# GB.356/PFA/4 – The financial position of the ILO's regular budget in 2026–27 and potential contingency measures in case of an income shortfall

## Office response to the issues raised during the discussion on 24 March 2026

## Strategic and methodological issues

### Prioritization & programme impact

| Group / Member State | Comment / question / request | Office response |
|---|---|---|
| Employers | What activities are prioritized and guaranteed funding under contingency measures?<br>Which programmes may be reduced, suspended, or eliminated?<br>How do these decisions align with strategic priorities? | • As reflected in Table 2 of document GB.356/PFA/4, the contingency scenario includes an indicative distribution of reductions across major clusters at an aggregate level. This provides an initial order of magnitude of the adjustment required across the Office. This distribution is not intended to predetermine specific cuts to programmes, activities or positions, which will depend on implementation decisions informed by the work of applicable task teams and subject to ongoing discussions with the members of the Governing Body.<br>• There is an overlap between INS/7 and PFA/4, but they serve different purposes, with the former relating to managed response to a reform process and the latter relating to immediate contingency measures in the scenario of a 20% funding shortfall. Therefore, there is not a direct link between the two.<br>• Some contingency measures may be quickly reversible, for example those relating to non-staff costs and RBTC, others may not be quickly reversed especially relating to positions. The timing of decisions will need to remain flexible due to the unpredictable timing of receipts of assessments.<br>• It would be prudent to carry on with those reform measures that do not require financial investment at this time because if the liquidity challenges continue, some of those reform measures may improve the ILO’s ability to actively manage the situation in the future.<br>• Between April and June, the Office will develop a methodology to guide the implementation of these measures, including appropriate consultation or negotiation within the framework of the Joint Negotiating Committee for all aspects affecting staff.<br>• The Office will also seek to mitigate as far as possible disproportionate impacts across regions and countries, including those without an ILO presence, through regional delivery mechanisms and targeted allocation decisions. |
| Workers | Would contingency measures directly affect reform proposals under INS/7?<br>Can the reform requiring financial investment proceed during an austerity situation? | |
| Africa group | Which programmes or thematic priorities are most at risk?<br>How will priority programmes and field operations be protected from cuts? | |
| IMEC | How will contingency measures remain consistent with the INS/7 reprioritization framework? | |
| Namibia | How can cuts avoid disproportionately affecting countries without an ILO office? | |
| China<br>Bangladesh<br>Zimbabwe | Can the Office avoid the proposed 50% reduction in expenditure from the RBTC account? | • This is a zero-sum budget problem: RBTC is used to cover non-staff costs. If certain non-staff expenditure such as RBTC is preserved, this would necessitate even deeper staff reductions, increasing the number of positions to be cut beyond the estimated 350. |

### Triggers, timing & activation

| Group / Member State | Comment / question / request | Office response |
|---|---|---|
| Employers | What triggers would activate the contingency plan?<br>What timeline would guide implementation? | • The liquidity situation of the Office is being constantly monitored and can evolve rapidly depending on the receipt of contributions from Member States. Contingency measures would need to be activated at a point when it is projected that the Office would not be in a position to cover its salary and other obligations beyond the next two months. Should material contributions from the larger Member States remain outstanding, it is currently projected that contingency measures would need to be implemented by September 2026 at the latest. The timing remains uncertain since Member States can make their contributions at any point, even as late as the end of the year.<br>• Uncertainty over the timing of incoming funds is the core challenge, making it difficult to plan and requiring contingency measures that may be only partially reversible.<br>• The trigger is not a fixed point in time, the Office is actively managing budget allocation and spending levels on a weekly basis to balance programme delivery with the risks associated with late receipt of regular budget contributions. As these risks become more immediate and should contingency measures be activated, these would be introduced progressively. Some measures could take effect relatively quickly (e.g. non-staff reductions) as early as from quarters 3 and 4 of 2026, while others – particularly those affecting staffing – would be subject to consultation processes and may only take effect as from 2027. The Office has implemented an external recruitment freeze since the beginning of this year. |
| Africa group | What is the likelihood and timing of the anticipated shortfall? | |
| IMEC | What thresholds and indicators would trigger activation?<br>Would there be a mechanism to deactivate contingency measures? | |
| Mexico | What criteria determine when contingency measures are triggered?<br>When exactly would contingency measures be triggered? | |

## Governance issues

### Governance & decision-making

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|---|---|---|
| Employers | How and when will constituents be consulted? | • The application of the contingency measures would be governed by the ILO Financial Regulations and the ILO Financial Rules, which establishes a balance between the Director-General's authority for the execution of the approved Programme and Budget and the Governing Body's oversight role.<br>• The Office may implement operational and administrative measures within delegated authority, in particular with regard to expenditure control and cash-flow management, in order to remain within the approved budget. |
| European Union | What consultations and statutory requirements would apply? | |
| GRULAC | What role will the Governing Body play in applying contingency measures?<br>Can the Office implement measures without prior Governing Body approval? | |

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|---|---|---|
| IMEC | Which measures fall under delegated authority and which require Governing Body approval? | • The Governing Body would be consulted and asked to provide guidance on the overall approach and will be kept regularly informed of developments, and where appropriate invited to provide further guidance or approval for measures with broader implications.<br>• Any measures affecting staffing or conditions of service would be subject to consultation or negotiation with the Staff Union, in accordance with the Staff Regulations, including through the Joint Negotiating Committee.<br>• The preparation and consideration of the Programme and Budget proposals for 2028–29 will provide for the Governing Body to review and guide the alignment of staffing levels and resource allocation with the Organization's priorities and financial outlook. |

### Process, reporting & forward planning

| Group / Member State | Comment / question / request | Office response |
|---|---|---|
| European Union | Can the Office provide an update in June 2026 and a contingency framework for 2026–27? | • The Office could provide the overall framework and methodology for the potential application of contingency measures to the Governing Body in June 2026, if required and based on the evolution of the financial situation.<br>• Should contingency measures need to be activated, in line with updated income projections and cash-flow analysis, the Office would proceed in accordance with established consultation and approval processes and would present an update on their implementation to the 358th Session of the Governing Body (November 2026).<br>• In parallel, the Office will begin the preparation of the Programme and Budget proposals for 2028–29, to be presented to the Governing Body in March 2027. These proposals would consider the financial outlook and would include measures aimed at strengthening financial sustainability and managing potential income shortfalls over the medium term. |
| GRULAC | What is the process for planning, approving, and implementing contingency measures? | |
| Brazil | What measures will prevent recurring financial crises and future PFA/4 scenarios? | |
| Barbados | Can the Governing Body receive an update before November (e.g. in June 2026)? | |

## Human resources issues

### Staffing & human resources impact

| Group / Member State | Comment / question / request | Office response |
|---|---|---|
| European Union | How will personnel reductions preserve gender and geographical balance and long-term capacity? | • Staff cuts are considered a last resort. No decisions have been made on specific posts, units or locations that could be affected. As indicated in the document, any staffing |

<table>
<tr><th>Group / Member State</th><th>Comment / question / request</th><th>Office response</th></tr>
<tr><td>Africa group</td><td>Which regions, programmes, and departments would be affected?<br>How will the Office determine which positions are non-critical?</td><td rowspan="3">adjustments would depend on the financial situation at the time of activation and would be determined through a structured process.<ul><li>The need to cut 350 positions instead of 175 is due to the timing within the biennium. Since funds for the current year would have already been used, the financial adjustment would effectively have to be doubled for the remaining period.</li><li>The 350 positions would be additional to the reductions already envisaged under the reform (including through agreed termination and natural attrition), as indicated in GB.356/INS/7. In 2026–27, these reform measures could result in approximately 60 positions being vacated. Taken together, this would imply a cumulative impact on some 410 positions.</li><li>The identification of positions would be guided by the general principles set out in the document, including:<ul><li>Preserving critical technical and operational capacity, particularly in areas central to the ILO’s mandate.</li><li>Prioritizing the abolition of vacant posts, including those freed through natural attrition.</li><li>Exploring redeployment or reassignment options wherever feasible.</li><li>Ensuring that any decisions are taken following consultation and due process, including through the Joint Negotiating Committee.</li></ul></li></ul></td></tr>
<tr><td>IMEC</td><td>Which posts or units would be affected under different scenarios?<br>Do the 350 posts include the 120 already planned reductions?<br>What is the estimated cumulative impact of staffing reductions?<br>Has the Office considered alternatives such as reduced working hours instead of layoffs</td></tr>
<tr><td>Brazil</td><td>Why is it necessary to cut 350 posts rather than 175?</td></tr>
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## Financial issues

### Financial impact & data transparency

<table>
<tr><th>Group / Member State</th><th>Comment / question / request</th><th>Office response</th></tr>
<tr><td>European Union</td><td>What is the financial impact and cost of each contingency measure?</td><td rowspan="2"><ul><li>The Office will provide greater transparency and regular updates on the financial situation, the reform progress and related financial implications via a dedicated public webpage which will be made available shortly.</li><li>The current estimated deficit stands at US$53 million, though this figure is still subject to confirmation by external auditors following the completion of the year-end audit for the year 2025, which reflects the biennial results of 2024–25.</li><li>The indicative breakdown of contingency reductions by organizational cluster is as follows:</li></ul></td></tr>
<tr><td>IMEC</td><td>What is the correct deficit figure: US$52 or US$53 million?<br>What is the difference between operational budget reductions and regular budget reductions?<br>Can a breakdown of contingency reductions by organizational cluster be provided?</td></tr>
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| Group / Member State | Comment / question / request | Office response |
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| | | |

| | Budget US$ | Reduction US$ | Reduction % |
|---|---|---|---|
| Policy making organs | 29'701'479 | -176'146 | 0.6% |
| Priority action programmes, research and statistics | 59'932'709 | -5'415'934 | 9.0% |
| Governance, Rights and Dialogue departments | 110'087'746 | -12'529'829 | 11.4% |
| Jobs and Social Protection departments | 60'953'098 | -8'830'989 | 14.5% |
| Employers' and workers' organizations | 36'535'662 | -1'726'942 | 4.7% |
| Field operations | 302'943'522 | -45'643'877 | 15.1% |
| External and corporate relations | 77'266'600 | -9'757'046 | 12.6% |
| Corporate services | 183'532'991 | -22'038'639 | 12.0% |
| Office of the Director General | 8'474'004 | -1'068'528 | 12.6% |
| Oversight and evaluation | 11'769'224 | - 1'222'548 | 10.4% |
| Institutional investments and extraordinary items | 14'328'451 | -11'497'126 | 80.2% |
| Other budgetary provisions | 46'914'105 | -875'297 | 1.9% |
| Unforeseen expenditure | 875'000 | 0 | |
| Adjustment for staff turnover | -12'814'591 | 0 | |
| Abolishment of up to 350 positions | | -65'317'099 | |
| Total | 930'500'000 | -186'100'000 | 20.0% |

## Minimum funding & Working capital fund

| Group / Member State | Comment / question / request | Office response |
|---|---|---|
| Workers | What minimum conditions are needed to avoid the 20% cut scenario?<br>What minimum level of Member State contributions is required this year?<br>Would 75–80% payment of contributions by June avoid severe cuts?<br>What minimum amount is required to replenish the working capital fund? Would partial replenishment this year improve financial resilience? | • While full payment of assessed contributions would be ideal, a collection rate of around 85–90% would likely be sufficient to avoid the most severe cuts, noting that historically the ILO achieves around 98% collection rate on a four-year rolling average.<br>• The Working Capital Fund (approved level CHF35,000,000) is currently exhausted and cannot provide liquidity, as it depends on arrears that have not yet been received in significant amounts. Up to 23 March 2026, only CHF3.8 million of arrears have been received in 2026.<br>• The Office has proposed to the Governing Body (GB.356/PFA/3) at the current session to retain the net premium from the 2024-25 biennium, amounting to CHF19,032,213, to be transferred to the Working Capital Fund, thus bringing its statutory level to CHF54,032,213.<br>• Information about ILO’s Regular Budget income and expenditure and assessed contributions by year by Member States can be found on the ILO’s public website via: Regular budget assessed income, which includes a direct link to the table entitled “Contributions received and outstanding” updated at least on a weekly basis. |
| Africa group | What income projections and cash-flow assumptions underpin the measures? | |
| Bangladesh | Can the Office provide updates on assessed contributions and arrears? | |

## Borrowing & alternative financing

| Group / Member State | Comment / question / request | Office response |
|---|---|---|
| Workers | Can the ILO borrow from other institutions to bridge the shortfall?<br>Can additional contributions be requested from Member States (as in 1977)?<br>Why not adopt a UNESCO-style model treating missing contributions as receivable debt? | • Borrowing is legally possible under the Financial Regulations (Article 21.1b), as is requesting additional assessed contributions from Member States (Article 21.3). Both require approvals by the Governing Body and/or the International Labour Conference, although neither option has been used in the past 50 years.<br>• Unpaid assessed contributions by Member States are already recorded as receivable debt in the ILO’s accounts and are never written off. |