International Labour Organization

GB.356/PFA/4

Governing Body

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Programme, Financial and Administrative Section

PFA

Programme, Financial and Administrative Segment

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Other financial matters

The financial position of the ILO's regular budget in 2026–27 and potential contingency measures in case of an income shortfall

Purpose of the document

This document presents the financial implications of the ILO reform on the regular budget approved for 2026–27 and outlines the impact of additional measures that would need to be implemented in the event of an income shortfall of up to 20 per cent in assessed contributions for the biennium. The Governing Body is invited to provide guidance on the proposed measures (see the draft decision in paragraph 20).

Relevant strategic objective: All four strategic objectives.

Main relevant outcome: All.

Policy implications: See "Follow-up action required" below.

Legal implications: None.

Financial implications: None.

Follow-up action required: The Governing Body will provide guidance on potential contingency measures to be adopted in relation to the Programme and Budget for 2026–27 in case of an income shortfall.

Author unit: Office of the Treasurer and Financial Comptroller (TR/CF).

Related documents: Programme and Budget for 2024–25; Programme and Budget for 2026–27; GB.356/INS/7; GB.356/PFA/3; GB.355/INS/7.

Introduction

1. This document presents the financial implications of the ILO reform for the regular budget approved for 2026–27, as set out in the document on the ILO reform, [1] and outlines the impact of additional contingency measures that would need to be implemented in the event of an income shortfall of up to 20 per cent in assessed contributions for the biennium.

Financial position of the ILO regular budget

2. The document on the position of accounts as at 31 December 2025 [2] provides the provisional closure figures for the 2024–25 biennium, with a deficit of US$52.6 million. The deficit was financed through the Working Capital Fund and internal borrowings.

3. At its 113th Session (2025), the International Labour Conference adopted a budget of expenditure and income for 2026–27 amounting to US$930,500,000 and resolved that the budget of income of CHF763,010,000, denominated in Swiss francs, would be allocated among Member States in accordance with the scale of contributions recommended by the Finance Committee. [3]

4. As of 13 February 2026, the Office had received or credited CHF95.9 million, [4] including CHF3.6 million in arrears applied to partially reimburse borrowings from the Working Capital Fund. The remaining CHF92.3 million represents about 24.2 per cent of the assessed contributions for 2026. This level of collections is consistent with the trend of the last 10 years, although uncertainties remain regarding the timing and full receipt of assessed contributions.

Implications of the reform for the budget of expenditure for 2026–27

5. The reform measures set out in document GB.356/INS/7 aim to reduce regular budget allocations by about 12.5 per cent over the biennia 2026–27 and 2028–29 (in constant US dollars). These measures include the reprioritization of areas of work and activities, adjustments to the organizational structure, the review of field presence and delivery arrangements, and improvements in business processes and support services. The reform measures also encompass reductions in non-staff allocations, including from the regular budget technical cooperation (RBTC) account, and operational expenditures. It is important to note that the budget of expenditure will be reduced as necessary, but the assessments will remain at 100 per cent of the level approved for the biennium.

[1] GB.356/INS/7.

[2] GB.356/PFA/3.

[3] ILC.113/Resolution VI.

[4] Updated information on contributions received and outstanding is available on the ILO website.

6. In 2026–27, the impact of these measures corresponds to the first phase of implementation and is estimated at approximately 8.9 per cent of the approved regular budget. This reflects the phased nature of the reform, including the timing of abolition of positions, organizational adjustments and efficiency measures. Table 1 presents the resulting adjustments to the budget of expenditure for 2026–27 across the major organizational clusters of the Office. The percentages reflect the relative reduction in allocations in 2026–27 compared to the approved budget and illustrate the differentiated financial impact of the reform. The table also shows, for each cluster, the proportion of the reduction attributable to staff costs and to non-staff expenditure.

▶ Table 1. Reform measures: Reductions in the operational budget by organizational cluster

Cluster	Approved allocation (in US$) [1]	Reduction			
		US$	%	*Distribution*	
				Staff	*Other*
Governance organs [2]	29 701 479	-122 353	0.4%	*0%*	*100%*
Priority action programmes, research and statistics; Governance, Rights and Dialogue; Jobs and Social Protection	230 973 553	-22 088 079	9.6%	*58%*	*42%*
Employers' and workers' organizations	36 535 662	-1 411 944	3.9%	*56%*	*44%*
Field operations	302 943 522	-25 256 428	8.3%	*32%*	*68%*
External and Corporate Relations	77 266 600	-9 076 426	11.7%	*61%*	*39%*
Corporate Services	183 532 991	-19 615 538	10.7%	*52%*	*48%*
Office of the Director-General	8 474 004	-938 345	11.1%	*65%*	*35%*
Oversight and evaluation [3]	11 769 224	-895 381	7.6%	*0%*	*100%*
Institutional investments and extraordinary items	14 328 451	-2 316 538	16.2%	*0%*	*100%*
Other budgetary provisions	46 914 105	-810 829	1.7%	*0%*	*100%*
Adjustment for staff turnover	-12 814 591	-	-	*-*	*-*
Unforeseen expenditure	875 000	-	-	*-*	*-*
Total	**930 500 000**	**-82 531 862**	**8.9%**	***46%***	***54%***

[1] The budget allocations were restated to show the realignment of grade-differentiated standard costs at headquarters and field offices following the revaluation of the recosted budget at the budget rate of exchange of CHF0.82 to the US dollar. [2] The allocation for governance organs does not include resources from the Official Relations, Meetings and Language Services Department and the Internal Services and Administration Department, which are included under "External and Corporate Relations" and "Corporate Services", respectively. [3] The reduction in non-staff allocations for oversight departments is proportional to the lower level of activities requiring oversight, particularly in development cooperation.

7. The additional structural savings projected for 2028–29 in document GB.356/INS/7, which would enable the Organization to increase the savings to about 12.5 per cent of the budget (at constant US dollars), are not affected by the contingency scenario described below.

Potential contingency measures in cases of income shortfall

8. In view of the cash-flow constraints experienced at the end of 2025 and the continued uncertainty regarding the timely payment of assessed contributions, the Office considers it financially prudent to define contingency measures that could be activated in the event of a significant income shortfall of up to 20 per cent.

9. To ensure that the full savings can be realized within the biennium, a decision on the activation of these contingency measures would need to be taken in the third quarter of 2026 based on income projections and cash-flow analysis.

10. Planning and implementation of the contingency measures would be subject to appropriate consultation and approval procedures as per the Financial Regulations or the Staff Regulations. The Office will keep the Governing Body duly informed of developments in this regard.

11. The proposed contingency measures, which would be added to the structural reform described in the previous section, include:

- a further reduction of the RBTC account for activities in the field and at headquarters (overall reduction of 50 per cent – equivalent to US$18.4 million, excluding RBTC for employers' and workers' organizations);
- a further reduction, up to 40 per cent, of non-staff resources for travel, seminars, general operating expenses, contractual services, supplies and office equipment (about US$46.3 million);
- the freezing of external recruitment for all vacancies;
- the temporary cancellation of the staff development fund (US$8.6 million);
- the suspension of the provision to replenish the Building and Accommodation Fund, subject to the approval of the Governing Body (US$8.2 million).

12. The Office has analysed other contingency measures, such as a temporary suspension or an extension of the periodicity of the home leave entitlement for staff, which would generate savings of approximately US$2 million per year. This would require prior agreement within the Joint Negotiating Committee and subsequent approval by the Governing Body. Such a measure would need to be time-bound carefully assessed against the principle of non-prejudice to acquired rights and, as the entitlement derives from decisions from the United Nations common system, it would need to remain consistent with the framework established by the International Civil Service Commission.

13. In addition, to achieve a budgetary reduction of 20 per cent, further savings of US$65.3 million would need to be identified. This amount corresponds to the average cost of 165 to 175 positions over a full biennium. Considering the necessary consultations and statutory requirements, it is unlikely that this measure could take effect before January 2027. Consequently, in order to generate an equivalent level of savings within the 2026–27 biennium, the number of positions to be abolished would likely need to be doubled up to 350 positions.

14. Any decision affecting positions and staff would be guided by the following general principles:

(a) Good faith social dialogue with the Staff Union would guide the process with a view to ensuring fairness, transparency, duty of care and compliance with the applicable regulatory framework.

(b) Priority would be given to the abolishment of vacant positions, including those freed through agreed terminations or natural attrition.

(c) Where positions are occupied, the Office would consider various options, including redeployment or reassignment options, consistent with staff qualifications and organizational needs, including, where appropriate and possible, temporary reassignments.

(d) Based on criteria negotiated with the Staff Union under the Joint Negotiating Committee, any separation would be conducted in compliance with the Staff Regulations and Rules, ensuring transparency, fairness and due process.

(e) Due consideration would be given to maintaining critical technical and operational capacity, expertise and institutional memory, particularly in areas central to the ILO's mandate.

15. In applying these principles, the Office will seek to implement workforce adjustments that do not disproportionately affect any specific group, in particular women, staff from under-represented countries or younger staff, and ensure that decisions are taken with due regard to the Organization's commitment to social dialogue, inclusion and equal opportunity.

16. The accumulated financial impact of the reform and the contingency measures is presented in table 2.

▶ Table 2. Reform and contingency measures: Reductions in the regular budget allocations by organizational cluster

Cluster	Approved allocation (in US$)	Reduction			
		US$	%	*Distribution*	
				Staff	*Other*
Governance organs	29 701 479	-176 146	0.6%	*0%*	*100%*
Priority action programmes, research and statistics; Governance, Rights and Dialogue; Jobs and Social Protection	230 973 553	-26 776 752	11.6%	*49%*	*51%*
Employers' and workers' organizations	36 535 662	-1 726 942	4.7%	*45%*	*55%*
Field operations	302 943 522	-45 643 877	15.1%	*40%*	*60%*
External and Corporate Relations	77 266 600	-9 757 046	12.6%	*57%*	*43%*
Corporate Services	183 532 991	-22 038 639	12.0%	*46%*	*54%*
Office of the Director-General	8 474 004	-1 068 528	12.6%	*57%*	*43%*
Oversight and evaluation	11 769 224	-1 222 548	10.4%	*0%*	*100%*
Institutional investments and extraordinary items	14 328 451	-11 497 126	80.2%	*0%*	*100%*
Other budgetary provisions	46 914 105	-875 297	1.9%	*0%*	*100%*
Unforeseen expenditure	875 000	-	-	-	-
Adjustment for staff turnover	-12 814 591	-	-	-	-
Abolishment of up to 350 positions		-65 317 099	-	*100%*	-
Total	**930 500 000**	**-186 100 000**	**20.0%**	***61%***	***39%***

17. Given the indicative nature of the contingency measures and as the identification of specific positions or expenditure lines would depend on the financial circumstances prevailing at the time of activation, a detailed distribution of reductions by policy outcome is not presented at this stage. Any such distribution would be determined in accordance with the principles set out above and the applicable governance and consultation procedures. As temporary measures of last resort, their implementation would inevitably delay the results expected from the reform, in particular the planned strengthening of capacity in the field.

Concluding observations

18. This document sets out the implications of the reform measures for the approved Programme and Budget for 2026–27 and presents the impact of contingency measures in the event of a significant shortfall in assessed contributions. The reform reflects a phased, multi-biennial approach to reducing regular budget allocations, while the contingency measures are temporary and would only be activated if required based on updated income projections and cash-flow analysis. The Office will continue to monitor the financial situation closely and keep the Governing Body informed.

19. The implementation of the contingency measures described in this document would have a material and sustained impact on the Organization's capacity to deliver the approved Programme and Budget for 2026–27, and beyond. Reductions of this magnitude would affect all major areas of work and organizational clusters, in the regions and at headquarters. Moreover, a significant loss of technical expertise, institutional knowledge and experienced staff would constrain the Organization's capacity over several biennia, as such effects would not be readily reversible in the short term. While the Office would seek to preserve functions central to the ILO's mandate, the scale of the adjustments would inevitably result in reduced delivery and a diminished capacity to respond to constituents' needs.

Draft decision

20. **The Governing Body:**

(a) **took note of the financial implications of the reform measures for the approved Programme and Budget for 2026–27, as presented in document GB.356/PFA/4;**

(b) **took note of the contingency measures and associated budgetary implications described in the document, and requested the Office to keep the Governing Body informed of cash-flow projections and to report back as necessary;**

(c) **requested the Office to present updated financial information on assessed contributions and the implementation of any activated contingency measures at its 358th Session (November 2026).**