

## Call for Inputs on Climate Financing and Human Rights

Submitted by: *Institute of Political Economy, Sri Lanka*

This submission is made by the Institute of Political Economy (IPE), Sri Lanka, in response to the call for inputs issued by the Office of the United Nations High Commissioner for Human Rights to inform the Secretary-General's synthesis report on actionable pathways for mobilising climate finance in pursuit of the full realisation of human rights. The submission draws on IPE's research on sovereign debt, climate finance, environmental governance, and human rights in Sri Lanka, informed by analysis of the country's debt restructuring process, climate finance flows, macroeconomic conditionalities, and the distributive impacts of climate shocks.

This submission responds primarily to **Questions 1, 2, 4, 6, and 7**. Rather than addressing each question in isolation, it presents an integrated analysis of the structural barriers that prevent climate finance from advancing human rights, and advances concrete recommendations for reorienting climate finance in line with international human rights obligations.

### General comments

Climate finance has become [central](#) to the international response to climate change, yet its design and operation remain [deeply entangled](#) with global financial structures that systematically disadvantage climate-vulnerable, debt-distressed countries. While international human rights law requires states to utilise maximum available resources to progressively realise economic, social, and cultural rights, prevailing climate finance frameworks frequently restrict fiscal space, impose new liabilities, and subordinate social and environmental priorities to external financial obligations.

This tension is particularly acute in [countries experiencing recurrent climate shocks alongside unsustainable debt burdens](#). In such contexts, climate finance cannot be assessed solely in terms of aggregate volume or technical efficiency. Its [human rights implications](#) depend fundamentally on its form, conditionalities, governance structures, and interaction with sovereign debt and macroeconomic policy. Climate finance that deepens indebtedness, constrains domestic policy space, or externalises environmental and social costs risks undermining, rather than advancing, the realisation of rights.

Sri Lanka's recent experience illustrates these dynamics with particular clarity and offers insights of wider relevance to the global climate finance architecture.

### Responses

#### **Questions 1 and 4: Actionable pathways, opportunities, and structural barriers**

[Sri Lanka's experience](#) demonstrates how prevailing climate finance architectures, far from enabling the realisation of human rights, often entrench fiscal constraint, deepen social vulnerability, and reproduce ecological and democratic harms. These outcomes arise from structural features of the global climate finance regime that render it incompatible with international human rights obligations in debt-distressed, climate-vulnerable countries.

[Sri Lanka contributes](#) less than 0.05 per cent of global fossil carbon emissions, yet faces intensifying climate impacts including floods, landslides, droughts, coastal erosion, and ecosystem degradation. These impacts directly threaten the rights to life, food, water, housing, health, culture, and an adequate standard of living. Simultaneously, the country carries an [external debt stock](#) of approximately USD 57.1 billion and remains subject to macroeconomic conditionalities requiring

sustained primary surpluses, reductions in public expenditure, and restructuring of social protection systems. According to the [budget figures for 2026](#), roughly 85 per cent of government revenue is allocated to debt servicing, leaving only marginal resources for environmental protection, conservation, climate adaptation, and disaster risk reduction relative to identified needs.

From a human rights perspective, this fiscal configuration raises serious concerns regarding compliance with [article 2\(1\) of the International Covenant on Economic, Social and Cultural Rights](#), insofar as debt servicing trajectories effectively pre-empt the mobilisation and allocation of resources necessary to meet basic social and environmental needs. The prioritisation of external obligations over essential public expenditure constitutes a structural constraint with direct implications for the enjoyment of economic, social and cultural rights.

This interaction between climate vulnerability and sovereign debt produces what may be described as [a debt–climate trap](#). Climate-related disasters increase fiscal pressure and humanitarian need, yet debt servicing obligations constrain the state’s ability to respond through adaptation, social protection, and public investment. [IMF-mandated austerity](#) further weakens adaptive capacity by reducing subsidies, public employment, and welfare expenditure, even as climate risks intensify. Subsequent disasters then necessitate additional borrowing, reinforcing the cycle and locking countries into prolonged adjustment paths characterised by deferred recovery, heightened inequality, and increased exposure to future shocks.

These dynamics produce [predictable and differentiated human rights impacts](#). Smallholder farmers experience declining yields and rising food insecurity, coastal fishing communities face falling catches linked to ecosystem degradation, and residents of informal urban settlements are repeatedly displaced by floods and landslides without secure tenure or adequate reconstruction support. Such outcomes reflect fiscal frameworks that systematically subordinate social reproduction and environmental protection to debt servicing. This pattern is particularly evident in Sri Lanka’s plantation sector, where estate workers – many of whom are descendants of indentured Tamil labourers – live in ecologically sensitive, climate-exposed environments yet remain largely excluded from climate planning and adaptation finance, while benefits associated with sustainability initiatives accrue primarily to estate management and private firms.

Within this context, climate finance is increasingly presented as a solution. However, the form it takes is decisive. In Sri Lanka, [access to international climate finance](#) is characterised by complex accreditation requirements, fragmented bilateral and multilateral funding channels, high transaction costs, and persistent reliance on loans rather than grants. Although Sri Lanka has secured [approximately USD 106.1 million through the Green Climate Fund](#), this support remains far below the scale required to meet adaptation and mitigation needs. The fragmentation across multiple instruments and institutions places significant administrative burdens on public agencies, straining limited institutional capacity. Adaptation finance in particular remains grossly inadequate, while the operationalisation of the [Loss and Damage Fund](#) has yet to provide predictable or timely support. Climate finance frequently fails to alleviate fiscal pressure and, in some cases, risks compounding debt burdens or imposing new constraints on domestic policy space.

### **Question 2: Climate finance, debt instruments, and human rights impacts**

Debt-for-nature and debt-for-climate swaps are emblematic of the limits of market-based climate finance in debt-distressed contexts. Despite being promoted as [innovative win–win instruments](#), global evidence demonstrates that such swaps [deliver minimal debt relief](#). On average, they reduce overall debt stocks by approximately [three per cent](#), compared to reductions of around twenty per cent or more achieved through conventional debt restructuring. Transaction costs frequently absorb substantial shares of nominal value, diverting resources away from conservation and adaptation.

The [Seychelles’ 2016 transaction](#) restructured merely \$21.6 million – less than 5 per cent of external debt. [Belize’s 2021 swap](#) restructured \$553 million but incurred \$85 million in transaction costs,

nearly equal to the \$84 million in conservation funding generated over 20 years. [Ecuador's \\$1.6 billion Galápagos swap](#) generated \$450 million for conservation but required \$656 million in political risk insurance. Where debt burdens are structurally misaligned with climate resilience and social protection requirements, such marginal relief cannot meaningfully alter underlying fiscal constraints.

More fundamentally, [these mechanisms commodify](#) ecosystems by translating complex socio-ecological systems into monetised units – carbon tonnes, biodiversity offsets, ecosystem service certificates – optimised for financial markets rather than ecological integrity or community wellbeing. Ecological relationships that resist quantification, including soil health, hydrological cycles, seasonal migration, and customary land management practices, are rendered invisible.

Governance dynamics further [undermine human rights compatibility](#). Decision-making authority is typically concentrated among creditors, international conservation organisations, insurers, and financial intermediaries, while affected communities are marginalised or consulted only after key parameters are fixed. Sri Lanka's conservation history underscores these risks. The indigenous Vedda community, particularly in Bintenna and Dambana, embodies sustainable practices deeply rooted in ecological wisdom – selective gathering that maintains forest biodiversity and rotational chena cultivation enabling natural regeneration. These knowledge systems have sustained forest ecosystems for generations through reciprocal human-nature relationships. Yet modern conservation efforts have displaced and marginalised these communities. A conservation paradox has emerged: state-imposed protection undermines the traditional stewardship that sustained these ecosystems, replacing community-based knowledge with externally imposed management often less effective at maintaining ecological integrity.

This pattern echoes troubling global precedents. Ecuador's Galápagos transaction faces [legal challenges](#) from 24 local organisations citing lack of consultation and arbitrary post-completion restrictions. Bolivia's 1987 swap [displaced Tsimané Indians](#) from 3.7 million acres, and in Costa Rica a swap tied to Corcovado National Park [forced local farmers from their land while criminalising traditional livelihoods](#).

A particularly troubling feature of debt-based [climate finance is its treatment of environmental harm as ahistorical](#). Large-scale infrastructure projects in Sri Lanka financed through external borrowing – notably the Hambantota Port and the Colombo Port City – have caused extensive ecological destruction. The Hambantota Port project involved dredging 40,000 cubic metres of sand, [destroying lagoon ecology](#) while severing [critical elephant corridors and intensifying human-elephant conflicts](#). Colombo Port City compounded this destruction through dredging 65-90 million cubic metres, triggering a 20 per cent decline in fish catches and [destroying coastal fishing livelihoods](#). Beyond coastal devastation, the project demanded [extensive inland extraction](#) – soil, gravel, and rocks quarried from areas like Kaduwela through rock blasting and hillock removal, obliterating terrestrial habitats, disrupting groundwater systems, and generating pervasive air and noise pollution while displacing communities dependent on these resources. These projects proceeded despite inadequate environmental approvals and weak safeguards. Yet when the debts associated with such projects are restructured or rebranded as ['green'](#), the environmental and social costs they generated are excluded from the accounting framework. Creditors are thus able to finance new conservation initiatives without addressing or compensating for the harm caused by earlier investments, leaving affected communities to bear the ongoing consequences.

#### **Questions 4 and 7: Additional information on systemic barriers and alternative pathways**

The [structural incompatibility](#) between prevailing climate finance frameworks and human rights obligations - right to a clean, healthy and sustainable environment - extends beyond debt levels or financing instruments to encompass fundamental contradictions in how the international financial architecture conceptualises development, measures progress, and distributes responsibility for environmental harm.

Central to this logic is the treatment of environmental destruction as unpriced '[negative externalities](#)' excluded from GDP accounting and lending models. The approximately US \$12 billion in external infrastructure financing that flowed into projects such as [Hambantota Port and Colombo Port City generated extensive ecological damage](#) – dredging operations that destroyed lagoon ecology and severed elephant corridors, coastal reclamation that caused documented fishery declines, inland quarrying that devastated terrestrial habitats – yet these costs remained systematically unaccounted in financial calculations determining project viability, loan terms, and subsequent debt restructuring. [The environmental and social damage appears nowhere in the ledgers](#) that now structure Sri Lanka's fiscal constraints, even as affected communities continue bearing the material consequences.

[This pattern](#) reflects the foundational premises of international financial institutions. The IMF and World Bank perpetuate [frameworks mandating GDP growth targets](#) regardless of ecological harm, impose structural adjustment prioritising debt service over environmental protection, and promote market mechanisms commodifying nature rather than addressing destruction's root causes. When [economic 'development' is measured solely through monetary flows, ecosystem collapse becomes rendered as an acceptable cost of progress](#) rather than a violation of rights or destruction of conditions for human flourishing.

Beyond systematic mis-accounting of environmental harm, the international climate architecture [deliberately excludes major emission sources](#) that would complicate geopolitical hierarchies. Military emissions, estimated at five to six per cent of global greenhouse gases, evade UNFCCC reporting despite armed conflicts destroying ecosystems and generating massive emissions. This exemption represents not technical oversight but [political choice](#) protecting military-industrial complexes whilst countries like Sri Lanka, contributing less than 0.05 per cent of global fossil carbon emissions, face mounting adaptation costs and constrained fiscal capacity.

Similarly, [transboundary pollution](#) accounting attributes consumption emissions to producing countries rather than consuming nations, enabling wealthy countries to offshore emissions through global supply chains. [Aviation and shipping](#), sectors predominantly serving wealthy consumers, face minimal regulation despite substantial contributions to climate change. These exclusions constitute [deliberate structural features](#) protecting consumption patterns of wealthy nations and profit streams of multinational corporations whilst burdening low-emission countries with disproportionate adaptation costs.

Addressing these contradictions requires fundamentally [reimagining economic paradigms](#) underpinning climate finance. Genuine climate action respecting human rights necessitates rejecting growth-driven economics for systems centring human and planetary wellbeing. This includes measuring progress through health, education, and ecosystem integrity rather than GDP growth, [internalising environmental costs](#) rather than externalising them onto communities and future generations, and recognising planetary boundaries as fundamental constraints rather than obstacles to overcome.

For high-income countries, this requires purposeful economic contraction such as reducing resource throughput whilst maintaining social welfare, thereby creating [ecological space for Global South development](#) constrained by colonial extraction and contemporary debt burdens. [Development must be reconceptualised](#) along sufficiency principles, ensuring basic needs are met within planetary boundaries through food sovereignty, energy democracy, and participatory governance enabling communities to determine their futures rather than having development dictated by external creditors.

This transformation encompasses solidarity economy frameworks prioritising community resource control, cooperative ownership, and regional self-reliance over integration into extractive global supply chains. It demands ecological economics principles prioritising ecosystem regeneration and recognising economies as subsystems of finite ecosystems rather than autonomous domains governed by market logic alone.

[Transformative climate finance must finance this fundamental shift](#) rather than channelling resources through structures reproducing extraction and exploitation. This entails supporting sufficiency-based development, funding community-led initiatives strengthening local resilience and self-determination, providing reparations for ecological debts accumulated through unequal exchange and environmental appropriation, and [dismantling debt mechanisms mandating perpetual growth](#). Only through confronting these paradigmatic contradictions can climate finance become compatible with the full realisation of human rights for all people.

### **Question 6: Recommendations for mobilising climate finance consistent with human rights**

[Climate finance consistent with the full realisation of human rights](#) must be grounded in debt justice and the expansion of fiscal space in climate-vulnerable, debt-distressed countries. In contexts where external debt servicing absorbs a dominant share of public revenue, climate finance delivered through loans, market mechanisms, or narrowly targeted ‘innovative’ instruments cannot enable States to meet their obligations under international human rights law. Effective, rights-based climate action therefore requires [comprehensive debt restructuring and cancellation and governance frameworks](#) that prioritise community self-determination, social protection, public control over essential resources and technologies, and the inclusion of other actors in the decision-making process when designing and approving climate financing projects - human rights defenders, CSO, communities and other relevant actors to precisely anticipate human rights consequences.

### **Recommendations**

- States should recognise unsustainable sovereign debt as a structural barrier to the realisation of human rights in climate-vulnerable countries and pursue comprehensive debt cancellation and restructuring, without punitive conditionalities, as a prerequisite for effective, rights-based climate action.
- States and international financial institutions should ensure that climate finance is predominantly grant-based, predictable, and additional, and does not generate new debt burdens.
- International financial institutions and climate funds should increase accountability and reform debt sustainability and climate finance frameworks to incorporate climate vulnerability, recurrent disaster risk, and historical environmental harm associated with debt-financed development.
- States should refrain from promoting or adopting market-based climate finance mechanisms, including debt-for-nature swaps and carbon markets, where such mechanisms provide only marginal debt relief, commodify ecosystems, or undermine community land rights, livelihoods, and self-determination.
- States should guarantee the free, prior, and informed consent of affected communities in all climate finance-related decisions, including conservation, adaptation, mitigation, and infrastructure projects.
- International organisations should prioritise climate finance that strengthens food sovereignty, energy sovereignty, and public ownership of essential infrastructure.
- States and international organisations should ensure that climate finance is conditional on respect for labour rights and social protection, including living wages, safe and climate-resilient housing, and worker participation, particularly in climate-exposed sectors such as plantations, construction, and informal urban economies.
- The United Nations system, including OHCHR, should strengthen monitoring and accountability mechanisms to assess the human rights impacts of climate finance and debt policies, including through Treaty Bodies, Special Procedures, and the Universal Periodic Review.