recruitment is planned or ongoing, assuming target start dates remain unchanged, and established contracts or licences. Estimated costs for vacant positions for which recruitment has not yet been planned, and for services or licences for which UNOPS has not yet identified providers, are not included in commitments. Uncommitted allocations based on

preliminary estimates are therefore reflected in the estimated balance of $2.04 million and may transition to commitments as the year progresses and contract negotiations materialize.

21. A summary of funding utilization, commitments and the forecast balance for the $12.02 million available in 2026 is provided in table 3.a. below:

Cost type	2026 (actuals as of 31 May)	2026 (commitments 2026)	Forecasted balance
Posts and other staff costs	161,096	260,647	25,079
Travel	25,927	134,073	40,000
Consultants	2,767,646	5,260,309	1,825,718
Contractual services	299,171	794,000	97,829
Operating expenses	1,190	1,400	47,410
Furniture and equipment	167,266	105,941	4,650
Reimbursements	0	0	0
Total	**3,422,296**	**6,556,370**	**2,040,686**

Table 3.a. Summary of 2026 funding utilization and balance for remaining funding allocation of $12.02 million

22. Additional details on funding utilization, including actuals and commitments, as well as the expected balance by subprogramme and project, are provided in the annex, table 3.b.

23. **Funding predictability and programme sustainability.** To provide the programme with predictable funding and ensure the efficient planning and resourcing of activities already under way or scheduled for 2027, the second regular session of 2026 is the last opportunity before the start of 2027 to obtain funding authorization for that year. Without such authorization, UNOPS will be required to conclude important activities prematurely, risking the loss of prior investments, disrupting the continuity of key personnel and compromising the implementation and adoption of essential processes and systems.

24. Liquid excess reserves in excess of the minimum operational reserves, in accordance with regulations 22.02 (a) and 22.03 of the UNOPS Financial Rules and Regulations, remain the only feasible funding source for the programme, given that funding through the operational budget is limited under the net-zero convention, and the growth and innovation reserve funding mechanism, referred to in regulation 22.02 (b), was suspended by the Board in 2022. Funding through liquid excess reserves in excess of the minimum operational reserves is also more closely aligned with the instruments used by other United Nations entities to fund multi-year initiatives.

IV. Priorities and budget for 2027

25. In this section, UNOPS presents the process innovation and digitalization programme priorities for 2027 under each of the six core subprogrammes, followed by the budget for that year.

26. In partnerships and project management, substantial progress has been made in the review and redesign of policies and processes. In parallel, digital solutions are being developed to support the full life cycle of partner projects, programmes and portfolios, including specific solutions for grant support activities. Opportunity+, a new artificial intelligence-enabled partner relationship

management solution, was delivered in 2025. This solution is being further expanded in 2026 to cover the entire process, from opportunity to result, in tandem with the review of UNOPS policies and standards. This expansion will be concluded in 2027 with the delivery of a digital platform called Project+. In addition to the newly established project management system, specific tools for infrastructure management will be delivered in 2027 to meet the needs of complex infrastructure projects. Also in 2027, UNOPS will further develop Grant+, the end-to-end grants management solution that went live in 2025 and is being progressively rolled out in 2026 for all new grant opportunities, to support all ongoing and multi-year grant support projects.

27. In procurement, the programme delivered a standard methodology and digital solution for risk assessment in medicine procurement, operational since 2025. In 2026, work is on track to replace the UNOPS sourcing system and integrate supplier management capabilities. In 2027, the programme will address current gaps in supplier contract management. This work will be closely linked to efforts related to infrastructure management and works contracts, as mentioned in paragraph 26.

28. **In the area of human resources**, the programme has always had three primary ambitions: to attract, deploy and manage talent more effectively. These include the implementation of a new recruitment and onboarding system, delivered in 2025; a solution to manage talent and support internal mobility, under implementation in 2026; and a new approach and digital tool to support people performance management, planned for 2027. This final component will complete the talent life cycle and fully operationalizes the organization's new human resources policies.

29. In finance, owing to uncertainties surrounding the replacement of the UNOPS ERP system, efforts have focused on addressing current operational bottlenecks and refining processes to support smoother operations. These efforts have included system logic improvements, enhanced administrative controls, support for treasury due diligence and risk management in 2025, and substantial efforts to review internal procedures and systems to ensure full compliance with International Public Sector Accounting Standards (IPSAS) 47 and 48 from 2026. Process and system changes related to IPSAS compliance will require continued effort throughout 2027. Enhancements to the current ERP system will be needed in 2027 to support changes to supplier contract management (see paragraph 27) and other audit recommendations. Work on replacing the ERP system remains entirely paused, and no funding is therefore requested for that purpose for 2027.

30. To support data-driven decision-making, UNOPS continues to invest in improving data quality and analytics. A strategic data practice will be established in 2026 to help increase the future revenue-generating capacity of UNOPS. It will drive the development of strategic dashboards that provide structured aggregation and synthesis of executive information derived from the multidimensional data cube, inform strategic action and decisions and reinforce collaboration across the global matrix. By turning operational and financial data into actionable intelligence, the data practice will help UNOPS identify growth opportunities, manage delivery risk, and demonstrate value for money and value addition to partners. Activities will start in 2026 and continue throughout 2027. Similarly, harmonization efforts across the United Nations system in support of the UN80 agenda, such as joining the United Nations Digital ID or managing data on the UNOPS environmental footprint, started in 2026 and will continue into 2027.

31. As part of cross-functional knowledge management and the integration of an "Artificial Intelligence First" approach across new systems and tools, UNOPS is establishing an artificial intelligence centre of excellence (CoE) in 2026. The CoE will support the transition from ad hoc artificial intelligence use to a systematic, organization-wide capability that drives operational

excellence, innovation and strategic value. A dedicated team will work throughout 2027 to lay the foundation for a UNOPS long-term digital and artificial intelligence strategy for UNOPS by building an artificial intelligence-proficient workforce, translating artificial intelligence capabilities into business value and prioritizing high-impact use cases that mitigate risks such as inconsistent quality and limited scalability. The CoE will also support the future revenue-generating capacity of UNOPS. In addition, efforts will continue to develop current and new artificial intelligence tools supporting Opportunity+, Project+, Grant+, and other digital solutions. Following the finalization of the UNOPS legal framework review, work will continue in 2027 to ensure that all new policies, revised processes and official guidance are completed and made easily available to all personnel through the UNOPS Policy and Process Portal.

32. **2027 budget.** In the most recent budget estimate shared with the Executive Board in preparation for the first regular session of 2026,[1] the programme budget for 2027 stood at $19.45 million. This estimate took into consideration the initiatives described above and assumed that UNOPS would begin implementing a new ERP system in January 2027. As decisions concerning the ERP remain pending, UNOPS presents a revised 2027 budget that excludes all ERP-specific costs, including personnel to be hired, implementation services, change management activities and licences. This reduces the 2027 budget to $13.45 million.

33. A summary of the 2027 budget by cost type is provided in table 4.a below:

Cost type	Budget 2027
Posts and other staff costs	469,163
Travel	146,000
Consultants	11,945,800
Contractual services	830,937
Operating expenses	30,000
Furniture and equipment	28,500
Reimbursements	0
Total	**13,450,400**

Table 4. a. Summary of 2027 budget

34. The programme budget for 2027, with a breakdown by subprogramme and project, is provided in table 4.b. in the annex.

35. A budget of $13.45 million will allow UNOPS to maintain the programme at its current pace and conclude the implementation of core operational processes and systems that are central to the ambitions of UNOPS, as set out in its Strategic Plan, 2026–2029.

[1] Information note: process innovation and digitalization programme budget, financial performance and funding options, document for first regular session 2026 (https://content.unops.org/documents/libraries/executive-board/documents-for-sessions/2026/first-regular-session/item-17-unops-process-innovation-and-digitalization-programme-implementation/en/Information-note-Process-Innovation-and-Digitalization-Programme-budget-financial-performance-and-funding-options.pdf)

V. Conclusion and proposed way forward

36. **Overall progress.** Of the 30 projects currently in scope, 13 have been completed, four are on track for delivery by the end of 2026 and another nine projects are planned to be concluded by the end of 2027.

37. **2026 financial performance.** The programme has a budget allocation of $12.02 million for 2026 and anticipates budget implementation of 83 per cent, based on actuals to May 2026 and current commitments. Uncommitted allocations remain in the forecast balance of $2.04 million and may transition to commitments during the year as contract negotiations materialize.

38. **2027 budget revised to exclude any ERP-related activities.** While the original design of the programme included the selection of a new ERP system, this work remains entirely paused pending further consideration of a potential merger between UNDP and UNOPS. The estimated programme budget for 2027 has therefore been reviewed and reduced from the previously communicated $19.45 million to $13.45 million, excluding any ERP-related expenditures.

39. **Funding predictability and sustainability.** Establishing financial predictability is essential. If full-year authorization for the 2027 budget is not secured at the second regular session, UNOPS would need to consider prematurely concluding important activities, risking the loss of prior investments and compromising the implementation of essential non-ERP systems currently under way. UNOPS liquid excess reserves remain the only feasible funding source for this initiative.

40. **Elements of a decision**: In light of the financial update provided, UNOPS respectfully requests the Executive Board to consider:

(a) authorizing $13.45 million from UNOPS liquid excess reserves to fully fund the 2027 workplan for the process innovation and digitalization programme;

(b) agreeing to revisit the programme approach and potential future funding at the second regular session in 2027.