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**Promotion and protection of all human rights, civil,
political, economic, social and cultural rights,
including the right to development****Understanding the landscape of climate finance, debt, tax
and illicit financial flows and human rights****Report 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, Attiya Waris***Summary*

Pursuant to Human Rights Council resolution 52/17, 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, Attiya Waris, submits to the Council her annual thematic report, in which she strives to take stock of ongoing global discussions on climate finance through a human rights lens. She reflects on disparities of power and finance across the world and the role of human rights in climate finance conversations. In the report, she elaborates on the intersection between debt, taxes and illicit financial flows, and on the implementation of innovative financing in an attempt to protect the right to a clean and healthy environment and prevent further climate change. The Independent Expert emphasizes the need for targeted finance that delivers tangible environmental improvements and calls for human rights frameworks to be incorporated into climate laws and policies to promote equity and social justice.



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I. Defining climate finance

A. Overview of climate finance

1. Climate finance is the funding allocated for the mitigation of and adaptation to climate change. It can come from public, private and alternative sources and is directed at efforts such as reducing carbon emissions, building climate resilience and supporting vulnerable populations. Climate finance has become a central pillar in global climate governance, particularly under frameworks such as the Paris Agreement. The goal in the Paris Agreement of limiting global temperature rise to 1.5 °C above pre-industrial levels to avoid catastrophic climate impacts highlights the critical role that financial flows play in achieving these targets. Climate finance is rooted in the principle of common yet differentiated responsibilities, with developed countries expected to provide the bulk of financial resources to developing States, given the historical role of developed countries in emitting greenhouse gases and their greater capacity to mobilize resources.

2. The coronavirus disease (COVID-19) pandemic and tightening monetary policy in advanced economies has led to 61 countries being in or close to debt distress with little prospect of regaining sufficient fiscal space for climate investments. At the same time, the World Bank estimates that developing countries spent \$443.5 billion on external debt servicing in 2022 alone.¹ Loss and damage from climate events have cost the most climate vulnerable economies upwards of 20 per cent of gross domestic product, amounting to \$525 billion over the last two decades.² The required investments of emerging markets and developing countries other than China in the energy transition, adaptation, resilience and restoration by 2030 are estimated at \$2.4 trillion annually, \$1 trillion of which is external finance.³ That is far beyond the negotiated \$100 billion by 2020 included in the decision on the adoption of the Paris Agreement, and which developed countries continue to fail to deliver.

3. The public and publicly guaranteed debt of emerging markets and developing economies has more than doubled since the 2008 global financial crisis, from \$1.4 trillion in 2008 to \$3.6 trillion in 2021, with 61 countries in or near debt distress today.⁴ In 2023, on average 38 per cent of government revenue was absorbed by debt servicing, rising to 54 per cent in Africa.⁵ Some 3.3 billion people now live in countries that spend more on debt interest payments than on education or health.⁶ In 2022, lower income countries were spending 5 times more on external debt payments than on tackling climate change; that ratio rose to 12.5 times in 2023.⁷ In 2020, climate finance from international public sources was three quarters loan-based (72 per cent) and 91 per cent of climate finance was from multilateral development banks, of which in turn 75 per cent was non-concessional.⁸ In 2022, the 58 least developed countries and small island developing States spent \$59 billion repaying

¹ See <https://www.worldbank.org/en/news/press-release/2023/12/13/developing-countries-paid-record-443-5-billion-on-public-debt-in-2022>; and <https://www.brettonwoodsproject.org/2023/12/new-data-show-global-south-is-in-worst-debt-crisis-ever-with-another-lost-decade-looming/>.

² See https://www.v-20.org/wp-content/uploads/2022/06/Climate-Vulnerable-Economies-Loss-Report_June-14_compressed-1.pdf.

³ See <https://www.lse.ac.uk/granthaminstitute/wp-content/uploads/2022/11/IHLEG-Finance-for-Climate-Action-1.pdf>, pp. 5 and 7.

⁴ See <https://www.bu.edu/gdp/2023/03/31/debt-relief-for-a-green-and-inclusive-recovery-guaranteeing-sustainable-development/>.

⁵ See https://assets.nationbuilder.com/eurodad/pages/3195/attachments/original/1696947958/Debt_Service_Watch_Briefing_Final_Word_EN_0910.pdf?1696947958.

⁶ See <https://press.un.org/en/2023/sgsm21872.doc.htm>.

⁷ Submission by Recourse, p. 2. The submissions received in response to the Independent Expert's call for input to inform the present report are available at <https://www.ohchr.org/en/calls-forinput/2024/call-input-climate-finance-debt-and-human-rights>. See also <https://erlassjahr.de/wordpress/wp-content/uploads/2024/04/GSDM24-online.pdf#page=8>, p. 36.

⁸ See https://www.latindadd.org/wp-content/uploads/2023/01/CLIMATE-CRISIS-DEBT-AND-RECOVERY-IN-A-CONTEXT-OF-MULTIPLE-CRISES_c.pdf.

debts compared with the \$28 billion they received in climate finance – half of which (\$14.8 billion) was provided as loans.⁹

4. One of the key principles of climate finance is the idea of equity and justice as a bedrock principle of fiscal legitimacy.¹⁰ Developed countries are expected to take the lead in providing financial support to developing nations due to their historical contribution to global emissions. This is reflected in internationally agreed principles concerning, for example, “common but differentiated responsibilities and respective capabilities”, which emphasize the need for richer nations to support climate action in the global South. The aim is to address historical inequalities in emissions and the global capacity to deal with climate change through the recognition of the polluter pays principle.

5. Climate finance is seen to be essential for enabling low-carbon development pathways, supporting countries in building resilience to climate impacts and facilitating the transition to renewable energy systems. However, funding has been insufficient to meet the scale of the crisis. As the United Nations Framework Convention on Climate Change highlights, the financial need to mitigate and adapt to climate change in developing countries is far higher than current levels of investment. There had not been any concerted effort on climate finance until 2021, when the standing committee on finance was set up, albeit a year later than planned.

6. Estimates suggest that \$1 trillion annually is required to meet global climate goals, yet pledges of \$100 billion per year by developed countries remain unmet.¹¹ In 2024, African countries, which together contribute less than 5 per cent of global carbon emissions and whose economies run on average on 95 per cent clean energy already, are expected to pay \$163 billion in debt service. That is to say, Africa is paying more in debt service in one single year than all the climate finance pledges combined, including the \$100 billion from Copenhagen Accord, the Green Climate Fund and the Fund for Responding to Loss and Damage. More than half of African countries spend more on debt service than on healthcare and/or education. The net value in 2024 dollars of the pledge of \$300 billion, to be delivered in 2035, made at the twenty-ninth session of the Conference of the Parties to the United Nations Framework Convention on Climate Change, is \$175 billion. African debt service in 2024 alone essentially wipes out the entire climate finance pledge in one year.¹² As South Africa has indicated, the quality of climate finance provided is critical. Climate finance is often expensive and inaccessible for the low-income countries that need it the most. A study by the Centre for Science and Environment found that about 5 per cent of climate finance comes from grants, with the rest provided through loans and equity, which burden developing countries with debilitating debt, affecting their ability to combat climate change.¹³

7. Climate finance is not only a tool for addressing climate change, but also an essential component for fulfilling international human rights obligations. It helps support the most vulnerable populations and provides the necessary resources for implementing solutions that can alleviate the adverse effects of climate change, such as rising sea levels, extreme weather events and food insecurity. Climate finance is crucial for reducing emissions and adapting to climate change, loss and damage. While it is recognized as a critical tool for addressing climate change, the scale of the financing needed is immense. The Intergovernmental Panel on Climate Change estimates that \$9 trillion annually will be required for climate mitigation and adaptation by 2030.¹⁴ However, global financial commitments fall far short of meeting this level of demand. In 2020, only \$83 billion of the promised \$100 billion annually was mobilized for climate action in developing countries.

⁹ Submission by Recourse. See also <https://www.iiied.org/worlds-least-developed-countries-spend-twice-much-servicing-debts-they-receive-climate-finance>.

¹⁰ See A/HRC/55/54; and Attiya Waris, *Financing Africa* (Bamenda, Cameroon, Langaa Research and Publishing Common Initiative Group, 2019).

¹¹ Submission by Freann Financial Services.

¹² Submission by Power Shift Africa.

¹³ Submission by South Africa, p. 1.

¹⁴ Barbara Buchner and others, *Global Landscape of Climate Finance 2023* (Climate Policy Initiative, 2023), p. 3.

8. However, this approach in itself is problematic from a fiscal and human rights perspective. This description of climate finance is a problem as it does not securely make the link to improvement of the environment or even prevention of future degradation of the environment using fiscal interventions. This approach to climate finance – or action, as it is being referred to – similarly faces the challenge of an actual political commitment and an honouring of it by member States.

B. Shortfalls in existing commitments

9. Research on carbon inequalities has shown that some States are overshooting their fair share of the remaining carbon budget and hold disproportionate responsibility for climate breakdown. Scholars argue that overshooting States owe compensation or reparations to undershooting countries for atmospheric appropriation and climate-related damages. Two scholars have developed a procedure to quantify the level of compensation owed in a “net zero” scenario where all countries decarbonize by 2050, using carbon prices from Intergovernmental Panel on Climate Change scenarios that limit global warming to 1.5 °C above pre-industrial levels and tracking cumulative emissions from 1960 across 168 States. Even in that ambitious scenario, it was found that the global North would overshoot its collective equality-based share of the 1.5 °C carbon budget by a factor of three, appropriating half of the global South’s share in the process. The calculated compensation of \$192 trillion would be owed to the undershooting States of the global South for the appropriation of their atmospheric fair shares by 2050, with an average disbursement to those States of \$940 per capita per year.¹⁵

10. The international financial system has failed to meet the scale of the commitments needed. As of 2020, only \$83 billion had been mobilized from developed countries towards climate finance, much of it as loans, which adds to the debt burdens of low-income countries, rather than supporting them through grants.

11. The Copenhagen Accord set a target of \$100 billion annually for climate finance, but these funds have not been delivered in a way that is sufficient to meet the needs of the most vulnerable regions.

12. The Green Climate Fund and other financial instruments have faced delays and challenges in disbursing funds, with complex reporting and approval processes. These hurdles undermine the effectiveness of climate finance and delay critical adaptation measures, such as building climate-resilient infrastructure and protecting vulnerable ecosystems.¹⁶

13. The scale of investment required for African States to meet their climate obligations under the Paris Agreement is staggering. In order to achieve their nationally determined contributions, African countries alone need an estimated \$2.8 trillion between 2020 and 2030.¹⁷

14. In 2023, in the Independent Expert’s submission to the twenty-eighth session of the Conference of the Parties to the United Nations Framework Convention on Climate Change, she noted that discussions should move towards adopting a human rights-based approach to provide new, additional, public, grant-based and concessional financial resources to assist Parties not included in Annex I to the Convention with respect to both mitigation and adaptation in continuation of the existing obligations of Parties included in Annex I, under the Convention. She emphasized that the provision of such funding must be new and additional to the commitment to provide 0.7 per cent of gross national income for official

¹⁵ Andrew L. Fanning and Jason Hickel, “Compensation for atmospheric appropriation”, *Nature Sustainability*, vol. 6, No. 9 (September 2023). See also J. Timmons Roberts, “Calculating what we owe”, *Nature Sustainability*, vol. 6 (September 2023).

¹⁶ See communication IRL 1/2024, available at <https://spcommreports.ohchr.org/TMResultsBase/DownloadPublicCommunicationFile?gId=29312>.

¹⁷ Submission by Zambia, p. 2.

development assistance. She urged developed country Parties to compensate for the delay in delivering the \$100 billion per year on average over the period 2020–2025.¹⁸

C. Climate funds, formulas and their role in achieving global climate goals

15. Climate funds were conceptualized as a method of climate financing for countries to adopt low-emission, climate-resilient pathways. According to data collected up to December 2023, although a total of \$61 million has been pledged as part of various climate funds, only about \$33.4 million has been approved. Disbursement levels are also low, particularly in the case of adaptation funds, for which the disbursement ratio was a mere 29 per cent in 2020. As the top contributor of funding, the Green Climate Fund covers 133 developing countries, and in 2023, disbursement of \$970.73 million was made.

16. Funds such as the Green Climate Fund and the Adaptation Fund aim to channel resources towards climate initiatives that would mitigate the adverse effects of climate change, while also supporting adaptation efforts in developing and least-developed countries. However, significant challenges arise in achieving these goals, as evidenced by the limited effectiveness of fund allocation and the high transaction costs associated with complex funding structures.¹⁹ That notwithstanding, it is important to acknowledge the times when the Green Climate Fund has been instrumental in climate initiatives. According to data published in Colombia by the National Planning Department's system for monitoring, reporting and verifying climate finance, Colombia mobilized 24.3 billion Colombian pesos from public, private and international sources between 2011 and 2021. Of those resources, 18.9 per cent came from international cooperation sources, such as multilateral climate change funds. One of the main donors for Colombia has been the Green Climate Fund, which has become a strategic partner in the country's path towards growth and climate change management and its commitment to achieving carbon neutrality by 2050. Between 2015 and 2022, Colombia mobilized almost \$349 million in resources from that Fund.²⁰

17. In correspondence between the Independent Expert and Ireland, it was noted that, while it is commendable that Ireland has actually put money into the Fund, it nevertheless fell short of its commitment. However, it performed better than other Member States that have pledged money but not delivered it.²¹ Excluding China, India and the rest of the global South, Sub-Saharan Africa alone is owed \$45 trillion. Therefore, African negotiators could join ranks with negotiators from the Least Developed Countries Group, the Vulnerable Twenty Group of Ministers of Finance of the Climate Vulnerable Forum, small island developing States, the Alliance of Small Island States and other global South regional groupings under the umbrella of the Group of 77 to demand a climate finance payment of \$5 trillion annually until 2050 as a good-faith down payment towards the global North's climate debt. The \$5 trillion must be delivered in the form of debt cancellation, grants and transfer of life-saving technology for climate adaptation. These global North climate debt payments will be made according to each country's capabilities. Some countries may focus solely on debt cancellation, others on both debt cancellation and grants, while others might concentrate on technology transfer. Some of the wealthiest countries in the global North will be able to contribute in all three categories.²²

18. There are concerns about the efficacy of these funds to address disaster management while maintaining human rights in countries that are already severely indebted. Many countries have raised concerns about the bottlenecks and bureaucratic challenges that have hindered their access to funding from the Green Climate Fund.²³ The Philippines is another developing nation that is being severely and frequently hit by climate-related disasters. It has

¹⁸ See <https://www.ohchr.org/sites/default/files/documents/issues/iedebt/activities/submission-attiyawaris-2.docx>.

¹⁹ Siobhán McInerney-Lankford, Mac Darrow and Lavanya Rajamani, *Human Rights and Climate Change: A Review of the International Legal Dimensions* (Washington, D.C., World Bank, 2011).

²⁰ Submission by Colombia, p. 3.

²¹ See communication IRL 1/2024.

²² Submission by Power Shift Africa.

²³ See <https://www.euronews.com/2021/11/12/us-climate-un-green-climate-fund-insight>.

applied for funding from the Green Climate Fund to support seven projects addressing the severe impacts of climate change. However, only one project has received funding since 2016, despite the Fund being well-resourced, with \$17.3 billion.²⁴

19. A considerable portion – approximately two thirds – of climate finance is allocated to mitigation rather than adaptation. This imbalance underscores a mismatch between fund allocations and the objectives of climate resilience and protection for underrepresented communities. Developing nations face substantial barriers to accessing sufficient adaptation resources, which limits the overall effectiveness of these funds in achieving climate resilience goals. These challenges include administrative complexity, loans and debt rather than grant financing and a lack of transparency by donors.²⁵

20. One major challenge to these funds is ensuring the contributions of the key donors. When the United States of America terminated its contributions to the Green Climate Fund following its withdrawal from the Paris Agreement, it caused a shortfall of \$2 billion and, without any dispute resolving mechanism, the United States effectively breached the Paris Agreement. Furthermore, disbursements from the Green Climate Fund are made through national designated authorities, which serve as the link between the State and the Fund. In India, the national designated authority is the Ministry of Environment, Forest and Climate Change. Given this level of centralization, subnational authorities end up as “executors” of the disbursement projects rather than planners, and thus cannot effectively carry out target-oriented action. Moreover, developing countries do not receive adequate adaptation funds and local communities are not involved in planning adaptation funding; only 17 per cent of it reaches the local level.²⁶

21. The Fund for Responding to Loss and Damage is now hosted at the World Bank. Its role remains vague and it is inadequately resourced.²⁷ Discussions on a new collective quantified goal on climate finance seem to be doubling down on the narrative that developing countries need to create enabling environments for private finance.²⁸ This contradicts key Paris Agreement provisions on climate-resilient development (art. 2.1 (c)), the principle of common but differentiated responsibilities and respective capabilities (art. 2.2) and the significant role of public funds (art. 9.3), once again sidestepping the polluter pays principle.²⁹

22. The International Monetary Fund (IMF) has significantly stepped up its resources and analysis dedicated to climate change in the past five years. In the wake of a 2021 climate strategy paper,³⁰ the Resilience and Sustainability Trust – the Fund’s first dedicated loan instrument for climate action – was operationalized in 2022.³¹ However, rather than fundamentally reconceptualizing the role of IMF in the financial architecture and its policy approach in creating a truly enabling environment for concerted, public, redistributive climate action, what has emerged since then is rather a reframing of climate policy within the Fund’s existing modus operandi that potentially fails to address the structural issues that climate change poses to its short-term, orthodox approach.

²⁴ Submission by Nayomi Illansinhage Don.

²⁵ Submission by Zambia. See also McInerney-Lankford, Darrow and Rajamani, *Human Rights and Climate Change*.

²⁶ Submission by Gujarat National Law University Centre for Environment, Sustainability and Climate Justice, India, p. 5.

²⁷ Submission by the Bahamas.

²⁸ See <https://www4.unfccc.int/sites/SubmissionsStaging/Documents/202308140938---unfccc-joint-submission-Final.pdf>.

²⁹ Submission by Recourse. See also the Rio Declaration on Environment and Development (1992), principle 16.

³⁰ See <https://www.imf.org/en/Publications/Policy-Papers/Issues/2021/07/30/IMF-Strategy-to-Help-Members-Address-Climate-Change-Related-Policy-Challenges-Priorities-463093>.

³¹ The Resilience and Sustainability Trust holds the funds, while the Resilience and Sustainability Facility develops loan programmes.

D. Fiscally legitimate climate financing

23. Fiscal legitimacy refers to the trust that citizens have in the fairness, efficiency and accountability of government financial systems. It ensures that the public feels that the taxes they pay are used to promote the public good. This is crucial in ensuring the effective mobilization and distribution of climate finance, particularly in vulnerable nations that require strong institutional frameworks to manage these funds.³² The fiscal social contract is the implicit agreement between Governments and citizens, where Governments provide essential public services in exchange for taxes. This social contract ensures that the Government is accountable for managing public resources, especially in the context of climate finance. The fiscal social contract is the foundation of fiscal legitimacy and is critical to the successful implementation of climate policies.³³

24. To enhance fiscal legitimacy in the context of climate finance, Governments must prioritize: (a) transparency in climate finance flows and spending; (b) equity in taxation, ensuring that the wealthiest individuals and corporations contribute their fair share to funding climate action; and (c) accountability mechanisms to track the use of climate finance and to ensure that it is spent effectively to support climate goals and human rights.

25. A legitimate fiscal system is characterized by transparency, accountability and equity. For climate finance to be successful, Governments must provide clear information on how funds are mobilized and spent. They must also ensure that those most responsible for emissions contribute fairly. Participatory governance, which includes input from marginalized communities, is also crucial for building legitimacy. In order to operationalize fiscal legitimacy, Governments should focus on designing progressive tax systems that minimize the burden on low-income households, strengthening public institutions to ensure that climate finance is effectively managed, and providing clear and transparent accountability mechanisms to track how funds are spent and ensuring they are allocated equitably.

II. Debt, climate and human rights

A. The debt crisis and its connection to human rights and climate finance

26. The issue of sovereign debt has become inextricably linked with climate finance. Countries already struggling with debt levels are finding themselves increasingly vulnerable to the financial demands of climate action. As natural disasters escalate due to climate change, Governments are often forced to borrow more money to recover and rebuild, exacerbating existing debt crises. The vicious cycle of debt accumulation and climate vulnerability is further aggravated by the reliance on loans to finance climate projects due to the failure of donor States to honour pledges. In some cases, countries are forced to borrow for climate recovery, only to become further indebted as they face the financial demands of implementing climate action plans and, on occasion, because the infrastructure built ended up being destroyed as a result of events provoked by climate change.³⁴

27. The ongoing debt crisis has severe human rights implications. Developing countries are often forced to adopt austerity measures imposed by international creditors, which result in cuts to critical public services, including health, education and social protection. These measures have a disproportionate impact on vulnerable populations, particularly women, children and marginalized communities.³⁵

28. The austerity policies tied to debt repayment obligations exacerbate inequality, poverty and social unrest, making it more difficult for countries to implement climate

³² See [A/HRC/55/54](#); and Waris, *Financing Africa*.

³³ See [A/79/142](#).

³⁴ See [A/HRC/55/54/Add.2](#).

³⁵ David R. Boyd and Stephanie Keene, "Mobilizing trillions for the global South: the imperative of human rights-based climate finance", Policy Brief No. 5 (OHCHR, 2023).

adaptation strategies. For instance, countries such as Greece³⁶ and Argentina³⁷ have faced social backlash due to the economic hardships caused by austerity measures, which include reductions in public sector spending and the privatization of essential services.

29. Furthermore, the principle of climate justice underscores the fact that the countries most affected by climate change are not the ones who caused it. This is especially true for nations in the global South, where debt is being used to finance climate action without sufficient consideration for the broader social and human rights dimensions. Therefore, addressing the debt-climate nexus requires a holistic approach that integrates human rights considerations into climate finance policies.

B. Structural inequities and solutions

30. The current global financial system perpetuates structural inequities that disproportionately affect developing nations. These include trade imbalances, debt traps, energy deficits and technology blockages.³⁸ For instance, if a nation is owed \$100 in climate finance, instead of a simple \$100 payment from the global North to that nation, in practice, the country that is owed the \$100 is expected to receive only \$3, disbursed in 12 instalments over a four-year period, with stringent conditions attached. These conditions include requirements for key performance indicators, transparency, accountability and quarterly reporting, under threat of disbursement suspension. Then, a \$7 loan at concessional interest rates is offered, albeit with restrictive conditions on how funds can be utilized. An additional \$5 may be provided, but only in exchange for carbon credits (also known as pollution permits)³⁹ linked to forest preservation. Another \$10 investment in water-intensive green hydrogen projects and \$12 investment in low-cost assembly line manufacturing, primarily benefiting markets in the global North through de-risking conditions, are also part of this framework. Interestingly, at the twenty-ninth session of the Conference of the Parties to the Framework Convention on Climate Change, there was little or no discussion on standards for carbon markets, which were quickly agreed upon, in breach of the party-driven process required under the Paris Agreement.⁴⁰

31. Debt crises in developing nations have severe human rights implications. Debt payments are often made at the cost of basic public services such as healthcare, education and social protection, disproportionately affecting the most vulnerable populations, including women, children and marginalized communities. IMF and the World Bank often impose austerity measures as conditions for loans, including cuts to public spending and the privatization of essential services.⁴¹ This undermines the ability of Governments to uphold social and economic rights, as healthcare systems, for example, suffer from underfunding and education systems become inaccessible to poorer families. How this financing is rationalized with the paradigm of climate finance remains unclear and, in some cases, potentially contradictory.

C. Solutions: debt-for-climate swaps, debt cancellation and environmental, social and governance bonds

32. Debt-for-climate swaps represent one possible solution to the debt-climate nexus. In these arrangements, a portion of a country's debt is forgiven in exchange for committing to environmental conservation, renewable energy projects or climate resilience investments. For example, Belize has successfully negotiated such swaps, in which its debt was reduced in

³⁶ See [A/HRC/31/60/Add.2](#).

³⁷ See [A/HRC/52/34/Add.1](#).

³⁸ Submission by Power Shift Africa.

³⁹ *Ibid.*

⁴⁰ See <https://www.ohchr.org/sites/default/files/documents/issues/climatechange/statements/2024-11-19-mandate-holders-stm-carbon-markets-st.pdf>.

⁴¹ See [A/74/178](#); and communication OTH 134/2024, available at <https://spcommreports.ohchr.org/TMResultsBase/DownloadPublicCommunicationFile?gId=29413>.

exchange for committing to the protection of marine and forest resources.⁴² However, it seems that the level of success varies. For instance, Barbados managed to negotiate interest for only one year in its swap. As a result, the formula remains unclear and negotiations remain behind closed doors, making it difficult to assess fairness in the process. The formula should be as close to the economic productivity that the same area of land would have in the global North, where the land has been fully used, is economically productive and is adding to global pollution. Moreover, the formula should include reference to the historical nature of the length, duration and quantity of pollutants and the cost the world is now expected to take up in compensation for it with these types of trade-offs.

33. Another solution is debt cancellation. Debt cancellation for climate-vulnerable countries, particularly those that contribute the least to climate change, is a moral and economic necessity. Countries should not be expected to carry the burden of both debt and climate change without receiving adequate compensation or support. Vanuatu is among the countries that have been at the forefront of calls for reparations for climate damages and debt relief linked to the impacts of climate change, while also having tax haven-like characteristics, making it an interesting State to engage with on rationalization of losses by choice.

34. In today's increasingly environmentally conscious financial landscape, environmental, social and governance bonds have emerged as a powerful tool for raising capital to address critical global challenges, particularly those related to climate change, sustainability and social equality (see annex). These bonds offer investors an opportunity to finance projects that align with their values while generating positive environmental and social impacts, especially in regions such as Africa. In September 2020, Egypt launched its sustainable finance framework and issued its first green bond, worth \$750 million, with a five-year term and a yield of around 5.25 per cent. Sixteen new investors participated in that issuance and the Commercial International Bank, in partnership with the International Finance Corporation, issued a \$100 million green bond. Total green investments in Egypt increased from 15 per cent in the 2019/20 fiscal year to 30 per cent in the 2020/21 fiscal year and are expected to account for nearly 50 per cent of total investments by the 2024/25 fiscal year. This increase was driven by the launch by Egypt of environmental sustainability requirements in 2021.⁴³

35. The authorities in Switzerland are of the opinion that green bonds – alongside other sustainability labelled bonds – are a powerful financial instrument to channel more private capital towards projects that mitigate climate change and promote environmental sustainability. These bonds serve as a critical bridge, connecting investors eager to align their portfolios with climate objectives in projects that drive a positive environmental impact. In addition, they can play an effective role in mobilizing capital at scale, leveraging the vast resources of institutional investors and pension funds. By tapping into capital markets, green bonds could unlock the necessary funding to propel climate action forward.⁴⁴ On the other hand, over 60 per cent of the European Central Bank corporate bond purchases have reportedly supported carbon-intensive sectors.⁴⁵ One of the primary challenges in today's financial market is the failure to adequately price climate risks, leading to misaligned incentives that often favour carbon-intensive sectors.⁴⁶ A shift in market structure toward pricing climate risks fairly could enhance the credibility and appeal of environmental, social and governance bonds.⁴⁷ Central banks play a crucial role in influencing investment

⁴² The Nature Conservancy, "Belize blue bonds for ocean conservation" First annual impact report (31 March 2023).

⁴³ Submission by Maat for Peace, Development and Human Rights Association.

⁴⁴ Submission by Switzerland.

⁴⁵ Sini Matikainen, Emanuele Campiglio and Dimitri Zenghelis, "The climate impact of quantitative easing", Policy Paper (Grantham Research Institute on Climate Change and the Environment and Centre for Climate Change Economics and Policy, May 2017).

⁴⁶ Lewis Holden and others, "Measuring climate-related financial risks using scenario analysis: exploring how financial institutions can use scenario analysis to quantify climate change risks" (Bank of England, 17 April 2024).

⁴⁷ Network for Greening the Financial System, "Guide on climate-related disclosure for central banks, second edition" (June 2024).

incentives through their policies and asset purchases. When institutions such as the European Central Bank prioritize green bonds and investment in companies with strong sustainability practices, they create a signalling effect that encourages broader financial markets to adopt similarly green investment practices.⁴⁸

III. Taxation, climate and human rights

A. Taxation as a tool for climate justice

36. Taxation has the potential to play a crucial role in financing climate action, especially if it is designed to ensure equity. One of the most effective tools for financing climate change mitigation and adaptation is carbon taxation, a system whereby the Government imposes a tax on carbon emissions to incentivize reductions. A carbon tax could ensure that polluters pay for the damage they cause to the environment. This could raise substantial revenue that could be used to support adaptation and mitigation projects. However, it remains an obscure process and the results are not actually improving the climate or the environment.

37. The benefits of climate taxes are that they generate revenue and, by repricing carbon, they incentivize businesses and individuals to adopt lower-carbon practices. They can also reflect the historical responsibilities of industrialized nations if allocated to developing countries. The challenges of climate taxes are that they may disproportionately affect developing economies and that North-South mistrust, rooted in historical injustices, could hinder international cooperation, as unilateral tax measures may exacerbate tensions.⁴⁹

38. The carbon tax in Colombia establishes a fee that is based on the carbon content of certain fossil fuels, seeking to reduce their consumption through substitution or technological changes in productive activities. The resources collected (more than \$3.3 billion between 2017 and October 2024) are mostly allocated to climate measures, such as reducing deforestation, ecosystem conservation and adaptation to climate change, in accordance with current legislation (laws No. 1819 of 2016 and No. 2277 of 2022).⁵⁰

39. The fossil fuel industry holds significant responsibility for exacerbating the climate and ecological crises. The industry is bringing in unprecedented high net incomes: in 2022 alone, the revenues of the oil and gas industry soared to at least \$4 trillion,⁵¹ from an average of \$1.5 trillion in recent years. Major fossil fuel corporations collectively reported a total annual net income of over \$150 billion in 2022.⁵² While 2022 was an unusual year, the profits of major fuel corporations remained over \$100 billion in 2023. The European Union has introduced a temporary excess profit tax,⁵³ or “solidarity contribution”, on the profits of fossil fuel industries. Nevertheless, there is currently no global initiative to introduce a permanent polluter pays tax on fossil fuel profits.⁵⁴

B. Global tax evasion and its impact on climate finance

40. While taxation is a necessary tool, poorly designed tax policies can have regressive effects. For example, carbon taxes, if not implemented with consideration for income disparities, may disproportionately affect lower-income populations who spend a larger share of their income on energy and basic goods. Without accompanying social protections or targeted subsidies, these policies can exacerbate inequality and poverty.

⁴⁸ Network for Greening the Financial System, *Sustainable and responsible investment in central banks’ portfolio management: Practices and recommendations* (May 2024).

⁴⁹ Submission by Kateryna Dashevska.

⁵⁰ Submission by Colombia.

⁵¹ International Energy Agency, *World Energy Investment 2023* (May 2023), p. 13.

⁵² Florian Zandt, “Oil & gas giants cash in tens of billions”, Statista, 9 February 2024.

⁵³ Submission by European Network on Debt and Development.

⁵⁴ See https://taxation-customs.ec.europa.eu/news/commission-report-emergency-measure-fossil-fuels-sector-support-european-consumers-and-businesses-2023-11-30_en.

41. Tax evasion and avoidance represent another significant challenge in raising the resources needed for climate action. The Organisation for Economic Co-operation and Development estimates that \$500 billion is lost annually as a result of tax avoidance, a substantial portion of which could be directed to climate finance initiatives. Multinational corporations often shift profits to low-tax jurisdictions, depriving Governments of much-needed revenue. This practice undermines global tax systems and reduces the financial capacity of developing countries to invest in climate solutions.

42. The richest 1 per cent of the world's population has also used up more than twice as much carbon as the poorest half of humanity since the 1990s. In 2019, the super-rich 1 per cent were responsible for 16 per cent of global carbon emissions, which is the same as the emissions of the poorest 66 per cent, or 5 billion people.⁵⁵ It is a crucial question of climate equity that the super-rich pay a fair amount of taxes on their wealth and income. This will cut carbon emissions, address inequality and provide public resources to fund adaptation, loss and damage, mitigation and a just transition away from fossil fuels.

43. Today, there is a historic opportunity to rebuild the architecture of the global tax system. In August 2024, the United Nations finalized the terms of reference for a United Nations framework convention on international tax cooperation, which is set to be agreed by the end of 2027.⁵⁶ The aim is to establish an international tax system for sustainable development. The agreement opens up an avenue towards binding global rules that can ensure: (a) equitable taxation of multinational corporations; (b) effective taxation of the super-rich (high net worth individuals); and (c) international tax initiatives to promote sustainable development, including environmental protection.

44. This global tax deal is needed to end the exploitation of the public purse and the environment by multinational corporations, the ultra-rich and the polluters. The introduction of progressive taxation and efforts to tackle illicit financial flows will strengthen the ability of all countries in the global South to mobilize financial resources. The global North will gain more resources, which must be used to deliver on their international climate finance obligations to the global South. At same time, this global tax deal can enable a coordinated approach towards surcharging the profits of fossil fuel industries. Such a top-up tax on the industries' profits will impact its business models, disincentivize the business-as-usual approach, shift investments and thus catalyze a just and equitable energy transition.

45. Ultimately, tax justice and climate justice are deeply interconnected. The Governments of the world must seize the opportunity for the world's first truly global, fair, green, effective and inclusive agreement on international tax cooperation which delivers on both. This is what the United Nations tax convention can do.⁵⁷

IV. Illicit financial flows, climate and human rights

46. Illicit financial flows represent a significant drain on the resources of developing countries, preventing them from financing crucial climate projects. Illicit financial flows include money laundered, hidden in tax havens or incorrectly invoiced in trade. According to the United Nations Conference on Trade and Development, Africa alone loses over \$88 billion annually in illicit financial flows, which is enough to cover nearly half of the region's annual climate finance needs. Illicit financial flows and tax abuse deplete government resources that could fund social services, public investments and climate action. Illicit financial flows worsen poverty and inequality, impeding people's enjoyment of economic, social and cultural rights, including their access to a safe environment. Furthermore, illicit financial flows contribute to fiscal deficits, increasing reliance on

⁵⁵ Oxfam International, *Climate Equality: A Planet for the 99%* (Oxford, 2023), p. 9.

⁵⁶ See <https://www.un.org/en/desa/international-tax-cooperation-advancing-equality-and-sustainable-development>.

⁵⁷ Submission by European Network on Debt and Development.

sovereign debt and limiting resources for addressing climate impacts and strengthening public health, education and infrastructure.⁵⁸

47. These funds, if redirected back into the economies of the countries from which they were stolen, could be used to finance climate resilience projects, clean energy transitions and disaster preparedness efforts. However, due to the complexity and lack of transparency in international financial systems, these funds often remain out of reach for Governments in the global South.

48. Redirecting illicit financial flows toward climate financing offers a potential solution to bridging funding gaps for climate adaptation and mitigation, particularly in vulnerable regions. This redirection could enhance climate funding, supporting social guarantees that protect rights against climate vulnerabilities.⁵⁹ In addition, reducing tax abuse could release substantial resources for public spending, including on climate initiatives.⁶⁰

49. Effective redirection requires strong international collaboration in monitoring, tracking and recovering illicit funds. Key measures include increasing financial system transparency, addressing the role of tax havens and enhancing international cooperation to track and repatriate illicit assets. Repatriating illicit financial flows for climate projects can significantly address global climate finance gaps.⁶¹ Recovering stolen assets, especially from high net worth individuals and corporations, could create critical resources for sustainable energy, disaster resilience and adaptation.⁶² These funds could also improve infrastructure and social services, benefiting vulnerable populations and reducing inequalities exacerbated by climate change.⁶³ In order to combat illicit financial flows and unlock crucial funds for climate finance, these measures could be implemented by strengthening financial transparency through global reporting standards on beneficial ownership, corporate taxation and illicit transactions and by supporting the creation of global registers of illicit financial flows, which would track money laundering, tax evasion and trade mispricing.⁶⁴

50. When Governments have difficulty paying their debts or are faced with conditional debt write-offs, they often resort to austerity measures, including privatization of State assets, cuts in social protection programmes and reductions in investment in vital public services.

V. Conclusions and recommendations

51. **The challenges posed by climate change are intertwined with debt, tax systems and illicit financial flows, all of which have significant implications for human rights. Policymakers must prioritize equity, transparency and accountability in climate finance mechanisms. By scaling up financing, reforming global financial systems, strengthening tax structures and combating illicit financial flows, the international community can unlock the resources necessary for addressing climate change and achieving sustainable development.**

52. **Fiscal legitimacy and the fiscal social contract are foundational to building trust and ensuring that climate finance is mobilized in a way that promotes justice and inclusivity. It is only through collective action, strong governance and robust financial mechanisms that the scale of the climate challenge can be met, ensuring that no one is left behind in this global transition.**

⁵⁸ Marisol J. Lopez and others, “An analysis of tax abuse, debt, and climate change risk in low-income and lower-middle-income countries”, *BMJ Paediatrics Open*, vol. 6, No. 1 (July 2022).

⁵⁹ McInerney-Lankford, Darrow and Rajamani, *Human Rights and Climate Change*.

⁶⁰ Lopez and others, “An analysis of tax abuse”.

⁶¹ See A/HRC/52/45.

⁶² Ilias Bantekas and Cephas Lumina, eds., *Sovereign Debt and Human Rights* (Oxford, Oxford University Press, 2018).

⁶³ Submission by Kateryna Dashevska.

⁶⁴ African Union Commission and United Nations Economic Commission for Africa Conference of Ministers of Finance, Planning and Economic Development, *Report of the High-level Panel on Illicit Financial Flows from Africa*, 2015. See also Addis Tax Initiative.

53. Incorporating human rights frameworks into climate policy ensures the protection of vulnerable populations and upholds basic rights, guiding policies towards equity and social justice. These frameworks also enhance accountability by holding Governments and corporations responsible for human rights impacts in climate actions. However, challenges persist, such as ensuring the effective participation of marginalized communities in decision-making, as power imbalances limit their influence on policies.⁶⁵ In addition, balancing economic development with environmental protection is difficult, as policies prioritizing one can harm vulnerable groups, such as low-income communities affected by carbon pricing.⁶⁶ Integrating human rights principles can guide inclusive, equitable climate policies, strengthen climate justice by holding high-income countries accountable for historical emissions, and support vulnerable populations in adapting to climate change.⁶⁷ While additional forms of traditional development and climate finance, such as debt restructuring, concessional finance, new special drawing rights allocations, Resilience and Sustainability Trust funding from IMF and debt-for-nature swaps can be helpful in some specific contexts, they cannot in any way be considered a substitute for climate reparations. Furthermore, if climate finance is not directed towards strategic investment for structural transformation as outlined above, it is likely to contribute to further economic entrapment. For instance, investments that increase cash crop exports, fossil fuel infrastructure and exports of low value-added manufacturing will continue to increase the external debt burden and reduce resilience to climate change.⁶⁸

54. The Independent Expert recommends that States, both individually and as members of various multilateral and international financial institutions and regional blocs:

(a) Redirect conversations and narratives away from complex instruments such as debt and equity guarantees often given by poor States for debt, blended or mezzanine finance equity and seed capital and technical assistance grants towards a fairer share of tax resources, debt cancellation and honouring of pledges;

(b) Mobilize \$5 trillion annually through grants, debt cancellation and technology transfers to mitigate climate change and support adaptation efforts;

(c) Strengthen taxation systems and introduce progressive taxes such as carbon taxes, wealth taxes and windfall taxes to ensure fair contributions from high-emitting sectors;

(d) Tackle illicit financial flows, strengthening global cooperation to that end, including through transparency initiatives and repatriation of illicit funds;

(e) Promote multilateral collaboration through the principle of cooperation and assistance. It is the responsibility of the Governments in the global North to tax and regulate their own corporations, ensuring that they contribute to the climate debt owed to the global South. The burden should not fall on small and vulnerable countries to enforce climate obligations on multinational corporations operating in their jurisdictions. Similarly, the transfer of technology should be enforced by countries in the global North working directly with patent holders, publicly traded companies and corporations registered in their jurisdictions. African Governments should not be in the business of de-risking foreign investments that are extractive in nature even if they involve renewable energy production;

(f) Reform the global financial system,⁶⁹ including by establishing a United Nations-led fiscal restructuring framework to provide climate-vulnerable countries with the fiscal space needed to address the climate crisis. Key innovations could include: (i) social value of carbon frameworks to properly value greenhouse gas reduction investments; (ii) government guarantees for low-carbon investment

⁶⁵ McInerney-Lankford, Darrow and Rajamani, *Human Rights and Climate Change*.

⁶⁶ Bantekas and Lumina, *Sovereign Debt and Human Rights*.

⁶⁷ Lopez, "An analysis of tax abuse".

⁶⁸ Submission by Power Shift Africa.

⁶⁹ See [A/77/169](#).

programmes; (iii) specialized financial institutions issuing “eco-credits”; and (iv) enhanced roles for development banks in project evaluation and monitoring;

(g) Achieve human rights and climate justice integration, taking a systemic approach supporting human rights and climate objectives by recognizing the interconnection between human rights and environmental protection, ensuring broad responsibility for value distribution and creating frameworks for regulating business impacts on welfare and sustainability.⁷⁰

⁷⁰ Submission by Vision Nest.

Annex

Environmental, social and governance bonds

<i>Environmental, social and governance bond</i>	<i>Definition</i>	<i>Developer</i>	<i>Countries where they are implemented</i>	<i>Amount of debt forgiven v. resource commitment</i>
Baby bonds	Fixed income securities with a maturity or par value of less than \$1 000. ¹ They typically range in value between \$25 and \$500.	Economists William Darity and Derrick Hamilton (2010)	Hungary, United Kingdom and United States	n/a
Blue bonds	Debt instrument issued by Governments, development banks or others to raise capital from impact investors to finance marine and ocean-based projects that have positive environmental, economic and climate benefits. ²	Seychelles	Barbados, Belize, Ecuador, Fiji, Gabon, Indonesia and Seychelles ³	<p>The Seychelles sovereign blue bond was issued in 2018 with a ceiling value of \$15 million with a maturity of 10 years.⁴ The blue bond is a general obligation of Seychelles and its repayment is not dependent on any obligations created through the use of the proceeds.</p> <p>Indonesia issued its first blue bond in May 2023 in the Japanese debt capital market, raising \$150 million.⁵ The bond was issued with 7-year and 10-year maturity periods, with 1.2 and 1.43 per cent coupon rates respectively.</p> <p>The Fiji Sovereign Blue Bond was placed on the capital market between 2 and 7 November 2023.⁶</p>
Green bonds	Debt security issued with the purpose of financing or refinancing projects that contribute positively to the environment or the climate. ⁷	World Bank	France, Indonesia and Poland	As at 30 June 2021, the International Finance Corporation had issued 178 green bonds in 20 currencies amounting to over \$10.5 billion. ⁸

¹ Madeline Brown and others, “The state of baby bonds”, Urban Institute, February 2023.

² World Bank, “Sovereign blue bond issuance: frequently asked questions”, 29 October 2018.

³ Adrian Murdoch, “Marine bonds: not so out of the blue now”, Capital Monitor, 30 August 2023.

⁴ World Bank, “Seychelles launches world’s first sovereign blue bond”, 29 October 2018.

⁵ United Nations Development Programme (UNDP), “Indonesia launches the world’s first publicly offered sovereign blue bond – with UNDP’s support”, 25 June 2023.

⁶ UNDP, “Launch of Fiji’s first-ever sovereign blue bond”, 2 November 2023.

⁷ See <https://documents1.worldbank.org/curated/en/400251468187810398/pdf/99662-REVISED-WB-Green-Bond-Box393208B-PUBLIC.pdf>, p. 23.

⁸ International Finance Corporation, *Green and Social Bond Impact Report: Financial Year 2022* (Washington, D.C., World Bank, 2023), p. 8.

<i>Environmental, social and governance bond</i>	<i>Definition</i>	<i>Developer</i>	<i>Countries where they are implemented</i>	<i>Amount of debt forgiven v. resource commitment</i>
Social impact bonds	Debt securities issued to fund social programmes. The issuer of the bond is typically a government agency or a non-profit organization. The bond is structured such that investors receive a return on their investment only if the social programme meets certain predetermined outcomes.	New Zealand Economist Ronnie Horesh	Australia, Canada, Republic of Korea, United Kingdom and United States	Resource commitment involves an investment of over €200 million.
Sustainability-linked bonds ⁹	Fixed-income securities that are linked to the issuer's sustainability performance. The bond issuer commits to achieving certain sustainability targets and, if those targets are met, the coupon rate on the bond is reduced.	Enel, Novartis and Chanel	Chile and Uruguay	Global sustainable lending activity grew to \$321 billion in September 2021.
Green sukuk bonds	Sharia-compliant bonds, where 100 per cent of the proceeds go exclusively to financing or refinancing green projects that contribute to mitigation of and adaptation to climate change and preservation of biodiversity. ¹⁰	Indonesia	Indonesia, Kuwait, Malaysia and Türkiye	n/a
Catastrophe bonds	Fixed-income securities that are issued to transfer the risk of a natural disaster from the issuer to the investor. ¹¹ If a natural disaster occurs, the issuer does not have to repay the principal on the bond.	Disaster Risk Financing and Insurance Program of the World Bank	Jamaica	The Jamaican catastrophe bonds amounted to \$185 million. ¹²
Panda bonds	Renminbi-denominated bonds that are issued by foreign companies in the onshore Chinese market. ¹³	Asian Development Bank and International Finance Corporation	China	As of the end of August 2021, 64 overseas issuers had issued 370 billion Renminbi panda bonds in the China Interbank Bond Market. ¹⁴

⁹ Alejandra Padin-Dujon and Ben Filewod, "What are sustainability-linked bonds and how can they help developing countries?", Grantham Research Institute on Climate Change and the Environment, 29 November 2023.

¹⁰ Indonesia, Ministry of Finance, "Indonesia's green sukuk initiative".

¹¹ World Bank, "Cutting edge of sustainable capital markets: catastrophe bonds and outcome bonds", 31 October 2022.

¹² World Bank, "World Bank catastrophe bond provides Jamaica \$185 million in storm protection", press release, 19 July 2021.

¹³ Vladislava Sabanova, "Panda bond", Cbonds, 1 April 2024.

¹⁴ See <https://www.icmagroup.org/assets/documents/About-ICMA/APAC/NAFMII-and-ICMA-English-version-PANDA-BONDS-Raising-Finance-in-Chinas-Bond-Market-case-studies-September-2021-230921.pdf>.

<i>Environmental, social and governance bond</i>	<i>Definition</i>	<i>Developer</i>	<i>Countries where they are implemented</i>	<i>Amount of debt forgiven v. resource commitment</i>
Vaccine bonds	Bonds that are issued to raise funds from international capital markets for immunization programmes in developing countries. Bondholders are repaid by future streams of donor development aid. ¹⁵	International Finance Facility for Immunization.	Countries in the global North	n/a

¹⁵ Sarah Hughes-McLure and Emma Mawdsley, “Innovative finance for development? Vaccine bonds and the hidden costs of financialization”, *Economic Geography*, vol. 98, No. 2 (2022).