

October 22, 2014

# U.S. Foreign Assistance

## Overview

### What Is U.S. Foreign Assistance?

Foreign assistance is an instrument of U.S. policy through which the U.S. government provides resources to another country's government, civil society, or other private sector entity on a grant or concessional loan basis. Most U.S. foreign assistance is administered by the U.S. Agency for International Development; the Millennium Challenge Corporation; the U.S. Departments of State, Agriculture, Treasury, and Defense (DOD); and the Centers for Disease Control and Prevention (CDC).

U.S. foreign assistance can take many forms. On average, about 2% of aid is provided as direct budget support (cash) to foreign governments. More often, aid is provided through projects implemented by U.S. and international agencies, contractors or non-governmental organizations. It takes the form of expert technical advice, training, equipment, and construction in a wide range of sectors (see **Figure 1**), including vaccines and malaria nets, textbooks, food, roads and other infrastructure, educational exchanges, microcredit, applied research, and military weaponry.

*"Foreign aid is not a giveaway. It's not charity. It is an investment in a strong America and a free world."*

- Secretary of State John Kerry, UVA 2/20/13

### Why Provide U.S. Foreign Assistance?

There are three main overlapping rationales behind U.S. foreign assistance:

- (1) **National Security.** Aid may help build stability and counter international threats by promoting global prosperity and health, environmental protection, democracy and rule of law, and by bolstering the military readiness and security of allied nations.
- (2) **Commercial Interests.** Supporting economic growth in developing countries may expand markets for U.S. exports, creating economic opportunities here at home.
- (3) **Humanitarian Interests.** Providing food, shelter, and other basic assistance to refugees and other victims of natural disasters and conflict is a reflection of U.S. values and global leadership.

Critics of foreign aid maintain that efforts to generate economic growth in developing countries, promote democracy, and train and equip foreign militaries, among other objectives, have often been ineffective and wasteful.

Others argue that foreign aid funds would be better used to address domestic priorities, or to reduce the federal deficit.

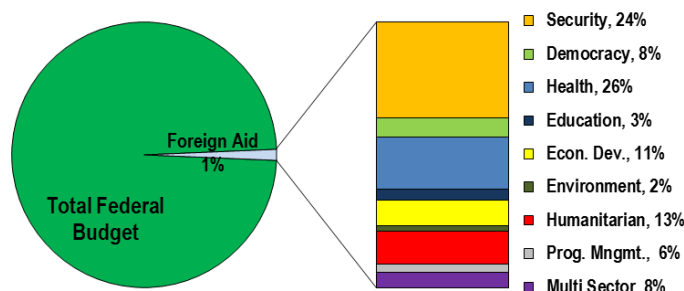
*"I think a country that is \$18 trillion in debt should not be borrowing money from China to send it to anyone."*

- Senator Rand Paul, CNN, 10/10/2014

### How Much Is Spent on U.S. Foreign Assistance?

In FY2013, the United States spent \$43.61 billion, about 1% of the total federal budget, on foreign assistance from all sources, as defined by the U.S. Foreign Assistance Dashboard. This includes aid pursuant to the State, Foreign Operations and Related Agencies appropriations as well as aid from DOD, CDC, and other agency appropriations.

**Figure 1. Foreign Aid as a Portion of the Federal Budget and by Sector, FY2013**



Source: [www.foreignassistance.gov](http://www.foreignassistance.gov); CRS calculations.

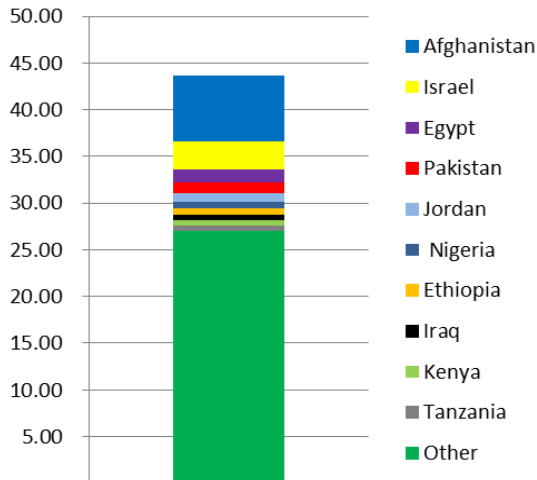
Excluding military assistance (for which comparable data is not available), the United States ranks first in the world among official donors of development and humanitarian assistance in dollar terms, followed by the United Kingdom, Germany, Japan, and France. When such aid is calculated as a percentage of gross national income, however, Norway tops the list of major donors, while the United States ranks 20<sup>th</sup> (OECD 2013). While some argue that the United States should increase aid levels to address global needs, others assert that U.S. contributions adequately reflect U.S. global interests or exceed an appropriate share.

### Who Receives U.S. Foreign Assistance?

About 150 countries received some U.S. assistance in 2013, reflecting the use of aid as a diplomatic tool. Top U.S. bilateral aid recipients are typically countries that are strategic allies in the Middle East, important partners in counterterrorism efforts, or global health focus countries. Top recipients also often include countries that face major disasters, such as Haiti after the 2009 earthquake. In 2013, the top 10 recipient countries accounted for about 33% of aid allocations (**Figure 2**).

**Figure 2. Top Recipients of U.S. Aid, FY2013**

(billions of U.S. \$)

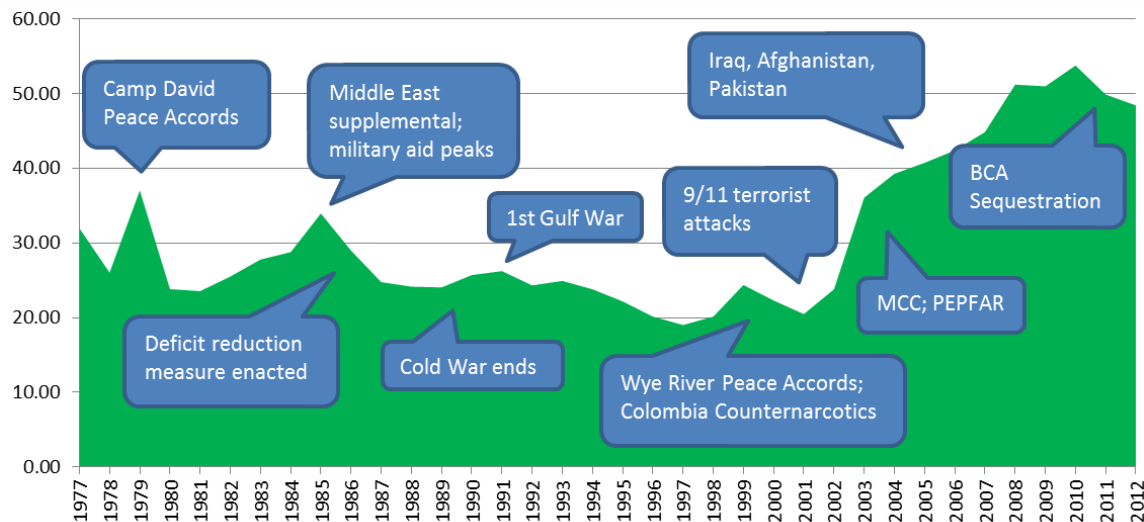
Source: [www.foreignassistance.gov](http://www.foreignassistance.gov).

## Historic Trends

In recent decades, foreign aid spending has varied considerably depending on policy initiatives, international crises, and budget constraints (**Figure 3**). Aid spiked following the 1978 Camp David Accords, which formed the basis of modern aid flows to Egypt and Israel. In the 1980s, military aid to Central America and the Middle East drove aid to a peak in 1985. The end of the Cold War and deficit reduction legislation led to funding lows in the 1990s.

**Figure 3. Foreign Aid Funding in Historic Context**

(aid obligations in billions of constant 2012 U.S. \$)



Source: U.S. Foreign Assistance Database, accessed October 7, 2014.

Note: BCA = Budget Control Act of 2011.

After the September 11, 2001, terrorist attacks, and the U.S. invasion of Afghanistan and Iraq, foreign aid peaked (when adjusted for inflation), with enactment of the Iraq Relief and Reconstruction Fund in FY2003-FY2004, new military assistance funds for Iraq and Afghanistan, and the creation of the Millennium Challenge Corporation (MCC) and the President's Emergency Plan for AIDS Relief (PEPFAR). These large and rapid increases have raised concern within Congress about accountability and effective oversight of aid programs, particularly in conflict zones.

The Obama Administration has focused funding on three major aid initiatives since 2010: the Global Health Initiative (GHI), which builds on PEPFAR; the Global Climate Change Initiative; and the Food Security Initiative. Fiscal constraints imposed by the Budget Control Act of 2011, together with a scaled back U.S. military presence in Iraq and Afghanistan, have led to slightly reduced aid funding in recent years.

For more detailed information on foreign assistance, see

- CRS Report R40213, *Foreign Aid: An Introduction to U.S. Programs and Policies*, by Curt Tarnoff and Marian Leonardo Lawson.
- CRS Report R43569, *State, Foreign Operations and Related Programs: FY2015 Budget and Appropriations*, by Susan B. Epstein, Alex Tiersky and Marian Leonardo Lawson.

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