The building currently housing El Salvador’s National Reference Laboratory (NRL) was badly damaged during the 1986 and 2001 earthquakes. El Salvador is currently seeking funding totaling an estimated US$ 15 million to upgrade the NRL. This would be a strategic HSS investment towards fighting all vector-borne diseases, including Dengue Fever, Zika & Chikungunya, and would also be important to support the country’s transition from internationally-supported to domestically-funded health programs.

El Salvador took the lead in preparing a proposal to fund this project through BMZ and the World Bank by reaching out to all related parties:

* To the Global Fund to undertake funding coordination, administration, disbursement, execution, monitoring and reporting towards completion by incorporating the NRL project into its existing grants for El Salvador, provided that sufficient external funding is secured. The project has already obtained approval by all internal committees and the Global Fund is currently awaiting confirmation of funding from Germany’s debt swap program
* To BMZ with an official letter of interest dated 30 Oct. 2015. Under the proposed debt swap Germany would cancel an outstanding debt with El Salvador currently estimated at approx. US$ 11  million, if El Salvador: 1) contributes the same amount to the Global Fund, 2) the Global Fund channels the amount through its systems towards the NRL project and reports successful completion to Germany.
* To the World Bank for conducting the environmental and suitability assessment for moving the NRL into a new building, as well as providing additional US$ 4  million towards the total estimated project cost. The World Bank has already completed the environmental and suitability assessment and has agreed to provide the additional funding needed if Germany proceeds with the proposed debt swap with El Salvador.

This would not be the first debt swap that Germany is implementing through the Global Fund. Thanks to Germany’s program of bilateral debt swaps, the Global Fund has converted thus far **€ 116 million** of Financial Co­operation debt into 50%-equivalent of additional funding to the Global Fund’s life-saving investments in Indonesia (signed Sep-07), Pakistan (Nov-08), Côte d'Ivoire (Sep-10), and Ethiopia (Jun-11) the latter through an innovative trilateral agreement with Egypt. This collaboration was officially launched at the Berlin replenishment conference in September 2007. Germany worked alongside the Global Fund to develop the concept and modalities of this program, known as “Debt2Health” and committed up to €200 million to support programs of the Global Fund through the BMZ program for debt conversions/debt swaps in German development cooperation.

However, despite the German Government being authorized with the prior consent of the Budget Committee € 150 million each year for debt swaps under the BMZ program for debt conversions/debt swaps, no new agreements have been entered into since 2012. El Salvador stands out as a good candidate project for re-starting Debt2Health agreements, contributing catalytic funding towards a strategic and cross-cutting HSS investment in El Salvador, and highlighting Germany’s leadership in bring together multiple partners to implement health projects through innovative financing.

**Next steps**

* Dr. Sören Dengg, Head of BMZ department 402 (World Bank Group; IMF; debt relief) would need to indicate whether El Salvador’s request for a debt swap has been submitted for internal approvals to reach the Budget Committee for review and (if yes) the timeline envisaged towards project completion;
* Upon Budget Committee approval, the BMZ El Salvador Country Desk would need to take negotiations through to final approval, with support from the Global Fund.