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NEED FOR CREATIVE DEVELOPMENT FINANCE INITIATIVES STRESSED
AT SIGNING OF ACCORD ON TURNING DEBT INTO HEALTH FUNDING

In the current economic atmosphere, it was more important than ever to develop creative methods to finance development initiatives, an official of the Global Fund to Fight AIDS, Tuberculosis and Malaria said this morning at the Financing for Development Review Conference in Doha, Qatar.

At the signing of an agreement between Germany and Pakistan to turn debt into health funding, Robert Filipp, Head of Innovative Financing for the Global Fund, said that under the Debt2Health initiative, launched in September 2007, creditors would relinquish a part of their rights to repayment of debts on condition that the beneficiary country invested an agreed amount through Fund-approved programmes.

Joining Mr. Filipp at the signing, were Heidemarie Wieczorek-Zeul, Germany's Federal Minister for Economic Cooperation and Development and Special Envoy of the United Nations Secretary-General for the Follow-up International Conference on Financing for Development to Review Implementation of the Monterrey Consensus; Hina Rabbani Khar, Minister of State for Economic Affairs of Pakistan; Michel Kazatchkine, Executive Director of the Global Fund; and Uwe Ohis, Senior Vice President of the KfW German Development Bank.

"It is not abstract debt relief; it is conversion into investment and health," Ms. Wieczorek-Zeul said, noting that €40 million in claims was being relinquished under the agreement so that Pakistan could contribute to the Global Fund's programmes. Up to €200 million in debts to Germany had been made subject to such debt swaps, and Indonesia had been the first partner to participate in the arrangement. "If we are able to be creative, there is no limit to the amount of financing that is available," Ms. Khar added, commenting that the collaboration with Germany in that area had been "very fruitful". Debt swaps were win-win arrangements, she said.

Mr. Kazatchkine said that, for the first time, such a debt swap was being carried out through a multilateral institution, which showed the confidence that donors and recipients had in the Global Fund. Debt-for-health funds had been advocated for many years, particularly by former Secretary-General Kofi Annan. Meanwhile, malaria and tuberculosis remained endemic in Pakistan and the new source of funding would help save many lives.

Asked which countries were being considered for debt swaps, Ms. Wieczorek-Zeul said the priority was countries that were not eligible for Heavily Indebted Poor Countries (HIPC) programmes. Dialogue was ongoing with Latin American countries in particular. The momentum

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from such initiatives could be strengthened, but development required a greater focus on the health sector.

Agreeing that health was a core pillar of development, Mr. Kazatchkine reiterated that innovative programmes should not replace official development assistance (ODA) in that regard.

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