Remarks at 6th Human Right Councial Intersessional Meeting

Sarah Saadoun – Human Rights Watch

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, compounded by measures taken within the context of an IMF program. In May 2022, the VAT rate was increased from 8 to 12 percent, and then in August of the same year electricity tariffs were increased by 75 percent. In September, 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. By October, over 500,000 Sri Lankans had been reportedly disconnected from the power grid due to a failure to pay – which amounts to roughly 10 percent of the country’s 5.8 million households. 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 a decrease in public spending as a percentage of GDP. 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, as the stories of Shanti and Alfredo illustrate, its current approach amounts, at best, to placing a bandage on a bullet wound, when what is needed is transformative thinking about how to build economies that improve the wellbeing of all people and protect our planet.

To do this, the IMF should, as the title of this panel suggests, integrate human rights into every aspect of its work. The word “integrate” is key because it addresses a frequent concern that issues like human rights – and even poverty and inequality, climate, and corruption – are beyond IMF expertise. That there is a “global division of labor” in which the IMF should focus on macroeconomic issues and leave social questions for other institutions like the World Bank.

But what is being asked of the IMF is not to invent solutions but to integrate internationally agreed upon laws, agreements, and initiatives – many of which have been carefully negotiated by governments – designed to put the world on a path toward sustainable and fair economies. While this has long been important, it is especially critical at this moment of convergence and momentum for changing the paradigm through which economic policies are viewed. With economic precarity and inequalities on the rise, many governments slashing budgets and with it programs on which people depend, and the devastation of climate chaos already upon us, alternative models are emerging that enable the realization of rights within planetary boundaries.

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.

Climate activists have also been developing a framework for a just transition – that is, ensuring that economic impacts of transition to renewable energy sources do not harm people’s rights – and this is now an official Work Programme within the UNFCCC. 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.

The removal of energy subsidies, a common feature in IMF programs, is one clear example of the need for a coherent approach to addressing economic and environmental challenges that is based on human rights. These subsidies pose enormous burdens on budgets and, in absolute terms, are disproportionately captured by the wealthy. They also prolong dependence on fossil fuels and 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 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.

What would it look like in practice for the IMF instead to integrate human rights?

It means putting the equitable distribution of resources within societies – that is, economic inequality – at the core of its decision-making. There are many ways it can do this, but I’d like to propose three.

The first is a powerful tool that the IMF has already developed: 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.

It should conduct and publish distributional impact analyses for all major economic policies reforms, including at the proposal stage. This is in line with guidance adopted by the Human Rights Council to conduct human rights impact assessments of proposed policy responses to economic crises to ensure that governments adopt those most likely to protect and advance rights. Publishing these analyses at the proposal stage is critical for engendering an informed public debate, which is both part of a rights-based approach and is in line with SDG 16.7: “Ensure responsive, inclusive, participatory and representative decision-making at all levels.”

The IMF frequently talks about the importance of government ownership, but protests against its programs – from Pakistan to Angola and Ecuador – make clear that it must also ensure *public* ownership of its programs. Ensuring that people have the information to participate meaningfully in policies that affect them is a crucial step in securing their support, particularly where policies represent fundamental shifts in the social contract.

Second, is a new approach on social spending, which is a central vehicle for ensuring equitable distribution of resources and human rights. Spending critical for human rights should not be seen as a cost but as an obligation, as well as an investment in the foundation for a sustainable economy. To this end, social spending floors should incorporate internationally agreed benchmarks, human rights standards, and ILO conventions, particularly on Social Protection Floors. Distributional impact analyses should also form the basis for ensuring compensation for any truly unavoidable harms – for example, those necessary to facilitate the energy transition.

Finally, the IMF should commit to promote universal social protection systems, in line with the human right to social security, as well as the position of every major institution with expertise on the issue, including the ILO, UNICEF, and the World Bank.

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 internationally agreed spending benchmarks for delivering on key public services. And it would mean building toward universal social protection system that provides incomes support to 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.