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**OPERATING BUDGET FOR 2021**  
**MEETING OF THE ASSEMBLY OF PARTIES**  
**November 24, 2020**

1. This document provides IDLO's proposed Operating Budget for 2021, the first year of the Strategic Plan 2021-2024.
2. IDLO's proposed 2021 Operating Budget will implement the first 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 2021 Operating Budget has been prepared in a rapidly evolving environment due to the COVID-19 pandemic, which could impact IDLO's forecasts. It therefore takes a prudent perspective but also reflects IDLO's ambition to capitalize on emerging opportunities, respond to partners' needs, and introduce innovation which is geared towards increasing efficiency and effectiveness. Cognizant of the potential impact of COVID-19 on our operations, a cautious approach has been adopted when predicting the 2021 revenue. IDLO will monitor closely the financial impact of the pandemic and may adjust the budget accordingly if needed.
4. In 2020, IDLO adapted its priorities and re-oriented its work to maintain business continuity and address critical needs resulting from the impact of COVID-19 on our operations. The reprioritization included some delayed implementation of less mission-critical institutional projects, resulting in an under spend in the 2020 institutional projects budget. In line with IDLO's Reserves Policy, IDLO will carry forward unspent amounts to 2021.
5. As envisaged in the 2020 Management Plan, IDLO conducted reviews of the Organization's external relations and human resources management functions to enhance effectiveness, innovation, and overall policy coherence within the organization. The recommendations of the reviews, including changes in organizational structure, are being implemented and related costs are reflected in the 2021 Operating Budget.
6. IDLO is proposing a balanced 2021 budget. As in recent years, the current Operating Budget also provides a broad forecast for 2022. While the proposed 2021 budget is described in detail in the following sections, it should be underlined that the 2022 figures are an early target forecast and will be adjusted in 2021. Approval is sought for the 2021 budget only.
7. IDLO will continue the implementation of institutional projects which include a set of organizational reforms and systems enhancements to strengthen IDLO's efficiency and effectiveness.
8. Given the timetable for submission, the budget is based on a series of assumptions and considerations. Actual results will be subject to variation and

adjustments linked to the levels and timing of both unrestricted and restricted funds made available to IDLO in 2021.

9. Major assumptions and considerations for the 2021 figures are summarized below, and further explanation is provided within the respective cost sections:

- Adopting a cautious approach, unrestricted revenue is estimated at the same level as 2020;
- Budgeted program revenue (earmarked & restricted) reflects a 6% increase compared with the 2020 budget. This expected growth is estimated based on the data available as at September 4, 2020 and is directly correlated with the increase in program revenue described in the Management Plan;
- IDLO reprioritized the implementation of institutional projects in 2020 to focus on urgent needs resulting from the impact of COVID-19. As a result, and in line with its reserves policy, IDLO will carry forward all unspent funds from its 2020 approved budget for institutional projects to 2021;
- IDLO is investing in strengthened internal capacities for strategy and policy coherence, adopting a more structured approach to external relations and partnerships and improved human resources management. This has resulted in a modest increase in employee costs;
- Office costs are estimated at a similar level to 2020, showing a slight decrease driven by revised depreciation rates;
- IDLO is proposing additional capital expenditure in 2021, together with the 2020 Capital Budget for refurbishment of a portion of the basement at Headquarters that is carried forward from 2020;
- The Operating Budget includes a forecast for the 2020 budget results based on data as at September 11, 2020.

## **1. CONSOLIDATED OPERATING BUDGET**

10. Table 1 provides a consolidated financial picture of the 2021 proposed Operating Budget with comparison against the 2020 approved Operating Budget. Additional explanations are provided in the respective cost sections.

**Table 1. Operating Budget for 2021 (in '000 euro)**

	Approved 2020 Budget	2020 Budget forecast	Variation against approved 2020 budget	Proposed 2021 Budget	Variation against 2020 Approved Budget	Target 2022 Budget	Variation against 2021 proposed budget
<b>REVENUE</b>							
Unrestricted revenue	6,702	6,800	1%	6,750	1%	6,800	1%
Earmarked revenue	975	1,005	3%	1,304	34%	1,300	0%
Restricted Program Revenue	35,041	36,280	4%	36,720	5%	38,700	5%
<b>Total Revenue</b>	<b>42,718</b>	<b>44,085</b>	<b>3%</b>	<b>44,774</b>	<b>5%</b>	<b>46,800</b>	<b>5%</b>
<b>EXPENSES</b>							
Direct Program Activities	31,334	32,675	4%	33,425	7%	35,000	5%
Institutional projects	800	225	-72%	1,400	75%	600	-57%
Institutional activities	1,280	1,010	-21%	1,460	14%	1,300	-11%
Employee related costs	7,543	7,520	0%	8,160	8%	8,100	-1%
Office costs (includes depreciation)	1,761	1,550	-12%	1,700	-3%	1,800	6%
<b>Total Expenses</b>	<b>42,718</b>	<b>42,980</b>	<b>1%</b>	<b>46,145</b>	<b>8%</b>	<b>46,800</b>	<b>1%</b>
<b>Results from Operations (excluding deferred amounts)</b>	<b>0</b>	<b>1,105</b>		<b>(1,371)</b>		<b>-</b>	
Institutional projects deferred amount		(575)		575			
Institutional projects carry forward from 2019 earmarked funds		-		221			
Self-funded projects deferred amount		-		575			
<b>Results from operations (including deferred amounts)</b>		<b>530</b>		<b>(0)</b>			

## 2. REVENUE OUTLOOK

11. IDLO anticipates receiving approximately 44.8 million euro in revenue in 2021, consisting of 6.8 million euro of unrestricted contributions, 1.3 million euro of earmarked revenue and 36.7 million euro of restricted program revenue. At this stage, the projected revenue is 5 percent higher than the 2020 approved budget.

### 2.1 Unrestricted revenue

12. Unrestricted revenue in 2021 is forecasted to be around 6.8 million euro. The one percent increase against the 2020 approved budget is driven by adjustments based on actual 2020 received contributions.

### 2.2 Earmarked revenue

13. IDLO has recently signed an agreement with the Government of the Netherlands for the next phase of the current “Strategic Investment to Advance SDG 16” for approximately 1.8 million euro over 15 months starting in April 2020. In 2021, IDLO anticipates this project to generate a total of 1.3 million euro of earmarked revenue. The 34% increase is driven by the fact that when the 2020 budget was prepared the previous phase’s project proposal was still in the pipeline.

## 2.3 Restricted program revenue

14. Restricted program revenue is expected to be around 36.7 million euro in 2021, showing a 5 percent increase from the 35 million euro approved in 2020.
15. Table 2 provides a breakdown of the forecast restricted program revenue and recovery as at September 4, 2020. The secured program revenue for 2021 as at September 4, 2020 is approximately 27 million euro, or 73 percent of the estimated restricted program revenue of 37 million euro.
16. The total estimated pipeline amounts to 9.8 million euro. As per usual practice, the pipeline includes some programs that are currently under review by donors and are classified, as per IDLO's standard methodology, with high or moderate success probabilities.
17. In addition, the 2021 pipeline figure includes four proposals that are currently being finalized and are expected to be sent out to the respective donors by the ends of September and October 2020. To remain consistent with IDLO's usual pipeline classification these are shown in a separate category (future pipeline). These project opportunities have been rated with a moderate success probability and as such expected revenue for 2021 has been included at 50%.
18. IDLO has adopted a prudent and conservative approach and expects program revenue to change as additional proposals are developed and funding is confirmed.

**Table 2. Forecast restricted program revenue and recoveries as at September 4, 2020**

Program Revenue & Recoveries* in Euro					
Source		Proposed 2021		Approved 2020	
		Gross Program Revenue	Program Recoveries	Gross Program Revenue	Program Recoveries
<b>On-Going programs</b>	<b>A</b>	<b>26,951,746</b>	<b>3,503,727</b>	<b>32,466,479</b>	<b>4,220,642</b>
Pipeline programs @ Sept 4, 2020					
		3,257,189		550,000	
		2,626,338		2,024,774	
		3,884,461			
<b>Total Pipeline value</b>	<b>B</b>	<b>9,767,987</b>	<b>1,269,838</b>	<b>2,574,774</b>	<b>334,721</b>
<b>Grand Total</b>	<b>A+B</b>	<b>36,719,733</b>	<b>4,773,565</b>	<b>35,041,252</b>	<b>4,555,363</b>

\*Program Recoveries consist of revenue from charging the time of core employee spent on program implementation plus a mandatory overhead

\*\* Success probabilities are assigned as per IDLOs standard methodology

\*\*\* At the time of preparation of this operating budget for 2021, these proposals are being prepared and are planned to be sent in September and October. In order to remain consistent with IDLO's success probability classification and definition, these proposals are shown as separate items as they are yet to be submitted to the donor

## 3. OPERATING EXPENDITURE OUTLOOK

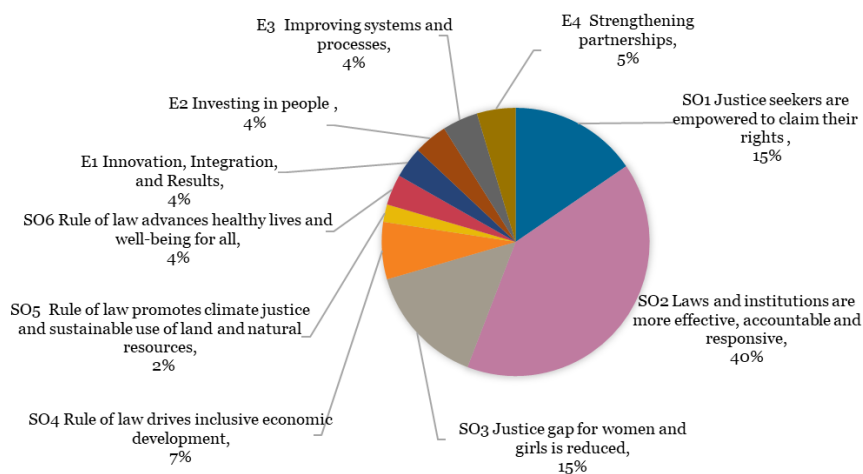
19. IDLO has forecasted its level of expenditure at 46.1 million euro for 2021, representing an overall increase of 8 percent when compared to the 2020 Approved Budget.

20. The proposed budget for institutional projects of 1.4 million euro for 2021 includes the expected underspend (796 thousand euro) from 2020 that will be carried forward as earmarked, as well as 604 thousand euro requested for new institutional projects in 2021. Thus, while the budget reflects a 75 percent increase when compared to the 2020, in fact this represents in large part projects that were delayed due to the need to prioritize other work in the immediate response to COVID-19 and that now will be implemented in 2021.
21. As mentioned previously, IDLO conducted reviews of the external relations and human resources management functions, in line with the 2020 Management Plan. The recommendations are being implemented through internal reorganization, including through the redeployment of some posts, reclassification of other vacant posts, and the creation of a limited number of new posts. Changes in costs allocation against departments in 2021 include:
  - The establishment of an External Relations and Partnerships Department to strengthen strategic outreach and coordination, enhance IDLO's resource mobilization efforts, strengthen support for governance and enhance relations with institutional and other partners.
  - The department will include the communications, resource mobilization and governance support functions, previously carried out by the department of Strategic Communications and the Office of the Director-General.
  - The establishment of a Strategy and Policy Planning Unit within the Director-General's Office to support the Director-General in strengthening strategic and policy coherence, improving knowledge management, and coordinating institutional monitoring and reporting.

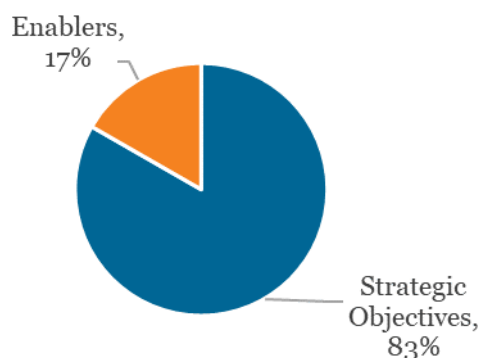
### **3.1 Output-based budget**

22. In 2021 costs 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.
23. Strategic Objectives (SOs) set out the substantive focus of IDLO's programs, research, policy, and advocacy in support of the Strategic Goals, as set in its *Strategic Plan 2021-2024*. The Enablers constitute a set of organizational 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

24. The direct program costs for 2021 are estimated at 33.4 million euro, which represents a 7 percent increase against the 2020 approved budget of 31.3 million euro. The 2021 program expenditure estimates are subject to change during the year according to the level of additional secured and pipeline programs implemented.

### 3.3 Institutional projects

25. This is the second year that IDLO presents its institutional costs in two distinct categories as described in the Cost Policy Statement: institutional projects, and institutional activities. Institutional projects are time-bound, have specific objectives, and are implemented to strengthen IDLO.

26. Institutional projects seek to advance one or more of the four Enablers of the Strategic Plan 2021-2024 described in greater detail in the Management Plan.
27. As previously mentioned, some institutional projects planned for 2020 have been reprioritized due to travel restrictions and IDLO's focus on maintaining business continuity and contributing to the global COVID-19 response. These included for example, the prioritization of ICT resources towards connectivity and shift to new modes of working such as webinars and the postponement of work on some ICT systems to 2021.
28. As a result, IDLO is expecting an underspend on its institutional projects for 2020 estimated at 796 thousand euro that will be carried forward to 2021.
29. IDLO is proposing a total budget of 1.4 million euro for institutional projects in 2021, which includes the 796 thousand euro mentioned above.
30. 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 2021 Budget	Enablers
<b>Talent Management Reforms</b> (includes: Development of a New HR Strategy; Performance Management and Competency Framework; Learning and Professional Development)	405,000	E1, E2, E3
<b>ICT Development</b> (includes: development of various ERP and other ICT systems)	400,000	E3
<b>IPSAS Compliance Project continuation</b> (includes update of chart of accounts & financial regulations and rules and reporting alignment)	65,000	E3
<b>SDG Advocacy Initiative</b> (includes: SDG 16 Conference)	160,000	E1
<b>External Relations and Partnerships Initiative:</b> (includes: increased visibility through media, social and website enhancements and multi-lingual contents, resource mobilizations and engagements)	115,000	E1, E4
<b>IDLO/EU Project</b> (includes: Pillar Assessment; EU Engagement)	95,000	E4
<b>Institutional Results and Monitoring</b> (Includes: SRRF; Institutional and program monitoring; Data; Improved Reporting)	110,000	E1
<b>Gender Action Plan</b>	50,000	E1
<b>Total</b>	<b>1,400,000</b>	

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

### 3.4 Institutional activities

32. Institutional activities are necessary for the functioning of the Organization. They are of an ongoing nature and are not time-bound projects.
33. While these activities are undertaken by IDLO's headquarters, branch and representative/liaison offices, the benefits and impact are generally 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.

**Table 4. Institutional activities 2021**

Departments	Proposed 2021 Institutional Activities
<b>Office of the Director General</b> (includes: organizational representation and management; strategy and policy planning; internal audit and compliance; UN liaison in New York and Geneva; program development funds; institutional contingency funds).	530,000
<b>Programs Department</b> (includes: IATI platform; E-learning platform (related to projects); mission travel).	80,500
<b>Program Development and Strategic Initiatives</b> (includes: development of strategies and programs; Engagement with strategic partners (Paris and Vienna); Internal coordination; liaison Hague-Rome; publication and testing of project development tools).	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).	100,000
<b>External Relations and Partnerships</b> (includes: governance meetings; partnerships and outreach, resource mobilization; communications).	235,000
<b>Office of the General Counsel</b> (includes: includes external legal support, costs related to HCA negotiations).	45,000
<b>Human Resources and Office Services</b> (includes: Recruitment and provident fund platforms; country office support; global security management).	265,000
<b>Finance and Support Services</b> (includes: ICT infrastructure security, treasury management related, specialized trainings).	130,000
<b>Total</b>	<b>1,460,500</b>



### 3.5 Employee-related costs

34. The 2021 estimated employee related costs amount to 8.1 million euro, which represents an 8 percent increase from the 2020 approved employee related costs budget.
35. The total of 8.1 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 5.8 million euro;
  - Affiliates (see table 5) engaged in institutional and support activities at Headquarters estimated at 1.8 million euro;
  - A provision of 238 thousand euro to cover any costs related to periodic review of posts/salary band and performance-linked increments;
  - 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 150 thousand euro. IDLO is a project-based organization with a number of affiliates funded directly by program budgets. As with any project-based organization, IDLO expects that there will be circumstances where program affiliates 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.
36. IDLO has factored a 5 percent vacancy factor to take account of the expected vacant posts to be recruited in 2021 and the natural turnover of employees due to resignations, contract completion, retirement, and workforce realignment.

**Table 5. 2021 Fixed-term and Affiliates core-funded positions per department at HQ, The Hague, Geneva, and New York - Comparison against 2020**

<b>Fixed-Term by Departments</b>	<b>2020 Total</b>	<b>2021 Total</b>	<b>Variation</b>
Office of the Director-General*	6	5	-1
Program Management	15	14	-1
Program Development and Strategic Initiatives	6	6	0
Research and Learning	3	3	0
External Relations and Partnerships	5	12	7
Office of the General Counsel	5	5	0
Human Resource and Office Services	12	13	1
Finance and Support Services	13	13	0
<b>Total</b>	<b>65</b>	<b>71</b>	<b>6</b>

<b>Affiliates by Department</b>	<b>2020 Total</b>	<b>Total</b>	<b>Variation</b>
Office of the Director-General	5	8	3
Program Management	5	5	0
Program Development and Strategic Initiatives	2	1	-1
Research and Learning	4	3	-1
External Relations and Partnerships	1	3	2
Office of the General Counsel	1	1	0
Human Resource and Office Services	3	3	0
Finance and Support Services	5	5	0
<b>Total</b>	<b>26</b>	<b>29</b>	<b>3</b>

\* The present table excludes the Director General

37. The table above provides a breakdown of core-funded employees by department and shows the variation against 2020. As a result of investments in strengthening key strategic planning, external relations and human resource management capacities described previously, the 2021 budget includes 9 additional posts, compared to 14 additional positions included and approved in the 2020 budget.
38. In addition to the employees included in Table 5, based on records as at September 11, 2020, IDLO currently employs a total of 346 affiliates funded by restricted program revenue, located at HQ and in branch and country offices. This represents a 3 percent increase from the 337 employees reported at the same period in 2019. Table 6 provides a summary of these employees by region.

**Table 6. Affiliates restricted program-funded positions per region as at September 11, 2020**

Location	Total Affiliates
Africa	68
Asia	171
Eastern Europe and Central Asia	39
Europe*	28
Latin America and Caribbean	36
Middle East and North Africa	4
<b>Total</b>	<b>346</b>

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

### 3.6 Office costs

39. Office costs have been estimated at 1.7 million euro showing a decrease of one percent against the 2020 approved budget. Table 7 below, provides the office budgets by location.

**Table 7. 2021 office budgets by location**

Office	Key Function	Approved Budget 2020	Proposed Budget 2021	variation against 2020 approved budget
Rome	Global Headquarters	1,087,215	1,135,000	4%
The Hague	Program Development and Strategic Initiatives, Evaluation, Research and Learning	170,755	170,800	0%
Geneva	External Relations, UN Advocacy and Liaison	50,110	50,700	1%
New York	External Relations, UN Advocacy and Liaison	83,156	83,500	0%
Depreciation	N/A	370,000	260,000	-30%
<b>Total</b>		<b>1,761,236</b>	<b>1,700,000</b>	<b>-3%</b>

#### 4. CAPITAL BUDGET

40. Table 8 provides a summary of IDLO's 2021 proposed capital expenditure. As illustrated in the table below IDLO is carrying forward a total amount of 550 thousand euro from its 2020 approved capital budget mainly for leasehold improvements.

**Table 8. Proposed capital budget 2021**

Capital Asset	Approved 2020	Carried forward from 2020	New requests for 2021	Proposed 2021
Information and Communications Technology	67,000	-	157,000	157,000
Furniture, Fixture, and other assets	40,000	-	87,500	87,500
Leasehold improvements	571,000	500,000	288,500	788,500
Contingency	50,000	50,000	-	50,000
<b>Total</b>	<b>728,000</b>	<b>550,000</b>	<b>533,000</b>	<b>1,083,000</b>

41. IDLO will upgrade its ICT equipment to improve functionality, mobility, and systems. The changes take into consideration changes in the office environment as well as new ways of working internally and externally. This includes additional laptops, licenses, and developing an ICT security-related platform.
42. Expenditure on furniture, fixtures, and other assets include the replacement of the institutional car and of old office desks, and the purchase of other minor office equipment.
43. As mentioned above, the amount carried forward is largely earmarked for leasehold improvements. This includes IDLO's potential liability arising from the terms of the lease of the headquarters in Rome regarding refurbishment of the basement and was in 2020 estimated at 500 thousand euro. 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 in 2021.
44. The cost of this improvement will be depreciated over the lifetime of the lease agreement with the landlord. The current lease agreement is valid until December 31, 2025, with an option to extend until December 31, 2031. Discussions are underway with the landlord for an extension prior to commencing works. Linked to the basement refurbishment, IDLO will also renovate its reception area including access to the building.

## 5. RESERVES

**Table 9. Reserves compared to target**

	2019 actual	2020 Budgeted
Unrestricted reserves	9,018	9,018
<b>Reserve target</b>		
50% of operating expenses for 2020	5,336	5,827
Pre-financing	2,994	2,991
Reserve target	8,330	8,818
<b>Reserves in excess target</b>	<b>688</b>	<b>200</b>

\* forecast prepared using the cost policy statement approved methodology

45. 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.
46. The total amount that is proposed to be earmarked from the expected 2020 surplus is 796 thousand euro.
47. Table 10 below provides the balance of the Operational Fund as at September 11, 2020.
48. Any increase in the Operational Fund will only be decided after final 2020 results are confirmed.

**Table 10. Operational fund as at September 11, 2020**

	2020 Budgeted
Operational Fund opening balance	2,508
<i>Strengthening Food Security for Vulnerable Groups, Women and Girls in the Context of the Global Response to COVID-19</i>	(260)
<i>Pandemic Preparedness and Response: Strengthening National Legal and Policy Frameworks to Address Public Health Emergencies, Including COVID-19</i>	(240)
<b>Total operational funds</b>	<b>2,008</b>

## 6. FACTORS THAT MAY IMPACT BUDGET ESTIMATES

### 6.1 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 their support to IDLO. IDLO will reinforce its resource mobilization capacity and is committed to actively engaging in

discussions with new potential donors for unrestricted, broadly earmarked and program funds.

## **6.2 Operations**

50. IDLO's capacity to implement will depend partly on the evolution of the COVID-19 pandemic. As in 2020, IDLO will monitor the situation closely and adjust its programmatic plans if necessary, to mitigate any adverse impact on its operations.
51. There is also a risk to operations in countries where IDLO has not yet secured formal recognition of its legal status through the conclusion of host country agreements, registration with the government, or an alternative process. 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 of the countries where it operates.

## **6.3 Fixed costs**

52. A large portion of IDLO's costs are 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 other countries. 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.

## **6.4 Contingency provisions**

53. Given the nature of the revenue and the existence of fixed costs, IDLO typically includes a level of contingency provisions in its budget to mitigate the impact of risk which may be realized during the budget year. In 2021, IDLO will set aside 15 thousand euro for project-related (non-employee) contingency and an institutional contingency of 100 thousand euro within the Institutional Activities Budget and, as explained in Section 3.5, 150 thousand euro for program employee contingency for this purpose. The grand total of the contingency, amounting to 265 thousand euro, represents less than one percent of IDLO's total 2021 Proposed Operating Budget.

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