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**OPERATING BUDGET FOR 2023**  
**ANNUAL MEETING OF THE ASSEMBLY OF PARTIES**  
**30 November 2022**

1. This document provides IDLO's proposed Operating Budget for 2023, the third year of implementation of the Strategic Plan 2021-2024.
2. IDLO proposes a balanced budget for 2023 to implement the first half of the Management Plan 2023-2024. The proposal for an output-based budget, aligned with the Management Plan, allows for financial transparency and accountability.
3. The 2023 Operating Budget has been prepared in a rapidly evolving and volatile environment, both due to the impact of the instability experienced in several countries where IDLO operates and the fragile economic situation globally. The Operating Budget therefore takes a prudent approach, while reflecting IDLO's determination to capitalize on emerging opportunities, respond to partners' needs, and introduce innovation that is geared towards increasing efficiency and effectiveness. IDLO will continue to monitor the financial impact of these external factors and make any necessary adjustments as needed.
4. IDLO will continue the implementation of institutional projects that include organisational improvements and systems enhancements to strengthen efficiency, effectiveness, and overall policy coherence within the organization, in accordance with the Strategic Plan. These projects are prioritized and implemented based on the availability of funds.
5. The Operating Budget also provides a broad forecast for 2024, for information purposes. While the proposed 2023 budget is described in detail in the following sections, the 2024 figures represent a preliminary target forecast that will be adjusted in 2023. Approval is sought for the 2023 budget only.
6. Given the timetable for submission, the budget is based on a series of assumptions and considerations. Actual results are subject to variation in 2023.
7. Major assumptions and considerations for the 2023 figures are summarized below, and further explanation is provided within the respective cost sections:
  - Increase in unrestricted revenue reflects additional contribution by the Government of the Netherlands.
  - The estimate for budgeted restricted programme revenue is based on the data available as at August 31, 2022, and takes a conservative approach given the volatile political and security environments in countries where the Organization is operating.
  - The implementation rate of institutional projects has increased in 2022 compared to previous years, when it was impacted by the COVID-19

pandemic and its related restrictions on operations and travel. Unspent funds from the 2022 approved budget for institutional projects will be carried forward to 2023.

- Investing in people and strengthening internal capacities is essential for improving overall effectiveness and is a key commitment in IDLO's Strategic Plan 2021-2024. IDLO will continue to implement its Human Resources Strategy, including making adjustments within the salary band structure. This has resulted in a modest increase in employee costs included in the proposed 2023 Operating Budget.
- Office costs are estimated above the amount budgeted for 2022. The Headquarters refurbishment works are anticipated to begin by mid-2023. This will have an impact on the depreciation costs, which have been adjusted accordingly.
- IDLO's capital expenditure proposed for 2023 includes revised figures to reflect the payment schedules for the Headquarters refurbishment that is expected to begin in the second half of 2023.

## 1. CONSOLIDATED OPERATING BUDGET

Table 1 provides a consolidated financial picture of the 2023 proposed Operating Budget, with comparison against the 2022 approved Operating Budget. Additional explanations are provided in the respective cost sections.

**Table 1. Operating Budget for 2023** (in '000 euro)

	Approved 2022 Budget	Forecast 2022	Variation against 2022 Budget	Proposed 2023 Budget	Variation against 2022 Budget	Target 2024 Budget
<b>REVENUE</b>						
Unrestricted revenue	6,750	8,750	30%	10,450	55%	10,450
Earmarked revenue	1,800	-	-100%	-	-100%	-
Restricted programme revenue	31,800	31,712	0%	36,200	14%	38,000
<b>Total Revenue</b>	<b>40,350</b>	<b>40,462</b>	<b>0%</b>	<b>46,650</b>	<b>16%</b>	<b>48,450</b>
<b>EXPENSES</b>						
Direct programme activities	28,480	27,907	-2%	31,460	10%	32,870
Institutional projects	950	840	-12%	1,500	58%	1,000
Institutional activities	1,330	1,424	7%	1,620	22%	1,500
Employee related costs	8,820	9,109	3%	10,650	21%	11,180
Office costs (includes depreciation)	1,720	1,720	0%	1,850	8%	1,900
<b>Total Expenses</b>	<b>41,300</b>	<b>41,000</b>	<b>-1%</b>	<b>47,080</b>	<b>14%</b>	<b>48,450</b>
<b>Net operational result</b>	<b>(950)</b>	<b>(538)</b>		<b>(430)</b>		<b>0</b>
Inst. projects brought forward amount	950	1,050		210		
Less estimated inst. projects balance carried forward to 2023		(210)		-		
Funds to be earmarked for inst. projects				220		
<b>Results from operations (including carried forward amounts)</b>	<b>0</b>	<b>302</b>		<b>0</b>		<b>0</b>

## 2. REVENUE OUTLOOK

8. IDLO anticipates receiving approximately 46.7 million euro in revenue in 2023, consisting of 10.5 million euro of unrestricted contributions, and 36.2 million euro of restricted programme revenue.
9. Considering the prudent approach adopted in the development of the budget and in line with the Management Plan 2023-2024, IDLO will reach out to

Member Parties and donors to discuss their ability to increase their voluntary contributions to deliver the Strategic Plan.

10. Additional resources will be used to support thematic opportunities; invest in innovative research, advocacy, and programmes; and strengthen organizational capacities.

## **2.1 Unrestricted revenue**

11. Unrestricted revenue in 2023 is forecasted to be approximately 10.5 million euro which is an 19% increase from 2022.

## **2.2 Restricted programme revenue**

12. Restricted programme revenue is budgeted at 36.2 million euro in 2023, reflecting a 14 percent increase from the 31.8 million euro in the 2022 budget.
13. Table 2 provides a breakdown of the forecast restricted programme revenue and recovery as at August 31, 2022. The secured programme revenue for 2023 as at August 30, 2022, is approximately 30.6 million euro, or 85 percent of the estimated restricted programme revenue of 36.2 million euro.
14. The amount estimated for projects in the pipeline is 5.5 million euro. The pipeline includes some projects that are currently under review by donors and are classified as being at an advanced or intermediate stage of the approval process.
15. Forecasting IDLO's programme revenue is difficult at this time due to uncertainties created by conflicts and security challenges in countries where projects are implemented. IDLO has taken a cautious approach in forecasting programme revenue in light of this challenging environment for development assistance in the rule of law sector.

**Table 2. Forecast restricted programme revenue and recoveries as at August 31, 2022**

Programme Revenue & Recoveries* in Euro					
		Proposed 2023		Approved 2022	
Source		Gross Programme Revenue	Programme Recoveries	Gross Programme Revenue	Programme Recoveries
Ongoing programmes	A	30,636,725	3,982,774	26,444,026	2,644,403
Pipeline programmes @ Aug 31, 2022					
Advance stage of process ** (100%)		750,000			
Intermediate stage of process ** (50%)		4,764,831		5,333,097	626,010
<b>Total Pipeline value</b>	<b>B</b>	<b>5,514,831</b>	<b>787,228</b>	<b>5,333,097</b>	
<b>Grand Total</b>	<b>A+B</b>	<b>36,151,556</b>	<b>4,770,002</b>	<b>31,777,123</b>	<b>3,270,412</b>

\*Programme recoveries consist of revenue from charging the time core employees spent on programme implementation plus a mandatory overhead

\*\* stages of process are assigned as per IDLO's standard methodology

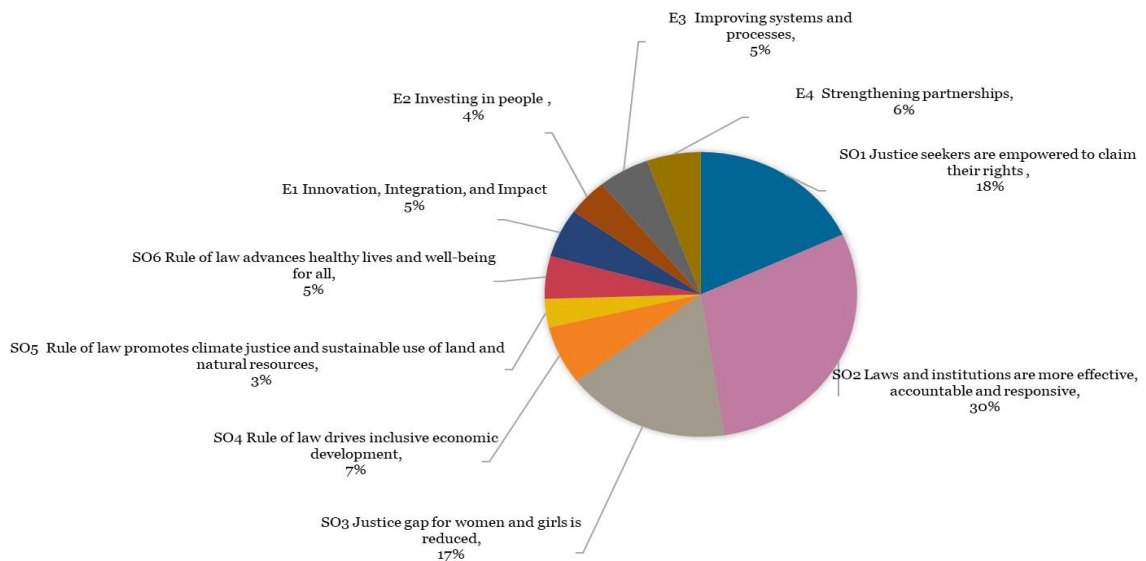
### 3. OPERATING EXPENDITURE OUTLOOK

16. IDLO has forecast its 2023 level of expenditure at 47.1 million euro, representing an overall increase of 14 percent when compared to the 2022 approved budget.
17. The proposed budget for institutional projects is 1.5 million euro for 2023. This includes an expected carry forward of 210 thousand euro from 2022. Additional expenditure will depend on funding availability in 2023. This budget line will change depending on the actual institutional project funds remaining at 2022 year-end.

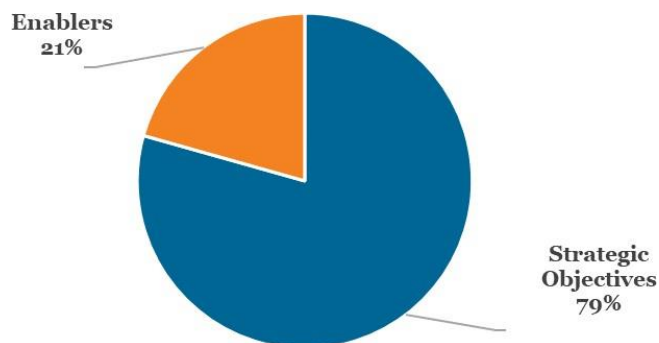
#### 3.1 Output-based budget

18. Estimated costs for 2023 have been allocated to the Strategic Objectives and Enablers of IDLO's proposed Strategic Plan 2021-2024. An indicative breakdown is illustrated in Diagram 1. Diagram 2 provides an estimated overall breakdown of IDLO's resources against Strategic Objectives and Enablers.
19. Strategic Objectives (SOs) set out the substantive focus of IDLO's programmes, research, policy, and advocacy, in support of the Strategic Goals, as set out in its Strategic Plan 2021-2024. The Enablers constitute a set of organizational priorities which seek to strengthen IDLO's effectiveness, efficiency, and coherence. A more detailed description of the activities that will be undertaken under the SOs and Enablers is provided in the Management Plan 2023-2024.

**Diagram 1. Breakdown of operating expenditure by Strategic Objectives and Enablers**



**Diagram 2. Breakdown of operating expenditure by Strategic Objectives versus Enablers**



### 3.2 Direct programme costs

20. The direct programme costs for 2023 are estimated at 31.4 million euro, which represents a 10 percent increase against the 2022 approved budget of 28.5 million euro. The 2023 programme expenditure estimates are subject to change according to the level of additional programmes implemented.

### **3.3 Institutional projects**

21. As defined in IDLO's Cost Policy Statement, institutional projects are multi-year initiatives that have specific objectives, and are implemented to strengthen IDLO's capacity, efficiency, and effectiveness.
22. Institutional projects seeking to advance one or more of the four Enablers of the Strategic Plan 2021-2024 are described in greater detail in the Management Plan 2023-2024.
23. IDLO is proposing a total budget of 1.5 million euro for institutional projects in 2023. The budgeted amount includes an expected carry forward from 2022 of 210 thousand euro. The balance of 220 thousand euro required for the implementation of institutional projects will be earmarked from any additional funds made available in 2023.
24. Table 3 provides a cost breakdown of the institutional projects. The implementation of the projects can be annual or multi-year depending on their scope and complexity.

**Table 3. Institutional projects**

Institutional Project	Proposed 2023 Budget	Enablers
<b>Talent Management</b> (includes: competency framework and performance management; learning and professional development)	314,000	E1, E2, E3
<b>Change Management</b> (includes: teambuilding, retreats and workshops)	296,000	E1,E2,E3
<b>ICT</b> (includes: ERP and other systems development and roll-out)	248,000	E3
<b>IPSAS Compliance</b> (includes: drafting and finalization of IPSAS compliant financial manual)	20,000	E3
<b>SDG Advocacy</b> (includes: 2023 SDG 16 conference; HLPF; SDG summit)	200,000	E4
<b>Communications and Outreach</b> (includes: upgrading website and providing multi-lingual content)	140,000	E1, E4
<b>EU Engagement</b>	82,000	E4
<b>Institutional Monitoring and Reporting</b>	200,000	E1
<b>Total</b>	<b>1,500,000</b>	

### 3.4 Institutional activities

25. Institutional activities are necessary for the functioning of the Organization. They are of an ongoing nature and are not related to time-bound projects.
26. While these activities are undertaken by IDLO's Headquarters, branch and representative/liaison offices, the benefits and impact are Organization wide. In addition, institutional activities include efforts to ensure that sustainable technical and administrative capacities are made available for IDLO to carry out its mandate. Institutional activities costs include (non-project specific) IDLO representation, management, resource mobilization, research & learning, communications, external relations, human resources management, administrative services, support for governance, financial management, procurement, ICT, and legal services. Unspent institutional activities amounts are not carried forward to the next year.



**Table 4. Institutional activities 2023**

Departments	Proposed 2023 Institutional Activities
<b>Office of the Director-General</b> (includes: organizational representation and management; strategy and policy planning; internal auditing and compliance; programme development funds; institutional contingency funds).	436,000
<b>UN Liaison in Geneva</b> (includes: advocacy, representation, partnerships and health thematic).	75,000
<b>UN Liaison in New York:</b> (includes: advocacy, representation, and partnerships).	75,000
<b>Programmes Department</b> (includes: IATI platform; E-learning platform (related to projects); mission travel, programme development).	77,000
<b>The Hague Office</b> (includes: expertise in priority thematic areas, engagement with key partners in the Netherlands and EU, evaluations).	75,000
<b>Research and Learning</b> (includes: production of research briefs and publications; development of knowledge products on gender equality and training on IDLO's gender strategy; policy advocacy events).	150,000
<b>External Relations and Partnerships</b> (includes: governance meetings; partnerships and outreach, resource mobilization; communications).	266,000
<b>Office of the General Counsel</b> (includes: external legal support, costs related to HCA negotiations).	70,000
<b>Human Resources and Office Services</b> (includes: recruitment and provident fund platforms; country office support; global security management).	275,000
<b>Finance and Support Services</b> (includes: ICT infrastructure security, treasury management, specialized trainings).	121,000
<b>Total</b>	<b>1,620,000</b>

### 3.5 Employee-related costs

27. The 2023 estimated employee-related costs amount to 10.7 million euro, which represents a 21 percent increase from the 2022 approved employee-related costs budget.
28. The increase in employee-related costs reflects the results of the external salary survey conducted in 2022 and adjustments within the salary band structure. The budget also contains provisions for a performance increment for eligible employees.
29. The total of 10.7 million euro includes the following employee-related costs:
  - IDLO employees with fixed term contracts (see table 5) inclusive of base salary and benefits estimated at 7.5 million euro.

- Affiliates (see table 5) engaged in institutional and support activities at Headquarters, branch and liaison offices estimated at 2.6 million euro.
  - A provision of 200 thousand euro to cover potential costs related to salary adjustments.
  - General employee costs of 200 thousand euro to cover expenditures such as parental leave, severance pay, and recruitment-related expenses.
  - Programme employee contingency, estimated at 100 thousand euro. IDLO is a project-based Organization with a number of affiliates funded directly by programme budgets. As with any project-based organisation, IDLO expects that there will be circumstances where programme affiliate costs may not be covered 100 percent by programme budgets for short periods. To be able to retain talent, IDLO has set aside a modest contingency fund to cover these short-term gaps.
30. IDLO has factored a 10 percent vacancy factor to take into account the expected vacant posts to be recruited in 2023 and the natural turnover of employees due to resignations, contract completion, retirement, and workforce realignment.

**Table 5. 2023 Fixed-term and Affiliate core-funded positions per department at HQ, The Hague, Geneva, and New York - Comparison against 2022**

Fixed-T erm by Departm ent	2022 T otal	2023 T otal	Variation
Director-General's Office	6	11	5
Programme Management	16	17	1
The Hague Office	5	4	-1
Research and Learning	3	3	0
External Relations and Partnerships	11	11	0
Office of the General Counsel	5	5	0
Human Resource and Office Services	13	14	1
Finance and Support Services	13	13	0
<b>T otal</b>	<b>72</b>	<b>78</b>	<b>6</b>

Affiliates by Departm ent	2022 T otal	2023 T otal	Variation
Director-General's Office	11	8	-3
Programme Management	6	6	0
The Hague Office	1	5	4
Research and Learning	3	6	3
External Relations and Partnerships	4	4	0
Office of the General Counsel	1	1	0
Human Resource and Office Services	3	5	2
Finance and Support Services	6	6	0
<b>T otal</b>	<b>35</b>	<b>41</b>	<b>6</b>

31. The table above provides a breakdown of core-funded employees by department with a variation against 2022. The 2023 budget includes 11 additional positions.
32. In addition to the employees included in Table 5, IDLO currently employs a total of 317 affiliates funded by restricted programme revenue, located at HQ, and in branch and country offices. Table 6 provides a summary of these employees by region.

**Table 6. Affiliates in restricted programme-funded positions per region as at August 1, 2022**

Location	Total Affiliates
Africa	99
Asia	126
Eastern Europe and Central Asia	50
Europe*	32
Latin America and Caribbean	7
Middle East and North Africa	3
<b>Total</b>	<b>317</b>

\* Employees based in HQ and Branch Office working full time on specific projects funded by restricted programme revenue

### 3.6 Office costs

33. Office costs have been estimated at 1.8 million euro, showing an increase of 8 percent against the 2022 approved budget. Table 7 below provides the office budgets by location.

**Table 7. 2023 office budgets by location**

Office	Key Function	Approved Budget 2022	Proposed Budget 2023	variation against 2022 approved Budget
Rome	Global Headquarters	1,166,850	1,195,000	2%
The Hague	Priority Thematic Areas, Evaluation, Research and Learning	170,800	325,700	91%
Geneva	External Relations, UN Advocacy and Liaison	66,200	79,300	20%
New York	External Relations, UN Advocacy and Liaison	91,150	100,000	10%
Depreciation	N/A	225,000	150,000	-33%
<b>Total</b>		<b>1,720,000</b>	<b>1,850,000</b>	<b>8%</b>

34. The variation in The Hague Office costs is due to the reallocation of the Netherlands contribution from earmarked to unrestricted funding. The portion of costs previously covered by earmarked funds as part of direct project expenditure is now allocated to core expenditure.
35. The variation for the Geneva office is linked to additional office space with associated maintenance costs, as well as additional ICT, furniture, and equipment to accommodate one additional resource.
36. The refurbishment of Headquarters will increase depreciation once works commence and expenditure is incurred. However, it is not anticipated that works will begin before mid-2023, thus depreciation has been adjusted to reflect a more realistic figure.

#### 4. CAPITAL BUDGET

37. Table 8 provides a summary of IDLO's 2023 proposed capital expenditure. The proposed capital expenditure will be funded by the expected carry forward of 1.3 million euro from IDLO's 2022 approved capital budget.

**Table 8. Proposed capital budget 2023**

Capital Asset	Approved 2022	Proposed 2023
Information and Communications Technology	202,000	202,000
Furniture, fixture, and other assets	50,000	45,000
Leasehold improvements	1,202,000	1,020,000
Contingency	50,000	50,000
<b>Total</b>	<b>1,504,000</b>	<b>1,317,000</b>

38. IDLO will continue to upgrade its ICT equipment to improve functionality, mobility, and systems. The changes take account of the new office environment as well as new ways of working internally and externally. This includes additional laptops, licenses, and developing an ICT security-related platform.
39. Expenditure on furniture, fixtures, and other assets includes the replacement of old office desks, and the purchase of other minor office equipment.
40. Leasehold improvements include IDLO's plans to refurbish part of its HQ premises. Obtaining the required clearances and the impact of the COVID-19 pandemic impeded the start of the refurbishment works, which were originally scheduled to begin in 2020. It is expected that renovations will begin by mid-2023.
41. The cost of this improvement will be depreciated over the lifetime of the lease agreement with the landlord. Discussions are at an advanced stage with the landlord for an extension prior to commencing works.

## 5. RESERVES

**Table 9. Reserves compared to target**

	<b>2021 Budget</b>	<b>2022 Budget</b>
Unrestricted reserves	9,297	9,183
<b>Reserves target</b>		
50% of operating expenses	5,400	5,935
Pre-financing	3,072	2,706
<b>Reserves target</b>	<b>8,472</b>	<b>8,641</b>
<b>Reserves in excess of target</b>	<b>825</b>	<b>542</b>

42. In accordance with the Reserves Policy approved by the Standing Committee on July 23, 2019, the target minimum unrestricted reserves level is six months of the operational expenditure budget, which includes both the institutional expenditure budget and any amounts committed to the pre-financing of projects for the following six months. This level is reviewed annually.

## 6. OPERATIONAL FUND

43. Resolution No. 2/2019, approved by IDLO's Assembly of Parties on November 13th, 2019, established the Operational Fund. As specified in the IDLO Reserves Policy, the Operational Fund is comprised of unrestricted revenue in excess of the minimum required level of unrestricted reserves. The Fund is managed by the Director-General with the aim of improving the operational effectiveness and growth of the organization.
44. Resolution No. 2/2019 authorized the Standing Committee to review and confirm any additions to the Operational Fund on an annual basis after completion of the annual audited financial statements. Table 10 below provides the balance of the Operational Fund as at August 1, 2022.
45. Any increase in the Operational Fund will be calculated after the final 2022 operational results are confirmed.

**Table 10. Operational Fund as at August 1, 2022**

Operational Fund	Euro '000
Opening balance 1/1/2022	4,887
Amount expensed as at August 1, 2022	(213)
<b>Amounts committed to projects:</b>	
<i>Strengthening the Legal Environment for Food Security and Nutrition of Vulnerable Groups as part of the COVID-19 Response and Recovery</i>	(34)
<i>Pandemic Preparedness and Response: Strengthening National Legal and Policy Frameworks to Address Public Health Emergencies, Including COVID-19</i>	(11)
<i>Advancing Women's and Girls' Action for Climate Justice through the Rule of Law</i>	(478)
<i>Strengthening Anti-Corruption in the LAC Region</i>	(650)
<i>Improving Governance of Land and Natural Resources</i>	(550)
<b>Balance at August 1, 2022</b>	<b>2,951</b>

## 7. FACTORS THAT MAY IMPACT BUDGET ESTIMATES

### 7.1 Revenue

46. IDLO has a relatively narrow donor base, with the majority of both programmes and unrestricted funding coming from a small number of donors. This creates a risk of a sudden fall in income if one donor makes changes to its support to IDLO. IDLO has reinforced its resource mobilization capacity and is committed to actively engaging in discussions with potential donors for unrestricted and programme funds.

### 7.2 Operations

47. IDLO's capacity to implement is impacted by the stability and security environment of countries where we operate. As in 2022, IDLO will monitor the situation closely in all countries of operation and adjust its programmatic plans, to mitigate any adverse impact.
48. IDLO continues to operate in countries where it does not have a Host Country Agreement or its equivalent. As a result, IDLO may have limited recognition of its privileges and immunities, creating security, banking and financial risks, among others. IDLO is prioritizing Host Country Agreements or comparable arrangements with all the countries where it operates.

### **7.3 Fixed costs**

49. A portion of IDLO's costs is variable to mirror the fluctuating nature of IDLO's revenue sources. This also reflects the nature of IDLO's work which in any given year can see the completion and closure of operations in some countries, and a parallel commencement and scaling-up of operations in others. This agility is key to IDLO's ability to deliver and mitigate its financial risks. However, some of IDLO's costs are fixed, or only variable in the medium term. These include staff and office costs that are funded primarily from unrestricted sources, as well as a limited number of staff and office costs in field office locations that are primarily funded by programme revenue.

### **7.4 Contingency provisions**

50. Given the unpredictable nature of revenue, IDLO includes a contingency provision in its budget to mitigate the impact of risks which may be realized during the year. In 2023, IDLO will allocate a total of 20 thousand euro for project-related (non-employee) contingency, 100 thousand euro for institutional activities contingency, and 100 thousand euro for programme staff-related costs. The total of the contingency of 220 thousand euro represents less than one percent of IDLO's total 2023 Proposed Operating Budget.

ENDS/