

## FY 2023-2024 Budget Memorandum

**To:** OGP Board of Directors and OGP Steering Committee  
**From:** Denisse Miranda, Joe Powell, Kate Lasso  
**Re:** Proposed FY 2023 Budget  
**Date:** March 6, 2023

**Summary:** For FY 2023-2024, OGP is proposing an organizational budget of \$12.2M in expenditures – which consists of \$8.1M (64%) in salary-related expenses and \$4M in non-salary expenses, including the upcoming Estonia summit – with anticipated revenues of \$10.1M, supplemented by \$2.1M from the carryover reserves of \$6.8M.

### Context

The successful implementation of the 2023-2028 Strategy will, in part, depend on the core OGP functions (Support Unit and IRM) being sustainably funded. In the first 11 years of the partnership, there had been steady growth in the budget, which was made possible through sustained multi-year funding from the founding donors, new donors joining and re-committing, and annual country contributions. Like other organizations, we faced cuts in funding during the pandemic, but we were able to effectively navigate these challenges through cost-cutting measures and skillful management of reserves. Due to exogenous factors (unrelated to OGP per se) stemming from the present geo-political context - including the impact of the Russia-Ukraine war, a significant downturn in bilateral aid spending, political and economic developments in the UK (a key OGP donor), and shifting priorities of our foundation partners - we are now confronting a 30% reduction in revenue from OGP's traditional institutional donors in FY 2023-24. This comes at a time when we need to finance new programs to deliver on the Strategy and the upcoming OGP Global Summit in Estonia.

### Key messages:

- To maintain our ability to deliver programmatically OGP will need to engage in significant fundraising efforts with the help of the Steering Committee and the Board of Directors. A fundraising campaign in advance of the OGP Global Summit in Estonia will be necessary, targeting existing donors, and potential new donors, and increasing the level of country contributions and the number of countries paying them.
- Despite the challenges anticipated in coming years, a baseline of approximately \$10M in annual income is achievable over the next three years, based on current funders and country contributions. Our aim through fundraising is to increase this to at least \$12M as a sustainable, annual income-expenditure level. For now, it is prudent to bring expenses in balance with the level of income expected in the short term.
- The approach to the 2023-2024 budget development was three-fold. First, we identified cost-cutting measures, including our dominant salary-related expenses (summarized in the next paragraph). Second, we identified essential activities that require continuation from 2022 and that must be completed in 2023. This includes activities that are earmarked deliverables in specific grants, services to OGP members that are required to help the transition to the Strategy, and ongoing work started or contracted in 2022 to be completed in 2023, such as the Summit. Third, we made provision for resources needed to transition to



implementation of the Strategy focusing on seven priority collective deliverables outlined in the 2023-2024 Support Unit and IRM Work Plan.

- In addition to finding savings in programmatic expenses, the Senior Leadership Team mapped out and executed a plan to review the sustainability of fixed expenses such as salaries. There are two phases to this. Phase 1 included measures that are being adopted as of April 1st and Phase 2 will be adopted as of 2024 as necessary.
  - Some of the initial measures taken as of April 1st include:
    - Making one-off cost of living payments to staff based on a % of COLA, rather than permanent salary increases at full COLA.
    - Giving extra scrutiny on replacement hires and no new positions until a review of staffing needs is conducted per the Strategy.
    - Reviewing staffing allocations to identify functions that can be merged or reduced. A reduction of about 5 positions was identified for April 2023.
    - In view of the cuts in revenue, the CEO has voluntarily offered to the OGP Board a 25% cut in his salary to mitigate the impact on staffing.
  - After the Summit, in the lead-up to which we are launching a major fundraising campaign, we will assess the medium-term fiscal situation, including whether and how much a second phase of staff realignments or reductions will be needed for 2024-25.
  
- We can afford the proposed budget based on current revenues and reserves.

**Table 1. Summary of Financial Information 2022-2025**

	2022 Actual (Unaudited)	2023 1st QTR Budget	2023-2024 Budget	2024-2025 Projections
Revenues	10,215,323	1,665,017	10,077,210	10,248,000
Expenses	12,444,518	2,648,950	12,159,176	12,440,556
Ending Reserves	7,787,411	6,803,478	4,721,512	2,528,956

**Action for the Board of Directors and the Steering Committee:** The proposed budget reports the anticipated revenue and planned expenses for April 2023 to March 2024. As per the MoU on the division of responsibilities between the Steering Committee and the Board, we welcome questions or comments from the Steering Committee about the alignment between this proposed FY 2023-24 budget and the accompanying OGP SU and IRM Work Plan. The Board has the formal role of approving the budget taking into account available resources and operational reserves.

**Review of OGP Financial Position - Revenues and Expenditures:**

**Revenues**

Several factors contribute to OGP’s projected revenues for FY 2023 of **\$10.1M**. (i) confirmed funding commitments of approximately \$4.4M, (ii) annual government contributions of **\$2.7M**, and (ii) an additional \$3M in anticipated unconfirmed income.

With the collective efforts of the Steering Committee, the Board, and the Support Unit, the Government contributions levels are being increased by an average of 35% and are being phased in starting in 2024, since amounts and countries making payments fluctuate from year to year.



There are some sources of 2023 unconfirmed income at this stage. First, OGP anticipates renewals or extension funding from several core supporters, including Hewlett (\$750K), FCDO (\$300K), OSF (\$300K) USAID (\$450K), and Chandler Foundations (\$150K). Second, new awards from the European Union (\$881K) and Skoll Foundation (\$150K). The budget reflects conservative estimates for these two donors.

**Table 2. Revenues**

<b>INCOME</b>	<b>2022 Actual (Unaudited)</b>	<b>2023 1st QTR Budget</b>	<b>2023-2024 Proposed Budget</b>	<b>2024-2025 Projections</b>
Hewlett Foundation	1,000,000		750,000	750,000
Luminate	350,000	162,500	487,500	
Open Society Foundations	1,418,400		330,000	330,000
Ford Foundation	812,000	204,250	817,000	817,000
Foreign, Commonwealth & Development Office (FCDO - UK)	815,419		0	
Foreign, Commonwealth & Development Office (FCDO - UK)	0		300,000	500,000
Agence Française de Développement (AFD)	187,707	35,100	387,000	376,000
United States Agency for International Development (USAID)	817,086	41,667	458,333	800,000
Afghanistan Evacuation Contributions	125,000			
Payroll Protection Grant	737,300			
OGP Member Country Contributions	2,609,669	500,000	2,700,000	2,900,000
International Development Research Centre (IDRC)	154,077	14,500	221,000	207,500
Swedish International Development Cooperation Agency (Sida)	0	300,000	1,150,000	1,000,000
World Bank - Multi-Donor Trust Fund	222,298	48,000	194,577	130,000
Chandler Foundation	200,000	37,500	150,000	112,500
Charles S. Mott Foundation	150,000	37,500	150,000	150,000
Packard Foundation	200,000			100,000



Skoll Foundation			150,000	150,000
European Union - DG NEAR	678,855	104,000	970,000	1,000,000
European Union - INTPA			861,800	925,000
Other Income/Investment	-262,488	180,000		
<b>Total Revenue</b>	<b>\$ 10,215,323</b>	<b>\$ 1,665,017</b>	<b>\$ 10,077,210</b>	<b>\$ 10,248,000</b>

**NOTE:** Figures in black are secured and figures in blue are prospective.

## Expenditures

Programmatically, the budgeted expenditures seek to support the upcoming Estonia Global Summit, the seven work plan collective deliverables to advance the new strategic directions, and the most essential ongoing activities as laid out in the accompanying OGP SU and IRM 2023-24 Work Plan. While the bulk of OGP expenses for supporting the collective deliverables consist of staff salaries, through the cost-cutting measures we have taken, we have been able to allocate an additional pot of funds to support the seven collective deliverables. Amongst this, the most significant budget item is the Summit as a galvanizing moment for the Strategy (collective deliverable 1). In addition, non-staff expenses will be invested in supporting the delivery of demonstration projects such as the new Open Gov Guide to advance ambition and leadership in thematic priorities, expanding the leadership programs, deeper country-level action, and supporting select windows of political opportunities.. We will decide on specific financial allocations, timelines and activities for the seven collective deliverables in April-May, as we advance implementation heading into the Summit.

In terms of major expenditure categories, the 2023 budgeted expenditures of **\$12.2 million** consist of the following expenses:

- 1. Salary and Related Expenses:** Staff time is a key means through which we will advance the seven collective deliverables. This expense item includes salaries, benefits, taxes, fees, and other regulatory fees and expenses related to employment. As part of the preparation for the implementation of the strategy and budgetary constraints, the Senior Leadership Team conducted an initial review of staff roles to determine the appropriate staffing level and composition. This exercise identified positions and responsibilities that can be merged, reduced and vacancies not needing to be filled. This yielded a reduction of 5 positions with an estimated savings of approximately \$725K. The budgeted amount also includes a provision of \$168K for a partial, one-time cost of living allowances (COLA) for staff based on their regions. No new positions will be filled until a review of staffing needs per the Strategy has been completed.
- 2. Professional Services:** Management took a streamlined approach across all teams to confirm budgeted expenses were for essential activities that require continuation from 2022, earmarked for deliverables in specific grants or ongoing work that are required while we transition to the Strategy. The IRM, which historically generated a larger portion of professional fees for researchers, also took a conservative, minimal, and efficient approach to evaluate action plans and reduce expenses. Professional services in the form of facilitators and experts also support the development of the open government curriculum, the rethinking of a creative and efficient system for OGP content, and advancing thematic ambition in areas of the Partnership-wide challenge.



- 3. Professional Services and Travel- Strategy Implementation:** This represents provision for non-staff resources needed to start the implementation of priority actions that will advance the strategic goals in an integrated manner during 2023-2024. The expectation is that the majority of the resources needed will be staff time, with some professional services and publication expenses. Immediately after Strategy approval, we will engage in an internal implementation planning process to have greater clarity over the required expenses and how this provision will be applied. This will allow adjustments as part of a formal mid-year budget review process.
- 4. Facilities, Administration, Depreciation, and Other Expenses:** This includes expenses related to occupancy (assume US-based staff continues work primarily virtual), software licenses, conferencing apps, supplies, insurance, and other operating expenses.
- 5. Travel & Meetings:** Includes travel for staff and country visits to help advance deeper country-level action in-person steering committee meetings, external meetings and training, and costs related to the Estonia summit. In view of the current fiscal situation, the 2023 summit budget has been budgeted at approx \$450K - a reduction of \$250K from previous summits - with cuts primarily to the number of SU staff expected to travel to the summit and a significant reduction in the funds allocated to non-staff travel.
- 6. Grants and Awards:** Mini-grants and awards to CSOs that are earmarked as deliverables in specific grant awards.

**Table 3. Expenses**

<b>EXPENSES</b>	<b>2022 Actual (Unaudited)</b>	<b>2023 1st QTR Budget</b>	<b>2023-2024 Budget</b>	<b>2024-2025 Projections</b>
Salaries & Related Expenses	8,446,867	2,158,000	8,081,156	8,485,214
Professional Services	1,644,588	234,450	1,870,275	2,125,000
Professional Services and Travel-Strategy			300,000	500,000
Facilities & Admin	205,105	73,500	190,400	196,086
Travel and Meetings	1,155,554	103,000	1,041,225	520,588
Afghan Mission Expenses	387,380		0	
Grants & Awards- Other	293,371	50,000	424,500	354,500
Depreciation	31,667	0	0	
Other Expenses	279,986	30,000	251,620	259,169
<b>Total Expenses</b>	<b>\$ 12,444,518</b>	<b>\$ 2,648,950</b>	<b>\$ 12,159,176</b>	<b>\$ 12,440,556</b>
<b>Beginning Reserves</b>	<b>\$ 10,016,606</b>	<b>\$ 7,787,411</b>	<b>\$ 6,803,478</b>	<b>\$ 4,721,512</b>
<b>Ending Reserves</b>	<b>\$ 7,787,411</b>	<b>\$ 6,803,478</b>	<b>\$ 4,721,512</b>	<b>\$ 2,528,956</b>



### **Operating Reserves**

Over the last few years, OGP has built and maintained healthy reserves, precisely to manage vicissitudes in revenues, such as what we are confronting this year. Accordingly, to balance revenues and expenses in FY 2023-24, OGP will draw \$2.1M from its reserves yielding an estimated ending reserves balance of US\$4.7M at end of FY 23-24, which is still well in excess of the guidance found in OGP's reserves policy. Looking beyond FY 2023-24, our preliminary estimates of a fiscally conservative budget of US\$12.5M suggest that OGP's ending reserves for 2024-2025 will settle at US\$2.5M if revenues do not increase. While this level of 2024-25 reserves is still close to our prescribed minimum of 3 months of expenses and validates our earlier practice of keeping a healthy reserve in light of uncertainties in our revenue sources, it is not sustainable for future years. So in anticipation, we have proactively identified cost-saving measures and are intensifying fundraising to ensure financial sustainability in the outer years while financing priority activities for the Strategy.

### **Fundraising**

As outlined in the OGP Strategy, resourcing for open government reforms and reformers is an essential pre-condition for the success of the Partnership. This includes both resourcing for the OGP Secretariat (Support Unit and IRM) as well as for the broader field. In 2023, the Support Unit and Steering Committee will make a concerted effort to raise revenue for OGP, primarily through raising country contributions and using the OGP Global Summit as an action-forcing moment for new and current donors.

The OGP Support Unit is seeking to raise country contributions for the first time since its introduction in 2015 to reflect rising inflation and the need to sustain this crucial source of core support for the organization. A proposal has been approved by GL and will be shortly considered by the full Steering Committee to increase the contribution level by an average of ~30% (depending on income levels) by 2025, as well as develop a targeted campaign to encourage non-payers to make their contributions. The 2023 Estonia OGP Global Summit will be an important moment to familiarize members with these upcoming contribution level changes and build political support for them.

The OGP Support Unit will use the Strategy as a launchpad to encourage existing and new funders to commit to OGP. We will continue to prioritize and request core support grants where there is an opportunity to do so but will tailor new pitches along the lines of country, thematic, and regionally focused work as needed. With a more targeted set of thematic policy areas with collective Partnership-wide goals, OGP will seek like-minded partners and donors, both global and domestic, in priority thematic areas. Strategies on this will include re-engaging with current donors in this space to build updated value propositions for open government and its alignment with their priority policy goals, OGP-led or coalition-based approaches to engaging new donors in these thematic policy areas, and joint proposals (competitive or non-competitive) with partners. We are currently working on several proposals for new funding or renewals in 2023, including Open Society Foundations, USAID, Chandler Foundation, Skoll Foundation, the EU Directorate General for International Partnerships, and Global Affairs Canada, all with a high likelihood of securing funding.

To take on this more ambitious fundraising plan, the OGP Support Unit is building its internal capacity on fundraising skills and tasks, including through stronger internal coordination and broader tasking of fundraising duties, including for staff at regional or country levels.



*Updated March 7, 2023; For SC review*

The success of these efforts will depend critically and vitally on the leadership and fundraising efforts of the Steering Committee and the Board of Directors to enhance funding for the partnership.

