

OPERATING BUDGET FOR 2024
ANNUAL MEETING OF THE ASSEMBLY OF PARTIES
28 November 2023

1. This document provides IDLO's proposed Operating Budget for 2024, the final year of implementation of the Strategic Plan 2021-2024.
2. IDLO proposes a balanced budget for 2024 to implement the second year 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 2024 Operating Budget has been prepared in a continually evolving and volatile environment, both due to the impact of the instability experienced in several countries where IDLO operates and the uncertain global economic situation. The Operating Budget therefore takes a prudent approach, while reflecting IDLO's determination to capitalize on emerging opportunities, respond to partners' needs, and to introduce innovation that is geared towards increasing efficiency and effectiveness. The financial impact of these external factors will be monitored, and necessary adjustments made as needed.
4. IDLO will continue the implementation of institutional projects related to organisational improvements and systems enhancement to strengthen efficiency, effectiveness, and overall policy coherence within the organization, in accordance with the Strategic Plan.
5. The Operating Budget also provides a broad forecast for 2025, for information purposes. While the proposed 2024 budget is described in detail in the following sections, the 2025 figures represent a preliminary target forecast that will be adjusted in 2024. Approval is sought for the 2024 budget only.
6. Given the timetable for submission, the budget is based on a series of assumptions. Actual results are subject to variation in 2024.
7. Major assumptions and considerations for the 2024 figures are summarized below, and further explanation is provided within the respective cost sections:
 - The unrestricted revenue estimate reflects a cautious approach, taking into account the decrease in unrestricted funding experienced in 2023. The organization will continue to prioritize efforts to increase core funding.
 - The estimate for budgeted restricted programme revenue is based on the data available on 31 August 2023, and takes a conservative approach given the volatile political and security environments in several countries where the Organization is operating.

- Institutional projects are estimated at the same level as the approved 2023 Operating Budget. Unspent funds from the 2023 approved budget for institutional projects will be carried forward to 2024.
- Employee and office related costs are budgeted at a similar level to the one approved in 2023.
- IDLO's proposed capital expenditure for 2024 includes revised figures to reflect the payment schedules for the Headquarters refurbishment that is expected to begin in 2024. This will have an impact on the depreciation costs, which have been adjusted accordingly in the office cost budget line.

1. CONSOLIDATED OPERATING BUDGET

Table 1 provides a consolidated financial overview of the 2024 proposed Operating Budget, with comparison against the 2023 approved Operating Budget. Additional explanations are provided in the respective cost sections.

Table 1. Operating Budget for 2024 (in '000 euro)

	Approved 2023 Budget	Forecast 2023	Variation against 2023 Budget	Proposed 2024 Budget	Variation against 2023 Budget	Target 2025 Budget
REVENUE						
Unrestricted revenue	10,450	9,950	-5%	9,950	-5%	10,000
Restricted programme revenue	36,200	40,230	11%	38,600	7%	40,000
Total Revenue	46,650	50,180	8%	48,550	4%	50,000
EXPENSES						
Direct programme activities	31,460	35,880	14%	34,100	8%	34,300
Institutional projects	1,500	850	-43%	1,500	0%	1,100
Institutional activities	1,620	1,400	-14%	1,650	2%	1,700
Employee related costs	10,650	10,450	-2%	10,300	-3%	10,900
Office costs (includes depreciation)	1,850	1,700	-8%	1,850	0%	2,000
Total Expenses	47,080	50,280	7%	49,400	5%	50,000
Net operational result	(430)	(100)		(850)		0
Inst. projects brought forward amount	430	250		650		
Operational fund included in direct programme activities expenditure		500		200		
Estimated inst. project balance carried forward to 2024		(650)		-		
Results from operations (including carried forward amounts)	0	0		0		0

2. REVENUE OUTLOOK

8. IDLO anticipates receiving approximately 48.6 million euro in revenue in 2024, consisting of 9.95 million euro of unrestricted contributions, and 38.6 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 continue to reach out to Member Parties and donors to discuss increased core contributions to deliver on the Strategic Plan.
10. Any additional resources secured will be used to develop thematic interventions; invest in innovative research, advocacy, and programmes; and strengthen organizational capacities.

2.1 Unrestricted revenue

11. Unrestricted revenue in 2024 is forecasted to be approximately 9.95 million euro and is based on the anticipated revenue recognized in 2023. As indicated above, this variation of negative 5 percent against the 10.45 million euro approved in 2023 reflects the decrease in unrestricted funding experienced in 2023.

2.2 Restricted programme revenue

12. Restricted programme revenue is budgeted at 38.6 million euro in 2024, reflecting a 7 percent increase from the 36.2 million euro in the 2023 budget.
13. Table 2 provides a breakdown of the forecast restricted programme revenue and recovery on 31 August 2023. The secured programme revenue for 2024, as of 31 August 2023, is approximately 30.5 million euro, or 79 percent of the estimated restricted programme revenue of 38.6 million euro.
14. The amount estimated for projects in the pipeline is 8.1 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 several countries where projects are implemented. IDLO has taken a cautious approach in forecasting programme revenue in view of this challenging environment for development assistance in the rule of law sector.

Table 2. Forecast restricted programme revenue and recoveries as at 31 August 2023

Programme Revenue & Recoveries* in Euro					
Source		Proposed 2024		Approved 2023	
		Gross Programme Revenue	Programme Recoveries	Gross Programme Revenue	Programme Recoveries
Ongoing programmes	A	30,500,000	3,660,000	30,636,725	3,982,774
Pipeline programmes @ 31 August 2023					
Advance stage of process ** (100%)		400,000		750,000	
Intermediate stage of process ** (50%)		7,700,000		4,764,831	787,228
Total Pipeline value	B	8,100,000	1,040,000	5,514,831	
Grand Total	A+B	38,600,000	4,700,000	36,151,556	4,770,002

*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 forecasted its 2024 level of expenditure at 49.4 million euro, representing an overall increase of 5 percent compared to the 2023 approved budget.

3.1 Output-based budget

17. Estimated costs for 2024 have been allocated to the Strategic Objectives (SO) 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.

18. Strategic Objectives 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 detailed description of the activities that will be undertaken under the Strategic Objectives and Enablers is provided in the Management Plan 2023-2024.

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

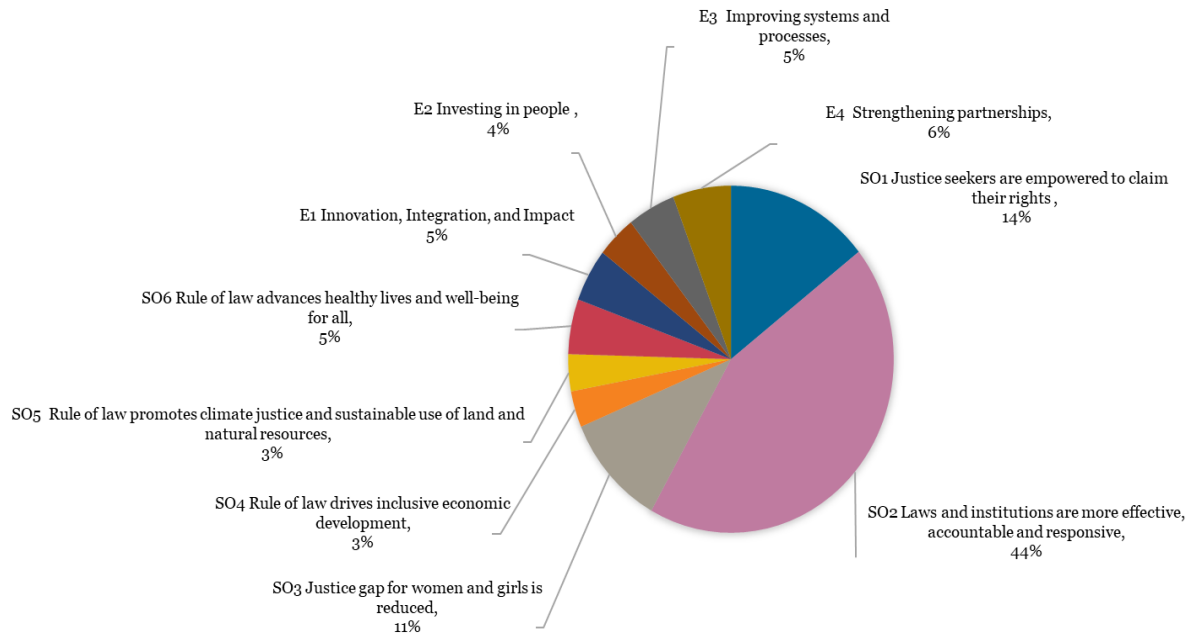
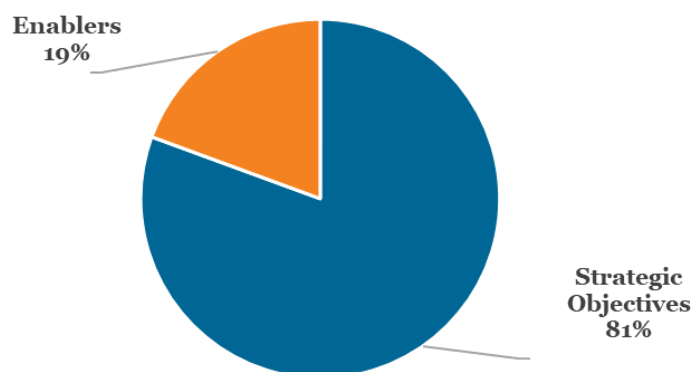


Diagram 2. Breakdown of operating expenditure by Strategic Objectives versus Enablers



3.2 Direct programme costs

19. The direct programme costs for 2024 are estimated at 34.1 million euro, which represents an 8 percent increase compared to the 2023 approved budget of 31.5 million euro. The 2024 programme expenditure estimates are subject to change according to the level of programme implementation.

3.3 Institutional projects

20. As defined in IDLO's Cost Policy Statement, institutional projects are multi-year initiatives that are implemented to strengthen IDLO's capacity, efficiency, and effectiveness.
21. Institutional projects seek to advance one or more of the four Enablers of the Strategic Plan 2021-2024, as described in the Management Plan 2023-2024.
22. IDLO is proposing a total budget of 1.5 million euro for institutional projects in 2024 which is the same as the amount budgeted in 2023. The budgeted amount includes an expected carry forward from 2023 of 650 thousand euro.
23. 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 2024 Budget	Enablers
Talent Management (includes: performance management; learning and professional development; employee health and well-being)	320,000	E1, E2, E3
Change Management (includes: teambuilding, capacity development, retreats and workshops)	280,000	E1,E2,E3
ICT (includes: ERP and other systems development and roll-out)	260,000	E3
IPSAS Compliance (includes: drafting and finalization of IPSAS compliant financial manual)	10,000	E3
SDG Advocacy (includes: 2023 SDG 16 conference; HLPF; Summit of the Future)	100,000	E4
Communications and Outreach (includes: upgrading website and providing multi-lingual content)	160,000	E1, E4
EU Engagement	70,000	E4
Institutional Monitoring and Reporting	200,000	E1
New Strategic Plan (includes: scoping studies & research, drafting, editing)	100,000	E1
Total	1,500,000	

3.4 Institutional activities

24. Institutional activities are necessary for the functioning of the Organization. They are of an ongoing nature and are not related to time-bound projects.
25. While these activities are undertaken by IDLO's Headquarters, branch and 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, advocacy, 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 funds are not carried forward to the next year.

Table 4. Institutional activities 2024

Departments	Proposed 2024 Institutional Activities
Office of the Director-General (includes: organizational representation and management; strategy and policy planning; internal auditing and compliance; programme development funds; institutional contingency funds).	436,000
UN Liaison in Geneva (includes: advocacy, representation, partnerships and health thematic).	75,000
UN Liaison in New York: (includes: advocacy, representation, and partnerships).	75,000
Programmes Department (includes: IATI platform; E-learning platform (related to projects); mission travel, programme development).	77,000
The Hague Office (includes: expertise in priority thematic areas, engagement with key partners in the Netherlands and EU, evaluations).	75,000
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).	150,000
External Relations and Partnerships (includes: governance meetings; partnerships and outreach, resource mobilization; communications).	266,000
Office of the General Counsel (includes: external legal support, costs related to HCA negotiations).	70,000
Human Resources and Office Services (includes: recruitment and provident fund platforms; country office support; global security management).	305,000
Finance and Support Services (includes: ICT infrastructure security, treasury management, specialized trainings).	121,000
Total	1,650,000

3.5 Employee-related costs

26. The 2024 estimated employee-related costs amount to 10.3 million euro, which represents a similar level as in the 2023 approved budget.
27. The total of 10.3 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 7.3 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 100 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.

28. The proposed budget includes a 12 percent vacancy factor to take into account the expected recruitment in 2024 to vacant posts and the natural turnover of employees due to resignations, contract completion, retirement, and workforce realignment.

Table 5. 2024 Fixed-term and Affiliate core-funded positions per department at HQ, The Hague, Geneva, and New York - Comparison against 2023

Fixed-Term by Department	2023 Total	2024 Total	Variation
Director-General's Office	8	8	0
Geneva	1	2	1
New York	2	2	0
Programme Management	17	17	0
The Hague Office	4	4	0
Research and Learning	3	4	1
External Relations and Partnerships	11	6	-5
Office of the General Counsel	5	5	0
Human Resources and Office Services	14	15	1
Finance and Support Services	13	14	1
Total	78	77	-1
Affiliates by Department	2023 Total	2024 Total	Variation
Director-General's Office	5	5	0
Geneva	2	1	-1
New York	1	1	0
Programme Management	6	6	0
The Hague Office	6	6	0
Research and Learning	5	4	-1
External Relations and Partnerships	4	9	5
Office of the General Counsel	1	1	0
Human Resources and Office Services	5	4	-1
Finance and Support Services	6	5	-1
Total	41	42	1
Total positions	119	119	0

29. The table above provides a breakdown of core-funded employees by department with a variation against 2023. No additional positions are envisaged for 2024.
30. In addition to the employees included in Table 5, IDLO currently employs a total of 308 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 on 31 August 2023

Location	Total Affiliates
Africa	112
Asia	109
Eastern Europe and Central Asia	43
Europe*	31
Latin America and Caribbean	9
Middle East and North Africa	4
Total	308

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

3.6 Office costs

31. Office costs have been estimated at 1.9 million euro, showing no variation against the 2023 approved Operating Budget. Table 7 below provides the office budgets by location.

Table 7. 2024 office budgets by location

Office	Key Function	Approved Budget 2023	Proposed Budget 2024	variation against 2023 approved Budget
Rome	Global Headquarters	1,195,000	1,206,400	1%
The Hague	Priority Thematic Areas, Evaluation	325,700	341,800	5%
Geneva	External Relations, UN Advocacy and Liaison	79,300	79,300	0%
New York	External Relations, UN Advocacy and Liaison	100,000	102,500	2%
Depreciation	N/A	150,000	120,000	-20%
Total		1,850,000	1,850,000	0%

32. The Hague Office is currently seeking to renew the lease on its current premises and anticipates a slight increase in rent which explains the 5 percent variation against 2023.
33. The refurbishment of the headquarters will increase depreciation once works commence and expenditure is incurred. However, it is not anticipated that works will begin before mid-2024, thus depreciation has been adjusted accordingly.

4. CAPITAL BUDGET

34. Table 8 provides a summary of IDLO's 2024 proposed capital expenditure. IDLO anticipates carrying forward to 2024 most of the 2023 approved capital expenditure budget.

Table 8. Proposed capital budget for 2024

Capital Asset	Approved 2023	Proposed 2024
Information and Communications Technology	202,000	252,000
Furniture, fixture, and other assets	45,000	40,000
Leasehold improvements	1,020,000	1,508,000
Contingency	50,000	50,000
Total	1,317,000	1,850,000

35. 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 ICT security-related enhancements.
36. Expenditure on furniture, fixtures, and other assets includes the replacement of old office desks, and the purchase of other minor office equipment.
37. Leasehold improvements include amounts for the refurbishment of the IDLO headquarters in Rome. Implementation of this long-planned project has been delayed, in part because of the COVID 19 pandemic, as well as the time needed to negotiate and sign a new lease that rationalizes and acquires space for the Organization while achieving an equitable sharing of costs with the landlords.
38. In April 2023, IDLO signed a new lease for its headquarters building in Rome. The lease consolidated several existing leases into a single lease and extended the lease duration for a period of 18 years, providing stability and predictability.

39. It is expected that renovations will begin by mid-2024. The cost of this improvement will be depreciated over the lifetime of the lease agreement with the landlord.

5. RESERVES

Table 9. Expected reserves compared to target

	2022 Budget	2023 Budget
Unrestricted reserves	9,183	9,968
Reserves target		
50% of operating expenses	5,935	7,060
Pre-financing	2,706	2,848
Reserves target	8,641	9,908
Reserves in excess of target	542	60

40. In accordance with the Reserves Policy approved by the Standing Committee on 23 July 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

41. Resolution No. 2/2019 approved by IDLO's Assembly of Parties 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 that is allocated to the Operational Fund by the Standing Committee. The Fund is managed by the Director-General with the aim of improving the operational effectiveness and growth of the organization.
42. 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 on 31 August 2023.
43. Any increase in the Operational Fund will be calculated after the final 2023 operational results are confirmed.

Table 10. Operational Fund on 31 August 2023

Operational Fund	Euro '000
Opening balance 1/1/2023	4,391
Amount expensed as at 31 August 2023	(296)
Amounts committed to projects:	
<i>Advancing Women's and Girls' Action for Climate Justice through the Rule of Law</i>	(322)
<i>Strengthening Anti-Corruption in the LAC Region</i>	(577)
<i>Improving Governance of Land and Natural Resources</i>	(239)
Balance at 31 August 2023	2,957

7. FACTORS THAT MAY IMPACT BUDGET ESTIMATES

7.1 Revenue

44. IDLO has a relatively narrow donor base, with the majority of both restricted 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

45. IDLO's capacity to implement is impacted by the stability and security environment of countries where we operate. As in 2023, IDLO will monitor the situation closely in all countries of operation and adjust its programmatic plans, to mitigate any adverse impact.
46. IDLO operates in some 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 the conclusion of Host Country Agreements or comparable arrangements with all the countries where it operates.

7.3 Fixed costs

47. 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 the initiation and/or 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.

7.4 Contingency provisions

48. 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 2024, 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 2024 Proposed Operating Budget.

/ENDS