

OPERATING BUDGET FOR 2025
MEETING OF THE ASSEMBLY OF PARTIES
26 November 2024

1. This document provides IDLO's Operating Budget for 2025, the first year of implementation of the Strategic Plan 2025-2028.
2. IDLO proposes a balanced budget for 2025 to implement the first year of the Management Plan 2025-2026. The draft Budget is output-based and aligned with the draft Management Plan 2025-2026, for financial transparency and accountability.
3. The 2025 Operating Budget has been prepared in an unstable global environment, both due to the impact of instability in several countries where IDLO operates and the challenging 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 enhancements to strengthen efficiency, effectiveness, and overall policy coherence within the organization, in accordance with the Strategic Plan.
5. The Operating Budget also provides an indicative forecast for 2026, for information purposes. While the proposed 2025 budget is described in detail in the following sections, the 2026 figures represent a preliminary target that will be adjusted in 2025. Approval is sought for the 2025 budget only.
6. Given the timetable for submission, the Budget is based on a series of assumptions. Actual results are subject to variation in 2025.
7. Major assumptions and considerations for the 2025 figures are summarized below, and further explanation is provided within the respective sections:
 - The growth in unrestricted revenue reflects expected increased contributions from the Netherlands, the United States, and a new multi-year grant from the Kuwait Fund for Arab Economic Development (KFAED). The organization will continue to prioritize efforts to increase core funding.
 - The estimate for restricted programme revenue is based on the data available on 31 August 2024, and takes a conservative approach given the volatile political and security environments in several countries where the Organization operates.
 - The increase in the Institutional Projects reflects the resources required to support investment in key priorities in the new strategic cycle. As per

our Reserves Policy, unspent funds from the 2024 approved budget for institutional projects will be carried forward to 2025.

- Employee related costs include provisions for increases that may arise from the salary scale review process and adjustments within salary bands, as well as 5 new posts related to inclusive economic development, and increased support to audit, oversight, and compliance.
- Office related costs reflect the recent impact of inflation on utilities and other office services observed in 2024. The estimate also provides for increases in rental costs in the Branch and UN Liaison Offices.
- IDLO's proposed capital expenditure for 2025 includes revised figures to reflect the payment schedules for the Headquarters refurbishment works that is expected to begin in the first part of 2025. 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 2025 proposed Operating Budget, with comparison against the 2024 approved Operating Budget. Additional explanations are provided in the respective cost sections.

Table 1. Operating Budget for 2025 (in '000 euro)

	Approved 2024 Budget	Forecast 2024	Variation against 2024 Budget	Proposed 2025 Budget	Variation against 2024 Approved Budget	Target 2026 Budget
REVENUE						
Unrestricted revenue	9,950	10,730	8%	11,150	12%	11,150
Restricted programme revenue	38,600	37,800	-2%	39,300	2%	40,000
Total Revenue	48,550	48,530	0%	50,450	4%	51,150
EXPENDITURE						
Direct programme activities	34,100	34,300	1%	34,750	2%	33,820
Institutional projects	1,500	700	-53%	1,800	20%	1,800
Institutional activities	1,650	1,600	-3%	1,650	0%	1,700
Employee related costs	10,300	10,300	0%	11,200	9%	11,530
Office costs (includes depreciation)	1,850	1,850	0%	2,100	14%	2,300
Total Expenditure	49,400	48,750	-1%	51,500	4%	51,150
Net operational result	(850)	(220)		(1,050)		0
Inst. projects brought forward amount	650	950		800		
Operational fund included in direct programme activities expenditure	200	650		250		
Estimated inst. project balance carried forward to 2025	-	(800)		-		
Results from operations (including carried forward amounts)	0	580		0		0

2. REVENUE OUTLOOK

8. IDLO anticipates approximately 50.4 million euro in revenue in 2025, consisting of 11.1 million euro of unrestricted contributions, and 39.3 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 2025-2026, IDLO will continue to reach out to Member Parties and donors to explore increased core contributions to deliver on the new 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 2025 is forecasted to be approximately 11.1 million euro representing a 12 percent variation against the 2024 approved budget, reflecting expected increases from the Netherlands under the current multi-year agreement, from the United States, and a new multi-year grant from the Kuwait Fund for Arab Economic Development (KFAED).

2.2 Restricted programme revenue

12. Restricted programme revenue is budgeted at 39.3 million euro in 2025, reflecting a 2 percent increase from the 38.6 million euro in the 2024 budget.
13. Table 2 provides a breakdown of the forecast for restricted programme revenue and recovery as of 31 August 2024. The secured programme revenue for 2025 is approximately 32.7 million euro, or 83 percent of the estimated restricted programme revenue of 39.3 million euro.
14. The amount estimated for projects in the pipeline is 6.6 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.

Table 2. Forecast restricted programme revenue and recoveries as at 31 August 2024

Programme Revenue & Recoveries*					
in Euro					
		Proposed 2025		Approved 2024	
Source		Gross Programme Revenue	Programme Recoveries	Gross Programme Revenue	Programme Recoveries
Ongoing programmes	A	32,650,000	4,002,000	30,500,000	3,660,000
Pipeline programmes @ 31 August 2024					
Advance stage of process ** (100%)		220,000		400,000	
Intermediate stage of process ** (50%)		6,430,000		7,700,000	
Total Pipeline value	B	6,650,000	798,000	8,100,000	1,040,000
Grand Total	A+B	39,300,000	4,800,000	38,600,000	4,700,000

*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

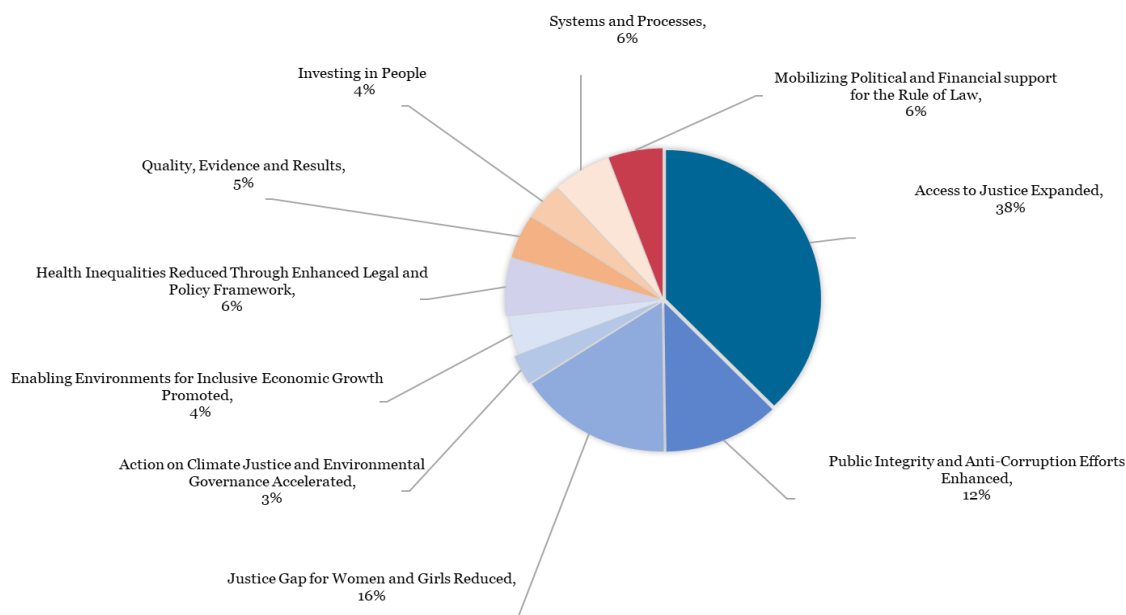
16. IDLO has forecasted its 2025 level of expenditure at 51.2 million euro, representing an overall increase of 4 percent when compared to the 2024 approved budget.

3.1 Output-based budget

17. Estimated costs for 2025 have been aligned with the three sections of IDLO's proposed Strategic Framework for 2025-2028, namely Outcomes, Mobilisation of Political and Financial Support for the Rule of Law, and Organizational Systems and Capacities.

18. The six Outcomes set out the substantive results that IDLO will aim to achieve through its programmes, research, and policy advocacy in the next strategic cycle. The section on Mobilizing Political and Financial Support for the Rule of Law emphasizes the importance of keeping justice, human rights, and the rule of law high on the international agenda through partnerships, advocacy, resource mobilization and communications. 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 draft Management Plan.

19. An indicative breakdown of IDLO's proposed expenditures in 2025 is provided in **Diagram 1**.

Diagram 1. Breakdown of operating expenditure for 2025

3.2 Direct programme costs

20. The direct programme costs for 2025 are estimated at 34.7 million euro, which represents a 2 percent increase compared to the 2024 approved budget of 34.1 million euro. The estimates are subject to change according to the level of programme implementation.

3.3 Institutional projects

21. 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.
22. 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.
23. IDLO is proposing a total budget of 1.8 million euro for institutional projects in 2025 which represents a 20 percent increase against the amount budgeted in 2024. The variation reflects added investment in the ICT project to implement the findings of a review of IT systems. The budgeted amount includes an expected carry forward from 2024 of 800 thousand euro.

24. Table 3 provides a cost breakdown of the institutional projects. The implementation of the projects can be annual or multi-year depending on their scope and complexity.

Table 3. Institutional projects

Institutional Project	Proposed 2025 Budget	Organizational Systems and Capacities (OSC)
Talent Management (includes: performance management; learning and professional development; employee health and well-being)	325,000	Quality, Evidence and Results Investing in People Systems and Processes
Change Management (includes: teambuilding, capacity development, organizational change initiatives)	400,000	Quality, Evidence and Results Investing in People Systems and Processes
ICT (includes: ERP and other systems development and roll-out)	570,000	Systems and Processes
SDG Advocacy (includes: 2025 SDG 16 conference; HLPF; Financing for Development Conference)	100,000	Mobilizing Political and Financial Support for the RoL
Communications and Outreach (includes: upgrading website and providing multi-lingual content)	100,000	Mobilizing Political and Financial Support for the RoL
Engagement with regional organizations	100,000	Mobilizing Political and Financial Support for the RoL
Institutional Monitoring and Reporting	180,000	Quality, Evidence and Results
Launch and dissemination of Strategic Plan 2025-2028	25,000	Quality, Evidence and Results
Total	1,800,000	

3.4 Institutional activities

25. Institutional activities are necessary for the functioning of the Organization. They are of an ongoing nature and are not related to time-bound projects. Institutional activities are budgeted at the same level as 2024.
26. 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

worldwide. 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 2025

Departments	Proposed 2025 Institutional Activities
Office of the Director-General (includes: organizational management, representation, 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); programme development).	77,000
The Hague Office (includes: thematic expertise, partnerships, and evaluations).	75,000
Research and Learning (includes: production of research briefs and publications; development of knowledge products on gender equality; policy advocacy and trainings).	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, 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

27. The employee related costs in the 2024 Operating Budget were reduced by 3% in view of the decrease in unrestricted funding. The increase in unrestricted funding in 2025 allows IDLO to resume investing in its people. Employee-related costs amount to 11.2 million euro, which represents a variation of 9 percent compared to the 2024 approved budget.
28. The total of 11.2 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 7.8 million euro.
 - Affiliates (see table 5) engaged in institutional and support activities at Headquarters, branch and liaison offices estimated at 2.8 million euro.
 - A provision of 300 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.
29. The proposed budget includes a 12 percent vacancy factor to take into account the expected recruitment in 2025 to vacant posts and the natural turnover of employees due to resignations, contract completion, retirement, and workforce realignment.
30. The table below provides a breakdown of core-funded employees by department and shows the variation against 2024. The 2025 Operating Budget includes five additional posts related to inclusive economic development, and to strengthening internal audit, oversight and compliance.

Table 5. 2025 Fixed-term and Affiliate core-funded positions per department at HQ, The Hague, Geneva, and New York - Comparison against 2024

Fixed-Term by Department	2024 Total	2025 Total	Variation
Director-General's Office	8	8	0
Geneva	2	2	0
New York	2	2	0
Programme Management	17	17	0
The Hague Office	4	5	1
Research and Learning	4	4	0
External Relations and Partnerships	6	7	1
Office of the General Counsel	5	4	-1
Human Resources and Office Services	15	15	0
Finance and Support Services	14	14	0
Total Fixed-Term	77	78	1

Affiliates by Department	2024 Total	2025 Total	Variation
Director-General's Office	5	6	1
Geneva	1	1	0
New York	1	1	0
Programme Management	6	7	1
The Hague Office	6	5	-1
Research and Learning	4	4	0
External Relations and Partnerships	9	8	-1
Office of the General Counsel	1	3	2
Human Resources and Office Services	4	5	1
Finance and Support Services	5	6	1
Total Affiliates	42	46	4

Total Employees	119	124	5
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31. In addition to the employees included in Table 5, IDLO currently employs a total of 279 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 2024

Location	Total Affiliates
Africa	87
Asia	95
Eastern Europe and Central Asia	47
Europe*	29
Latin America and Caribbean	9
Middle East and North Africa	12
Total	279

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

3.6 Office costs

32. Office costs have been estimated at 2.1 million euro, showing a 12 percent variation against the 2024 approved Operating Budget. One of the common elements that drives the increase across offices is the impact of inflation on utilities and other office services costs experienced in 2024. Table 7 below provides the office budgets by location.

Table 7. 2025 office budgets by location

Office	Key Function	Approved Budget 2024	Proposed Budget 2025	Variation against approved 2024 Budget
Rome	Global Headquarters	1,206,400	1,345,000	11%
The Hague	Thematic Expertise, Partnerships, and Evaluations	341,800	398,000	16%
Geneva	Advocacy, Representation, Partnerships and Health Thematic	79,300	88,000	11%
New York	Advocacy, Representation, and Partnerships	102,500	109,000	6%
Depreciation	N/A	120,000	160,000	33%
Total		1,850,000	2,100,000	14%

33. The Hague Office is currently seeking to renew the lease on its current premises and anticipates an increase in rent. The Hague Office has also been impacted by significant increases in the cost of utilities and other office services. These factors explain the 16 percent variation against 2024.
34. The Geneva Office has recently secured additional office space to accommodate its growing activities this resulted in a minor variation of 11 percent against 2024.
35. The New York Office shows a variation of 6 percent linked to expected increase in rent.
36. The refurbishment of the Headquarters will increase depreciation once works commence and expenditure is incurred. It is anticipated that works will begin in the first part of 2025, thus depreciation has been adjusted accordingly.

4. CAPITAL BUDGET

37. Table 8 provides a summary of IDLO's 2025 proposed capital expenditure. IDLO anticipates carrying forward to 2025 the unspent balance of approximately 1.2 million euro from the 2024 approved capital expenditure budget.

Table 8. Proposed capital budget for 2025

Capital Asset	Approved 2024	Proposed 2025
Information and Communications Technology	252,000	130,000
Furniture, fixture, and other assets	40,000	40,000
Leasehold improvements	1,508,000	1,943,000
Contingency	50,000	50,000
Total	1,850,000	2,163,000

38. IDLO will continue to upgrade its ICT equipment to improve functionality, mobility, and systems. The changes take account of the new office environment as well as new ways of working internally and externally. This includes additional laptops, licenses, and developing ICT security-related enhancements.
39. Expenditure on furniture, fixtures, and other assets includes the replacement of old office furniture, and the purchase of other minor office equipment.

40. 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 landlord.
41. In 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.
42. Extensive preparatory work has been undertaken and it is expected that renovations will begin early 2025. 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

	2023 Budget	2024 Budget
Unrestricted reserves	9,968	11,768
Reserves target		
50% of operating expenses	7,060	6,900
Pre-financing	2,848	1,836
Reserves target	9,908	8,736
Reserves in excess of target	60	3,032

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 2024.
46. Any increase in the Operational Fund will be calculated after the final 2024 operational results are confirmed.

Table 10. Operational Fund on 31 August 2024

Operational Fund	Euro '000
Opening balance 1/1/2024	3,821
Amount expensed as at 31 August 2024	(423)
Amounts committed to projects:	
<i>Advancing Women's and Girls' Action for Climate Justice through the Rule of Law</i>	(94)
<i>Strengthening Anti-Corruption in the LAC Region (SAC-LAC)</i>	(214)
<i>Improving Governance of Land and Natural Resources</i>	(130)
Balance at 31 August 2024	2,960

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 2024, 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 2025, IDLO will allocate a total of 15 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 215 thousand euro represents less than one percent of IDLO's total 2025 Proposed Operating Budget.

ENDS/