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U.S. Foreign Assistance

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 (USAID); the Millennium Challenge Corporation (MCC); the U.S. Departments of State, Agriculture (USDA), the Treasury, and Defense (DOD); or is channeled through multilateral organizations.

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

> "...U.S. foreign assistance is not charity but a strategic investment in our own security that saves lives and keeps us safe." *Joint Statement from Admiral James Stavridis (Ret.) and General Tony Zinni (Ret.), 2/10/2020*

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 and expanding trade capacity in developing countries may expand markets for U.S. exports, creating economic opportunities and jobs here at home.

(3) **Humanitarian Interests.** Providing food, shelter, and other basic assistance to displaced persons and other victims of natural disasters and conflict is a reflection of U.S. values and global leadership.

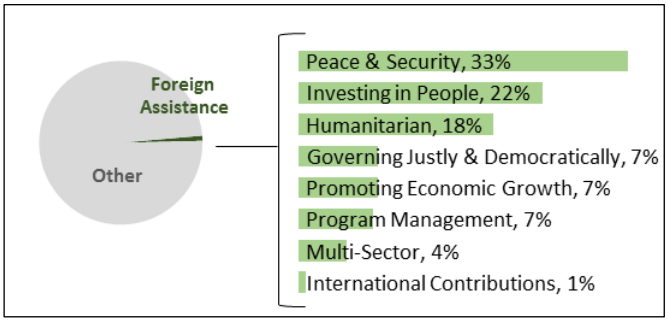
Critics of foreign aid maintain that efforts to generate economic growth in developing countries, promote democracy, and train and equip foreign militaries, among other objectives, have often been ineffective and wasteful. Other critics argue that foreign aid funds would be better used to address domestic priorities, or to reduce the federal deficit.

> "I think it's a very simple choice that when we're looking at helping those in need in our country, we quit sending money to other countries." *Senator Rand Paul, Senate Floor Speech, 9/7/2017*

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

In FY2018, the United States obligated an estimated $46.89 billion, about 1% of the total federal budget and 3.3% of discretionary budget authority, for foreign assistance from all sources, as reported by the U.S. Foreign Assistance Explorer database (https://explorer.usaid.gov/). This included aid pursuant to the Department of State, Foreign Operations and Related Agencies (SFOPS) appropriations as well as aid from USDA, DOD, Centers for Disease Control and Prevention, and other agency appropriations.

Figure 1. Foreign Aid as a Portion of Federal Budget Authority and by Sector, FY2018 (net obligations)



Source: Foreign Aid Explorer; CRS calculations.

Note: FY2018 data are the most recent comprehensive data available.

Excluding military assistance (for which comparable data are not available), the United States ranked first in the world in 2018 among official donors of development and humanitarian assistance in dollar terms, followed by Germany, the United Kingdom, France, and Japan. When such aid is calculated as a percentage of gross national income, however, the United Arab Emirates tops the list of major donors, while the United States ranks at the bottom (OECD 2018). 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.

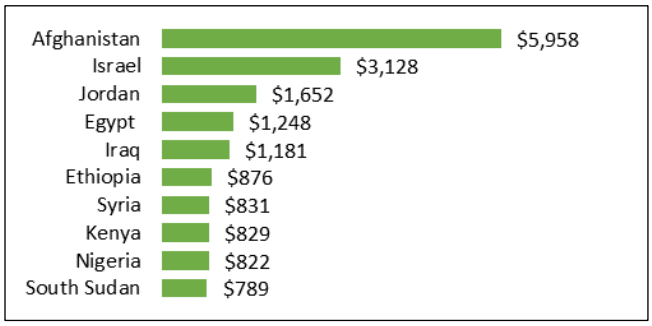
Who Receives U.S. Foreign Assistance?

More than 170 countries and territories received some form of U.S. assistance in FY2018, reflecting the broad 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 humanitarian crises brought on by natural disaster or conflict. In FY2018, the top 10

recipient countries accounted for approximately 37% of aid obligations (**Figure 2**).

Figure 2. Top Recipients of U.S. Aid, FY2018

(net obligations in $ millions)



Source: Foreign Aid Explorer; CRS calculations.

Note: FY2018 data are the most recent comprehensive data available.

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 a deficit reduction law led to funding lows in the 1990s.

After the September 11, 2001, terrorist attacks, and the U.S. invasion of Afghanistan and Iraq, foreign aid levels began to rise sharply with enactment of the Iraq Relief and Reconstruction Fund in FY2003-FY2004, new military assistance funds for Iraq and Afghanistan, as well as the creation of the MCC and the President's Emergency Plan for AIDS Relief (PEPFAR). These increases elevated concern within Congress about accountability and effective oversight of aid programs, particularly in conflict zones.

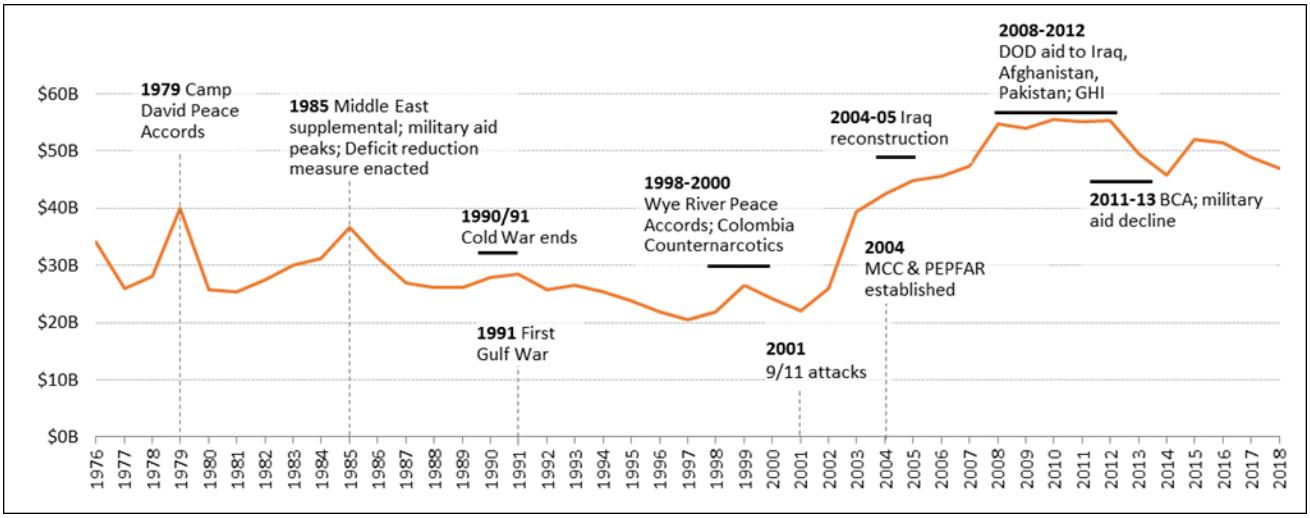
The Obama Administration focused funding on three major aid initiatives, starting in 2010: the Global Health Initiative (GHI), which builds on PEPFAR; the Global Climate Change Initiative; and the Feed the Future Initiative. Fiscal constraints imposed by the Budget Control Act of 2011, together with a scaled back U.S. military presence in Iraq and Afghanistan, led to reduced aid funding in FY2013, but assistance obligations rose in subsequent years, reflecting the Syrian refugee crisis, ISIS threat, and the Ebola outbreak in west Africa, among other developments.

The Trump Administration has consistently proposed deep cuts to foreign assistance in the international affairs budget, but Congress has not enacted such cuts in appropriations legislation. Instead, Congress has maintained level or increased funding for foreign aid programs, with a focus on development finance (reflected in the creation in 2019 of the U.S. International Development Finance Corporation); numerous global heath and humanitarian crises, including the Coronavirus Disease 2019 (COVID-19) pandemic; and the Administration's stated goal of countering Iranian, Chinese, and Russian global influence, among other priorities.

For more detailed information on foreign assistance, see CRS Report R40213, *Foreign Assistance: An Introduction to U.S. Programs and Policy*, by Marian L. Lawson and Emily M. Morgenstern, and CRS Report R45763, *Department of State, Foreign Operations, and Related Programs: FY2020 Budget and Appropriations*, by Cory R. Gill, Marian L. Lawson, and Emily M. Morgenstern.

Figure 3. Foreign Aid Funding in Historic Context

(net aid obligations in billions of constant 2018 U.S. $)



Source: Foreign Aid Explorer, CRS calculations.

Notes: BCA = Budget Control Act of 2011; MCC = Millennium Challenge Corporation; PEPFAR = President's Emergency Plan for AIDS Relief.

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