
OPERATING BUDGET FOR 2022
ANNUAL MEETING OF THE ASSEMBLY OF PARTIES
November 23, 2021

1. This document provides IDLO's proposed Operating Budget for 2022, the second year of the Strategic Plan 2021-2024.
2. IDLO proposes a balanced budget for 2022 that will implement the second half of the Management Plan 2021-2022. The proposal for an output-based budget, backed by detailed explanations in the following sections, allows for financial transparency and accountability.
3. The 2022 Operating Budget has been prepared in a rapidly evolving environment, both due to the continued impact of the COVID-19 pandemic, and the instability experienced in several countries where IDLO operates. The 2022 Operating Budget is therefore prepared taking a prudent perspective 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 closely the financial impact of these external factors and make any necessary adjustments.
4. The implementation of institutional projects in 2021 has been impacted by the ongoing pandemic and its related restrictions on operations and movement. In line with IDLO's Reserves Policy, IDLO will carry forward unspent projects amounts to 2022.
5. In line with the Strategic Plan, IDLO continues to conduct internal and external reviews of operational areas to enhance effectiveness, innovation, and overall policy coherence within the organisation. The 2022 Operating Budget includes provisions for potential costs linked to these reviews and operational changes and alignments.
6. The Operating Budget also provides a broad forecast for 2023 for information purposes. While the proposed 2022 budget is described in detail in the following sections, the 2023 figures represent a preliminary target forecast that will be adjusted in 2022. Approval is sought for the 2022 budget only.
7. IDLO will continue the implementation of institutional projects that include organisational reforms and systems enhancements to strengthen efficiency and effectiveness.
8. Given the timetable for submission, the budget is based on a series of assumptions and considerations. Actual results are subject to variation in 2022.
9. Major assumptions and considerations for the 2022 figures are summarised below, and further explanation is provided within the respective cost sections:

- Adopting a cautious approach, unrestricted revenue is estimated at the same level as 2021.
- Budgeted program revenue (earmarked & restricted) reflects a 12% decrease compared to the 2021 budget. This result is estimated based on the data available as at September 1, 2021, and takes a conservative approach given recent events in Afghanistan.
- The impact from the continued COVID-19 health measures has led to delays in the implementation of institutional projects in 2021. Unspent funds from the 2021 approved budget for institutional projects will be carried forward to 2022.
- 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 is also carrying out a long overdue external review of its salary scales and making some necessary adjustments within the broadband structure. This has resulted in a modest increase in employee costs included in the proposed 2022 Operating Budget.
- Office costs are estimated at a similar level to the 2021 budgeted amounts.
- IDLO is proposing additional capital expenditure in 2022. This includes an additional amount to the 2021 headquarters refurbishment budget that will be carried forward from 2021.
- The Operating Budget includes a forecast for the 2021 financial results based on data available on August 31, 2021.

1. CONSOLIDATED OPERATING BUDGET

Table 1 provides a consolidated financial picture of the 2022 proposed Operating Budget with comparison against the 2021 approved Operating Budget. Additional explanations are provided in the respective cost sections.

Table 1. Operating Budget for 2022 (in '000 euro)

	Approved 2021 Budget	Forecast 2021	Variation against 2021 Budget	Proposed 2022 Budget	Variation against 2021 Budget	Target 2023 Budget	Variation against 2022 Budget
REVENUE							
Unrestricted revenue	6,750	6,894	2%	6,750	0%	7,100	5%
Earmarked revenue	1,304	910	-30%	1,800	38%	1,800	0%
Restricted Program Revenue	36,720	32,477	-12%	31,800	-13%	33,400	5%
Total Revenue	44,774	40,281	-10%	40,350	-10%	42,300	5%
EXPENSES							
Direct Program Activities	33,424	29,714	-11%	28,480	-15%	28,980	2%
Institutional projects	1,400	450	-68%	950	-32%	1,000	5%
Institutional activities	1,460	1,100	-25%	1,330	-9%	1,300	-2%
Employee related costs	8,160	7,700	-6%	8,820	8%	9,250	5%
Office costs (includes depreciation)	1,700	1,400	-18%	1,720	1%	1,770	3%
Total Expenses	46,144	40,365	-13%	41,300	-10%	42,300	2%
Net operational result	(1,371)	-84		(950)		0	
Institutional projects deferred amount	575	632		950			
Institutional projects carried forward from 2019 earmarked funds	221	221					
Self-funded projects deferred amount	575	660					
Less estimated Inst. Project Balance carried forward to 2022		(950)					
Results from operations (including carried forward amounts)	0	480		0		0	

2. REVENUE OUTLOOK

10. IDLO anticipates receiving approximately 40.4 million euro in revenue in 2022, consisting of 6.8 million euro of unrestricted contributions, 1.8 million euro of earmarked revenue and 31.8 million euro of restricted program revenue. At this stage, the projected revenue is 10 percent lower than the 2021 approved budget.
11. Taking into account the prudent approach adopted in the development of the budget and in line with the Management Plan 2021-2022, IDLO will reach out to Member Parties and donors to discuss their ability to make, or increase, voluntary contributions to deliver its Strategic Plan 2021 - 2024. Additional resources will be used to support thematic opportunities; to invest in innovative research, advocacy, and programs; and to strengthen organisational capacities.

2.1 Unrestricted revenue

12. Unrestricted revenue in 2022 is forecasted to be around 6.8 million euro, same as the 2021 approved budget.

2.2 Earmarked revenue

13. IDLO is currently in discussions with the Government of the Netherlands for a multi-year grant agreement. Although negotiations are at an advanced stage, an agreement is yet to be signed. Taking a conservative approach based on historical trends, IDLO estimates 1.8 million euro as earmarked revenue for 2022.

2.3 Restricted program revenue

14. Restricted program revenue is budgeted at 31.8 million euro in 2022, reflecting a 13 percent decrease from the 36.7 million euro in the 2021 budget. This reflects a challenging environment for development assistance, particularly in the rule of law sector.
15. Table 2 provides a breakdown of the forecast restricted program revenue and recovery as at September 1, 2021. The secured program revenue for 2022 as at September 1, 2021, is approximately 26.4 million euro, or 83 percent of the estimated restricted program revenue of 31.8 million euro.
16. Forecasting IDLO program revenue is difficult at this time due to uncertainties created by the Afghanistan situation as well as the ongoing impact of the COVID-19 restrictions.
17. The amount estimated for projects in the pipeline is 5.3 million euro. The pipeline includes some projects that are currently under review by donors and are classified as being at advanced or intermediate stages of the process.
18. These figures reflect a conservative approach. IDLO expects program revenue to change as additional proposals are developed and funding opportunities are confirmed.

Table 2. Forecast restricted program revenue and recoveries as at September 1, 2021

Program Revenue & Recoveries* in Euro					
Source		Proposed 2022		Approved 2021	
		Gross Program Revenue	Program Recoveries	Gross Program Revenue	Program Recoveries
Ongoing programs	A	26,444,026	2,644,403	26,951,746	3,503,727
Pipeline programs @ Sept 1, 2021					
Advance stage of process ** (100%)		-		3,257,189	
Intermediate stage of process ** (50%)		5,333,097		2,626,338	
Future pipeline *** (50%)				3,884,461	
Total Pipeline value	B	5,333,097	626,010	9,767,987	1,269,838
Grand Total	A+B	31,777,123	3,270,412	36,719,733	4,773,565
*Program Recoveries consist of revenue from charging the time of core employee spent on program implementation plus a mandatory overhead					
** stages of process are assigned as per IDLO's standard methodology					
***At the time of preparation of the operating budget for 2021, proposals were being prepared and were sent after submission of the proposed budget.					

3. OPERATING EXPENDITURE OUTLOOK

19. IDLO has forecast its level of expenditure at 41.3 million euro for 2022, representing an overall decrease of 10 percent when compared to the 2021 Approved Budget.
20. The proposed budget for institutional projects of 950 thousand euro for 2022 consists of the expected underspend of 950 thousand euro carried forward from 2021. This budget line is subject to change depending on actual institutional project funds remaining at 2021 year-end.

3.1 Output-based budget

21. Estimated costs for 2022 have been allocated against 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.
22. Strategic Objectives (SOs) set out the substantive focus of IDLO's programs, 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 organisational reform priorities which seek to strengthen IDLO's effectiveness and efficiency. A more detailed description of the activities is provided in the Management Plan 2021-2022.

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

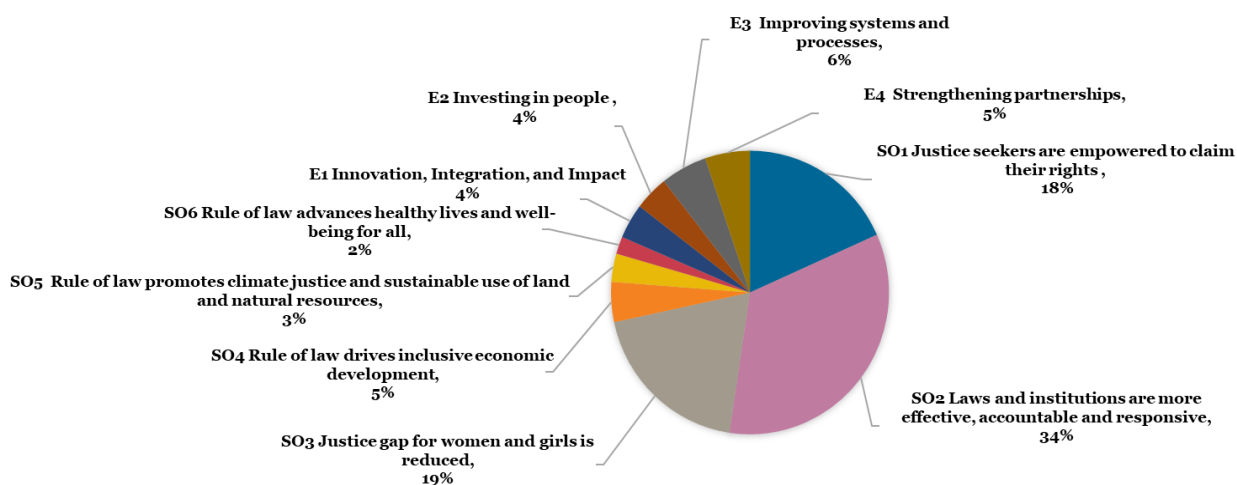
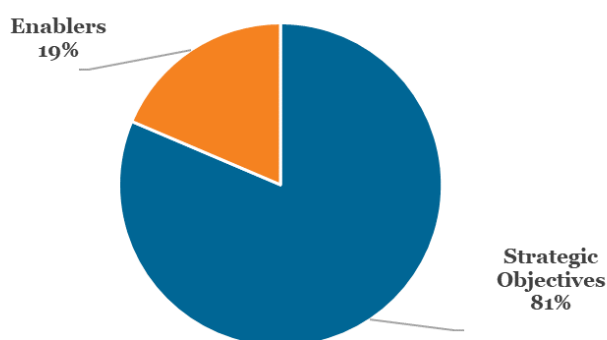


Diagram 2. Breakdown of operating expenditure by Strategic Objectives versus Enablers



3.2 Direct program costs

23. The direct program costs for 2022 are estimated at 28.5 million euro, which represents a 15 percent decrease against the 2021 approved budget of 33.4 million euro. The 2022 program expenditure estimates are subject to change during the year according to the level of additional programs implemented.

3.3 Institutional projects

24. As defined in IDLO's Cost Policy Statement, institutional projects are multi-year initiatives, have specific objectives, and are implemented to strengthen IDLO's capacity, efficiency, and effectiveness.
25. 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 2021-2022.
26. As previously mentioned, some institutional projects included in the 2021 budget are yet to be concluded. IDLO is expecting to carry forward 950 thousand euro from the 2021 budget.
27. IDLO is proposing a total budget of 950 thousand euro for institutional projects in 2022, which will be financed by the carry forward mentioned above.
28. 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 2022 Budget	Enablers
Talent Management (includes: Development of HR Strategy; Performance Management and Competency Framework; Learning and Professional Development, Change Management)	450,000	E1, E2, E3
ICT Development (includes: development of various ERP and other ICT systems)	200,000	E3
IPSAS Compliance Project continuation (includes update of chart of accounts & financial regulations and rules and reporting alignment)	30,000	E3
SDG Advocacy Initiative (includes: SDG 16 Conference)	50,000	E1
External Relations and Partnerships Initiative: (includes: increased visibility through media, social network, and website enhancements and multilingual content, resource mobilization, and engagements)	60,000	E1, E4
IDLO/EU Project (includes: Pillar Assessment; EU Engagement)	60,000	E4
Institutional Results and Monitoring (Includes: SRRF; institutional and program monitoring; data; improved reporting; new Strategic Plan)	100,000	E1
Total	950,000	

29. Each of the institutional projects include a series of sub-projects which are summarized in the table above.

3.4 Institutional activities

30. Institutional activities are necessary for the functioning of the Organisation. They are of an ongoing nature and are not time-bound projects.
31. While these activities are undertaken by IDLO's Headquarters and branch and representative/liason offices, the benefits and impact are generally organisation-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 2022

Departments	Proposed 2022 Institutional Activities
Office of the Director-General (includes: organizational representation and management; strategy and policy planning; internal auditing and compliance; UN liaison in New York and Geneva; program development funds; institutional contingency funds).	480,000
Programs Department (includes: IATI platform; E-learning platform (related to projects); mission travel, program development).	70,000
The Hague Office (includes: Substantive expertise in priority thematic areas, engagement with key partners in the Netherlands and EU, evaluations).	65,000
Research and Learning (includes: production of research briefs and publications; development of knowledge products on gender equality and training on IDLO's gender strategy; policy advocacy events).	90,000
External Relations and Partnerships (includes: governance meetings; partnerships and outreach, resource mobilization; communications).	220,000
Office of the General Counsel (includes: includes external legal support, costs related to HCA negotiations).	45,000
Human Resources and Office Services (includes: Recruitment and provident fund platforms; country office support; global security management).	250,000
Finance and Support Services (includes: ICT infrastructure security, treasury management, specialized trainings).	110,000
Total	1,330,000

3.5 Employee-related costs

32. The 2022 estimated employee-related costs amount to 8.8 million euro, which represents an 8 percent increase from the 2021 approved employee-related costs budget.
33. The increase in employee-related costs reflects adjustments within the broad band structure. The 2022 Operating Budget also reflects provisions for a performance increment for eligible employees.
34. The total of 8.8 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 6.4 million euro.
 - Affiliates (see table 5) engaged in institutional and support activities at headquarters, branch and liaison offices estimated at 1.9 million euro.
 - A provision of 238 thousand euro to cover potential costs related to salary review.
 - General employee costs of 200 thousand euro to cover costs such as parental leave, severance pay, and recruitment-related expenses.
 - Program employee contingency estimated at 100 thousand euro. IDLO is a project-based organisation with a number of affiliates funded directly by program budgets. As with any project-based organisation, IDLO expects that there will be circumstances where program affiliate costs may not be covered 100 percent by program budgets for short periods. To be able to retain talent, IDLO has set aside a modest contingency fund to cover these short-term gaps.
35. IDLO has factored an 8 percent vacancy factor to take into account the expected vacant posts to be recruited in 2022 and the natural turnover of employees due to resignations, contract completion, retirement, and workforce realignment.

Table 5. 2022 Fixed-term and Affiliates core-funded positions per department at HQ, The Hague, Geneva, and New York - Comparison against 2021

Fixed-Term by Department	2021 Total	2022 Total	Variation
Director-General's Office*	5	6	1
Program Management	14	16	2
The Hague Office	6	5	-1
Research and Learning	3	3	0
External Relations and Partnerships	12	11	-1
Office of the General Counsel	5	5	0
Human Resource and Office Services	13	13	0
Finance and Support Services	13	13	0
Total	71	72	1

Affiliates by Department	2021 Total	2022 Total	Variation
Director-General's Office	8	11	3
Program Management	5	6	1
The Hague Office	1	1	0
Research and Learning	3	3	0
External Relations and Partnerships	3	4	1
Office of the General Counsel	1	1	0
Human Resource and Office Services	3	3	0
Finance and Support Services	5	6	1
Total	29	35	6

* The present table excludes the Director-General

36. The table above provides a breakdown of core-funded employees by department with a variation against 2021. The 2022 budget includes 7 additional positions, compared with 9 included in the 2021 budget.
37. In addition to the employees included in Table 5, IDLO currently employs a total of 314 affiliates funded by restricted program 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 program-funded positions per region as at September 2021

Location	Total Affiliates
Africa	97
Asia	144
Eastern Europe and Central Asia	34
Europe*	28
Latin America and Carribbean	7
Middle East and North Africa	4
Total	314

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

3.6 Office costs

38. Office costs have been estimated at 1.7 million euro, showing a small increase of one percent against the 2021 approved budget. Table 7 below provides the office budgets by location.

Table 7. 2022 office budgets by location

Office	Key Function	Approved Budget 2021	Proposed Budget 2022	variation against 2021 approved budget
Rome	Global Headquarters	1,135,000	1,166,850	3%
The Hague	Priority Thematic Areas, Evaluation, Research and Learning	170,800	170,800	0%
Geneva	External Relations, UN Advocacy and Liaison	50,700	66,200	31%
New York	External Relations, UN Advocacy and Liaison	83,500	91,150	9%
Depreciation	N/A	260,000	225,000	-13%
Total		1,700,000	1,720,000	1%

39. The variation for the Geneva office is linked to additional office space with associated cleaning/maintenance costs as well as additional ICT, furniture, and equipment to accommodate one additional resource.
40. The refurbishment will increase depreciation once works commence and expenditure is incurred. However, it is not anticipated that works will begin before mid-2022, thus depreciation has been adjusted to reflect a more realistic figure.

4. CAPITAL BUDGET

41. Table 8 provides a summary of IDLO's 2022 proposed capital expenditure. As illustrated in the table below, IDLO is carrying forward a total amount of 550 thousand euro from its 2021 approved capital budget mainly for leasehold improvements.

Table 8. Proposed capital budget 2022

Capital Asset	Approved 2021	Carried forward from 2021	Additional requests for 2022	Proposed 2022
Information and Communications Technology	157,000	-	202,000	202,000
Furniture, fixture, and other assets	87,500	-	50,000	50,000
Leasehold improvements	788,500	500,000	702,000	1,202,000
Contingency	50,000	50,000	-	50,000
Total	1,083,000	550,000	954,000	1,504,000

42. IDLO will continue to upgrade its ICT equipment to improve functionality, mobility, and systems. The changes consider 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.
43. Expenditure on furniture, fixtures, and other assets include the replacement of old office desks, and the purchase of other minor office equipment.
44. As mentioned above, the amount carried forward is largely earmarked for leasehold improvements. This includes IDLO's plans to refurbish part of its HQ premises. Obtaining the required clearances and the impact from the COVID-19 pandemic impeded the start of the refurbishment works originally scheduled to begin in 2020. IDLO intends to begin renovations by mid-2022.
45. 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

	2020 Actual	2021 Budgeted
Unrestricted reserves	9,278	9,297
Reserves target		
50% of operating expenses for 2021	5,675	5,400
Pre-financing	2,674	3,072
Reserves target	8,349	8,472
Reserves in excess target	929	825

46. The criterion to determine the level of unrestricted reserves 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 will be reviewed annually.
47. Table 10 below provides the balance of the Operational Fund as at September 1, 2021.
48. Any increase in the Operational Fund will be calculated after the final 2021 operational results are confirmed.

Table 10. Operational Fund as at September 1, 2021

	2021 Budgeted
Operational Fund opening balance	3,441
<i>Strengthening Food Security for Vulnerable Groups, Women and Girls in the Context of the Global Response to COVID-19</i>	(168)
<i>Pandemic Preparedness and Response: Strengthening National Legal and Policy Frameworks to Address Public Health Emergencies, Including COVID-19</i>	(135)
Total Operational Fund	3,138

5. FACTORS THAT MAY IMPACT BUDGET ESTIMATES

5.1 Revenue

49. IDLO has a narrow donor base. A majority of both program and unrestricted funding comes from a small number of donors. There is a risk of a sudden fall in income if one donor changes in their support to IDLO. IDLO will reinforce its resource mobilisation capacity and is committed to actively engaging in discussions with new potential donors for unrestricted, broadly earmarked and program funds.

5.2 Operations

50. IDLO's capacity to implement will depend partly on the stability of countries where we operate and COVID-19 pandemic measures. As in 2021, IDLO will monitor the situation closely and adjust its programmatic plans, to mitigate any adverse impact on its operations.
51. 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 banking and financial risks, among others. IDLO is making a concerted effort to negotiate host country agreements or comparable arrangements with all the countries where it operates.

5.3 Fixed costs

52. 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 program revenue.

5.4 Contingency provisions

53. Given the nature of the revenue and the existence of fixed costs, IDLO includes a contingency provision in its budget to mitigate the impact of risk which may be realised during the budget year. In 2022, IDLO will set aside 20 thousand euro for project-related (non-employee) contingency, an institutional contingency of 100 thousand euro, and 100 thousand euro for program staff-related costs contingency. The total of the contingency, amounting to 220 thousand euro, represents less than one percent of IDLO's total 2022 Proposed Operating Budget.

ENDS/