

OPERATING BUDGET FOR 2026
ANNUAL MEETING OF THE ASSEMBLY OF PARTIES
12 December 2025

1. This document provides IDLO's proposed Operating Budget for 2026, the second year of implementation of the Strategic Plan 2025-2028 and the Management Plan 2025-2026.
2. The overall objective of the proposed Budget is to ensure the organization's continued financial stability and ability to deliver on its mandate, while investing in key areas to build a foundation for future growth.
3. The 2026 Operating Budget was prepared in a volatile geopolitical environment, including major shifts in development assistance, increased insecurity, and operational complexity in several countries where IDLO operates. In this context, the proposed Budget has been developed to maximize IDLO's ability to promote practical rule of law solutions that help countries to address challenges and advance their development priorities, while mobilizing political and financial support for the rule of law.
4. Following the reduction in its programmatic portfolio in 2025, IDLO implemented several savings measures including action to limit recruitment, reduce discretionary expenditures and minimize travel. The proposed 2026 Operating Budget builds on these measures by introducing further cost reductions, savings and efficiencies for an overall 30% decrease compared to 2025.
5. Within this reduced envelope, the proposed Budget also reallocates resources to allow for investments in areas essential for the implementation of our Strategic Plan. These include digital innovation, enabling environments for economic growth, the development of regional approaches, strengthened strategic engagement with donors to diversify and solidify our funding base and upgrading systems and ICT infrastructure to enhance efficiency, transparency and accountability.
6. The Budget is output-based and aligned with the Management Plan 2025-2026, for financial transparency and accountability.
7. The Operating Budget also provides an indicative forecast for 2027, for information purposes. While the proposed 2026 budget is described in detail in the following sections, the 2027 figures represent a preliminary target that will be adjusted in 2026. Approval is sought for the 2026 budget only.
8. IDLO will continue to monitor the financial impact of external factors including changes in the operational environment and donor priorities and make necessary adjustments.

9. Given the current uncertain global financial outlook and the timetable for submission, the Budget is based on a series of assumptions. Actual results are subject to variation in 2026.
10. Major assumptions and considerations for the 2026 figures are summarized below, and further explanation is provided within the respective sections:
 - The growth in unrestricted revenue reflects increased contributions from several Member Parties. IDLO is particularly grateful to Sweden for a significant increase in the new multi-year agreement. We are currently in discussions with the Netherlands to renew the strategic partnership for unrestricted funding and expect to conclude a new multi-year agreement starting in 2026.
 - The estimate for restricted programme revenue is based on the data available on 31 August 2025, and takes a conservative approach given the volatile political and security environments in several countries where the Organization operates, as well as global financial concerns.
 - The number of institutional projects has been reduced and reprioritized to focus on initiatives to strengthen strategic engagement to diversify the funding base, and upgrade key systems and processes for efficiency, transparency and accountability. A small catalytic financing modality will be utilized to enable allocation of flexible, early-stage resources to pilot innovative approaches, rapidly respond to emerging priorities, accelerate impact in strategic areas and unlock larger, longer-term donor investments. These measures are reflected in an overall 40 percent increase in the amount allocated for Institutional Projects, covered partly by funds carried forward from 2025.
 - The budget for Institutional Activities has been reduced by 40 percent which reflects IDLO's continued efforts to implement cost saving measures introduced in 2025 and to increase organizational cost-effectiveness and efficiency.
 - Employee related costs have been reduced by 20 percent. This includes a 10 percent reduction in the number of core-funded positions, as well as additional savings through measures including realignment, limiting recruitment, and suspending salary increments and the implementation of the results of salary surveys conducted in 2024.
 - Office related costs reflect the recent impact of inflation on utilities and other office services, ICT licenses and subscriptions observed in 2025.
 - IDLO's proposed capital expenditure for 2026 is at the same level as 2025.

1. CONSOLIDATED OPERATING BUDGET

Table 1 provides a consolidated financial overview of the 2026 proposed Operating Budget, with comparison against the 2025 approved Operating Budget. Additional explanations are provided in the respective cost sections.

Table 1. Operating Budget for 2026 (in '000 euro)

	Approved 2025 Budget	Forecast 2025	Variation against 2025 Budget	Proposed 2026 Budget	Variation against 2025 Approved Budget*	Target 2027 Budget
REVENUE						
Unrestricted revenue	11,150	11,860	6%	11,600	5%	11,600
Restricted programme revenue	39,300	32,800	-17%	25,000	-35%	30,000
Total Revenue	50,450	44,660	-11%	36,600	-30%	41,600
EXPENDITURE						
Direct programme activities	34,750	28,877	-17%	22,650	-35%	26,400
Institutional projects	1,800	800	-56%	2,550	40%	1,800
Institutional activities	1,650	825	-50%	1,000	-40%	1,100
Employee related costs	11,200	10,000	-11%	9,200	-20%	10,000
Office costs (includes depreciation)	2,100	2,000	-5%	2,200	5%	2,300
Total Expenditure	51,500	42,502	-17%	37,600	-30%	41,600
Net operational result	(1,050)	2,158		(1,000)		0
Inst. projects brought forward amount	800	800		1,000		-
Operational fund included in direct programme activities expenditure	250	15		-		-
Estimated inst. project balance carried forward to 2026	-	(1,000)		-		-
Results from operations (including carried forward amounts)	0	1,973		0		0

* % are rounded

2. REVENUE OUTLOOK

11. IDLO anticipates approximately 36.6 million euro in revenue in 2026, consisting of 11.6 million euro of unrestricted contributions, and 25 million euro of restricted programme revenue.
12. Considering the prudent approach adopted in the development of the budget and in line with the Management Plan 2025-2026, IDLO will prioritize efforts to broaden and diversify its donor base to deliver on the Strategic Plan.

2.1 Unrestricted revenue

13. Unrestricted revenue in 2026 is forecasted to be approximately 11.6 million euro representing a 5 percent increase against the 2025 approved budget. The increase reflects increased contributions from several Member Parties, including a major increase in the new multi-year agreement concluded with Sweden. IDLO is also in discussion with the Government of the Netherlands to renew our strategic partnership for unrestricted funding and expect to conclude a new multi-year agreement starting in 2026.

2.2 Restricted programme revenue

14. Restricted programme revenue is budgeted at 25 million euro in 2026, compared to 39.3 million euro in the 2025 budget, which represents a 35 percent decrease.
15. With a reduced portfolio and other unpredictable external factors, forecasting IDLO's programme revenue is difficult at this time. IDLO has taken a cautious approach in forecasting programme revenue in view of this challenging environment.
16. Table 2 provides a breakdown of the forecast for restricted programme revenue and recovery as of 31 August 2025. The secured programme revenue for 2026 is approximately 22.3 million euro, or 89 percent of the estimated restricted programme revenue of 25 million euro.
17. The amount estimated for projects in the pipeline is 2.7 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.

Table 2. Forecast restricted programme revenue and recoveries as at 31 August 2025

Programme Revenue & Recoveries*					
in Euro					
		Proposed 2026		Approved 2025	
Source		Gross Programme Revenue	Programme Recoveries	Gross Programme Revenue	Programme Recoveries
Ongoing programmes	A	22,295,000	2,056,550	32,650,000	4,002,000
Pipeline programmes @ 1 September 2025					
Advance stage of process ** (100%)		-		220,000	
Intermediate stage of process ** (50%)		2,705,000		6,430,000	
Total Pipeline value	B	2,705,000	293,450	6,650,000	798,000
Grand Total	A+B	25,000,000	2,350,000	39,300,000	4,800,000

*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

18. IDLO has forecasted its 2026 level of expenditure at 37.6 million euro, representing an overall decrease of 30 percent when compared to the 2025 approved budget.

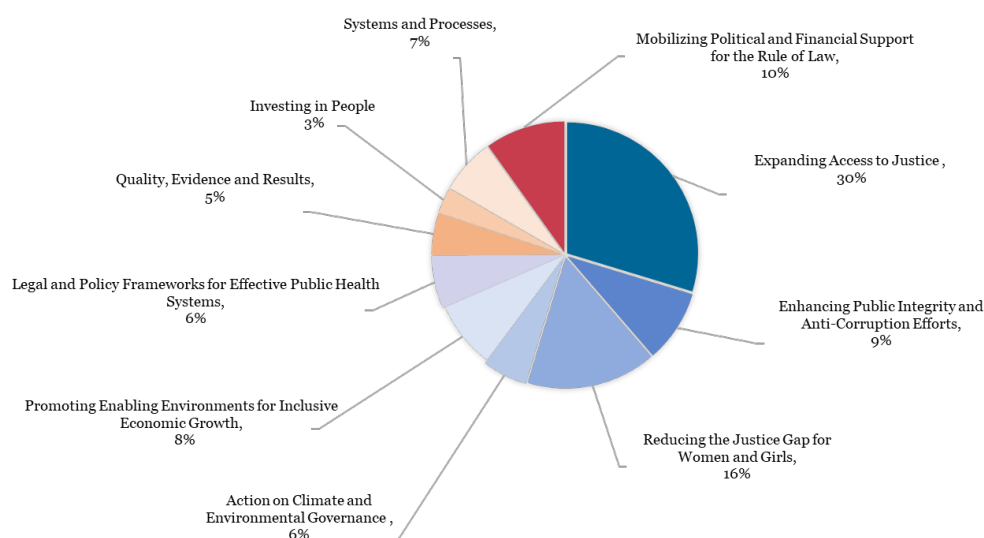
3.1 Output-based budget

19. Estimated costs for 2026 have been aligned with the three components of IDLO's Strategic Plan for 2025-2028, namely Outcomes, Mobilisation of Political and Financial Support for the Rule of Law, and Organizational Systems and Capacities.

20. The six Outcomes set out the substantive results that IDLO will aim to achieve through its programmes, research, and policy advocacy in the current strategic cycle. The Plan also emphasizes the importance of Mobilizing Political and Financial Support for the Rule of Law through partnerships, advocacy, resource mobilization and communications. The section on Organizational Systems and Capacities identifies areas where IDLO seeks to invest in its own capacities, systems and resources to deliver the Strategic Plan. Additional information detailing IDLO's priorities under each section are provided in the Management Plan.

21. An indicative breakdown of IDLO's proposed expenditures in 2026 is provided in **Diagram 1**.

Diagram 1. Breakdown of operating expenditure for 2026



3.2 Direct programme costs

22. The direct programme costs for 2026 are estimated at 22.6 million euro, which represents a 35 percent decrease compared to the 2025 approved budget of 34.7 million euro. The estimates are subject to change according to the level of programme implementation.

3.3 Institutional projects

23. As defined in IDLO’s Cost Policy Statement, institutional projects are discrete, time-bound initiatives that are implemented to strengthen IDLO’s capacity, efficiency, and effectiveness.

24. Institutional projects seek to advance one or more of the priorities in the Strategic Plan 2025-2028, as detailed in the Management Plan 2025-2026.

25. In 2026, IDLO will pursue a streamlined approach to institutional projects, concentrating resources on initiatives with the greatest organizational impact. These include strengthening performance and change management, modernizing ICT systems to boost efficiency, and enhancing results monitoring, advocacy, and communications. The savings generated through the cost reduction measures in the budget will support a small catalytic financing modality, which will be utilized to provide flexible, early-stage resources to pilot innovative approaches, rapidly respond to emerging priorities, accelerate impact in strategic areas and unlock larger, longer-term donor investments.

26. IDLO is proposing a total budget of 2.5 million euro for Institutional Projects in 2026 which represents a 40 percent increase against the amount budgeted in 2025. The budgeted amount will be partly covered by an estimated amount of 1 million euro carried forward from 2025. The carry forward amount is an estimate at August end and is subject to change given the current volatile and uncertain financial outlook for 2025.
27. Implementation and financial allocation to institutional projects will be closely monitored throughout 2026.
28. Table 3 provides a cost breakdown of the institutional projects. The implementation of the projects can be multi-year depending on their scope and complexity.

Table 3. Institutional projects

Institutional Project	Proposed 2026 Budget	Description
Talent Management	130,000	Strengthening IDLO's workforce through improved induction, onboarding, and performance management systems.
Change Management	200,000	Supporting change processes that improve agility and staff engagement in a shifting operating environment.
ICT	350,000	Investing in modern digital infrastructure, including CRM and Programme Management systems, piloting AI and cross-system data availability to enhance efficiency and transparency.
Catalytic Financing Modality	1,550,000	Flexible, early-stage resources to pilot innovative approaches, rapidly respond to emerging priorities, accelerate impact in strategic areas and unlock larger, longer-term donor investments.
Advocating for Political and Financial Support for ROL	50,000	Strengthening IDLO's ability to mobilise political and financial support for rule of law initiatives at global and national levels.
Communications and Outreach	50,000	Enhancing IDLO's visibility and stakeholder engagement, including by completing and optimizing its new website as a platform for outreach and advocacy.
Engagement with regional organizations	70,000	Expanding engagement and collaboration with regional organizations including the EU and AU and other regional bodies to strengthen partnerships and reinforce IDLO's impact and relevance in diverse contexts.
Institutional Monitoring and Reporting	150,000	Building robust systems to monitor and track results, including through dashboards, digital monitoring tools, enhanced results reporting as well as the operationalization of the Strategic Results and Resources Framework.
Total	2,550,000	

3.4 Institutional activities

29. Institutional activities are necessary for the functioning of the Organization. They are of an ongoing nature. Institutional activities are budgeted at 1 million euro which represents a 40 percent decrease against the amount budgeted in

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2025, reflecting continued cost savings and measures to improve efficiency and cost-effectiveness.

30. Institutional activities cover the necessary technical and administrative capacities to enable IDLO to effectively carry out its mandate worldwide. While these activities are undertaken by IDLO's Headquarters, Branch and Liaison Offices, the benefits and impact are organization-wide. Costs for institutional activities include organizational leadership and management, representation, advocacy, resource mobilization, research and learning, communications, external relations, human resources management, administrative services, support for governance, financial management, procurement, ICT, and legal services. Unspent funds for institutional activities are not carried forward to the next year.

Table 4. Institutional activities 2026

Departments	Proposed 2026 Institutional Activities
Office of the Director-General (includes: organizational leadership and management, representation, strategy and policy planning; internal auditing and compliance; programme development funds; institutional contingency funds).	261,500
UN Liaison in Geneva (includes: advocacy, representation, partnerships and health thematic).	45,000
UN Liaison in New York (includes: advocacy, representation, and partnerships).	45,000
Programmes Department (includes: IATI platform; E-learning platform (related to projects); programme development).	46,000
The Hague Office (includes: thematic expertise, partnerships, and evaluation).	45,000
Research and Learning (includes: production of research briefs and publications; development of knowledge products on gender equality; policy advocacy and trainings).	90,000
External Relations and Partnerships (includes: governance meetings; strategic engagement, resource mobilization; communications).	170,000
Office of the General Counsel (includes: external legal support, HCA negotiations).	42,000
Human Resources and Office Services (includes: recruitment and provident fund platforms; country office support; global security management).	183,000
Finance and Support Services (includes: ICT infrastructure security, treasury management, specialized trainings).	72,500
Total	1,000,000

3.5 Employee-related costs

31. Employee related costs proposed for 2026 amount to 9.2 million euro and represent a 20 percent reduction compared to the 2025 approved budget.
32. There have been significant changes in IDLO's workforce resulting from the reduction in the organization's programme portfolio. At the end of August

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2025, IDLO had 91 fewer project funded positions than it did at the same time in 2024, with the greatest impact on employees in country offices.

33. As part of cost containment measures adopted in 2025, IDLO made savings in employee related expenditures financed by the core budget, including by limiting most recruitment, and suspending salary increments and the implementation of the results of salary surveys conducted in 2024.
34. The proposed 2026 Operating Budget builds on these measures by introducing further savings and efficiencies in employee related costs including through realignment and the disestablishment of 12 core funded posts at HQ and Branch offices, which represents a 10 percent reduction from the number of positions in the 2025 Budget.
35. The proposed total of 9.2 million euro for 2026 includes the following employee-related costs:
 - IDLO employees with fixed term contracts (see table 5) inclusive of base salary and benefits estimated at 6.8 million euro.
 - Affiliates (see table 5) engaged in institutional and support activities at Headquarters, branch and liaison offices estimated at 2.2 million euro.
 - General employee costs of 100 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.
36. The proposed budget includes a 12 percent vacancy factor to take into account the time to fill vacant posts and the natural turnover of employees due to resignations, contract completion, retirement, and workforce realignment. IDLO will continue to monitor expenditures carefully and make adjustments as needed.
 - The tables below provide a breakdown of core-funded positions by department, and programme funded employees, showing variations against 2025.

Table 5. 2026 Fixed-term and Affiliate core-funded positions per department at HQ, The Hague, Geneva, and New York - Comparison against 2025

Fixed-Term by Department	2025 Total	2026 Total	Variation
Director-General's Office	8	7	-1
Geneva	2	2	0
New York	2	2	0
Programme Management	17	15	-2
The Hague Office	5	6	1
Research and Learning	4	3	-1
External Relations and Partnerships	7	6	-1
Office of the General Counsel	4	4	0
Human Resources and Office Services	15	14	-1
Finance and Support Services	14	13	-1
Total Fixed-Term	78	72	-6

Affiliates by Department	2025 Total	2026 Total	Variation
Director-General's Office	6	6	0
Geneva	1	1	0
New York	1	1	0
Programme Management	7	7	0
The Hague Office	5	3	-2
Research and Learning	4	4	0
External Relations and Partnerships	8	7	-1
Office of the General Counsel	3	2	-1
Human Resources and Office Services	5	4	-1
Finance and Support Services	6	5	-1
Total Affiliates	46	40	-6

Total Positions	124	112	-12
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Table 6. Affiliates in restricted programme-funded positions per region on 31 August 2025- Comparison against 31 August 2024

Location	31 August 2024	31 August 2025	Variation
Africa	87	89	2
Asia	95	16	-79
Eastern Europe and Central Asia	47	44	-3
Europe*	29	25	-4
Latin America and Caribbean	9	4	-5
Middle East and North Africa	12	10	-2
Total	279	188	-91

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

3.6 Office costs

37. Office costs have been estimated at 2.2 million euro, showing a 5 percent increase against the 2025 approved Operating Budget.
38. The variation reflects the increase in the cost of utilities and other office services such as ICT related licenses and platform subscriptions across IDLO's offices. Table 7 below provides the office budgets by location.

Table 7. 2026 office budgets by location

Office	Key Function	Approved Budget 2025	Proposed Budget 2026	Variation against approved 2025 Budget
Rome	Global Headquarters	1,345,000	1,435,000	7%
The Hague	Thematic Expertise, Partnerships, and Evaluations	398,000	398,600	0%
Geneva	Advocacy, Representation, Partnerships and Health Thematic	88,000	94,400	7%
New York	Advocacy, Representation, and Partnerships	109,000	112,000	3%
Depreciation	N/A	160,000	160,000	0%
Total		2,100,000	2,200,000	5%

4. CAPITAL BUDGET

39. Table 8 provides a summary of IDLO's 2026 proposed capital expenditure. IDLO anticipates carrying forward to 2026 the unspent balance of approximately 2 million euro from the 2025 approved capital expenditure budget.

Table 8. Proposed capital budget for 2026

Capital Asset	Approved 2025	Proposed 2026
Information and Communications Technology	130,000	130,000
Furniture, fixture, and other assets	40,000	40,000
Leasehold improvements	1,943,000	1,943,000
Contingency	50,000	50,000
Total	2,163,000	2,163,000

40. IDLO will continue to upgrade its ICT infrastructure to improve functionality, flexibility, and systems. This includes additional equipment, licenses, and ICT security-related enhancements.
41. Expenditure on furniture, fixtures, and other assets includes the replacement of old office furniture, and the purchase of other minor office equipment.
42. Leasehold improvements include amounts for the refurbishment of the IDLO headquarters in Rome. This is a longstanding project, which is currently under review in light of the evolving financial situation.

5. RESERVES

Table 9. Expected reserves compared to target

	2024 Budget	2025 Budget
Unrestricted reserves	11,768	13,109
Reserves target		
50% of operating expenses	6,900	7,475
Pre-financing	1,836	1,200
Reserves target	8,736	8,675
Reserves in excess of target	3,032	4,434

43. In accordance with the Reserves Policy approved by the Standing Committee on 23rd July 2019, the 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

44. 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.
45. 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 2025.

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46. Any increase in the Operational Fund will be calculated after the final 2025 operational results are confirmed and results are presented to the Standing Committee.

Table 10. Operational Fund on 31 August 2025

Operational Fund	Euro '000
Opening balance 1/1/2025	3,159
Amount expensed as at 31 August 2025	(15)
Amounts committed to projects:	
<i>Strengthening Anti-Corruption in the LAC Region (SAC-LAC)</i>	(55)
<i>Improving Governance of Land and Natural Resources</i>	(114)
Balance at 31 August 2025	2,975

7. FACTORS THAT MAY IMPACT BUDGET ESTIMATES

7.1 Revenue

47. 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

48. IDLO's capacity to implement is impacted by the stability and security environment of countries where we operate. As in 2025, IDLO will monitor the situation closely in all countries of operation and adjust its programmatic plans, to mitigate any adverse impact.
49. 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

50. A portion of IDLO costs is variable to mirror the fluctuating nature of IDLO 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 costs are fixed, or only variable in the medium term.

7.4 Contingency provisions

51. 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 2026, IDLO will allocate a total of 10 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 210 thousand euro represents less than one percent of IDLO's total 2026 Proposed Operating Budget.

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