**6th Human Rights Council Intersessional Meeting**

*Integrating Human Rights into the International Financial Architecture Reforms: A Cornerstone for Realizing the 2030 Agenda for Sustainable Development and a Human Rights Economy*

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I want to begin with the story of a woman named Shanthi who lives with her 16 year old son about an hour outside of Colombo in Sri Lanka. Shanthi lost her job cleaning a medical facility at the start of the economic crisis, where she had been making $2 a day, and eventually found a new job as a domestic cleaner, working 7 days a week for $1 a day, half her previous wage.

During that time, inflation skyrocketed in the country, made worse by measures taken within the context of an IMF program. In May 2022, the value-added tax rate was increased from 8 to 12 percent; three months later, electricity tariffs were increased by 75 percent. One month after that, VAT was further increased to 12 percent and then in February 2023 electricity tariffs rose again by 66 percent.

The IMF program acknowledged that these measures would compound the economic pain people were facing at a time when poverty rates had doubled to one in four Sri Lankans. It included a social spending floor as well as structural benchmarks intended to improve the country's social protection program, called Samurdhi.

Now Shanthi had been receiving benefits from Samurdhi since 1997 and they were a lifeline for her. But in July of last year, she was informed that the benefits were stopped as part of the transition to a new social protection program being implemented with the support of the World Bank, called Aswesuma. She applied to the program but didn't hear back.

The loss was devastating. Already, she had to rely on her mother and employer for food. Unable to pay her electricity bill, her power was cut off, and she had to move into her mother's already overcrowded apartment.

Shanthi's story is not unique. In 2023, Sri Lanka's electric companies cut 1 million connections from the power grid due to a failure to pay – nearly half of those in the last two months of the year. One-third of Sri Lankans are food insecure, and half of children under-5 are facing malnutrition.

But the story goes beyond even Sri Lanka. While the IMF and Sri Lankan government negotiated the specific terms of the deal, it reflects an approach the IMF is applying around the world. Human Rights Watch analyzed IMF programs to 38 countries approved since the start of the pandemic in March 2020 – with a total population of more than one billion people. More than half included measures to remove energy subsidies. More than half raised value-added taxes or remove exemptions. And more than half mandated capping or reducing spending on public wages. All these measures risk undermining rights, either by increasing the cost of living or eroding public services essential to rights.

However, as in Sri Lanka, nearly all loan programs include social spending floors meant, in the words of the IMF, “to protect the poor and vulnerable.” Around two-thirds also include some measure to improve social protection.

But Sri Lanka is only one example of how this approach is not working. In Kenya, we spoke to a man named Alfredo who fixes electronics for a living. The IMF program there led to a sharp increase in fuel and electricity prices, which, in turn caused the cost of public transportation to double. Alfredo told Human Rights Watch that on some days his four children aren’t able to go to school because he can no longer afford the bus. They regularly go without electricity.

The IMF program in Kenya included a social spending floor mandating tiny increases in spending on health, education, and cash transfer programs, but their total represents a *decrease* as a percentage of GDP over the course of the IMF program, in line with OHCHR’s finding of a “downwards trend” in the country’s social spending. The OHCHR budget analysis found that total spending in Kenya on health, education, social protection and water and sanitation amount to a mere 6.06 percent of GDP – which is less than, for example, UNICEF estimates is the minimum amount needed just to ensure universal access to education. When we asked Alfredo whether he had received any new support to cope with the price increases, he laughed.

I would like to be clear that the IMF’s greater attention to social spending reflects a positive evolution in how the IMF understands its mandate. But Shanthi and Alfredo’s stories demonstrate the urgent need for a new approach. An approach that does not relegate the question of how economic policy reforms affect people to an afterthought, to impacts that need to be mitigated to “protect the poor and vulnerable.” But rather an approach that puts human rights at the core of economic policy making.

And it’s not only human rights. Shanthi and Alfredo’s stories share a common feature that brings climate squarely into the picture: the impact of removing energy subsidies. Fossil fuel subsidies delay the transition to renewable energy sources, contributing to a climate crisis the brunt of which is already falling on those who are poorest. At the same time, removing subsidies can drive up prices in ways that disproportionately hurt people already financially struggling.

Currently, IMF policy is to mitigate these impacts through cash transfer programs that are generally limited to only a small percentage of the population considered “the poorest.” But as we’ve seen in Sri Lanka and Kenya, this does little to address widespread economic implications, leading to frequent public opposition, and even protests, as we’ve seen, for example, in Pakistan, Angola, and Ecuador, and undermining the ability of governments to implement subsidy removal.

Fortunately, we are at a moment of convergence and momentum for alternative visions for aligning economic policies to deliver on economic, social, and cultural rights while confronting the climate crisis.

The High Commissioner for Human Rights' call for a human rights economy to "redress root causes and structural barriers to equality, justice, and sustainability" is one such example, highlighting the transformative potential of integrating human rights into economic policy decisions and our global economic system. In a similar vein, the Special Rapporteur on Extreme Poverty and Human Rights is developing an approach for eradicating poverty and reducing inequalities, and for realizing human rights, without relying on GDP growth. This is in line with calls by Oxfam for example to move beyond GDP, as well as calls for a new eco-social contract.

The climate movement has also been developing a framework for a just transition, with a Just transition Work Programme established in 2022 at COP27 and further developed last year, including a call for enhancing "international cooperation" to support just transition pathways – language that mirrors how the ICESCR defines available resources to include international assistance and co-operation, creating an important link to human rights. And finally the UN is just beginning the process of drafting the Pact for the Future ahead of the September summit, which is a crucial opportunity for bringing these various efforts together and incorporating them into international institutions.

These initiatives may go by different names, but they share a common understanding: that for governments to deliver on rights, the global economic system must change. This is not to let governments off the hook. There are many things individual governments can do to improve rights, from prioritizing rights in budgets to improving progressive revenue generation. But the reality is that many governments do not have the resources to realize rights. By broadening the spotlight to include not only individual governments but also the international system in which governments operate, the call for a human rights economy gives full wait to the obligation of international assistance and cooperation enshrined in the ICESCR.

What does this mean in practice? There are many elements that will be discussed today – tax, debt, illicit financial flows –but I want to offer three concrete recommendations for reforming IFIs.

First, assessments, assessments, assessments. By this I mean every major economic policy reform proposal should be assessed for its expected impacts on poverty, inequality, and human rights, and these assessments should be published. This is line with guidance developed by the former independent expert on foreign debt, Juan Pablo Bohoslavsky, and approved by the Human Rights Council to conduct human rights impact assessments of economic policy reforms to ensure that governments and the IFIs that support them pursue policy options most protective of rights.

The publication of these assessments is critical for bringing the public into debates about economic policy reforms that affect them. This is in line not only with human rights, but also

SDG 16.7: “Ensure responsive, inclusive, participatory and representative decision-making at all levels.”

In the context of the IMF, there is already a powerful tool to make these assessments: distributional impact analyses that measure how specific policies are expected to affect people’s real income. But these analyses are undertaken only in select situations and are rarely published.

Second, social spending should be linked to internationally agreed and recommended benchmarks. We know how much governments need to spend as a percentage of budgets and GDP to realize, for example, the right to health, education, and social protection. In some cases, governments have signed agreements to achieve these goals. Governments have also agreed on Social Protection Floors within the framework of the ILO that delineate exactly what should be covered. But these and other benchmarks are not part of the fabric of our international system. IMF social spending floors don’t even entertain the illusion of trying to meet them. Debt restructuring negotiations do not take into account the reality that governments are servicing debt at the expense of social spending. In 2021, 83 countries paid more per capita to service their external debt than they spent per capita on public healthcare expenditures.

Finally, we need to move beyond poverty targeted social protection to realize everyone’s right to social security. This is particularly important now because since the pandemic there has been renewed attention to social protection to improve economic resilience as well as “mitigate” the impacts of climate policies, such as removing energy subsidies or introducing carbon taxes. But the view that reduces social security – enshrined in human right law and an ILO convention – to small cash transfers to a segment of the population deemed “the poorest” amounts to a bandage on a bullet wound.

I would like to end by imaging Shanthi and Alfredo living in a world in which the IMF applied these principles. It would mean that there was a robust public debate around the decision to remove energy subsidies and how to use the savings to protect people’s rights. It would mean social spending floors would not only prevent cuts to government spending that hurts rights but put governments on a credible path to achieving international benchmarks for delivering on key public services. And it would mean building toward universal social protection system that supports everyone at key moments over the course of their lives.

In other words, it would mean that Shanthi would be living in her home with the lights on and Alfredo’s children would be happily riding the bus on their way to school.