

Mandate of the Independent Expert on the effects of foreign debt and other related international financial obligations of States on the full enjoyment of all human rights, particularly economic, social and cultural rights

Ref.: AL LKA 4/2025
(Please use this reference in your reply)

3 December 2025

Excellency,

I have the honour to address you in my capacity as Independent Expert on the effects of foreign debt and other related international financial obligations of States on the full enjoyment of all human rights, particularly economic, social and cultural rights, pursuant to Human Rights Council resolution 52/17.

In this connection, I would like to bring to the attention of your Excellency's Government information I have received concerning Sri Lanka's debt restructuring arrangements and their implications for the realisation of human rights.

According to the information received:

Your Government has reached agreements with external creditors, including the agreement in principle with bondholders announced in July 2024 and earlier agreements with the Official Creditor Committee raising significant concerns regarding the sustainability of these arrangements and their compatibility with Sri Lanka's human rights obligations.

The IMF's Debt Sustainability Analysis prepared under the Market Access Country framework sets a debt-to-GDP ratio target of 95 per cent, a primary surplus target of 2.3 per cent of GDP, and foreign debt servicing at 4.5 per cent of GDP. In the Sri Lankan context, these measures would consume close to one-third of government revenue, reducing fiscal space for essential services including health, education, social protection, and climate resilience. The conditionalities also require gross financing needs to be held at 13 per cent of GDP, a calculation that conflates domestic rupee-denominated debt with foreign currency debt, thereby overstating adjustment requirements and increasing vulnerability to exchange rate fluctuations.

It has been reported that the Domestic Debt Optimisation undertaken in 2023–2024 targeted the two largest domestic creditors: the Central Bank of Sri Lanka and the Employees' Provident Fund (EPF). The EPF, which holds over 3 trillion Sri Lankan rupees in assets, consists largely of the retirement savings of low-income workers, 85 per cent of whom have balances under 100,000 rupees. Sources indicate that these members may lose 12 trillion rupees (USD39 billion) of their fund value over the coming decade owing to the proposed reduction in government bond coupon rates from 12 to 9 per cent, compounded by inflationary erosion of 35–40 per cent.

Reports also indicate that the announcement of the agreement in principle with bondholders occurred just days before the presidential election. This timing was

characterized as potentially affecting democratic processes and public participation in decisions of such economic magnitude. The IMF's debt sustainability projections do not appear to incorporate Sri Lanka's considerable climate vulnerability or environmental degradation into their assessment, notwithstanding the country's obligations under the Paris Agreement and environmental commitments.

Concerns were raised that the current arrangements may prioritise external creditor interests over the Government's primary obligation to fulfil the human rights of its population. Questions are raised whether the debt sustainability analysis adequately reflects Sri Lanka's capacity to service debt whilst maintaining minimum essential levels of rights, and whether sufficient consideration has been given to alternative frameworks that might better protect vulnerable populations.

Without prejudging the accuracy of these allegations, these concerns would engage Sri Lanka's obligations under international human rights law, including the International Covenant on Economic, Social and Cultural Rights, particularly articles 2(1) and 9, the International Covenant on Civil and Political Rights, particularly article 25, and the Convention on the Rights of the Child. They also relate to established principles requiring States to ensure that economic policies, including debt management strategies, are designed and implemented in ways that respect, protect and fulfil human rights, using the maximum of available resources whilst avoiding unjustified retrogressive measures.

I wish to recall Sri Lanka's obligations under article 2(1) of the International Covenant on Economic, Social and Cultural Rights to utilise the maximum of available resources for the progressive realisation of Covenant rights whilst avoiding deliberate retrogressive measures unless strictly justified. I further recall article 9 of the Covenant regarding the right to social security, and article 25 of the International Covenant on Civil and Political Rights concerning the right to participate in public affairs and genuine periodic elections.

The Committee on Economic, Social and Cultural Rights has emphasised that structural adjustment and fiscal consolidation programmes must be designed and implemented in a manner that protects, and does not undermine, minimum core obligations in relation to each right. The Human Rights Council has emphasised that debt sustainability should be assessed not only in financial terms but also in relation to a State's capacity to fulfil its human rights obligations. External debt arrangements should support rather than undermine the realisation of human rights, and should be designed with meaningful participation of affected populations.

In connection with the above alleged facts and concerns, please refer to the **Annex on Reference to international human rights law** attached to this letter which cites international human rights instruments and standards relevant to these allegations.

As it is my responsibility, under the mandate provided to me by the Human Rights Council, to seek to clarify all cases brought to my attention, I would be grateful for your observations on the following matters:

1. Please provide any additional information and/or comment(s) you may have on the above-mentioned allegations.
2. On alternative sustainability frameworks, please indicate whether the Government has considered requesting alternative debt sustainability frameworks that might better reflect Sri Lanka's development status and financing needs? What assessment has been conducted of linking debt servicing targets to foreign exchange earnings rather than GDP, and would the Government consider capping debt servicing at a manageable percentage of foreign exchange revenues?
3. On human rights impact assessment, what measures has the Government taken to assess the human rights impacts of the debt restructuring arrangements, including their effects on vulnerable populations? How does the Government ensure that fiscal consolidation measures do not result in retrogression in the enjoyment of economic, social and cultural rights?
4. On transparency and accountability, please indicate whether the Government commits to conducting a comprehensive and transparent audit of all external loans, including disclosure of terms and conditions? What mechanisms exist to ensure meaningful participation by affected communities and civil society organisations in debt management decisions?
5. On social protection and pension rights, please indicate what measures has the Government taken to protect the Employees' Provident Fund and its members from disproportionate losses resulting from the Domestic Debt Optimisation? How does the Government justify the reduction in bond coupon rates from 12 to 9 per cent given the projected losses of 12 trillion rupees for EPF members, particularly when 85 per cent have balances under 100,000 rupees?
6. On democratic processes and timing, please indicate how the Government ensures that major economic policy decisions, such as debt restructuring agreements, are subject to adequate public debate and parliamentary scrutiny? What measures are in place to ensure that such announcements do not interfere with electoral processes or undermine democratic participation?
7. On priority of human rights obligations, please indicate how the Government reconciles its debt servicing commitments with its primary obligation to prioritise the needs of its citizens, particularly the most vulnerable? What safeguards are in place to ensure that debt payments do not compromise essential public spending on health, education, and social protection?

8. On alignment with development commitments, please indicate how do the current debt arrangements align with Sri Lanka's commitments under the United Nations Sustainable Development Goals, particularly those relating to poverty reduction, health, education, and reduced inequalities? What measures are being taken to ensure that debt management supports rather than undermines sustainable development and climate resilience?
9. On future sustainability, please indicate under what conditions would the Government consider reopening negotiations with creditors to seek more sustainable arrangements? Would the Government commission an independent debt sustainability analysis to reassess its repayment capacity based on human rights, development, and climate criteria?
10. On social protection measures, please indicate which specific measures has the Government implemented to protect vulnerable populations from the adverse effects of fiscal adjustment? How does the Government ensure that essential social transfers maintain their real value and reach those most in need?

This communication and any response received from your Excellency's Government will be made public via the communications reporting [website](#) within 60 days. They will also subsequently be made available in the usual report to be presented to the Human Rights Council.

While awaiting a reply, I urge that all necessary interim measures be taken to halt the alleged violations and prevent their re-occurrence and in the event that the investigations support or suggest the allegations to be correct, to ensure the accountability of any person(s) responsible for the alleged violations.

I remain available to engage constructively with your Government to support the development of debt management approaches that uphold human rights whilst addressing fiscal sustainability concerns.

Please accept, Excellency, the assurances of my highest consideration.

Attiya Waris

Independent Expert on the effects of foreign debt and other related international financial obligations of States on the full enjoyment of all human rights, particularly economic, social and cultural rights

Annex

Reference to international human rights law

In connection with above alleged facts and concerns, I would like to draw your attention to the relevant international norms and standards that are applicable to the issues brought forward.

One of the pillars of the protection of economic, social and cultural rights under article 2 of the International Covenant on Economic, Social and Cultural Rights ratified by Sri Lanka in 1980 is the obligation to progressively realize the rights set out in the Covenant, making use of the maximum of available resources.

In compliance with article 2.2 of the Covenant, and the provision on progressive realization of these rights, States should not adopt impermissible retrogressive measure, unless strictly justifiable. As the Committee on economic, Social and Cultural Rights has clarified, retrogressive measures, meaning taking steps that would reduce the enjoyment of economic, social and cultural rights, are only permissible under certain strict circumstances. Furthermore, the onus is on the various Governments to demonstrate that their proposed measures will meet all their human rights obligations, notably by ensuring that measures are, among other characteristics, necessary, in that they must be justifiable after the most careful consideration of all other less restrictive alternatives; reasonable, in that the means chosen are the most suitable and capable of achieving the legitimate aim; not discriminatory, aimed at mitigating the inequalities that can emerge in times of crisis; and ensuring that the rights of disadvantaged and marginalized individuals and groups are not disproportionately affected; and subject to meaningful review and accountability procedures.

We recall that the UN Declaration on the right to development (A/RES/41/128) declares that States have the primary responsibility for the creation of national and international conditions favourable to the realization of the right to development; that they have the duty to co-operate with each other in ensuring development and eliminating obstacles to development, and that they should realize their rights and fulfil their duties in such a manner as to promote a new international economic order based on sovereign equality, interdependence, mutual interest and cooperation among all States, as well as to encourage the observance and realization of human rights (article 3.1 and 3.3).

The Declaration further states that sustained action is required to promote more rapid development of developing countries and that effective international cooperation is essential in providing these countries with appropriate means and facilities to foster their comprehensive development (article 4.2). We are concerned at the information that, contrary to these commitments, the concerns of low- and middle-income countries in relation to the establishment of the new international taxation rules have not been taken into consideration in a meaningful manner. We refer to the guidelines and recommendations on the practical implementation of the right to development (A/HRC/42/38), which urge states to guarantee social protection floors and welfare, even in times of economic and financial crisis, in line with the Social Protection Floors Recommendation, 2012 (No. 202), of the International Labour Organization (para. 60).

The guidelines also request that States should prioritize the use of domestic resources for development over the servicing of debt (para. 63) and to enhance accountability in the private sector, by publishing the taxation rates and revenues generated by major economic actors (para. 65); and recommend that Governments should develop a global and a regional taxation architecture with a view to countering the race to the bottom fuelled by tax policies that are increasingly in favour of capital to the detriment of people's welfare (para. 81).