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How Does the U.S. Spend Its Foreign Aid?

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Introduction

President Donald J. Trump's [budget blueprint](#) for 2018 calls for deep cuts to foreign assistance programs, raising pointed questions about the role the United States should play around the world.

There has long been broad bipartisan agreement on the moral and strategic significance of foreign aid. Aid levels rose sharply after the 9/11 attacks, with policymakers seeing global economic development as a way to promote U.S. national security.

Though aid remains a small percentage of the overall U.S. budget, some politicians and economists have criticized the spending as ineffective. Others have urged the United States to expand its international aid commitments.

What is foreign aid?

The current foreign aid system was created by the [1961 Foreign Assistance Act](#), which attempted to streamline the government's efforts to provide assistance around the world. The statute defines aid as "the unilateral transfers of U.S. resources by the U.S. Government to or for the benefit of foreign entities." These resources include not just goods and funding, but also technical assistance, educational programming, and other services. Recipients include foreign governments, including foreign militaries and security forces, as well as local businesses and charitable groups, international organizations such as the United Nations, and other non-governmental organizations (NGOs).

How much does the United States spend on it?

Given the many agencies, funding methods, and categories of aid associated with U.S. foreign assistance efforts, estimates can differ. According to the nonpartisan Congressional Research Service (CRS), which uses the [broadest definition of aid](#) [PDF], including military and security assistance, total spending was nearly \$49 billion in 2015. This accounts for roughly 1.3 percent of the federal budget.

Aid funding levels are at their highest since the period immediately following World War II, when the United States invested heavily in rebuilding European economies. In the 1990s, in the wake of the collapse of the Soviet Union, aid levels were cut to barely half of what they are today, falling to less than \$20 billion in 1997, or 0.8 percent of the overall budget. Aid rose again in the wake of the 9/11 attacks, surpassing 1.4 percent of the budget by 2007, which analysts say was driven largely

by assistance to Iraq and Afghanistan as well as President George W. Bush's global health programs.

What are its objectives?

As former State Department official and aid expert Carol Lancaster pointed out in her book, *[Foreign Aid: Diplomacy, Development, Domestic Politics](#)*, modern U.S. aid originated in Cold War geopolitics: the Marshall Plan to rebuild Europe was designed to blunt the influence of rising Communist political forces on the continent. National security concerns have continued to drive U.S. assistance policy, aiming to provide stability in conflicted regions, bolster allies, promote democracy, or contribute to counterterrorism and law enforcement efforts abroad.

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Other objectives, related to but separate from U.S. national security, also drive assistance. These include most notably humanitarian relief efforts to respond directly to acute disasters, poverty reduction, health care, and other development programs.

How is the money spent?

U.S. aid policy seeks to achieve its aims through a diverse array of programs, which can be organized into several major categories. According to CRS calculations, foreign aid spending in 2015 broke down as follows:

Long-term development aid (38 percent) provides ongoing funding for projects to promote broad-based economic growth and general prosperity in the world's poorest countries. More than half of this goes to bilateral global health programs, including treatment of HIV/AIDS, maternal and family health, and support for government health-care systems, mostly in Africa. About 15 percent of this goes to multilateral institutions such as the World Bank and the UN Development Program.

Military and security aid (35 percent) primarily goes toward helping allies purchase U.S. military equipment, training foreign military personnel, and funding peacekeeping missions. A smaller slice goes to "non-military security assistance", which includes counternarcotics programs in Afghanistan, Colombia, Peru, and elsewhere, as well as nonproliferation and counterterrorism efforts.

Humanitarian aid (16 percent) is spent to alleviate short-term humanitarian crises, such as those resulting from famine, earthquakes, war, failed states, or other natural or man-made disasters. This includes State Department and Defense Department disaster relief efforts, as well as purchases of U.S. agricultural goods and funding for organizations such as the International Red Cross and the UN High Commissioner for Refugees.

Political aid (11 percent) is intended to support political stability, free market economic reforms, and democratic institutions. Programs include governance and justice system reforms, backing for human rights organizations, and support for peace talks and treaty implementation.

Which agencies manage it?

U.S. foreign assistance is managed by a complex ecosystem of agencies, with over twenty federal agencies involved in either funding or implementing foreign aid policy.

The 1961 Foreign Assistance Act created the U.S. government's primary aid organization, the [U.S. Agency for International Development](#) (USAID). The agency administers the bulk of U.S. development and humanitarian aid, [managing](#) [PDF] over \$20 billion in funds and employing more than nine thousand staff around the world.

USAID is a semi-independent agency, operating under the policy guidance of the president, the State Department, and the National Security Council. It receives its funding through the State Department budget. In 2006, in an attempt to streamline what some policymakers considered a dysfunctional aid system, the Bush administration created a new role, the [Director of Foreign Assistance](#), in the State Department with a mandate to coordinate all U.S. aid activity.

The Department of Defense plays a major role as the agency primarily responsible for implementing traditional military aid, though the State Department also funds and influences many security assistance programs. The Department of Health and Human Services implements many health-related programs, including the [President's Emergency Plan for AIDS Relief](#) (PEPFAR). The Treasury Department helps manage funding of global financial institutions, as well as programs for debt relief and economic reforms in poor countries. There are also a plethora of other agencies and autonomous organizations, including the [Millennium Challenge Corporation](#), the [Peace Corps](#), and the [African Development Foundation](#), involved in aid work.

Which countries receive the most aid?

More than [two hundred countries](#) receive U.S. aid. It disproportionately goes to a few, however, with the top five [receiving](#) [PDF] over \$1 billion per year as of 2015: Afghanistan (\$5.5 billion), Israel (\$3.1 billion), Iraq (\$1.8 billion), Egypt (\$1.5 billion), and Jordan (\$1.1 billion).

As a *Washington Post* analysis [points out](#), this is largely due to the concentration of military aid in a few countries: Afghanistan receives \$3.7 billion in security aid, all of Israel's \$3.1 billion is military aid, and the vast majority of aid to both Egypt and Iraq is security-related.

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Economic and development aid is much more dispersed: while Afghanistan again receives the most of any single country, most of the ten-largest recipients are in Africa, including Kenya, Nigeria, Tanzania, and Ethiopia. Regionally, Africa receives 32 percent of all U.S. aid, followed by the Middle East at 31 percent and South and Central Asia at 25 percent.

Some of this funding takes place through U.S. contributions to the United Nations, which are distributed to development initiatives and peacekeeping operations around the world. As CFR's Stewart Patrick [explains](#), the United States provides roughly \$8 billion a year for UN operations. About \$2.5 billion of that [goes to](#) peacekeeping.

How does U.S. aid spending compare with other countries?

The United States is by far the largest single foreign donor. It outspends the next largest, the United Kingdom, by more than \$10 billion a year; Germany, France, and Japan follow.

As a percent of GDP, however, U.S. aid spending ranks near the bottom of all developed countries. It accounts for 0.17 percent of GDP, [twentieth out of twenty-eight countries](#) measured by the Organization for Economic Cooperation and Development (OECD). Sweden, Norway, Luxembourg, Denmark, the Netherlands, and the United Kingdom all spend more than 0.7 percent of GDP on foreign aid, which is the [target set](#) by the United Nations.

What are the criticisms of foreign aid?

A number of economists have criticized various aspects of the global foreign aid system as ineffective or counterproductive. New York University professor and former World Bank economist William Easterly made the case in his 2006 book, [The White Man's Burden](#), that development aid is dominated by top-down planners and bureaucrats with little accountability, and that there is scant evidence that aid boosts a country's long-term growth. Easterly is also [highly critical](#) of linking aid to counterterrorism efforts, and he and [other analysts](#) have warned about the potential for military aid to bolster repressive regimes. To combat that, Congress [has passed legislation](#) barring U.S. aid to military units that were found to have violated human rights.

Military aid in particular has come under fire for its potential to bolster repressive regimes.

Nobel laureate Sir Angus Deaton [argues](#) that aid gives a lifeline to corrupt governments, insulating them from the political pressures that would create a better functioning state. Zambian economist Dambisa Moyo [writes](#) that more than \$1 trillion in aid has flowed to Africa in past decades, but real per capital income on the continent has not improved since the 1970s.

Some analysts, and many in Congress, have criticized U.S. aid as wasteful spending. Danielle Pletka of the American Enterprise Institute [argued before Congress](#) [PDF] that USAID has little to show for much of its spending, and that the aid structure established by the 1961 foreign assistance law is increasingly dysfunctional.

What are the arguments in favor?

High-profile defenders of aid like tech billionaire Bill Gates and Columbia University economist Jeffrey Sachs counter that health initiatives in particular have [saved millions of lives](#). Gates [says](#) that successes like anti-HIV/AIDS and polio campaigns have increased political stability, expanded economic opportunity, and boosted U.S. popularity. (Critics such as Easterly and Deaton praise such life-saving humanitarian aid, but point out it is a small fraction of total aid spending.)

R. Nicholas Burns, a Harvard University professor and former U.S. ambassador, concurs with some of the criticisms of the State Department, arguing that the system needs some restructuring to improve performance. However, he [warns that](#) reducing funding to USAID and other programs would be “unwise, unnecessary, and a danger to our overall national security.”

Many military leaders are also outspoken supporters of foreign aid programs. A [2017 letter to Congress](#) authored by more than 120 retired admirals and generals advocated for continued aid funding in the next budget, arguing that “the State Department, USAID, Millennium Challenge

Corporation, Peace Corps and other development agencies are critical to preventing conflict and reducing the need to put our men and women in uniform in harm's way.”

President Trump's secretary of defense, retired General Jim Mattis, has made similar arguments, saying, “If you don't fully fund the State Department, then I need to buy more ammunition.” CFR's Patrick [agrees](#), writing that cutting the foreign assistance budget “would signal the definitive surrender of any pretense to U.S. global leadership.”

Additional Resources

This [2016 Congressional Research Service report](#) [PDF] delves into the history and current practice of U.S. foreign assistance.

The [USAID Foreign Aid Explorer](#) allows for a country-by-country and sector-by-sector exploration of how U.S. foreign aid is spent.

The *Washington Post's* Max Bearak and Lazaro Gamio create cartographic visualizations of U.S. humanitarian and military aid spending in [this 2016 analysis](#).

Former USAID administrator Andrew S. Natsios explains the dynamics of the U.S. response to famines and other humanitarian disasters in [this CFR podcast](#).

More on this topic from CFR

[Global Economic Trends: The Business of Aid \(Audio\)](#)

Speakers: Glenn Hubbard, Dean and Russell L. Carson Professor of Finance and Economics, Columbia Business School, and Lars H. Thunell, Executive Vice President and CEO, International Finance Corporation

Presenter: Roger Leeds, Research Professor of International Finance and Director, Center for International Business and Public Policy, Paul H. Nitze School of Advanced International Studies, Johns Hopkins University

[The Challenge of Global Health](#)

Author:

[Laurie Garrett](#)

, Senior Fellow for Global Health

[Foreign aid reflects lack of concern for mothers](#)

Authors:

[Laurie Garrett](#)

, Senior Fellow for Global Health, and Isobel Coleman, Senior Fellow and Director of the Civil Society, Markets, and Democracy Initiative; Director of the Women and Foreign Policy Program

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