



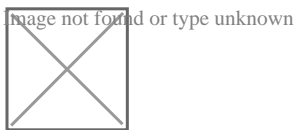
Independent observer
of the Global Fund

BREXIT: WHAT DOES IT MEAN FOR DEVELOPMENT AID AND THE GLOBAL FUND?

Britain's vote to leave the European Union has left much of the global development community wondering what this will mean for the U.K.'s role as a global leader in international aid and development. It also raises issues about the implications for the Global Fund's Fifth Replenishment.

As soon as the results of the vote were known, the pound sterling plummeted, dropping almost 10% against the US dollar, its lowest level since 1985 (see figure).

Figure: The pound sterling against the US dollar pre- and post- Brexit



Source: The Guardian, 8 July 2016

As well, \$2 trillion was wiped off world markets in a flurry of panic. This overnight devaluation of the pound saw the value of British foreign aid [drop by \\$1.4 billion](#).

Laurie Garrett, from the Council on Foreign Relations, [explained the impact](#) of the devaluation more bluntly. "In 2015, the budget for the Department of International Development (DFID) rose to 11.1 billion pounds overall, which today equals \$14.7 billion — but was valued at \$17.2 billion a few months ago, before the pound fell in value post-Brexit," she said.

The downward trend of the pound's value against the U.S. dollar is likely to continue, with some commentators, such as Allianz's chief economic adviser, Mohamed El-Erin, [warning](#) that there is a risk that the pound will drop to parity with the dollar, if a “credible plan B” is delayed and structural uncertainty is not resolved.

The effect on foreign aid and the Global Fund is likely to be two-fold. First, the devaluation of the pound sterling against the U.S. dollar will have implications particularly in the short-term for the Global Fund's Fifth Replenishment campaign. In its [Cost of Inaction 2016 Report](#), the Global Fund Advocates Network (GFAN) pointed out that decreases in several currencies against the U.S. dollar significantly decreases the value of pledges from donors. Given that Britain is the Global Fund's third largest government donor, having [contributed](#) \$3.2 billion since 2001, the pound sterling's devaluation is likely to negatively impact the Fund's ability to reach its \$13 billion replenishment target. The U.K. has not yet announced its pledge for the Fifth Replenishment.

Second, concerns about economic growth prospects were [raised](#) by many economists in the lead up to the Brexit vote. The data revealed a 0.6% expansion in the British economy in the pre-Brexit April-June quarter. However, there are now [signs of retrenchment](#) across key industries, such as construction and manufacturing. The negotiations surrounding the departure of the U.K. from the European Union are likely to result in a protracted period of adjustment, and an imminent slowdown, according to Britain's new chancellor, Philip Hammond. The new U.K. Government may feel less inclined to make a generous pledge in light of emerging (though limited) evidence of a slowing economy only six weeks after the Brexit vote.

An economic slowdown will negatively impact the U.K.'s gross domestic product (GDP). Decreases in GDP will likely also negatively impact the resources available for foreign aid. The question is where in its aid budget with the U.K. make cuts?

[Another downside](#) of Brexit is that the U.K. loses its “double level of influence and leverage over global health,” in the sense that it will no longer be able to use its powerful voice within the European Union to influence funding towards multilaterals such as the Global Fund.

Theresa May's new cabinet raises eyebrows

Fiscal concerns aside, questions are being asked about the future of the DFID. Newly anointed Prime Minister Theresa May's cabinet includes Brexiteer leader Boris Johnson as the new Foreign Secretary, and Priti Patel, the new Secretary of State for International Development. In the past, Patel has suggested aid reforms such as the abolition of the DFID, the very organization she is now in charge of. Patel issued a press release in which she speaks of “keeping the promises made to the world's poor.” This may be a positive sign. However, Stephen Doughty, a Welsh Member of Parliament tweeted rumors of Patel “walking in and ripping up DFID's mission statement.”

Wonder what [@theresa_may](#) has to say about possible plans of her new [@DFID_UK](#) Secretary? Or does she endorse them? pic.twitter.com/UwAEmO3J5j

— Stephen Doughty (@SDoughtyMP) [July 14, 2016](#)

No official response has been received to this claim from either Patel or DFID staff.

However, Prime Minister May has recently allayed fears that the commitment to international aid may not be maintained by the new government. In a [conversation](#) with U.N. Secretary-General Ban Ki-Moon, the Prime Minister stated that “the U.K. remained firmly committed to working with and through the U.N., and would continue to be an outward looking country, playing an expansive and ambitious global role.” She also said that she was “proud of the U.K.'s leading role on international development and reaffirmed the U.K.'s commitment to spend 0.7 per cent of our national income on aid.”

It is very early days for the new Prime Minister and her government. However, concerns remain that with the post-

Brexit values appearing to reflect a divided nation with heightened levels of nationalism and xenophobia, aid and global health initiatives may yet be in for a rocky ride.

Advocates will have to keep the pressure on

Aid agencies, members of parliament and advocates have their work cut out for them. Loretta Minghella, Chief Executive of Christian Aid U.K. [said](#), “The UK has long been a leader of global progress towards a world free from poverty and there is no reason why that should change now that it has voted to leave the E.U.”

In mid-July, Virenda Sharma, member of Parliament for Ealing, Southall – together with other MPs, and high profile advocates such as Annie Lennox, and British adventurer, Ash Dykes – [called on](#) the new Prime Minister and her government to pledge 1.2 billion pounds to the Global Fund for the Fifth Replenishment. Lennox was [quoted](#) as saying, “The U.K. government has the opportunity to demonstrate that Britain’s continued leadership and dedication to saving and improving quality of life has not waned.”

The U.K. pledged 1 billion pounds for the Global Fund’s Fourth Replenishment.

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