From Debt Burden to Health Investment: How Debt Swaps Can Finance Women's and Children's Health

When Bience Gawanas, Vice-Chair of the Global Fund Board, opened the sixth and final instalment of the GLN's Domestic Resource Mobilisation Webinar Series, she did not begin with instruments or mechanisms. She began by underscoring the importance of investing in women, children, and adolescents.

"Investing in women, children, and adolescent health is not optional. It is a foundation of Africa's future, the highest social and economic return. When these investments are deferred, the costs are borne by health systems, societies, and economies for decades to come." she said.

That framing set the tone for the discussion which gathered health financing experts, government representatives, civil society leaders, and development partners in a hybrid session on the margins of the World Health Summit Regional Meeting in Nairobi. The webinar made the case that debt swaps, when structured well and governed accountably, offer a practical, tested pathway to turn fiscal constraint into health investment. Specifically, into investments for women, children and adolescents.

Why debt swaps, and why now

Debt levels in developing countries have doubled since 2009. In some contexts, interest payments now outpace spending on health and social services combined, while the rapid contraction of official development assistance is placing added pressure on already stretched health systems.

In her opening remarks, Bience Gawanas, explained the potential of implementing debt swaps *“debt swaps offer one pathway to translate macro-fiscal solutions into tangible health gains while reinforcing country ownership and accountability."*

She was equally clear about what debt swaps are not: a macroeconomic solution to debt burdens, or a substitute for broader financing reform. Their power, she argued, lies in their quality and accountability, and in their ability to direct even relatively modest volumes of resources toward areas like WCAH, where targeted investment translates quickly into better services and saved lives.

Vlassis Tigkarakis, Programme Coordinator of the Global Fund's Debt2Health mechanism, offered the most detailed account of what debt swaps look like in practice. The Global Fund is currently the only entity with an operational debt swap mechanism in the health sector, and the results, while modest in volume, are significant in impact.

To date, Debt2Health has converted close to **half a billion dollars** in bilateral debt into USD 330 million in health funding across 11 countries. The model works by negotiating with creditor countries, Germany has been a pioneer, with other European nations including Spain, Italy, and France increasingly engaged, to cancel a portion of sovereign debt on the condition that the equivalent amount is invested in nationally owned health programmes.

Tigkarakis was clear about the realities. Transactions take between one and three years to negotiate, with the average deal size is around USD 16 million. And the mechanism requires sustained political will, technical expertise, and close coordination between Ministries of Finance, Ministries of Health, and implementing partners.

"Only those who insist, persist, and do not take no for an answer will save women, children, and other populations. We have proven it can be done." He stressed.

Girmaye D. Dinsa, Health Financing Senior Advisor at Ethiopia's Ministry of Health, offered a window into what the debt swap journey looks like from a country perspective. Ethiopia, like many low and middle income countries, faces significant debt pressure, with the World Bank officially categorising the country as **in debt distress**.

The country's engagement with the Debt2Health mechanism began in 2007 through an agreement with Spain to cancel close to $9 million in debt in exchange for Ethiopia committing EUR 3.2 million to pre-agreed health programmes. However, the initial arrangement did not proceed as planned, the funds remained dormant in Spanish government accounts for approximately ten years before the subsequent involvement of the Global Fund became the critical enabler. The existence of the Global Fund's established platform, with its proven trust framework and accountability mechanisms, was what finally made the transaction viable.

Dinsa also emphasised that strong in-country coordination between the Ministry of Finance and the Ministry of Health is essential to manage this financing mechanism, and in Ethiopia's case, the Ministry of Finance's trust in the Global Fund's reporting systems significantly reduced bottlenecks.

Civil society: from the margins to the table

One of the session's most pointed contributions came from Dr. Rose Oronje, Deputy Executive Director of the African Institute for Development Policy, who made the case that civil society organisations are not optional participants in debt swap processes, they are essential to their legitimacy and accountability.

"Beyond just holding governments to account and monitoring how debt swaps are being implemented, CSOs must ensure that the terms of those swaps are made public. Often this information is not readily available, and yet the law in many countries already provides for public participation. The question is whether that law is being honoured." she noted

Oronje called for debt swap agreements themselves to include explicit commitments to CSO participation, not at the end, but throughout design, implementation, and audit.

What development partners can do

Adil Ababou from the Gates Foundation outlined the key enabling factors for viable and scalable debt swaps.

- **Creditor triage:** Not every country, debt stock, or health priority is suited to a debt swap. Governments should quickly distinguish between commercial and bilateral instruments to focus scarce technical and political bandwidth where a transaction is genuinely feasible. For bilateral swaps, governments should proactively approach lenders that have expressed commitment.
- **Identifying the right health expenditures:** Governments should define a long-term vision for what can be achieved over five to thirty years, target spending that benefits from predictable long-term financing such as vaccine campaigns or maternal health, and ensure that funded activities are genuinely additional to existing government commitments.
- **Putting in the work:** Debt swaps move at the speed of coordination. The countries most likely to close a transaction are those that create an empowered team between Finance and Health ministries with the authority to engage advisors, test structures, and make decisions.

Christoph Penn, Special Advisor on Debt Swaps to Africa CDC Director General Dr. Jean Kaseya, and the person who originally conceived the Debt2Health mechanism during his time at the Global Fund, clarified the difference between a debt swap and debt cancellation. Cancellation is unconditional, a write-off negotiated through multilateral instruments like the Paris Club, with no conditions attached. A swap is conditional where the creditor cancels or reduces debt only on the condition that the debtor invests the equivalent amount in an agreed sector. This distinction explains why debt swaps are almost universally welcomed by Ministers of Health, who gain additional budget, and simultaneously resisted by Ministers of Finance, who would prefer unconditional cancellation.

Closing a 90-minute conversation that drew scores of online participants and a full room in Nairobi, moderator Rajat Khosla, Executive Director of PMNCH, reiterated that political will, institutional readiness, and the sustained, patient work of matching the right creditors with the right countries, structured around the right national priorities is key to the success of leveraging debt swaps to financing health priorities.

"We are at a turning point, and as the discussion highlighted, what lies ahead requires political will, intentionality, and a clear pathway for us to put these ideas on innovative financing from concept to actual action." — Rajat Khosla, Executive Director of PMNCH