International Labour Organization

GB.357/PFA/4

Governing Body

357th Session, Geneva, 12 and 13 June 2026

Programme, Financial and Administrative Section

PFA

Programme, Financial and Administrative Segment

Date: 1 June 2026
Original: English

Contingency framework for the 2026–27 biennium

Introduction

1. At its 356th Session (March–April 2026), the Governing Body reviewed the financial position of the ILO's regular budget for 2026–27 and the potential contingency measures in the event of an income shortfall. In its decision, the Governing Body requested the Office to provide updated information on cash-flow projections and to present a contingency framework for the biennium, including guiding principles, methodology and timelines for implementation and approval. This document provides an update of the financial situation of the ILO, including income and expenditure projections for 2026–27, as well as the contingency measures that may need to be implemented in the event of an income shortfall of 22 per cent in assessed contributions for the biennium. This scenario reflects expected contributions based on historical payment trends and information received from Member States and is intended to provide a realistic basis for cash-flow projections and assessing the possible scale of contingency measures that may need to be implemented.

2. The contingency measures described in this document are additional to the reform measures presented in documents GB.356/INS/7 and GB.357/INS/7. While the reform is a managed medium-term process aimed at strengthening the effectiveness, efficiency and sustainability of the Office, contingency measures relate to immediate actions that may need to be implemented within a very short timeframe and may be of a temporary nature. The financial situation and the application of contingency measures may also affect the pace, sequencing and feasibility of certain reform initiatives, particularly those requiring upfront investment or transitional resources. This document, however, also includes preliminary considerations regarding longer-term resilience and sustainability measures, which are more closely linked to the medium-term vision underpinning the ILO reform process.

Financial position of the ILO regular budget and cash flow projections

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. [1]

4. As of 22 May 2026, the Office had received or credited CHF186.5 million [2] including CHF12.2 million in arrears applied to partially reimburse borrowings from the Working Capital Fund. [3] The remaining CHF174.3 million represents about 46 per cent of the assessed contributions for 2026. This level of collections is consistent with the trend of the last ten years, although uncertainties remain regarding the timing and full receipt of assessed contributions and arrears. Member State contributions are assessed, and outstanding receivables are recorded, in Swiss francs, these are converted to US dollars for presentation in the financial statements.

5. In January and April 2026, the Director-General sent a communication to the Government of Switzerland reaffirming the ILO's firm commitment to maintaining its headquarters and to preserving the necessary normative, technical and policy expertise in Geneva, as called for by the Governing Body in November 2025. It was subsequently agreed that the Office and the host country would continue working jointly on specific matters, including the option of the temporary suspension of the building loan principal repayment in 2026 (amounting to CHF2.3 million) and the financial support for the organization of the International Labour Conference. At the same time, the Administration and the Staff Union keep exploring other potential measures to reduce expenditures during the biennium, in the framework of the Joint Negotiating Committee (JNC).

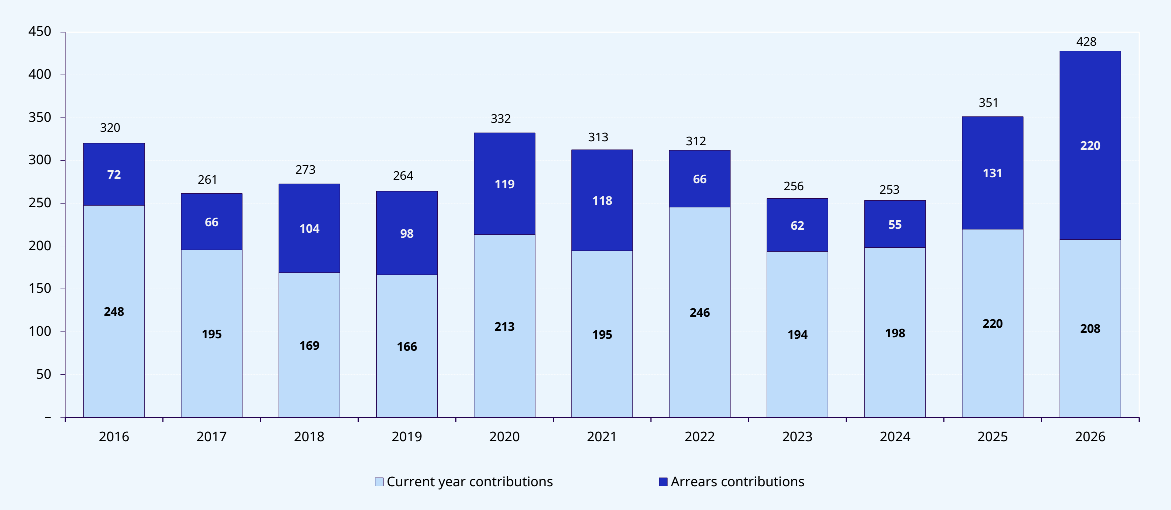
6. At the end of 2025, the amount of gross assessed contributions receivable increased by CHF93.01 million, to a balance of CHF232.19 million, the highest level over the past ten years. Figure 1 below summarizes the gross assessed contributions receivable balances and their components at the comparative point at the end of May for the last ten years:

[1] ILC.113/Resolution VI.

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

[3] As indicated in document GB.356/PFA/3 examined by the Governing Body in March 2026, the balance of the Working Capital Fund standing at CHF35 million was fully exhausted at the end of 2025 to finance the shortfall of income over expenditure for the biennium 2024–25. At that session, the Governing Body decided to recommend to the International Labour Conference that 50 per cent of the net 2024–25 net premium be transferred to the Working Capital Fund, thus bringing its level to CHF44,516,106.5. Such level, however, can only be reached upon the receipt of outstanding contributions corresponding to 2024 and 2025.

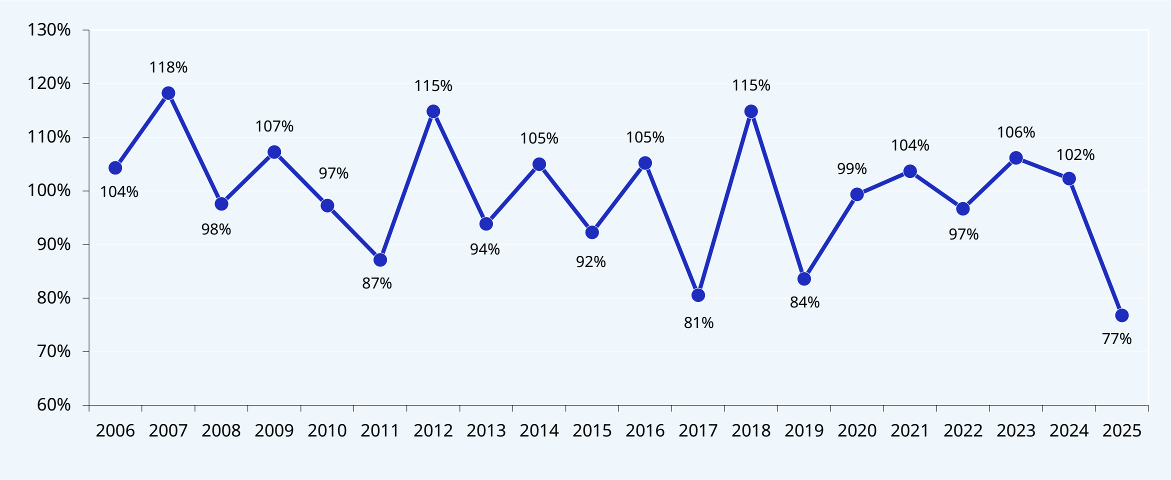
▶ **Figure 1. Assessed contributions due (receivable) as of May in each year, in CHF millions**



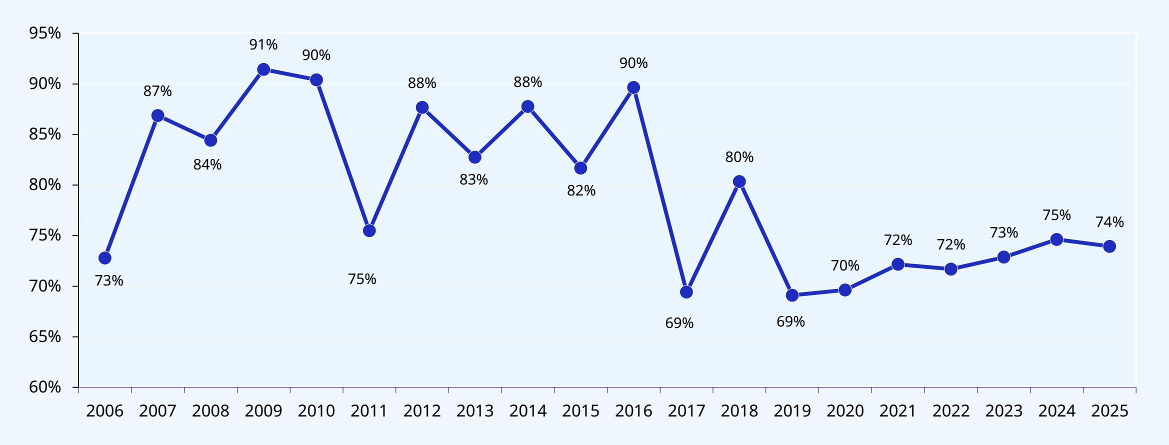
7. The increase in the absolute level of arrears, with the current uncertainty of the timing of receipt of current year and arrears of contributions has caused a substantial liquidity issue for the Office. With the full use of the Working Capital Fund in 2025, and with no significant arrears being received this has exacerbated the financial situation.

8. Figure 2 provides an analysis of the cash flow of contributions received in each year for the past 20 years. Over a cycle of four years, the ILO typically achieves a collection rate of almost 97 per cent of assessed contributions, with the delays in receipts of arrears. It is the variability of annual receipts as outlined in Figure 3 that have caused the current concerns and need for potential contingency measures.

▶ **Figure 2. Assessed contributions collection rate** (arrears and year of assessment)



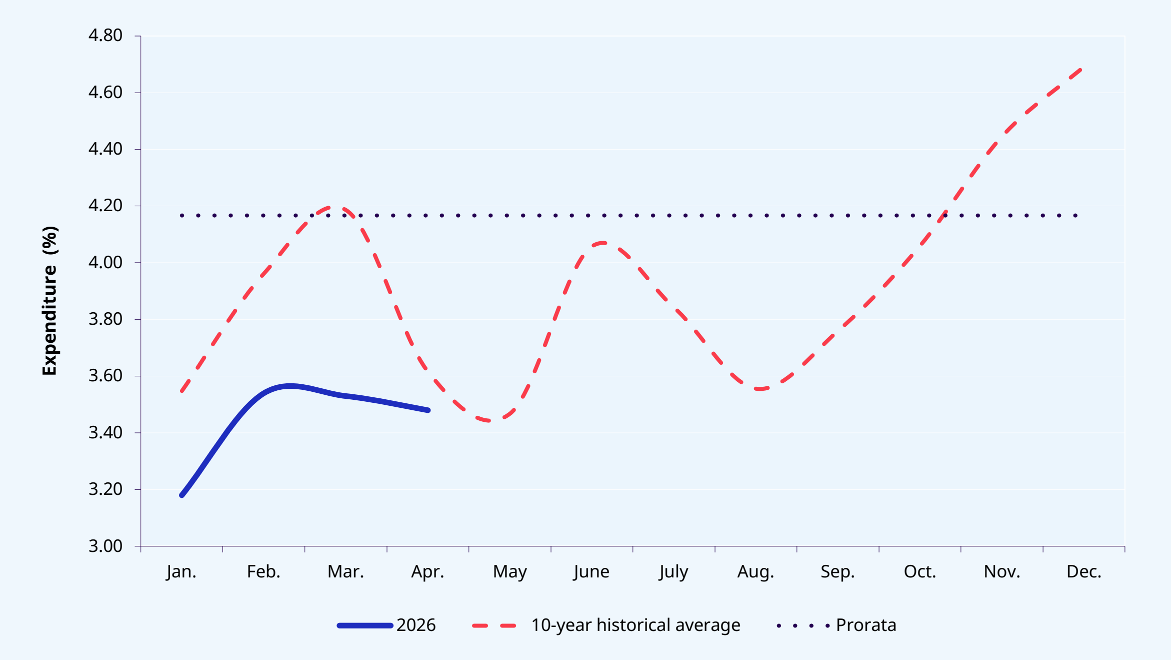
▶ **Figure 3. Assessed contributions collection rate** (in the year of assessment)



9. In response to the ongoing uncertainty the Office has continued to implement its cost-containment and control measures in order to safeguard salary payments under constrained cash flow conditions. These measures include a temporary pause in most recruitments, reductions in external collaboration contracts and official travel, limits on physical document production, use of artificial intelligence productivity tools, and seeking cost savings in operational costs. The effect of these cost containment measures is shown in Figure 4 below, representing the reduction against the historic monthly average in spending against the budget, that has been achieved through the measures to ease the current liquidity issues.

10. While these measures have an impact on delivery and staff workloads, the Office has ensured funding for high-priority initiatives. The methodology for granting approval requires that responsible budget holders (Regional Directors and Departments Directors at headquarters) review their programmatic and operational needs related to the implementation of the programme and budget commitments with their teams, and then request budgetary restatements for priority initiatives or expenses. These can be related to staff extensions, provision of technical assistance to constituents, capacity development initiatives, programmatic delivery or operational costs such as rent for ILO offices. Requests are then passed to a specific task force that reviews their cross functional impacts, financial costs, potential ongoing commitments and makes recommendations to the Treasurer and Financial Comptroller. In certain cases, decisions are referred to the Office of the Director-General. Detailed information on reasons for approval or rejection is then communicated to the budget holders.

▶ **Figure 4. Analysis of monthly regular budget utilization** (in percentage)

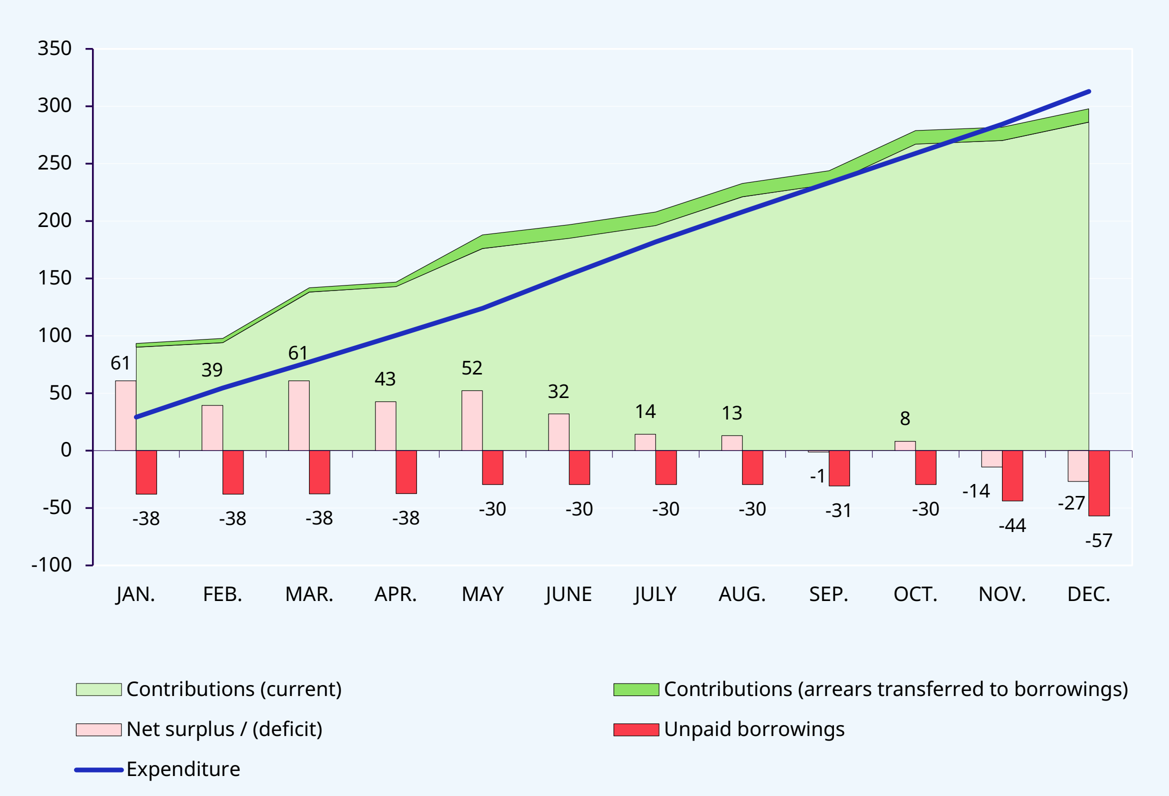


▶ Expenditure projections and trigger point of contingency measures

11. The forward projection of the current cost containment measures indicates that the Office would spend CHF313 million in 2026, 18 per cent below the budget for the year. This projection is based on the assumption that current costs containment measures are maintained and extended, and includes resources ring-fenced for decisions made by the Governing Body in respect of regional meetings and a commission of inquiry.

12. Following an in-depth analysis of the trends for receipt of assessed contributions, the projected income for 2026 would be CHF297 million. Against the expenditure estimates above there would be a net deficit of approximately CHF15 million, equivalent to some US$18.3 million, in addition to unpaid internal borrowing of some CHF12 million. This analysis has taken into consideration the expected timing for the receipt of assessed contributions and the expenditure trends forecasted, including the possibility of non-receipt or late receipt of the most significant outstanding contributions. With these assumptions, the Office will enter in deficit between the months of October and November 2026. If this would be the case, the Office would need to continue with the measures in place and take decisions for enacting further contingency measures in September 2026, at the very latest.

▶ **Figure 5. Projection of 2026 regular budget income and expenditure**



13. The following are the guiding principles for the application of contingency measures, should these be necessary:

- application of the ILO Financial Regulations and Financial Rules, ensuring an appropriate balance between the Director-General's delegated authority for the execution of the approved programme and budget and the Governing Body's oversight role;
- progressive and proportionate implementation of measures, taking into account the evolution of the financial situation, updated income projections and cash-flow analysis, as well as the need to maintain operational continuity;
- prioritization of non-staff expenditure controls, operational efficiencies, vacancy management and natural attrition before consideration of staffing reductions;
- staff reductions only as a measure of last resort, with priority given to preserving critical technical and operational capacity, particularly in areas central to the ILO's mandate;
- prioritization of the abolition of vacant posts and positions vacated through natural attrition, while exploring redeployment and reassignment options wherever feasible;
- full compliance with the Staff Regulations and established due process, including consultation and negotiation with the Staff Union through the Joint Negotiating Committee for any measures affecting staff or conditions of service;
- transparency and regular consultation with, and reporting to, the Governing Body on the overall approach, implementation and implications.

14. In keeping with its commitment to implement non-staff related restrictions in the first place, the Office would have to announce the continuation of the strict budget containment measures for travel, seminars, general operating expenses, contractual services, supplies and office equipment. It would also have to confirm that 50 per cent of the Regular Budget Technical Cooperation (RBTC) allocations for the biennium would not be disbursed to regions and departments (with the exception of RBTC for employers' and workers' organizations). On staff and staff related costs, the freeze of recruitment would have to be continued and extended, with only critical positions being filled, and the staff development fund would not be utilized. In addition, the Office would have to proceed with the suspension of the provision to replenish the Building and Accommodation Fund, subject to the approval of the Governing Body.

15. The document GB.356/PFA/4 examined by the Governing Body in March 2026 presented contingency measures to spend 20 per cent or US$186.1 million less than the approved biennial budget. This figure was composed of US$72.6 million in non-staff costs and US$113.5 million in staff costs, including the abolishment of up to 350 positions as from January 2027.

16. The latest projections show that, if the cost containment measures (budget controls, structural adjustments and freezing of recruitments, as reported in GB.357/INS/7) are maintained and extended, the Office could underspend 18 per cent of the 2026 budget, and accumulate savings over the biennium to some US$183.7 million (19,8 per cent of the 2026–27 budget), of which 72.3 million in non-staff costs, and US$111.4 in staff costs. To achieve a target of 22 per cent savings ($204.7 million), options are explored to further reduce non-staff expenditure, including through the negotiations with the Swiss government described in paragraph 5, the renting of office space and meeting rooms and the review of lease agreements and ongoing discussions with host countries to cover lease and operating costs of several ILO offices. Other potential measures are currently being explored with the Staff Union within the context of the JNC. As a measure of last resort, the Office would need to proceed with the involuntary termination of some 120 staff as from 1 January 2027, if the above measures are upheld (see table 1).

▶ Table 1. Projected savings of contingency measures (2026–27)

Measure		Savings	
		(US$ million)	(% of 2026–27 P&B)
Continuation (and extension) of non-staff cost containment measures	Staff	(111.4)	12.0%
and freezing of recruitment until December 2027 (projection)	Non Staff	(72.3)	7.8%
Subtotal		**(183.7)**	**19.8%**
Other measures related to non-staff expenditure and/or involuntary terminations of approximately 120 positions		(21.0)	2.3%
Total		**(204.7)**	**22.0%**

17. The Office has prepared two illustrative scenarios for this reduction, both of which exclude further reductions in ACTRAV, ACT/EMP, oversight functions, governance organs and the Office of the Director-General. [4] These scenarios are presented solely for illustrative purposes and are without prejudice to, and do not pre-empt, the ongoing negotiations in the JNC regarding the workforce adjustments.

18. In order to project the potential future impact that these options would have in shaping the Office structure, positions across the Office have been divided into four categories: Managerial (positions with grades of D1 and above), Technical Specialists being international professional (P) positions linked directly to policy work) Enabling Specialists being international and national professional positions at P and National Officer level, related to enabling functions such as administration, programming, operations, security, facility management, finance, human resources, information technology; and Administrative Support relating to general service positions (G).

19. Table 2 below provides the potential impact of the proposed options, in respect of involuntary terminations by location (headquarters/field), cluster and by technical role. Taking into account the principles set out in paragraph 13, and with a view to preserving the ILO's technical expertise to the greatest extent possible, the Office would recommend option 2.

▶ Table 2. Potential options for contingency measures

Option	**Description**	**Reductions in positions**	**Estimated savings** (US$ millions)	**Key implications**
1: Balanced approach	Reduction across all clusters and role types, less pronounced in field programmes and amongst technical specialists.	By location: Headquarters: 67 Regional programmes: 53 By cluster: Policy: 28 / (8% of all positions in the cluster) Field: 53 / 6% ECR: 11 / 9% CS: 28 / 9% By role: Managerial: 0 Technical specialists: 21 / 5% Enabling specialists: 44 / 10% Administration: 55 / 8%	23.7	While this option would affect the capacity of the Office to maximize support to constituents in some policy areas, it would also ensure business continuity and would maintain capacity to manage the reform process, including the creation of the global service centre and relocation of technical specialists from headquarters to the regions.
2: Preserving technical specialists	Same as scenario 1 but preserving all the technical specialist positions.	By location: Headquarters: 79 Regional programmes: 41 By cluster: Policy: 19 / 5% Field: 41 / 5%;	22.0	This option protects the technical capacity required to provide support to the constituents in the short term, both at headquarters and in the regions. It will disrupt the Office's capabilities to

[4] As mentioned in documents GB.356/INS/7 and GB.357/INS/7, the Office has adopted effectiveness and efficiency measures for these organizational units, focusing on streamlining of support functions and reducing the number of D1 positions in CABINET.

Option	Description	Reductions in positions	Estimated savings (US$ millions)	Key implications
		ECR: 17 / 13%; CS: 43 / 14%. By role: Managerial: 0 Technical specialists: 0 Enabling specialists: 50 / 11% Administration: 70 / 11%.		effectively manage change and implement reform, resulting in delays or postponement of key initiatives, including relocations and the global service centre. A measured implementation of these reductions should be achieved through the reform, without the risk of disrupting operations and overall delivery of the Office.

20. Following the Governing Body's discussions and decision on the options presented, the Office will enter into social dialogue with the Staff Union. Consultation with managers and staff will follow.

Resilience measures for the future

21. In the discussions of the Governing Body in March 2026, a number of constituents asked the Office to look at proposals on making the ILO more resilient to non-receipt of assessed contributions. By the nature of its work, the ILO's programme and budget has had a significant portion allocated under staff costs. In the current biennium, staff costs represent 71 per cent of the total budget, while the non-staff costs and other fixed cost represent the remainder of the budget. To move the budget towards a more resilient state i.e. where receipt of assessed contributions is at an average of 75 per cent, as indicated in Figure 3 above, it would require that the proportion of the budget allocated under staff costs should fall to a more sustainable level - approximately 60 per cent of the total approved budget. This would mean that in years where assessed contributions were not fully received the Office would be able to deliver on critical items of its work programmes without the need to reduce the number of officials or lose valuable skills and institutional knowledge.

22. The four-year average collection rate in Swiss francs, for current year assessed contributions has been steady at 75 per cent of the year's receivable amounts. To manage this staggered receipt of assessed contributions during a financial year, the Office has the ability to draw on a non-budgetary financial reserve established under the Financial Regulations, referred to as the Working Capital Fund. Its purpose is to ensure liquidity so that the Organization can continue operations in periods before contributions are received from Member States or other income is realized. On a rolling basis, the Working Capital Fund is replenished back to its approved level (CHF35 million), during the year from current year receipts or after the financial year ends, from the arrears paid by member States in the following financial year.

23. Ideally, the Working Capital Fund should have been provisioned to cover liquidity shortfalls. Under the current collection rates this shortfall would be approximately 25 per cent of the annual approved budget, approximately US$116 million, some CHF95 million. At its 356th Session (March–April 2026), the Governing Body approved the use of one half of the net premium for 2024–25 to be moved to the Working Capital Fund, increasing the level available to the liquidity available to the Office to CHF44,516,106, some US$56 million. [5] This represents some 12 per cent of the annual budgeted expenditure.

24. A potential way to increase the level of Working Capital Fund over the long term would be for the Conference to amend article 20(2) of the Financial Regulations to allow interest income, when earned on in years with positive balances, to be credited to the Working Capital Fund on an annual basis. Though this is not a significant amount on annual basis, over the past ten years this would have represented an increase of some CHF5 million to the overall balance of the Fund.

25. As requested by several members of the Governing Body, the Office has begun work on the feasibility of establishing a Revolving Fund. At the time of writing, discussions are ongoing with other agencies as to their use of such mechanisms. The Office will report back to the Governing Body in November 2026.

▶ Concluding observations

26. The aim of the Office would be to implement the non-staff based contingency measures (outlined in paragraph 14) in the first instance, and measures in relation to positions would only be activated if required based on updated income and cash-flow analysis.

27. As previously detailed in document GB.356/PFA/4, any decisions regarding involuntary terminations, will be applied by the Office subject to social dialogue with the Staff Union in accordance with the Memorandum of Understanding of 3 March 2026 and in full compliance with the Staff Regulations and the principles set forth by the Framework Agreement on Workforce Adjustments.

28. The impact of the contingency measures on the ILO’s capacity should not be underestimated. The reduction of non-staff resources and staff with invaluable expertise will affect delivery at country level and the development of global products. It may also slow down the reform, as its expected positive effects may take longer to materialize. While some of the measures – such as the suspension of certain funds, the reduction of allocations or the freezing of vacancies – are reversible, the loss of staff would have a lasting impact on the organization’s capability to respond to the needs of the constituents.

▶ Draft decision

29. **The Governing Body:**

(a) **took note of the projected financial information and implications included in document GB.357/PFA/4 and confirmed the approach presented by the Director-General with the continued implementation of the cost containment measures;**

[5] GB.356/PFA/3/Decision.

(b) confirmed that the Director-General should proceed with the implementation of the contingency measures described in paragraphs 13 to 20, taking into account its guidance;

(c) approved the suspension of the provision to replenish the Building and Accommodation Fund for the financial period 2026–27, amounting to US$8.2 million;

(d) confirmed that the Office should submit a proposal to the Governing Body and the International Labour Conference in 2027, to amend article 20(2) of the Financial Regulations to allow interest income to be credited directly to the Working Capital Fund on an annual basis; and that the balance of the Working Capital Fund should not go above 25 per cent of the annual amount of assessed income in Swiss francs of a financial period;

(e) requested the Director-General to present an update of the financial position of the regular budget and on the application of the contingency measures at its 358th Session (November 2026).