Congressional Research Service
Informing the legislative debate since 1914

Foreign Aid: An Introduction to U.S. Programs and Policy

Updated April 25, 2018

Congressional Research Service
https://crsreports.congress.gov
R40213

CRS REPORT
Prepared for Members and
Committees of Congress

Summary

Foreign assistance is the largest component of the international affairs budget and is viewed by many as an essential instrument of U.S. foreign policy. On the basis of national security, commercial, and humanitarian rationales, U.S. assistance flows through many federal agencies and supports myriad objectives, including promoting economic growth, reducing poverty, improving governance, expanding access to health care and education, promoting stability in conflictive regions, countering terrorism, promoting human rights, strengthening allies, and curbing illicit drug production and trafficking. Since the terrorist attacks of September 11, 2001, foreign aid has increasingly been associated with national security policy. At the same time, foreign aid is seen by many Americans, and Members of Congress, as an expense that the United States cannot afford given current budget deficits.

In FY2016, U.S. foreign assistance, defined broadly, was estimated at $49.47 billion, or 1.2% of total federal budget authority. About 48% of this assistance was for bilateral economic development programs, including political/strategic economic assistance; 33% for military aid and nonmilitary security assistance; 14% for humanitarian activities; and 5% to support the work of multilateral institutions. Assistance can take the form of cash transfers, equipment and commodities, infrastructure, or technical assistance, and, in recent decades, is provided almost exclusively on a grant rather than loan basis. The United States is the largest foreign aid donor in the world, accounting for about 24% of total official development assistance from major donor governments in 2017 (the latest year for which these data are available).

Key foreign assistance trends in the past decade include growth in development aid, particularly global health programs; increased security assistance directed toward U.S. allies in the anti-terrorism effort; and high levels of humanitarian assistance to address a range of crises, from the earthquake in Haiti to the violence in Syria. Adjusted for inflation, annual foreign assistance funding over the past decade was the highest it has been since the Marshall Plan in the years immediately following World War II. In FY2016, Iraq, Afghanistan, Israel, Egypt, and Jordan were the top recipients of U.S. aid, reflecting long-standing aid commitments to Israel and Egypt, the strategic significance of Afghanistan and Iraq, and the strategic and humanitarian importance of Jordan as the crisis in neighboring Syria continues to unfold. The Near East was the top aid recipient region in FY2016, at 27%, followed by Africa, at 25%, and South and Central Asia, at 14%. This was a significant shift from a decade prior, when Africa received only 13% of aid and the Near East 40%, reflecting significant increases in HIV/AIDS-related programs concentrated in Africa between FY2005 and FY2016 and the drawdown of U.S. military forces in Iraq and Afghanistan. Military assistance to Iraq began to decline starting in FY2011, but growing concern about the Islamic State in Iraq and Syria (ISIS) has reversed this trend.

This report provides an overview of the U.S. foreign assistance program by answering frequently asked questions on the subject. It is intended to provide a broad view of foreign assistance over time, and will be updated periodically. For more current information on foreign aid funding levels, see CRS appropriations reports, particularly those on State, Foreign Operations, and Related Programs appropriations.

Contents

Foreign Aid: An Introduction to U.S. Programs and Policy 1
How Is "U.S. Foreign Aid" Defined and Counted? 1
Foreign Aid Purposes and Priorities 3
What Are the Rationales and Objectives of U.S. Foreign Assistance? 3
Rationales for Foreign Aid 3
Objectives of Foreign Aid 4
What Are the Major Foreign Aid Funding Categories and Accounts? 6
Assistance Serving Development and Humanitarian Purposes 6
Assistance Serving Both Development and Special Political/Strategic Purposes 9
Assistance Serving Security Purposes 9
What Are the Recent Priorities and Trends in U.S. Foreign Aid? 11
Trends in Types of U.S. Aid 11
Trends in Programs and Sectors of Special Interest 14
Which Countries Receive U.S. Foreign Aid? 15
Foreign Aid Spending 17
How Large Is the U.S. Foreign Assistance Budget? 17
What Does Overseas Contingency Operations (OCO) Mean? 19
How Much of Foreign Aid Dollars Are Spent on U.S. Goods? 20
How Does the United States Rank as a Donor of Foreign Aid? 22
Delivery of Foreign Assistance 23
What Executive Branch Agencies Implement Foreign Aid Programs? 23
U.S. Agency for International Development 23
U.S. Department of Defense 23
U.S. Department of State 24
U.S. Department of Health and Human Services 24
U.S. Department of the Treasury 25
Millennium Challenge Corporation 25
Other Agencies 25
What Are the Different Forms in Which Assistance Is Provided? 26
Cash Transfer 26
Commodities 27
Economic Infrastructure 27
Training 27
Expertise 27
Small Grants 28
How Much Aid Is Provided as Loans and How Much as Grants? What Are Some Types of Loans? Have Loans Been Repaid? Why Is Repayment of Some Loans Forgiven? 28
Loan/Grant Composition 28
Loan Guarantees 28
Loan Repayment 29
Debt Forgiveness 29
What Are the Roles of Government and Private Sector in Development and Humanitarian Aid Delivery? 29
Congress and Foreign Aid 30
What Congressional Committees Oversee Foreign Aid Programs? 30

What Are the Major Foreign Aid Legislative Vehicles? 30

Figures

Figure 1. FY2016 Aid Program Composition 6
Figure 2. Shifts in Total Aid Program Emphasis, FY1986-FY2016 11
Figure 3. Bilateral Development Aid 12
Figure 4. Humanitarian Aid 12
Figure 5. Nonmilitary Security Aid 12
Figure 6. Military Aid 13
Figure 7. Political/Strategic Aid 13
Figure 8. Multilateral Aid 13
Figure 9. Regional Distribution of Aid, FY1996, FY2006, and FY2016 16
Figure 10. U.S. Foreign Aid: FY1946-FY2016 Est. 17
Figure 11. Aid as a Percentage of the Federal Budget and GDP, FY1977-FY2016 Estimate 18
Figure 12. Foreign Aid Funding Trends, FY1977-FY2016 Estimate 19
Figure 13. Top 10 Bilateral Donors of Official Development Assistance, 2017 22
Figure 14. Aid by Type, 2016 Disbursements 26

Tables

Table 1. Foreign Assistance from All Sources, by Objective and Program Area: FY2016 5
Table 2. Top Recipients of U.S. Foreign Assistance from All Sources, FY1996, FY2006, and FY2016 15

Table A-1. Aid Program Composition 32
Table A-2. Foreign Aid Funding Trends (Obligations) 32

Appendixes

Appendix A. Data Tables 32
Appendix B. Common Foreign Assistance Acronyms and Abbreviations 35

Contacts

Author Information 36

Foreign Aid: An Introduction to U.S. Programs and Policy

U.S. foreign aid is the largest component of the international affairs budget, for decades viewed by many as an essential instrument of U.S. foreign policy.[1] Each year, it is the subject of congressional debate over the size, composition, and purpose of the program. The focus of U.S. foreign aid policy has been transformed since the terrorist attacks of September 11, 2001. Global development, a major objective of foreign aid, has been cited as a third pillar of U.S. national security, along with defense and diplomacy, in the national security strategies of the George W. Bush and Barack Obama Administrations. Although the Trump Administration's National Security Strategy does not explicitly address the status of development vis-a-vis diplomacy and defense, it does note the historic importance of aid in achieving foreign policy goals and notes that aid must support U.S. national interests.[2]

This report addresses a number of the more frequently asked queries regarding the U.S. foreign aid program; its objectives, costs, and organization; the role of Congress; and how it compares to those of other aid donors. It attempts not only to present a current snapshot of American foreign assistance, but also to illustrate the extent to which this instrument of U.S. foreign policy has evolved over time.

Data presented in the report are the most current, consistent, and reliable figures available, usually covering the period through FY2016. Dollar amounts are drawn from a variety of sources, including the U.S. Agency for International Development (USAID) Foreign Aid Explorer database, the Office of Management and Budget (OMB), and annual State, Foreign Operations and other appropriations acts. As new data are obtained or additional issues and questions arise, the report will be modified and revised.

Foreign aid acronyms and abbreviations used in this report are listed in **Appendix B**.

How Is "U.S. Foreign Aid" Defined and Counted?

In its broadest sense, U.S. foreign aid is defined under the Foreign Assistance Act of 1961 (FAA), the primary legislative basis of foreign aid programs, as

> any tangible or intangible item provided by the United States Government [including "by means of gift, loan, sale, credit, or guaranty"] to a foreign country or international organization under this or any other Act, including but not limited to any training, service, or technical advice, any item of real, personal, or mixed property, any agricultural commodity, United States dollars, and any currencies of any foreign country which are owned by the United States Government.... (§634(b))

[1] Other tools of U.S. foreign policy are the U.S. defense establishment, the diplomatic corps, public diplomacy, and trade policy. American defense capabilities, even if not employed, stand as a potential stick that can be wielded to obtain specific objectives. The State Department diplomatic corps are the eyes, ears, and often the negotiating voice of U.S. foreign policymakers. Public diplomacy programs, such as the Fulbright program and Voice of America, project an image of the United States that may influence foreign views positively. U.S. trade policy — through free trade agreements and Export-Import Bank credits, for example — may directly affect the economies of other nations. Foreign aid is a particularly flexible tool — it can act as both carrot and stick, and is a means of influencing events, solving specific problems, and projecting U.S. values.

[2] *U.S. National Security Strategy 2002 (Bush), 2006 (Bush), 2010 (Obama), 2015 (Obama), and 2017 (Trump)* are available at http://nssarchive.us/.

For many decades, nearly all assistance annually requested by the executive branch and debated and authorized by Congress was ultimately encompassed in the foreign operations appropriations and the international food aid title of the agriculture appropriations. In the U.S. federal budget, these traditional foreign aid accounts have been subsumed under the 150 (international affairs) budget function. The Office of Management and Budget (OMB) has designated development and humanitarian assistance accounts as falling under subfunction 151 and security assistance accounts as subfunction 152. The foreign operations portion of the appropriations legislation came to be commonly characterized as "the foreign aid bill," an appellation it maintains to the present.[3]

By the 1990s, however, it became increasingly apparent that the scope of U.S. foreign aid was not fully accounted for by the total of the foreign operations and international food aid appropriations. Many U.S. departments and agencies had adopted their own assistance programs, funded out of their own budgets and commonly in the form of professional exchanges with counterpart agencies abroad—the Environmental Protection Agency, for example, providing water quality expertise to other governments. These aid efforts, conducted outside the purview of the traditional foreign aid authorizing and appropriations committees, grew more substantial and varied in the mid-1990s with the multi-billion dollar Department of Defense (DOD) Nunn-Lugar effort to secure and eliminate nuclear and other weapons and Department of Energy activities to control and protect nuclear materials—both aimed largely at the former Soviet Union. Growing participation by DOD in health and humanitarian efforts and expansion of health programs in developing countries by the National Institutes of Health and Centers for Disease Control and Prevention, especially in response to the HIV/AIDS epidemic, followed. During the past 15 years, DOD-funded and implemented aid programs in Iraq and Afghanistan to train and equip foreign forces and win hearts and minds through development efforts were often considerably larger than the traditional military and development assistance programs provided under the foreign operations appropriations. The recent decline in DOD activities in these countries has sharply decreased nontraditional aid funding. In FY2011, nontraditional sources of assistance, at $17.3 billion, represented 35% of total aid obligations. By FY2016, nontraditional aid, at $8.9 billion, represented 18% of total aid, still a significant proportion.

While the executive branch has continued to request and Congress to debate most foreign aid within the parameters of the foreign operations legislation, both entities have sought to ascertain a fuller picture of assistance programs through improved data collection and reporting. Significant discrepancies remain between data available for traditional versus nontraditional types of aid and, therefore, the level of analysis that can be applied to each. (See **text box**, "A Note on Numbers and Sources," below.) Nevertheless, to the extent possible, this report tries to capture the broadest definition of aid throughout.

[3] Included in its current form, since FY2008, as a part of the larger Department of State, Foreign Operations and Related Programs Appropriations Act.

A Note on Numbers and Sources

The numeric measures of foreign assistance used in this report come from a variety of sources. Different sources are necessary for comprehensive analysis, but can often lead to inconsistencies from table to table or chart to chart.

One reason for such variation is the different definitions of foreign assistance used by different sources, including:

- The Budget of the United States historical tables data on foreign assistance include only those programs that fall under the traditional 151 and 152 subfunctions of the International Affairs (function 150) budget.[4] This excludes various programs run by federal agencies outside of the traditional Foreign Operations plus food aid framework.
- USAID's U.S. Overseas Loans & Grants data (reported now through the Foreign Aid Explorer database), in contrast, uses a broad definition of foreign aid, which includes reporting from 30 agencies, including the Departments of Defense, Energy, Health and Human Services and other U.S. agency accounts not previously classified as foreign assistance.[5] Stretching back to 1946 with program sector breakdowns from 2001, this is currently the most comprehensive source of U.S. foreign aid data.
- The State Department's ForeignAssistance.gov website uses a similar broad definition, but is currently incomplete and differently organized. It can be useful for finding foreign assistance data organized using the foreign assistance framework categories.
- Official Development Assistance (ODA), reported by the Organization for Economic Cooperation and Development (OECD), differs from both U.S. Budget and Explorer numbers primarily because it excludes all military assistance and aid to developed countries.

Apparent discrepancies also arise due to funding being recorded at different points in the process. U.S. Budget historical tables represent budget authority, funds *appropriated* by fiscal year, whereas Explorer reports funds *obligated* and *disbursed* by fiscal year. ForeignAssistance.gov is attempting to include all of these funding phases, plus requested, or "planned," data. The reporting calendar may result in discrepancies as well—ODA figures, unlike budget and Greenbook numbers, are reported by calendar year rather than fiscal year.

For the purposes of this report, CRS primarily uses the FAA definition of aid, as reported in Explorer in the form of obligations. Because the most recent Explorer data are updated only through FY2016, in some instances, we provide FY2017 estimates based on appropriations. ODA data are only used in the section comparing U.S. assistance levels to those of other donor countries.

For more recent data on foreign aid funded through the State-Foreign Operations appropriation—including FY2018 enacted and FY2019 requested funding—see CRS Report R45168, *Department of State, Foreign Operations and Related Programs: FY2019 Budget and Appropriations*, by Susan B. Epstein, Marian L. Lawson, and Cory R. Gill.

Foreign Aid Purposes and Priorities

What Are the Rationales and Objectives of U.S. Foreign Assistance?

Foreign assistance is predicated on several rationales and supports a great many objectives. The importance and emphasis of various rationales and objectives have changed over time.

Rationales for Foreign Aid

During the past 70 years, there have been three key rationales for foreign assistance:

[4] For a detailed analysis of recent foreign aid 150 budget function appropriations, see CRS Report R45168, *Department of State, Foreign Operations and Related Programs: FY2019 Budget and Appropriations*, by Susan B. Epstein, Marian L. Lawson, and Cory R. Gill.

[5] Greenbook data is now available as part of USAID's Foreign Aid Explorer site (https://explorer.usaid.gov), it provides aid obligation data by broad accounts from 1946 to 2013 and program sector breakdowns from 2001 to 2013. Also on this site is data categorized to fit the definitions of Official Development Assistance (ODA) which excludes military aid.

- **National Security** has been the predominant theme of U.S. assistance programs. From a beginning in rebuilding Europe after World War II and under the Marshall Plan (1948-1951) and through the Cold War, U.S. aid programs were viewed by policymakers as a way to prevent the incursion of communist influence and secure U.S. base rights or other support in the anti-Soviet struggle. After the Cold War, the focus of foreign aid shifted from global anti-communism to disparate regional issues, such as Middle East peace initiatives, the transition to democracy of eastern Europe and republics of the former Soviet Union, and international illicit drug production and trafficking in the Andes. Without an overarching security rationale, foreign aid budgets decreased in the 1990s. However, since the September 11, 2001, terrorist attacks in the United States, policymakers frequently have cast foreign assistance as a tool in U.S. counterterrorism strategy, increasing aid to partner states in counterterrorism efforts and funding the substantial reconstruction programs in Afghanistan and Iraq. As noted, global development has been featured as a key element in U.S. national security strategy in both Bush and Obama Administration policy statements
- **Commercial Interests.** Foreign assistance has long been defended as a way to either promote U.S. exports by creating new customers for U.S. products or by improving the global economic environment in which U.S. companies compete.
- **Humanitarian Concerns.** Humanitarian concerns drive both short-term assistance in response to crisis and disaster as well as long-term development assistance aimed at reducing poverty, hunger, and other forms of human suffering brought on by more systemic problems. Providing assistance for humanitarian reasons has generally been the most broadly supported purpose of aid by the American public and policymakers alike.

Objectives of Foreign Aid

The objectives of aid are thought to fit within these rationales. Aid objectives include promoting economic growth and reducing poverty, improving governance, addressing population growth, expanding access to basic education and health care, protecting the environment, promoting stability in conflictive regions, protecting human rights, promoting trade, curbing weapons proliferation, strengthening allies, and addressing drug production and trafficking. The expectation has been that, by meeting these and other aid objectives, the United States will achieve its national security goals as well as ensure a positive global economic environment for American products and demonstrate the humanitarian nature of its people.

Generally speaking, different types of foreign aid support different objectives. But there is also considerable overlap among categories of aid. Multilateral aid serves many of the same objectives as bilateral development assistance, although through different channels. Military assistance, economic security aid—including rule of law and police training—and development assistance programs may support the same U.S. political objectives in the Middle East, Afghanistan, and Pakistan. Military assistance and alternative development programs are integrated elements of American counternarcotics efforts in Latin America and elsewhere.

Depending on how they are designed, individual assistance projects on the ground can also serve multiple purposes. A health project ostensibly directed at alleviating the effects of HIV/AIDS by feeding orphan children may also stimulate grassroots democracy and civil society through support of indigenous NGOs while additionally meeting U.S. humanitarian objectives. Microcredit programs that support small business development may help develop local economies while at the same time enabling client entrepreneurs to provide food and education to

their children. Water and sanitation improvements both mitigate health threats and stimulate economic growth by saving time previously devoted to water collection, raising school attendance for girls, and facilitating tourism, among other effects.

In 2006, in an effort to rationalize the assistance program more clearly, the State Department developed a framework that organizes U.S. foreign aid around five strategic objectives, each of which includes a number of program elements, also known as sectors. The five objectives are Peace and Security; Investing in People; Governing Justly and Democratically; Economic Growth; and Humanitarian Assistance. Generally, these objectives and their sectors do not correspond to any one particular budget account in appropriations bills.[6] Annually, the Department of State and USAID fit their Foreign Operations budget request into this framework, allowing for an objective and program-oriented viewpoint for those who seek it. An effort by the State Department to obtain reporting from all departments and agencies of the U.S. government on aid levels categorized by objective and sector is ongoing. Eighteen of the nearly 30 departments and agencies with aid programs are reporting on the ForeignAssistance.gov website, although that reporting is partial and only for the last few years. USAID's Explorer website (explorer.usaid.gov) currently provides a more complete picture from all parts of the U.S. government (see **Table 1**).

Table 1. Foreign Assistance from All Sources, by Objective and Program Area: FY2016

(obligations in millions of current U.S. $)

Aid Objectives and Program Areas	FY2016	Aid Objectives and Program Areas	FY2016
Peace and Security	**17,055.77**	**Investing in People**	**13,753.12**
Counterterrorism	608.66	Health	12,438.21
Combating Weapons of Mass Destruction	299.91	Education	1,000.86
Stabilization/Security Sector Reform	12,911.23	Social Services/Protection of Vulnerable	314.05
Counternarcotics	508.89		
Transnational Crime	29.93	**Governing Justly & Democratically**	**1,474.77**
Conflict Mitigation	462.88	Rule of Law & Human Rights	416.82
Peace and Security - General	2,234.28	Good Governance	627.46
		Political Competition	147.94
Promoting Economic Growth	**5,017.67**	Civil Society	248.34
Macroeconomic Growth	263.73	Democracy and Governance - General	34.21
Trade & Investment	176.89		
Financial Sector	66.61	**Humanitarian Assistance**	**6,940.97**
Infrastructure	1,104.43	Protection, Assistance & Solutions	6,739.62
Agriculture	1,159.61	Disaster Readiness	129.03
Private Sector Competitiveness	325.79	Migration Management	72.32
Economic Opportunity	117.96		

[6] Most are funded through several appropriations accounts. For instance, the objective of Governing Justly and Democratically and each of its individual sectoral elements (see **Table 1**) are funded through portions of the Development Assistance, AEECA, ESF, INCLE, and Democracy Fund accounts, as well as by various programs run through nontraditional aid providers.

Aid Objectives and Program Areas	FY2016	Aid Objectives and Program Areas	FY2016
Environment	1,702.71	**Program Management**	**2,922.39**
Labor, Mining, General Economic Growth	99.94	**Multi-Sector**	**2,297.28**

Source: USAID Explorer and CRS calculations.

Note: A similar framework table is included in annual State-Foreign Operations congressional budget justifications, and includes only funding in the international affairs (function 150) budget.

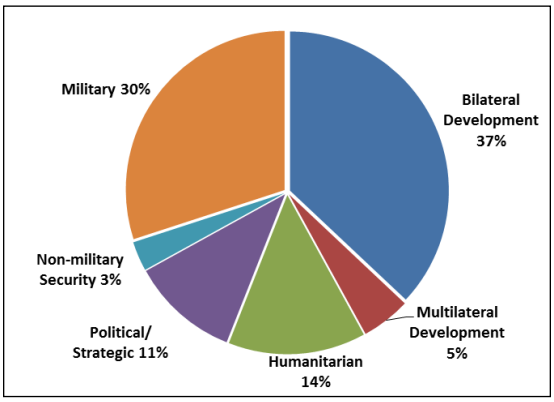
What Are the Major Foreign Aid Funding Categories and Accounts?

The 2006 framework introduced by the Department of State organizes assistance by foreign policy strategic objective and sector. But there are many other ways to categorize foreign aid, one of which is to sort out and classify foreign aid accounts in the U.S. budget according to the types of activities they are expected to support, using broad categories such as military, bilateral development, multilateral development, nonmilitary security, humanitarian, and political/strategic activities. This methodology reflects the organization of aid accounts within the State, Foreign Operations appropriations but can easily be applied to the international food aid title of the Agriculture appropriations as well as to the DOD and other government agency assistance programs with funding outside traditional foreign aid budget accounts. In FY2016, these many aid accounts provided $49.5 billion in obligated assistance.[7]

Assistance Serving Development and Humanitarian Purposes

A wide range of aid programs address development and humanitarian concerns. These are provided both bilaterally and multilaterally. In FY2016, roughly $27.7 billion—56% of total obligated U.S. assistance—focused exclusively on mitigating human suffering and poverty and addressing environmental, governance, and other concerns in developing countries.

Figure 1. FY2016 Aid Program Composition



Source: USAID Explorer; CRS calculations.

Bilateral Development Assistance

For FY2016, U.S. government departments and agencies obligated about $18.3 billion in

[7] The FY2016 figures used in this section are total obligations (i.e., commitments) encompassing both traditional aid accounts—foreign operations appropriations titles as well as agriculture appropriations food aid—and those discrete nontraditional appropriations accounts and allocations that can be readily identified through U.S. Overseas Loans and Grants (also known as the Greenbook), provided in USAID's explorer website (explorer.usaid.gov) reporting as foreign assistance—including the Afghanistan Security Forces Fund; the Commander's Emergency Response Program; DOD Counterterrorism Partnerships Fund; DOD counternarcotics programs; Iraq Train and Equip Fund; DOD humanitarian programs; DOD Cooperative Threat Reduction; DOE nonproliferation programs; CDC disease control, research and training programs; National Institutes of Health Research; and the National Endowment for Democracy, among others. Many nontraditional aid activities fail to merit a distinctive line item in their larger agency appropriations and, therefore, cannot be captured until they are reported some years later as obligations. The FY2016 amounts are the most recent complete figures reported.

bilateral[8] development assistance, or 37% of total foreign aid, primarily through the Development Assistance (DA) and Global Health (Global Health-USAID and Global Health-State) accounts and the administrative accounts that allow USAID to operate (Operating Expenses, Capital Investment Fund, and Office of the Inspector General). Other bilateral development assistance accounts support the development efforts of distinct institutions, such as the Peace Corps, Inter-American Development Foundation, African Development Foundation, Trade and Development Agency, Millennium Challenge Corporation (MCC), and National Endowment for Democracy (NED).

Development assistance programs are designed chiefly to foster sustainable broad-based economic progress and social stability in developing countries. This aid is managed largely by the U.S. Agency for International Development (USAID) and is used for long-term projects in a wide range of areas. Many programs share the objective, as in the State Department framework, of "promoting economic growth and prosperity." Agriculture programs focus on reducing poverty and hunger, trade-promotion opportunities for farmers, and sound environmental practices for sustainable agriculture. Private sector development programs include support for business associations and microfinance services. Programs for managing natural resources and protecting the global environment focus on conserving biological diversity; improving the management of land, water, and forests; encouraging clean and efficient energy production and use; and reducing the threat of global climate change. Programs supporting the objective of "governing justly and democratically" include support for promoting rule of law and human rights, good governance, political competition, and civil society. Programs with the objective of "investing in people" include support for basic, secondary, and higher education, improving government ability to provide social services, water and sanitation, and health.

By far the largest portion of bilateral development assistance—61% in FY2016—is devoted to global health, in particular support for treatment of HIV/AIDS and other infectious diseases, maternal and child health, family planning and reproductive health programs, and strengthening the government health systems that provide care. Most funding for HIV/AIDS, malaria, and tuberculosis is directed through the State Department's Office of the Global AIDS Coordinator to other agencies, including USAID and the Centers for Disease Control and Prevention. The latter agency and the National Institutes for Health also conduct programs funded by Labor-Health and Human Services (HHS) appropriations. (For more information on global health assistance, see CRS Report R43115, *U.S. Global Health Assistance: FY2001-FY2018 Request*, by Tiaji Salaam-Blyther.)

In addition to its more well-known role in humanitarian aid, a portion (about 22% in FY2016) of the P.L. 480 Title II international food aid program (named after the 1954 law that authorized it and also known as Food for Peace)—funded under the Agriculture appropriations—provides nonemergency food commodities to private voluntary organizations (PVOs) or multilateral organizations, such as the World Food Program, for development-oriented purposes. Generally, U.S. agricultural commodities are sold on local markets ("monetized") and the proceeds are used for development projects. In some cases, food can be purchased locally. P.L. 480 Title II funds are also used to support the "farmer-to-farmer" program, which sends hundreds of U.S. volunteers as technical advisors to train farm and food-related groups throughout the world. In addition, the McGovern-Dole International Food for Education and Child Nutrition Program, a program begun in 2002, provides commodities, technical assistance, and financing for school feeding and child

[8] Bilateral assistance is aid that is managed by a U.S. agency, though perhaps implemented by a nongovernmental partner through a grant or cooperative agreement. This is in contrast to multilateral aid, which is provided to and managed by non-U.S. entities such as the World Bank or the United Nations.

nutrition programs. (For more information on international food aid programs, see CRS Report R41072, *U.S. International Food Aid Programs: Background and Issues*, by Randy Schnepf.)

Multilateral Development Assistance

A share of U.S. foreign assistance—5% in FY2016 ($2.6 billion)—is combined with contributions from other donor nations to finance multilateral development projects. Multilateral aid is funded largely through the International Organizations and Programs (IO&P) account and individual accounts for each of the Multilateral Development Banks (MDBs) and global environmental funds. For FY2016, the U.S. government obligated $2.6 billion for development activities implemented by international organizations and financial institutions, including contributions to the United Nations Children's Fund (UNICEF); the United Nations Development Program (UNDP); and MDBs, such as the World Bank. The U.S. share of donor contributions to each of the MDB concessional and nonconcessional loan windows varies widely. For the largest MDB, the World Bank, the United States has contributed about 20.5% to the nonconcessional lending window (the International Development Associations [IDA]) and about 17.3% to the nonconcessional lending window (the International Bank for Reconstruction and Development [IBRD]). (For more information on MDBs, see CRS Report R41170, *Multilateral Development Banks: Overview and Issues for Congress*, by Rebecca M. Nelson.)

Humanitarian Assistance

For FY2016, obligations for humanitarian aid program amounted to $6.8 billion, 14% of total assistance. Unlike development assistance programs, which are often viewed as long-term efforts that may have the effect of preventing future crises from emerging, humanitarian aid programs are devoted largely to the immediate alleviation of humanitarian emergencies, both natural and man-made disasters as well as problems resulting from conflict associated with failed or failing states. A large proportion of humanitarian assistance goes to programs, administered by the State Department and funded under the Migration and Refugee Assistance (MRA) and the Emergency Refugee and Migration Assistance (ERMA) accounts, aimed at addressing the needs of refugees and internally displaced persons. These accounts support a number of refugee relief organizations, including the U.N. High Commission for Refugees and the International Committee of the Red Cross. The International Disaster Assistance (IDA) account, managed by USAID, provides relief and rehabilitation assistance to victims of man-made and natural disasters, such as the 2010 Haiti earthquake, the economic and social dislocations caused by the 2014/2015 Ebola epidemic, and the ongoing Syria crisis. A portion of IDA is used for food commodities, including food locally procured through cash purchases. The Department of Defense provides disaster relief under the Overseas Humanitarian, Disaster, and Civic Assistance (OHDACA) account of the DOD appropriations. (For further information on humanitarian programs, see CRS In Focus IF10568, *Overview of the Global Humanitarian and Displacement Crisis*, by Rhoda Margesson.

The bulk of P.L. 480 Title II Agriculture appropriations—$1.2 billion in obligations, about 78% of total P.L. 480 in FY2016—are used by USAID, mostly to purchase U.S. agricultural commodities, for emergency needs, supplementing both refugee and disaster programs.[9] (For more information on food aid programs, see CRS Report R41072, *U.S. International Food Aid Programs: Background and Issues*, by Randy Schnepf.)

[9] Until FY1998, food provided commercially under long-term, low-interest loan terms (Title I of P.L. 480) was also included in the foreign assistance account. Because of its export focus, it is no longer considered foreign aid.

Assistance Serving Both Development and Special Political/Strategic Purposes

One aid account is distinctive in that its primary purpose is to promote special U.S. economic, political, or security interests. Programs funded through the Economic Support Fund (ESF) account generally aim to promote political and economic stability, often through activities indistinguishable from those provided under regular development programs.[10] For FY2016, USAID and the State Department obligated $5.4 billion, 11% of total assistance, through this account.

For many years, following the 1979 Camp David accords, most ESF funds went to support the Middle East Peace Process—in FY1996, for example, 88% of ESF went to Israel, Egypt, the West Bank and Jordan. Those proportions have declined significantly in recent years. In FY2006, 31% of ESF funding went to these countries and, in FY2016, 16%. Since the September 2001 terrorist attacks, ESF has largely supported countries of importance in the U.S. counterterrorism strategy. In FY2006, for example, 36% of ESF obligations were directed at Afghanistan and Pakistan (23% in FY2016).

Over the years, other accounts have been established to meet specific political or security interests and then were dissolved once the need was met. One example is the Assistance to Eastern Europe and Central Asia (AEECA) account, established in FY2009 to combine two aid programs that met particular strategic political interests arising from the demise of the Soviet empire. The SEED (Support for East European Democracy Act of 1989) and the FREEDOM Support Act (Freedom for Russia and Emerging Eurasian Democracies and Open Markets Support Act of 1992) programs were designed to help Central Europe and the newly independent states of the former Soviet Union (FSA) achieve democratic systems and free market economies. With funding decreasing as countries in the region graduated from U.S. assistance, the AEECA account was eliminated in the FY2013 appropriations. Increasing requests and appropriations for countries in the former Soviet Union threatened by Russia, however, have led to its re-emergence in the FY2016 and succeeding State, Foreign Operations appropriations.

In the recent past, several DOD-funded nontraditional aid programs directed at Afghanistan also supported development efforts. The Afghanistan Infrastructure Fund and the Business Task Force wound down as the U.S. military presence in that country declined; the Commander's Emergency Response Program (CERP) still exists. The latter two programs had earlier iterations as well in Iraq.

Assistance Serving Security Purposes

A number of U.S. civilian and military-implemented aid programs directly address national security concerns, most seeking to strengthen the military capacity and civilian law enforcement competence of U.S. allies and cooperating developing countries. They encompass the array of programs whose objective is "peace and security" in the State Department framework. Together they accounted for $16.3 billion, 33% of total U.S. assistance, in FY2016. (For more information see CRS Report R45091, *U.S. Security Assistance and Security Cooperation Programs: Overview of Funding Trends*, coordinated by Susan B. Epstein.)

Nonmilitary Security Assistance

Several U.S. government departments support programs to address global concerns that are considered threats to U.S. security and well-being, such as terrorism, illicit narcotics, crime, and

[10] USAID estimates that over 90% of ESF funds are implemented by USAID for development purposes.

weapons proliferation. In the past two decades, policymakers have given greater weight to these programs. In FY2016, they amounted to $1.3 billion, 3% of total assistance, less than half of the amount and proportion of the previous year. Likely reasons for the decline are that the Department of State's Bureau of International Narcotics and Law Enforcement Affairs (INL) did not report complete obligation figures for FY2016 and reductions in nonproliferation program assistance.

Since the mid-1990s, three U.S. departments—State, DOD, and Energy—have provided funding, technical assistance, and equipment to counter the proliferation of chemical, biological, radiological, and nuclear weapons. Originally aimed at the former Soviet Union under the rubric cooperative threat reduction (CTR), these programs seek to ensure that these weapons are secured and their spread to rogue nations or terrorist groups prevented. (For further information on nonproliferation efforts, see CRS Report R43143, *The Evolution of Cooperative Threat Reduction: Issues for Congress*, by Mary Beth D. Nikitin and Amy F. Woolf.)

In addition to nonproliferation efforts, the Nonproliferation, Anti-Terrorist, Demining and Related Programs (NADR) account, managed by the State Department, encompasses civilian anti-terrorism efforts such as detecting and dismantling terrorist financial networks, establishing watch-list systems at border controls, and building developing country anti-terrorism capacities. NADR also funds humanitarian demining programs.

The State Department is the main implementer of counternarcotics programs. The State-managed International Narcotics Control and Law Enforcement (INCLE) account supports counternarcotics activities, most notably in Afghanistan, Pakistan, Peru, and Colombia. It also helps develop the judicial systems—assisting judges, lawyers, and legal institutions—of many developing countries, especially in Afghanistan. DOD and USAID also support counternarcotics activities, the latter by offering alternative crop and employment programs. (For more information on counternarcotics efforts, see CRS Report RL34543, *International Drug Control Policy: Background and U.S. Responses*, by Liana W. Rosen.)

Military Assistance

The United States provides military assistance to U.S. friends and allies to help them acquire U.S. military equipment and training. At $15.0 billion, military assistance accounted for about 30% of total U.S. foreign aid in FY2016. The Department of State administers three programs, with corresponding appropriations accounts that are then implemented by DOD. Foreign Military Financing (FMF) is a grant program that enables governments to receive equipment and associated training from the U.S. government or to access equipment directly through U.S. commercial channels. Most FMF grants support the security needs of Israel, Egypt, Jordan, Pakistan, and Iraq. The International Military Education and Training program (IMET) offers military training on a grant basis to foreign military officers and personnel. Peacekeeping funds (PKO) are used to support voluntary non-U.N. peacekeeping operations as well as training for an African crisis response force. Since 2002, DOD appropriations have supported FMF-like programs, training and equipping security forces in Afghanistan and Iraq.[11] The DOD-funded programs in these two countries accounted for more than 37% of total military assistance in FY2016.

[11] These programs and the accounts that fund them are called the Afghanistan Security Forces Fund (ASFF) and, through FY2012, the Iraq Security Forces Fund (ISFF). Beginning in FY2015, similar support was provided Iraq under the Iraq Train and Equip Fund.

What Are the Recent Priorities and Trends in U.S. Foreign Aid?

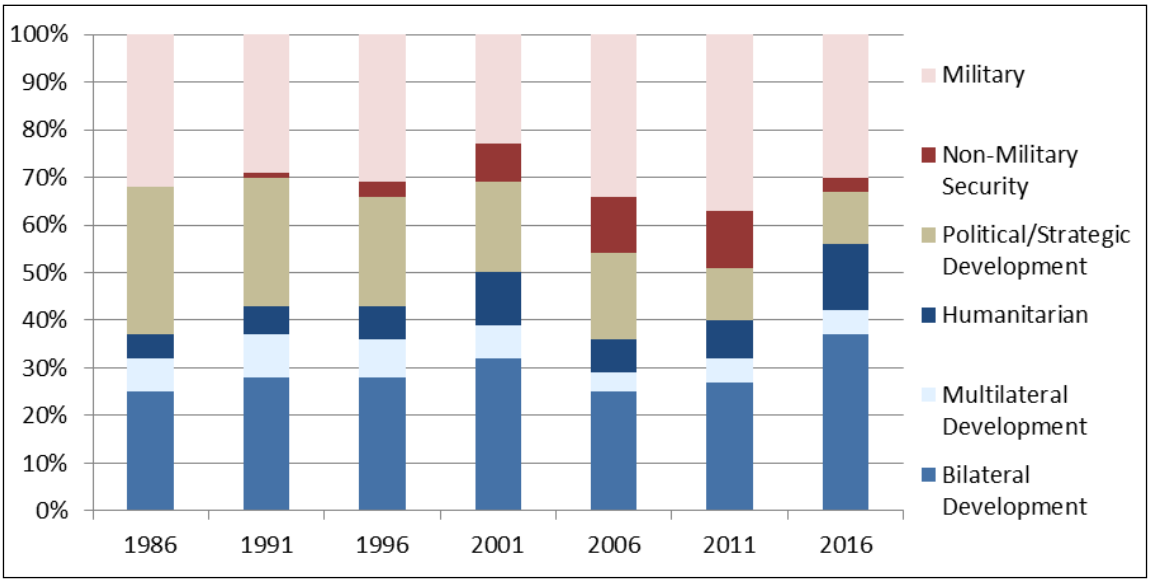
Tracking changes in the amount of funds distributed to each objective, sector, type of assistance, or funding account is one means of measuring the relative priority placed by the executive branch on any of the aid activities represented by that category of assistance. Because Congress closely examines the executive's distribution of bilateral economic resources and often modifies the President's proposed budget plan, funding trends also reflect congressional aid priorities and areas of special concern.[12]

Trends in Types of U.S. Aid

As shown in **Figure 2**, the use of different types of U.S. assistance has shifted in response to world events and changing priorities. Grouping aid into major categories, a number of notable trends over several decades can be identified.

Figure 2. Shifts in Total Aid Program Emphasis, FY1986-FY2016

(as a percentage of total U.S. foreign assistance obligations)



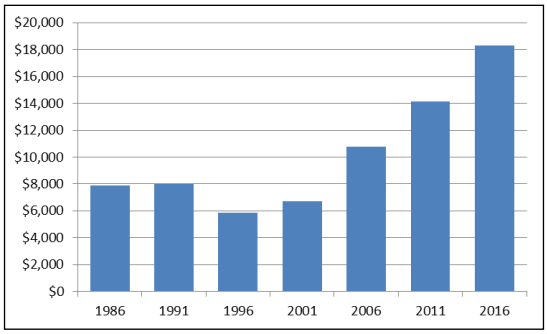
Sources: USAID Explorer; CRS calculations.

[12] It is important to note that the dollar amount of resources allocated to any single development sector relative to other sectors in any given year is not necessarily a good measure of the priority assigned to that sector. Different types of development activities require varying amounts of funding to have impact and achieve the desired goals. Democracy and governance programs, for example, are generally low-cost interventions that include extensive training sessions for government officials, the media, and other elements of civil society. Economic growth programs, on the other hand, might include infrastructure development, government budget support, or commodity import financing, activities that require significantly higher resources. Comparing funding allocations over time to the same objective or sector may be a better indicator of changing priorities.

Growth in bilateral development aid. Reflecting a period of broad budget cuts in the mid-1980s and again in the mid-1990s as well as the loss of a key rationale for assistance in the wake of the collapse of communism, total bilateral development aid fell by 26% in constant dollar terms between FY1986 and FY1996. Since then, however, funding encompassed by this category of assistance has more than tripled in real terms, an increase mirrored in the expanding role of bilateral development aid as a proportion of the total U.S. aid program. A large measure of that rise can be attributed to approval of significant sums for two new presidential aid priorities in 2004, the Millennium Challenge Corporation and the President's Emergency Plan for AIDS Relief (PEPFAR). PEPFAR and the Obama Administration's Global Health Initiative, begun in FY2009, have increased aid spending on health programs from 6% of all aid in FY2001 to more than 22% of all aid in FY2016. Growth in development aid may also be seen as an acknowledgement of the role of poverty and instability in the generation of terrorism.

Figure 3. Bilateral Development Aid

(in millions of constant 2016 dollars)

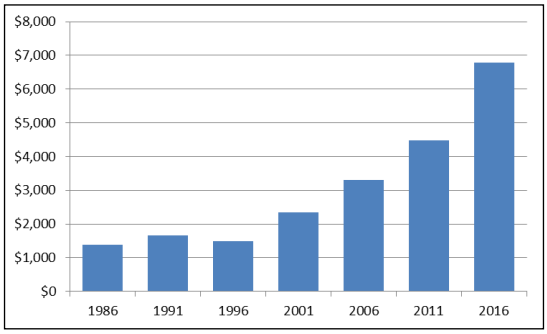


Source: USAID Explorer and CRS calculations.

Rise in humanitarian aid. Historically, humanitarian aid levels have fluctuated with the occurrence of natural and man-made disasters. In the early to mid-1980s, levels rose to address the drought in the Sahel region of Africa, but then subsided. However, from the early 2000s, humanitarian aid increased significantly and has remained high, nearly tripling in real terms between FY2001 and FY2016 in order to address a continuing flow of crises, including the 2004 Indian Ocean tsunami, the 2010 Haiti earthquake, the 2014 Ebola epidemic, and the current plight of Syrian refugees.

Figure 4. Humanitarian Aid

(in millions of constant 2016 dollars)

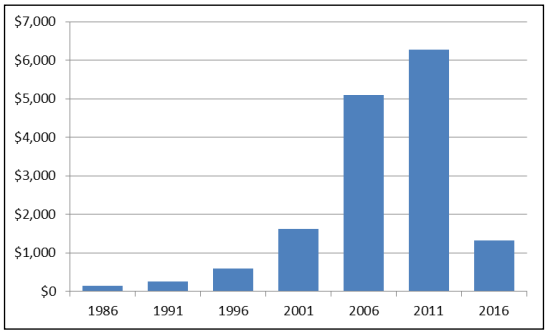


Source: USAID Explorer and CRS calculations.

Increase in nonmilitary security aid. Since the early-1990s, when anti-terror and counternarcotics programs represented around 1% of total U.S. assistance, there has been a substantial increase in nonmilitary security program funding. As a result of the 1990s Nunn-Lugar Cooperative Threat Reduction Program, the Andean Counter-Narcotics Initiative launched in FY2000, and the strengthening of counterterrorism programs following the September 11, 2001, terrorist attacks, these security programs represented about 10% of total aid in the first decade of the 2000s. Although the relative proportion drops to 3% in FY2016 due to anomalous

Figure 5. Nonmilitary Security Aid

(in millions of constant 2016 dollars)



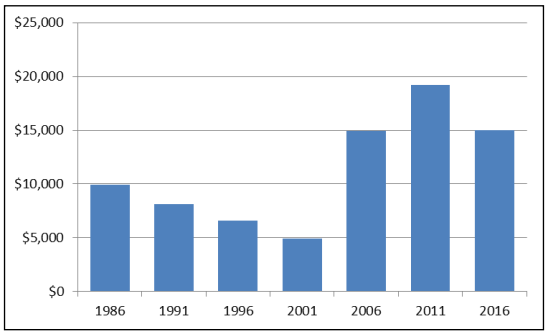
Source: USAID Explorer and CRS calculations.

underreporting of the INCLE account and a decline in nonproliferation obligations, funding levels in that year, nevertheless, are four times more than those of FY1991 in real terms.

Shifts in military aid. Making up about one-third of the aid program in FY1986, military assistance as a share of total aid declined to about 23% of aid by FY2001, and real spending fell by 50% in that time period, reflecting the end of the cold war. Military aid spending and its proportion of total aid have both rebounded since FY2001, largely as a result of the wars in Iraq and Afghanistan. In real terms, military aid rose by 289% between FY2001 and FY2011. With the withdrawal of most U.S. armed forces from both countries, military assistance spending fell by 22% between FY2011 and FY2016.

Figure 6. Military Aid

(in millions of constant 2016 dollars)

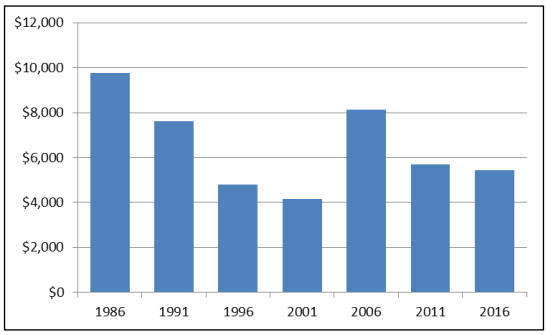


Source: USAID Explorer and CRS calculations.

Fluctuating political/strategic development aid. The level of aid provided chiefly to support U.S. political and strategic interests has fluctuated with the appearance and absence of key policy challenges. The war in Vietnam, for example, was a highpoint for such aid. Levels rose to near all-time highs (in real terms) in the mid-1980s, reflecting support for the Camp David peace process (representing about half of 1986 funding), Central American peace and stability (accounting for about a fifth), and an expansion of military base rights agreements, among other factors. Reflecting the end of the Cold War and a shift out of this type of aid to Israel, funding declined through the 1990s, but has rebounded since due to the war on terror and associated programs in Afghanistan and Iraq.

Figure 7. Political/Strategic Aid

(in millions of constant 2016 dollars)

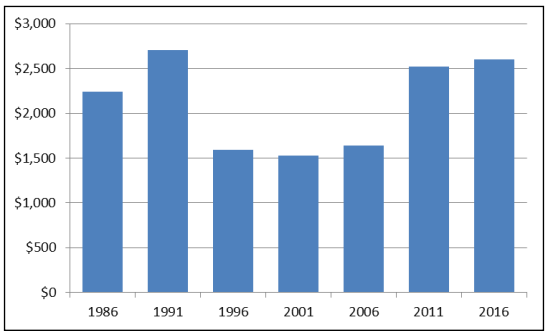


Source: USAID Explorer and CRS calculations.

Ups and Downs in Multilateral Aid. Through the 1960s and 1970s, U.S. support for the multilateral development banks (MDBs) and U.N. development programs, the chief elements of multilateral aid, rose to occupy a substantial proportion of U.S. nonmilitary assistance (25% in 1979). These programs were particularly affected by substantial foreign aid budget cuts in the mid-1990s. Funding for the MDBs rose during the Obama Administration, in part as a result of support for new environmental funds—the Strategic Climate Fund and Clean Technology Fund—and the Global Agriculture and Food Security Fund. Capital increases at the MDBs following the global financial crisis are another factor in the recent upward trend.

Figure 8. Multilateral Aid

(in millions of constant 2016 dollars)



Source: USAID Explorer and CRS calculations.

Trends in Programs and Sectors of Special Interest

At various times, congressional and public attention centers on one or another slice of the aid effort. For instance, the large community of nongovernmental organizations (NGOs) working on international sustainable development activities most often concerns itself with what some call "core appropriations accounts," usually defined as those most poverty-focused.[13] Collectively, these accounts have grown significantly over the 15-year period from FY2001 to FY2016, from $4.1 billion to $19.9 billion (a 270% increase in real terms), largely due to the launching of the HIV/AIDS and MCC programs, as well as a substantial rise in humanitarian aid funding.

One of the most striking changes in the distribution of economic aid resources in recent years has been the sharp growth in funding for health programs, especially in the area of HIV/AIDS and other infectious diseases. In 2004, the Bush Administration launched a five-year Global AIDS Initiative, the President's Emergency Plan for AIDS Relief (PEPFAR), with the goal of treating 2 million HIV-infected individuals and caring for 10 million infected people and AIDS orphans; the program was reauthorized in 2008 (P.L. 110-293) to support prevention and treatment of HIV/AIDS, malaria, and tuberculosis. Encompassing all health programs, a Global Health Initiative introduced by President Obama in 2009 promised further expenditures in this sector. Overall, health funding increased 807% in real terms between FY2001 and FY2016.

Public support and congressional and Administration action often raise the priority given to specific sectors or programs. Congress has been instrumental in boosting funding for microenterprise, basic education, and clean water and sanitation through legislative directives in the annual foreign aid appropriations legislation. Funding for microenterprise went from $58 million in FY1988 to $154 million in FY1999 and $260 million in FY2016**.** Basic education programs were funded at about $95 million in FY1997; the level rose to $981 million in FY2010, and aid agencies obligated $1.2 billion in FY2016. Funding for clean drinking water supply and sanitation projects was roughly $215 million in FY2002; in FY2009, it reached $514 million and $463 million in FY2015.[14]

As was the case with HIV/AIDS spending initiated by President Bush, the Obama Administration gave support to specific sectors of interest. Agriculture and rural development programs, which characterized the bulk of U.S. development assistance in the 1970s and 1980s, had fallen from appropriated levels of $725 million in FY1984 to $315 million in FY1998 and $474 million in FY2008. By FY2016, obligations for these programs reached $1.2 billion, reflecting the Feed the Future presidential food security initiative, launched in 2009. Congress recommended a level of not less than $1 billion in FY2018. Programs managing natural resources and protecting the global environment fell from $504 million in FY2002 to $324 million in FY2008. Environmental programs received $733 million in FY2010, more than doubling in just two years. In FY2016, obligations for general environmental protection reached $1.8 billion.

[13] Different organizations would count different programs as poverty-focused, but most would likely include Global Health, Development Assistance, Millennium Challenge Corporation, Disaster Assistance, Migration and Refugee Assistance, and Food Aid.

[14] The most recent funding data for these sectors, which are primarily funded through USAID, is available in CRS Report R45168, *Department of State, Foreign Operations and Related Programs: FY2019 Budget and Appropriations*, by Susan B. Epstein, Marian L. Lawson, and Cory R. Gill.

Which Countries Receive U.S. Foreign Aid?

In FY2016, the United States provided some form of bilateral foreign assistance to more than 144 countries.[15] **Table 2** identifies the top 15 recipients of U.S. foreign assistance for FY1996, FY2006 and FY2016. Assistance, although provided to many nations, is concentrated heavily in certain countries, reflecting the priorities and interests of United States foreign policy at the time.

Table 2. Top Recipients of U.S. Foreign Assistance from All Sources, FY1996, FY2006, and FY2016

(in millions of current dollars)

FY1996		FY2006		FY2016	
Israel	3,140	Iraq	9,675	Iraq	5,280
Egypt	2,198	Afghanistan	3,004	Afghanistan	5,060
Turkey	467	Israel	2,543	Israel	3,113
Russia	362	Egypt	1,653	Egypt	1,239
Bosnia	330	Russia	1,545	Jordan	1,214
Greece	262	Colombia	1,220	Kenya	1,143
Jordan	230	Sudan	933	Ethiopia	1,111
Ukraine	173	Pakistan	887	Syria	916
India	150	Jordan	423	Pakistan	777
Rwanda	139	Georgia	411	Uganda	741
South Africa	125	Kenya	344	Ghana	724
Peru	105	Indonesia	322	Nigeria	718
Micronesia	93	Armenia	318	South Sudan	708
Angola	92	Ethiopia	308	Tanzania	629
Haiti	88	Peru	294	South Africa	597

Source: USAID Explorer.

As shown in the table above, there are both similarities and sharp differences among country aid recipients for the three periods. The most consistent thread connecting the top aid recipients over the past two decades has been continuing U.S. strategic interests in the Middle East, with large programs maintained for Israel and Egypt and, for Iraq, following the 2003 invasion. Two key countries in the U.S. counterterrorism strategy, Afghanistan and Pakistan, made their first appearances on the list in FY2002 and continue into FY2016.

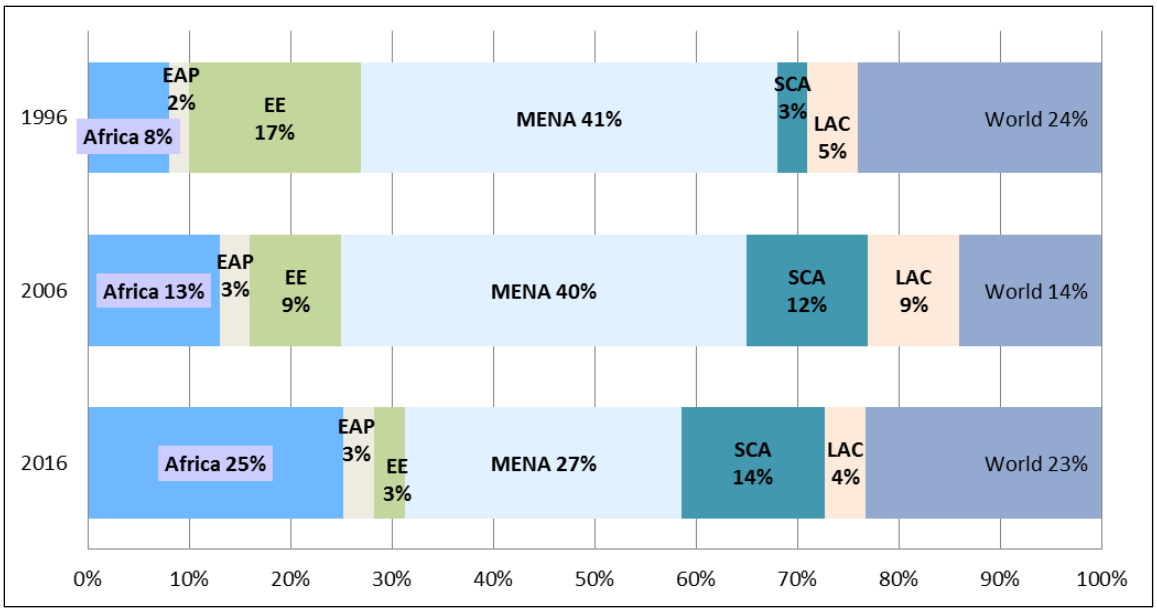
In FY1996, only three sub-Saharan African countries appeared among leading aid recipients; in FY2016, 8 of the 15 are sub-Saharan African. Many are focus countries under the initiative to address the HIV/AIDS epidemic; South Sudan receives support as a newly independent country

[15] Generally, assistance to a country is funneled, in various forms, to the country's private sector, nongovernmental organizations, local communities, individual entrepreneurs, and other entities. Assistance is provided directly to the government of a country where the intention is to bring about policy reforms, improve governance, or work with a sector in which the government is the predominant element, such as in healthcare where the Ministry of Health would play a determinative role. Often, in cases where a government is believed to be taking action contrary to U.S. interests, Congress has specified that assistance to that government be prohibited or limited, while not affecting overall assistance to the country.

with multiple development needs. In FY1996, three countries from Eastern Europe and the former Soviet Union made the list, as many from the region had for much of the 1990s, representing the effort to transform the former communist nations to democratic societies and market-oriented economies. None appear in the FY2016 list. In FY1996 and FY2006, two Latin American countries make the list; no countries from the region appear in FY2016.

On a regional basis (**Figure 9**), the Middle East/North Africa region has for many decades received the bulk of U.S. foreign assistance. Although economic aid to the region's top two recipients, Israel and Egypt, began to decline in the late 1990s, the dominant share of bilateral U.S. assistance consumed by the Near East region was maintained in FY2005 by the war in Iraq. Despite the continued importance of the region, its share slipped substantially by FY2016 as the effort to train and equip Iraqi forces diminished.

Figure 9. Regional Distribution of Aid, FY1996, FY2006, and FY2016



Sources: USAID Explorer and CRS calculations.

Notes: Africa = Sub-Saharan Africa; EAP = East Asia/Pacific; EE = Europe/Eurasia; MENA = Middle East/North Africa; SCA = South/Central Asia; LAC = Latin America/Caribbean; World = Unallocated by Country/Region.

Since September 11, 2001, South and Central Asia has emerged as a significant recipient of U.S. assistance, rising from a roughly 3% share 20 years ago to 12% in FY2006 and 14% in FY2015, largely because of aid to Afghanistan and Pakistan. Similarly, the share represented by African nations has increased from 8% and 13%, respectively, in FY1996 and FY2006, to 25% in FY2016, largely due to the HIV/AIDS Initiative that funnels resources mostly to African countries and to a range of other efforts to address the region's development challenges. Meanwhile, the share of aid to Europe/Eurasia, which greatly surpassed that of Africa in FY1996, has declined significantly in the past decade, to about 3% in FY2016, with the graduation of many East European aid recipients and the termination of programs in Russia. The Ukraine is responsible for about one third of aid to that region. East Asia/Pacific has remained at a low level during the past two decades, while Latin America's share has risen and fallen based on U.S. interest in Colombia and a few Central American countries as aid has shifted to regions of more pressing strategic interest.

Foreign Aid Spending

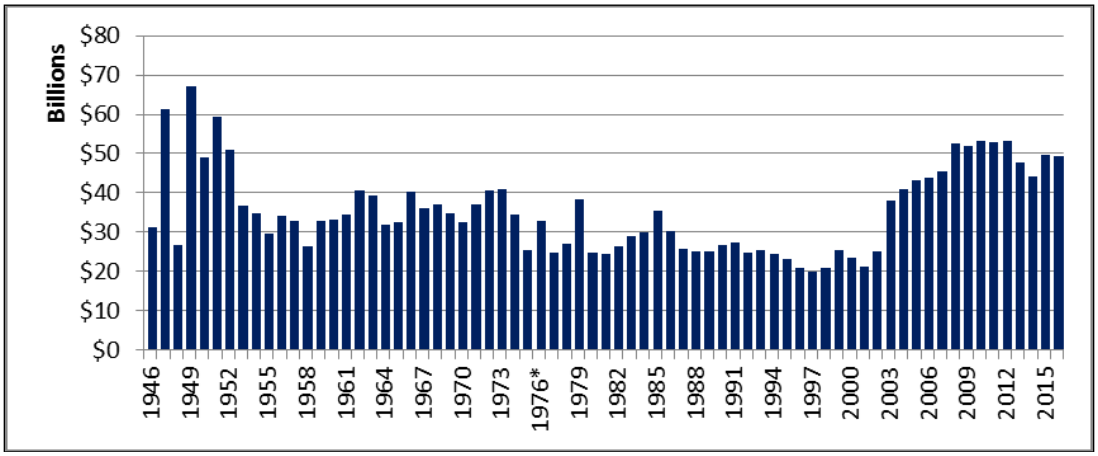
How Large Is the U.S. Foreign Assistance Budget?

There are several methods commonly used for measuring the amount of federal spending on foreign assistance. Amounts can be expressed in terms of budget authority (funds appropriated by Congress), obligations (amounts contractually committed), outlays or disbursements (money actually spent), as a percentage of the total federal budget, as a percentage of total discretionary budget authority (excluding mandatory and entitlement programs), or as a percentage of the gross domestic product (GDP) (for an indication of the national wealth allocated to foreign aid).

By nearly all of these measures, foreign aid resources fell gradually on average over several decades since the historical high levels of the late 1940s and early 1950s (**Appendix A**).

Figure 10. U.S. Foreign Aid: FY1946-FY2016 Est.

(obligations in billions of constant 2016 dollars)



Sources: USAID's Foreign Aid Explorer Database (Greenbook). See **Appendix A** for the full data.

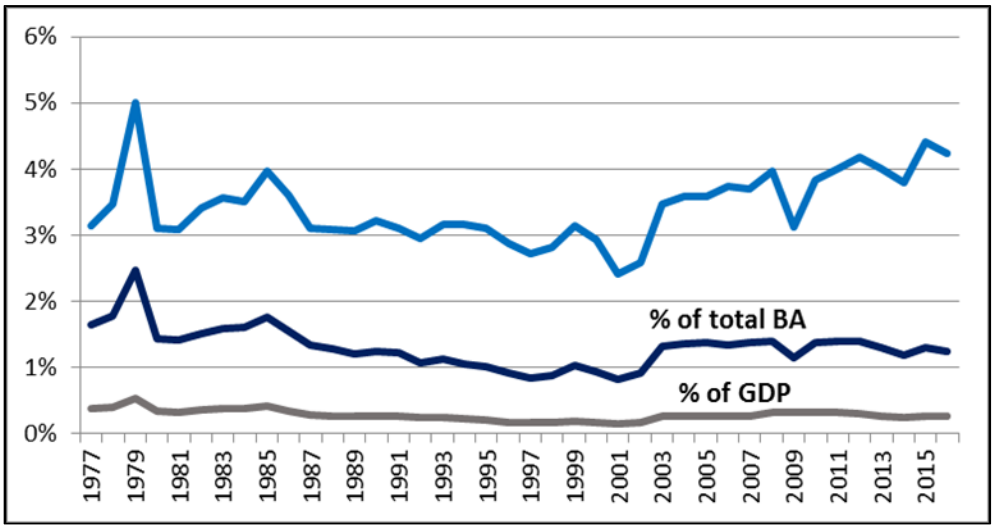
Notes: FY1976 includes both regular FY1976 and transition quarter (TQ) funding. Because this data reflects obligations, it sometimes shows sharp, short-term increases in congressional appropriations as longer, less sharp surges in spending, For example, $18.4 billion in funding for Iraq Reconstruction and Rehabilitation, appropriated in FY2004, was obligated over several years.

This downward trend was sporadically interrupted, largely due to major foreign policy initiatives such as the Alliance for Progress for Latin America beginning in 1961, the infusion of funds to implement the Camp David Middle East Peace Accords in 1979, and a spike in military assistance in 1985. The lowest point in U.S. foreign aid spending since World War II came in 1997, when foreign assistance obligations fell to below $20 billion (in 2016 dollar terms).

While foreign aid consistently represented over 1% of U.S. annual gross domestic product in the decade following World War II, it fell gradually to between 0.2% and 0.4% for most years in the past three decades. Foreign assistance spending has comprised, on average, around 3% of discretionary budget authority and just over 1% of total budget authority each year since 1977, though the percentages have sometimes varied considerably from year to year. Foreign aid dropped from 5% of discretionary budget authority in 1979 to 2.4% in 2001, before rising sharply in conjunction with U.S. activities in Afghanistan and Iraq starting in 2003. As a portion of total budget authority, foreign assistance reached 2.5% in 1979, but has hovered below 1.5% since

1990. In 2016, foreign assistance is estimated to account for 4.2% of discretionary budget authority and 1.2% of total budget authority (**Figure 5**; **Appendix A**).

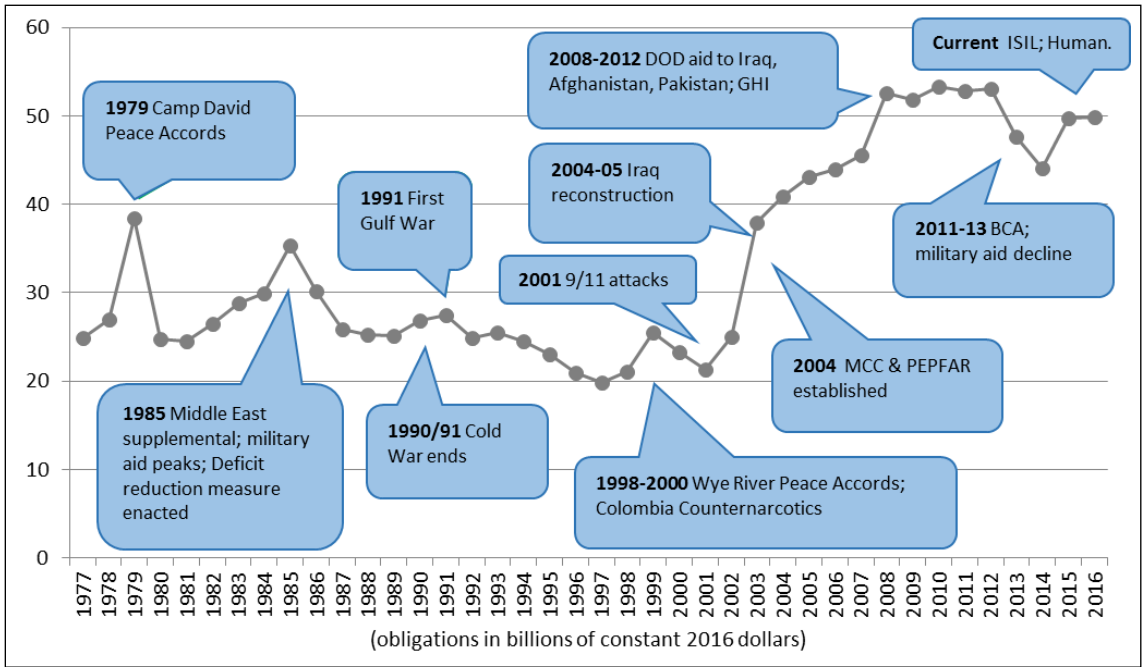
Figure 11. Aid as a Percentage of the Federal Budget and GDP, FY1977-FY2016 Estimate



Source: OMB Historic Budget Tables FY2018; Foreign Aid Explorer; CRS calculations.

As previously discussed, since the September 11, 2001, terrorist attacks, foreign aid funding has been closely tied to U.S. counterterrorism strategy, particularly in Iraq, Afghanistan, and Pakistan. Bush and Obama Administration global health initiatives, the creation of the Millennium Challenge Corporation, and growth in counter-narcotics activities have driven funding increases as well. The Budget Control Act of 2011, and the drawdown of U.S. military forces in Iraq, and to some degree Afghanistan, led to a notable dip in aid obligations in FY2013, but aid levels have risen again with efforts to address the crisis in Syria, counter-ISIL activities, and humanitarian aid. The use of the Overseas Contingency Operations (OCO, discussed below) designation has enable this growth despite the BCA limitations. **Figure 12** shows how trends in foreign aid funding in recent decades can be attributed to specific foreign policy events and presidential initiatives.

Figure 12. Foreign Aid Funding Trends, FY1977-FY2016 Estimate



Source: USAID Foreign Aid Explorer

Notes: MCC = Millennium Challenge Corporation; PEPFAR = President's Emergency Plan for AIDS Relief; GHI = Global Health Initiative; BCA = Budget Control Act; Human. = humanitarian.

What Does Overseas Contingency Operations (OCO) Mean?

The Obama Administration's FY2012 international affairs budget proposed that the overseas contingency operations (OCO) designation, which had been applied since 2009 to war-related Defense appropriations for years, including to DOD assistance programs such as ISFF, ASFF and CERP, be extended to include "extraordinary, but temporary, costs of the Department of State and USAID in the front line states of Iraq, Afghanistan and Pakistan." Congress not only adopted the OCO designation in the FY2012 State-Foreign Operations appropriations legislation, but expanded it to include funding for additional accounts and countries. In every fiscal year since, a portion of certain foreign assistance accounts—primarily ESF, FMF, IDA, MRA and INCLE—has been appropriated with the OCO designation.

The OCO designation is important because the Budget Control Act of 2011 (BCA), which set annual caps on discretionary funding from FY2013 through FY2021, specified that funds designated as OCO do not count toward the discretionary spending limits established by the act. OCO designation makes it possible to keep war-related funding from crowding out core international affairs activities within the budget allocation. The OCO approach is reminiscent of the use of supplemental international affairs appropriations for the first decade after the September 11, 2001, terrorist attacks. Significant emergency supplemental funds for foreign operations and Defense assistance programs were appropriated every year from FY2002 through FY2010 for activities in Iraq, Afghanistan, and elsewhere, and were not counted toward

subcommittee budget allocations. Since the OCO designation was first applied to foreign operations in FY2012, supplemental appropriations for foreign aid have declined significantly.[16]

On February 9, 2018, Congress passed the Bipartisan Budget Act of 2018 (BBA, H.R. 1892; P.L. 115-123), which raised discretionary spending limits for FY2018 and FY2019 and extended direct spending reductions through FY2027. The Trump Administration's FY2019 budget request, released the following week, did not request the OCO designation for any foreign assistance funds in FY2019, raising questions about the future of OCO in the foreign assistance budget. Budget documents explained that the higher discretionary spending cap enacted in the BBA allowed all Administration-supported aid to be funded through the regular budget.

How Much of Foreign Aid Dollars Are Spent on U.S. Goods?

Congress historically sought to enhance the domestic benefits of foreign aid by requiring that most U.S. foreign aid be used to procure U.S. goods and services.[17] The conditioning of aid on the procurement of goods and services from the donor-country is sometimes called "tied aid," and while quite common for much of the history of modern foreign assistance, has become increasingly disfavored in the international community.[18] Studies have shown that tying aid increases the costs of goods and services by 15%-30% on average, and up to 40% for food aid, reducing the overall effectiveness of aid flows.[19] The United States joined other donor nations in committing to reduce tied aid in the Paris Declaration on Aid Effectiveness in March 2005, and the portion of tied aid from all donors fell from 70% of total bilateral development assistance in 1985 to an average of 17% in 2015. However, an estimated 42% of U.S. bilateral development assistance was tied in 2015, the highest percentage among major donors, perhaps reflecting the perception of policymakers that maintaining public and political support for foreign aid programs requires ensuring direct economic benefit to the United States.[20] About 66% of U.S. foreign aid obligations in FY2016 were to U.S.-based entities.[21]

A considerable amount of U.S. foreign assistance funds remain in the United States, through domestic procurement or the use of U.S. implementers, but the portion differs by program and is hard to identify with any accuracy. For some types of aid, the legislative requirements or program design make it relatively easy to determine how much aid is spent on U.S. goods or services, while for others, this is more difficult to determine.

- **USAID.** Most USAID funding (Development Assistance, Global Health, Economic Support Fund) is implemented through contracts, grants, and

[16] Supplemental funding for counter-ISIL activities and to address humanitarian needs was included in an FY2017 supplemental, P.L. 114-254. In addition, a supplemental request was made for FY2014 to address the Ebola crisis and the growing ISIS threat, but additional funding for these purposes was included in the FY2015 omnibus appropriation rather than discrete supplemental legislation.

[17] In what's known as the "Buy America" provision, the Foreign Assistance Act of 1961 (P.L. 87-195, §604), originally required that aid procurement be made within the United States unless a detailed determination of the need to procure elsewhere was made by the President. In FY1993, this section was amended to allow for procurement in the United States, the recipient country, or any developing country, but in developed countries only if necessary.

[18] Overseas Development Institute, *The Developmental Effectiveness of Untied Aid*, available at oecd.org/dac/evaluation/dcdndep/41537529.pdf.

[19] Ibid.

[20] Data available at http://www.oecd.org/dac/financing-sustainable-development/development-finance-standards/2017-Report-DAC-Untying.pdf.

[21] Foreign Aid Explorer. Entities include government agencies, nongovernmental and faith-based organizations, enterprises, and universities.

cooperative agreements with implementing partners. While many implementing partner organizations are based in the United States and employ U.S. citizens, there is little information available about what portion of the funds used for program implementation are used for goods and services provided by American firms. Procurement reform efforts initiated by USAID in 2010 have aimed to increase procurement and implementation by host country entities as a means to enhance country ownership, build local capacity, and improve sustainability of aid programs

- **Food assistance** commodities, until recently, were purchased wholly in the United States, and generally required by law to be shipped by U.S. carriers,[22] suggesting that the vast majority of food aid expenditures are made in the United States. Starting in FY2009, a small portion of food assistance is authorized to be purchased locally and regionally to meet urgent food needs more quickly. Successive Administrations and several Members of Congress have proposed greater flexibility in the food aid program, potentially increasing aid efficiency but reducing the portion of funds flowing to U.S. farmers and shippers. To date, these proposals have been largely unsuccessful.
- **Foreign Military Financing**, with the exception of certain assistance allocated to Israel, is used exclusively to procure U.S. military equipment and training.[23]
- **Millennium Challenge Corporation.** The MCC bases its procurement regulations on those established by the World Bank, which calls for an open and competitive process, with no preference given to donor country suppliers. Between FY2011 and FY2017, roughly 15% of the value of all MCC compact contracts was awarded to U.S. firms.
- **Multilateral development aid.** Multilateral aid funds are mixed with funds from other nations and the bulk of the program is financed with borrowed funds rather than direct government contributions. Information on the U.S. share of procurement financed by MDBs is unavailable.

In addition to the direct benefits derived from aid dollars used for American goods and services, many argue that the foreign aid program brings significant indirect financial benefits to the United States. For example, it is argued that provision of military equipment through the military assistance program and food commodities through the Food For Peace program helps to develop future, strictly commercial, markets for those products. More broadly, as countries develop economically, they are in a position to purchase more goods from abroad and the United States benefits as a trade partner. An increasing majority of global consumers are outside of the United States, and some business leaders assert that establishing strong economic and trade ties in the developing world, using foreign assistance as a tool, is key to U.S. economic and job growth.[24]

[22] The Cargo Preference Act, P.L. 83-644, August 26,1954.

[23] For the research, development and procurement of advanced weapons systems, not less than $815.3 million of aid to Israel in FY2015 could be used for offshore procurement (about 14% of total Foreign Military Finance for that year).

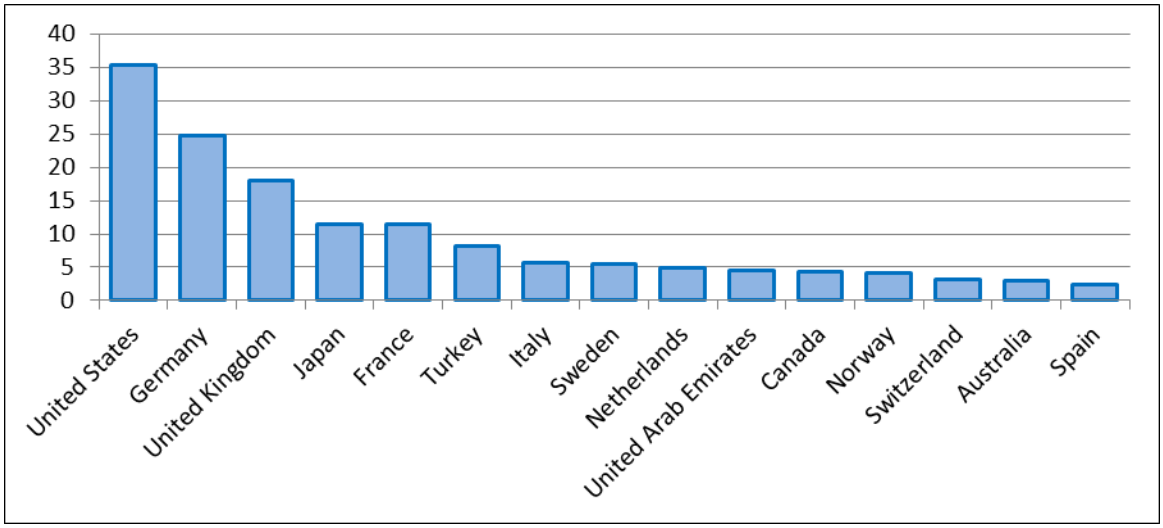
[24] See "America's Global Leadership: A Strategic Investment for U.S. Jobs," U.S. Global Leadership Coalition, 2011, at http://www.usglc.org/wp-content/uploads/2011/07/USGLC-Economic-Brief.pdf.

How Does the United States Rank as a Donor of Foreign Aid?

Since World War II, with the exception of several years between 1989 and 2001, during which Japan ranked first among aid donors, the United States has led the developed countries in net disbursements of economic aid, or "Official Development Assistance (ODA)" as defined by the Organization for Economic Cooperation and Development (OECD) Development Assistance Committee (DAC).[25] In 2016, the most recent year for which data are available, the United States disbursed $34.41 billion in ODA, or about 20% of the $176.57 billion in total net ODA disbursements by DAC donors that year. Germany ranked second at $24.74 billion, the United Kingdom followed at $18.05 billion, Japan ranked fourth at $10.42 billion, and France rounded out the top donors with $9.62 billion in 2016 (see **Figure 13**). While the top five donors have not varied for more than a decade, there have been shifts lower down the ranking. For example, Turkey has become a much more prominent ODA donor in recent years (ranked 6th in 2016, with $6.49 billion in ODA, compared to 21st in 2006), reflecting large amounts of humanitarian aid to assist Syrian refugees.

Figure 13. Top 10 Bilateral Donors of Official Development Assistance, 2017

(in billions of dollars)



Source: OECD/DAC, preliminary data available at http://www.oecd.org/development/financing-sustainable-development/development-finance-data/ODA-2017-detailed-summary.pdf.

Even as it leads in dollar amounts of aid flows to developing countries, the United States often ranks low when aid is calculated as a percentage of gross national income (GNI).[26] This calculation is often cited in the context of international donor forums, as a level of 0.7% GNI was established as a target for donors in the 2000 U.N. Millennium Development Goals. In 2016, the United States ranked at the bottom among major donors at 0.19% of GNI, slightly lower than Japan (0.20%). The United Arab Emirates, which has significantly increased its reported ODA in

[25] The OECD Glossary of Statistical Terms defines ODA as "flows of official financing administered with the promotion of economic development and welfare of developing countries as the main objective, and which are concessional in character with a grant element of at least 25%. By convention, ODA flows comprise contributions of donor government agencies, at all levels, to developing countries and to multilateral institutions." ODA does not include military assistance or aid to developed countries, such as Israel and Russia.

[26] Gross National Income (GNI) comprises GDP together with income received from other countries (notably interest and dividends), less similar payments made to other countries.

recent years, ranked first among top donors at 1.21% of GNI, followed by Norway at 1.12%, and Sweden at 0.94%.

Delivery of Foreign Assistance

How and in what form assistance reaches an aid recipient can vary widely, depending on the type of aid program, the objective of the assistance, and the agency responsible for providing the aid.

What Executive Branch Agencies Implement Foreign Aid Programs?

Federal agencies may implement foreign assistance programs using funds appropriated directly to them or funds transferred to them from another agency. For example, significant funding appropriated through State Department and Department of Agriculture accounts is used for programs implemented by USAID. The funding data in this section reflect the agency that implemented the aid, not necessarily the agency to which funds were originally appropriated.

U.S. Agency for International Development

For 50 years, the bulk of the U.S. bilateral economic development and humanitarian aid program has been implemented by the U.S. Agency for International Development (USAID). USAID directly implements the Development Assistance, International Disaster Assistance, and Transition Initiatives accounts, as well as a USAID-designated portion of the Global Health account. Jointly with the State Department, USAID co-manages ESF, AEECA, and Democracy Fund programs, which frequently support development activities as a means of promoting U.S. political and strategic goals.[27] Based on historical averages, according to USAID, the agency implements more than 90% of ESF, 70% of AEECA, 40% of the Democracy Fund, and about 60% of the Global HIV/AIDS funding appropriated to the State Department. USAID also implements all of Title II of P.L. 480 (Food for Peace program) food assistance funded through agriculture appropriations.

USAID obligated an estimated $19.36 billion to implement foreign assistance programs and activities in FY2016.[28] The agency's staff in 2017 totaled 9,744, of which about 67% were working overseas, overseeing the implementation of hundreds of projects undertaken by thousands of private sector contractors, consultants, and nongovernmental organizations.[29] (For more information on USAID, see CRS Report R44117, *U.S. Agency for International Development (USAID): Background, Operations, and Issues*, by Curt Tarnoff.)

U.S. Department of Defense

DOD implements all traditional aid-funded military assistance programs—FMF, IMET, PKO, and PCCF—in conjunction with the policy guidance of the Department of State. The Defense Security Cooperation Agency is the primary DOD body responsible for these programs. DOD also carries out an array of state-building activities, funded through defense appropriations legislation, which are usually in the context of training exercises and military operations. These

[27] The State Department determines the policy on distribution of funds from these accounts.

[28] See Foreign Aid Explorer: https://explorer.usaid.gov/query.

[29] USAID Agency Financial Report, FY2017, available at https://www.usaid.gov/sites/default/files/documents/1868/USAIDFY2017AFR.pdf.

sorts of activities, once the exclusive jurisdiction of civilian aid agencies, include development assistance to Iraq and Afghanistan through the Commander's Emergency Response Program (CERP), the Iraq Relief and Reconstruction Fund, and the Afghanistan Infrastructure Fund, and elsewhere through the Defense Health Program, counterdrug activities, and humanitarian and disaster relief. Training and equipping of Iraqi and Afghan police and military, though similar in nature to some traditional security assistance programs, has been funded and implemented primarily through DOD appropriations, though implementing the Iraq police training program was a State Department responsibility from 2012 until it was phased out in 2013.

In FY2016, the Department of Defense implemented an estimated $15.39 billion in foreign assistance programs.[30]

U.S. Department of State

The Department of State manages and co-manages a wide range of assistance programs. It is the lead U.S. civilian agency on security and refugee related assistance, and has sole responsibility for implementing the International Narcotics and Law Enforcement (INCLE) and Nonproliferation, Antiterror, and Demining (NADR) accounts, the two Migration and Refugee accounts (MRA and ERMA), and the International Organizations and Programs (IO&P) account. State is also home to the Office of the Global AIDS Coordinator (OGAC), which manages the State Department's portion of Global Health funding in support of HIV/AIDS programs, though many of these funds are transferred to and implemented by USAID, the National Institutes of Health, and the Centers for Disease Control and Prevention.

In conjunction with USAID, the State Department manages the Economic Support Fund, AEECA assistance to the former communist states, and Democracy Fund accounts. For these accounts, the State Department largely sets the overall policy and direction of funds, while USAID implements the preponderance of programs. In addition, the State Department, through its Bureau of Political-Military Affairs, has policy authority over the Foreign Military Financing (FMF), International Military Education and Training (IMET), and Peacekeeping Operations (PKO) accounts, and, while it was active, the Pakistan Counterinsurgency Capability Fund (PCCF). These programs are implemented by the Department of Defense. Police training programs have traditionally been the responsibility of the International Narcotics and Law Enforcement (INL) Office in the State Department, though programs in Iraq and Afghanistan were implemented and paid for by the Department of Defense for several years.

State is also the organizational home to the Office of U.S. Foreign Assistance Resources (formerly the Office of the Director of Foreign Assistance), known as "F," which was created in 2006 to coordinate U.S. foreign assistance programs. The office establishes standard program structures and definitions, as well as performance indicators, and collects and reports data on State Department and USAID aid programs.

The State Department implemented about $5.80 billion in foreign assistance funding in FY2016,[31] though it has policy authority over a much broader range of assistance funds.

U.S. Department of Health and Human Services

The U.S. Department of Health and Human Services implements a range of global health programs through its various component institutions. As an implementing partner in the

[30] http://explorer.usaid.gov/aid-dashboard.html#2013.

[31] Ibid.

President's Emergency Plan for Aids Relief (PEPFAR), a large portion of HHS foreign assistance activity is related to HIV prevention and treatment, including technical support and preventing mother to child transmission of HIV/AIDS. The Centers for Disease Control and Prevention participates in a broad range of global disease control activity, including rapid outbreak response, global research and surveillance, information technology assistance, and field epidemiology and laboratory training. The National Institutes of Health (NIH) also conduct international health research that is reported as assistance.

In FY2016, HHS institutions implemented $4.21 billion in foreign assistance activities.[32]

U.S. Department of the Treasury

The Treasury Department's Under Secretary for International Affairs administers U.S. contributions to and participation in the World Bank and other multilateral development institutions. In this case, the agency manages the distribution of funds to the institutions, but does not implement programs. Presidentially appointed U.S. executive directors at each of the banks represent the United States' point of view. Treasury also deals with foreign debt reduction issues and programs, including U.S. participation in the Highly Indebted Poor Countries (HIPC) initiative, and manages a technical assistance program offering temporary financial advisors to countries implementing major economic reforms and combating terrorist finance activity.

For FY2016, the Treasury Department managed foreign assistance valued at about $2.29 billion.[33]

Millennium Challenge Corporation

The Millennium Challenge Corporation (MCC) was created in February 2004 with the purpose of concentrating significantly higher amounts of U.S. resources in a few low- and lower-middle-income countries that have demonstrated a strong commitment to political, economic, and social reforms. A significant feature of the MCC effort is that recipient countries formulate, propose, and implement mutually agreed multi-year U.S.-funded project plans known as compacts. Compacts in the 27 recipient countries selected to date have emphasized construction of infrastructure. The MCC is a U.S. government corporation, headed by a chief executive officer who reports to a board of directors chaired by the Secretary of State. The Corporation maintains a relatively small staff of about 300.

The MCC obligated about $963 million in FY2016.[34] (For more information on MCC, see CRS Report RL32427, *Millennium Challenge Corporation*, by Curt Tarnoff.)

Other Agencies

A number of other government agencies play a role in implementing foreign aid programs. Most of these are funded through agency-specific line items in the foreign operations appropriation, making current year funding estimates possible. The Peace Corps, an autonomous agency with FY2016 obligations of $440 million,[35] supports about 6,900 volunteers in 63 countries. Peace Corps volunteers work in a wide range of educational, health, and community development projects. The Trade and Development Agency (TDA), which obligated $58 million in FY2016,

[32] http://explorer.usaid.gov/aid-dashboard.html#2013.

[33] Ibid.

[34] Ibid.

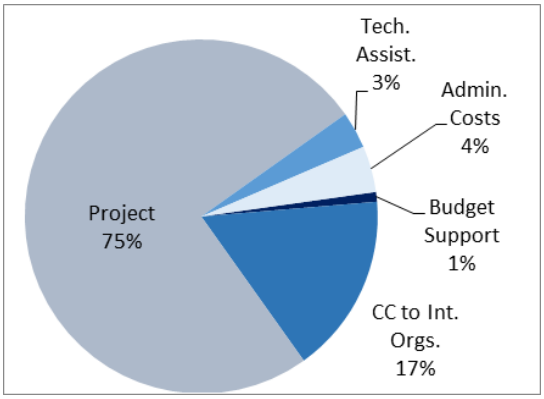
[35] See P.L. 114-113.

finances trade missions and feasibility studies for private sector projects likely to generate U.S. exports.[36] The Overseas Private Investment Corporation (OPIC) provides political risk insurance to U.S. companies investing in developing countries and finances projects through loans and guarantees. It also supports investment missions and provides other pre-investment information services. Its insurance activities have been self-sustaining, but credit reform rules require a relatively small appropriation to back up U.S. guarantees and for administrative expenses. For FY2016, as for most prior years, OPIC receipts are anticipated to exceed appropriations, resulting in a net gain to the Treasury. The Inter-American Foundation and the African Development Foundation, obligating $27.5 million and $23.8 million, respectively, in FY2016,[37] finance small-scale enterprise and grassroots self-help activities aimed at assisting poor people. (For more information on these agencies, see CRS Report RS21168, *The Peace Corps: Current Issues*, by Curt Tarnoff, and CRS Report 98-567, *The Overseas Private Investment Corporation: Background and Legislative Issues*, by Shayerah Ilias Akhtar.)

What Are the Different Forms in Which Assistance Is Provided?

Most U.S. assistance is now provided as a grant (gift) rather than a loan, so as not to increase the heavy debt burden carried by many developing countries. However, the forms a grant may take are diverse. The most common type of U.S. development aid is project-based assistance (75% in FY2016), in which aid is channeled through an implementing partner to complete a project. Aid is also provided in the form of core contribution to international organizations such as the United Nations, technical assistance, and direct budget support (cash transfer) to governments. A portion of aid money is also spent on administrative costs (**Figure 5**). Within these categories, aid may take many forms, as described below.

Figure 14. Aid by Type, 2016 Disbursements



Source: USAID Foreign Assistance Database.

Cash Transfer

Although it is the exception rather than the rule, some countries receive aid in the form of a cash grant to the government. Dollars provided in this way support a government's balance-of-payments situation, enabling it to purchase more U.S. goods, service its debt, or devote more domestic revenues to developmental or other purposes. Cash transfers have been made as a reward to countries that have supported the United States' counterterrorism operations (Turkey and Jordan in FY2004), to provide political and strategic support (both Egypt and Israel annually for decades after the 1979 Camp David Peace Accord), and in exchange for undertaking difficult political and economic reforms. In FY2016, about 1% of total aid obligations took the form of direct cash transfers.[38]

[36] Ibid.

[37] Ibid.

[38] This information was provided to CRS by USAID/M/CIO Economic Analysis and Data Services on February 8,

Commodities

Assistance may be provided in the form of food commodities, weapons systems, or equipment such as generators or computers. Food aid may be provided directly to meet humanitarian needs or to encourage attendance at a maternal/child health care program. Weapons supplied under the military assistance program may include training in their use. Equipment and commodities provided under development assistance are usually integrated with other forms of aid to meet objectives in a particular social or economic sector. For instance, textbooks have been provided in both Afghanistan and Iraq as part of a broader effort to reform the educational sector and train teachers. Computers may be offered in conjunction with training and expertise to fledgling microcredit institutions. Since PEPFAR was first authorized in 2004, antiretroviral drugs (ARVs) provided to individuals living with HIV/AIDS have been a significant component of commodity-based assistance.

Economic Infrastructure

Although once a significant portion of U.S. assistance programs, construction of economic infrastructure—roads, irrigation systems, electric power facilities, etc.—was rarely provided after the 1970s. Because of the substantial expense of these projects, they were to be found only in large assistance programs, such as that for Egypt in the 1980s and 1990s, where the United States constructed major urban water and sanitation systems. The aid programs in Iraq and Afghanistan supported the building of schools, health clinics, roads, power plants, and irrigation systems. In Iraq alone, more than $10 billion went to economic infrastructure. Economic infrastructure is now also supported by U.S. assistance in a wider range of developing countries through the Millennium Challenge Corporation. In this case, recipient countries design their own assistance programs, most of which, to date, include an infrastructure component.

Training

Transfer of know-how is a significant part of most assistance programs. The International Military and Educational Training Program (IMET) provides training to officers of the military forces of allied and friendly nations. Tens of thousands of citizens of aid recipient countries receive short-term technical training or longer-term degree training annually under USAID programs. More than one-quarter of Peace Corps volunteers are English, math, and science teachers. Other aid programs provide law enforcement personnel with anti-narcotics or anti-terrorism training.

Expertise

Many assistance programs provide expert advice to government and private sector organizations. The Treasury Department, USAID, and U.S.-funded multilateral banks all place specialists in host government ministries to make recommendations on policy reforms in a wide variety of sectors. USAID has often placed experts in private sector business and civic organizations to help strengthen them in their formative years or while indigenous staff are being trained. While most of these experts are U.S. nationals, in Russia, USAID funded the development of locally staffed political and economic think tanks to offer policy options to that government.

2018. Recipients of budget support aid in FY2016 were Jordan, the Marshall Islands, Micronesia, and Palau, the later three through compacts for free association managed by the Department of the Interior.

Small Grants

USAID, the Inter-American Foundation, and the African Development Foundation often provide aid in the form of grants that may then be used by U.S. or indigenous organizations to further their varied developmental purposes. For instance, grants are sometimes provided to microcredit organizations, which in turn provide loans to microentrepreneurs. Through USAID, grants are provided in Serbia to help strengthen the role of civil society organizations in democratization and private enterprise development and in Pacific islands to foster innovative climate change adaptation initiatives.

How Much Aid Is Provided as Loans and How Much as Grants? What Are Some Types of Loans? Have Loans Been Repaid? Why Is Repayment of Some Loans Forgiven?

Under the Foreign Assistance Act of 1961, the President may determine the terms and conditions under which most forms of assistance are provided. In general, the financial condition of a country—its ability to meet repayment obligations—has been an important criterion of the decision to provide a loan or grant. Some programs, such as humanitarian and disaster relief programs, were designed from the beginning to be entirely grant activities.

Loan/Grant Composition

During the past two decades, nearly all foreign aid—military as well as economic—has been provided in grant form. While loans represented 32% of total military and economic assistance between 1962 and 1988, this figure declined substantially beginning in the mid-1980s, until by FY2001, loans represented less than 1% of total aid appropriations. The de-emphasis on loan programs came largely in response to the debt problems of developing countries. Both Congress and the executive branch have generally supported the view that foreign aid should not add to the already existing debt burden carried by these countries. In the FY2018 budget request, the Trump Administration proposed to increase the portion of military assistance (Foreign Military Financing) provided on a loan rather than grant basis, but Congress did not support that proposal in the enacted FY2018 appropriation.

Loan Guarantees

Although a small proportion of total current aid, there are significant USAID-managed programs that guarantee loans. A Development Credit Authority loan guarantee, in which risk is shared with a private sector bank, can be used to increase access to finance in support of any development sector. Under the Israeli Loan Guarantee Program, the United States has guaranteed repayment of loans made by commercial sources to support the costs of immigrants settling in Israel from other countries and may issue guarantees to support economic recovery.[39] USAID has also provided loan guarantees in recent years to improve the terms or amounts of financing from international capital markets for Ukraine and Jordan. In these cases, assistance funds representing a fraction of the guarantee amount are provided to cover possible default.[40]

[39] Israel has not drawn on any loan guarantees since FY2004.

[40] The assistance provided to guarantee the loan varies depending on the risk. For example the Administration requested $275 million in ESF-OCO funds in FY2016 to support a $1 billion loan guarantee for Ukraine.

Loan Repayment

Between 1946 and 2016, the United States loaned $112.7 billion in foreign economic and military aid to foreign governments, and while most foreign aid is now provided through grants, $9.18 billion in loans to foreign governments remained outstanding at the end of FY2016.[41] For nearly three decades, Section 620q of the Foreign Assistance Act (the Brooke amendment) has prohibited new assistance to the government of any country that falls more than one year past due in servicing its debt obligations to the United States, though the President may waive application of this prohibition if he determines it is in the national interest. As of March 2018, countries in violation of Brooke are Somalia, Sudan, Syria, Zimbabwe and Yemen. However, restrictions have been waived for Somalia, Zimbabwe and Yemen on national interest grounds.[42]

Debt Forgiveness

The United States has also forgiven debts owed by foreign governments and encouraged, with mixed success, other foreign aid donors and international financial institutions to do likewise. In some cases, the decision to forgive foreign aid debts has been based largely on economic grounds as another means to support development efforts by heavily indebted, but reform-minded, countries. The United States has been one of the strongest supporters of the Heavily Indebted Poor Country (HIPC) Initiative and the Multilateral Debt Relief Initiative (MDRI). These initiatives, which began in the late 1990s, include participation of the World Bank, the International Monetary Fund, and other international financial institutions in a comprehensive debt workout framework for the world's poorest and most debt-strapped nations.

The largest and most hotly debated debt forgiveness actions have been implemented for much broader foreign policy reasons with a more strategic purpose. Poland, during its transition from a communist system and centrally planned economy (1990—$2.46 billion); Egypt, for making peace with Israel and helping maintain the Arab coalition during the Persian Gulf War (1990—$7 billion); and Jordan, after signing a peace accord with Israel (1994—$700 million), are examples. Similarly, the United States forgave about $4.1 billion in outstanding Saddam-era Iraqi debt in November 2004 and helped negotiate an 80% reduction in Iraq's debt to creditor nations later that month.

What Are the Roles of Government and Private Sector in Development and Humanitarian Aid Delivery?

Most development and humanitarian assistance activities are not directly implemented by U.S. government personnel but by private sector entities, such as individual personal service contractors, consulting firms, nonprofit nongovernment organizations (NGOs), universities, or charitable private voluntary organizations (PVOs). Generally speaking, U.S. government foreign service and civil servants determine the direction and priorities of the aid program, allocate funds while keeping within legislative requirements, ensure that appropriate projects are in place to meet aid objectives, select implementers, and monitor the implementation of those projects for effectiveness and financial accountability. Both USAID and the State Department have promoted the use of public-private partnerships, in which private entities such as corporations and foundations are contributing partners, not paid implementers, in situations where business interests and development objectives coincide. (For more on the use of public-private

[41] U.S. Overseas Loans and Grants: Obligations and Loan Authorizations, July 1, 1945-September 30, 2016 (Greenbook), CONG-R-0105.

[42] Information provided to CRS by USAID, April 16, 2018.

partnerships in foreign assistance, see CRS Report R41880, *Foreign Assistance: Public-Private Partnerships (PPPs)*, by Marian Leonardo Lawson.)

Congress and Foreign Aid

What Congressional Committees Oversee Foreign Aid Programs?

Numerous congressional authorizing committees and appropriations subcommittees maintain responsibility for U.S. foreign assistance. Several committees have responsibility for authorizing legislation establishing programs and policy and for conducting oversight of foreign aid programs. In the Senate, the Committee on Foreign Relations, and in the House, the Committee on Foreign Affairs, have primary jurisdiction over bilateral development assistance, political/strategic and other economic security assistance, military assistance, and international organizations. Food aid, primarily the responsibility of the Agriculture Committees in both bodies, is shared with the Foreign Affairs Committee in the House. U.S. contributions to multilateral development banks are within the jurisdiction of the Senate Foreign Relations Committee and the House Financial Services Committee. The large nontraditional aid programs funded by DOD, such as Nunn-Lugar Cooperative Threat Reduction programs and the military aid programs in Afghanistan and Iraq, come under the jurisdiction of the Armed Services Committees. Some global health assistance, such as research and other activities done by the Centers for Disease Control and Prevention, may fall under the jurisdiction of the House Energy and Commerce and Senate HELP committees.

Traditionally, most foreign aid appropriations fall under the jurisdiction of the State-Foreign Operations Subcommittees, with food assistance appropriated by the Agriculture Subcommittees. As noted earlier, however, certain military, global health, and other activities that have been reported as foreign aid have been appropriated through other subcommittees in recent years, including the Defense and the Labor, Health and Human Services, Education and Related Agencies subcommittees. (For current information on State-Foreign Operations Appropriations legislation, seeCRS Report R44890, *Department of State, Foreign Operations, and Related Programs: FY2018 Budget and Appropriations*, by Susan B. Epstein, Marian L. Lawson, and Cory R. Gill.)

What Are the Major Foreign Aid Legislative Vehicles?

The most significant permanent foreign aid authorization laws are the Foreign Assistance Act of 1961, covering most bilateral economic and security assistance programs (P.L. 87-195; 22 U.S.C. 2151); the Arms Export Control Act (1976), authorizing military sales and financing (P.L. 90-629; 22 U.S.C. 2751); the Agricultural Trade Development and Assistance Act of 1954 (P.L. 480), covering food aid (P.L. 83-480; 7 U.S.C. 1691); and the Bretton Woods Agreement Act (1945), authorizing U.S. participation in multilateral development banks (P.L. 79-171; 22 U.S.C. 286).[43] In the past, Congress usually scheduled debates every two years on omnibus foreign aid legislation that amended these permanent authorization measures. Congress has not enacted into law a comprehensive foreign assistance authorization measure since 1985, although foreign aid authorizing bills have passed the House or Senate, or both, on numerous occasions. Foreign aid

[43] Separate permanent authorizations exist for other specific foreign aid programs such as the Peace Corps, the Millennium Challenge Corporation, the Inter-American Foundation, and the African Development Foundation.

bills have frequently stalled at some point in the debate because of controversial issues, a tight legislative calendar, or executive-legislative foreign policy disputes.[44]

In lieu of approving a broad authorization bill, Congress has on occasion authorized major foreign assistance initiatives for specific regions, countries, or aid sectors in stand-alone legislation or within an appropriation bill. Among these are the SEED Act of 1989 (P.L. 101-179; 22 U.S.C. 5401); the FREEDOM Support Act of 1992 (P.L. 102-511; 22 U.S.C. 5801); the United States Leadership Against HIV/AIDS, Tuberculosis, and Malaria Act of 2003 (P.L. 108-25; 22 U.S.C. 7601); the Tom Lantos and Henry J. Hyde United States Global Leadership Against HIV/AIDS, Tuberculosis, and Malaria Reauthorization Act of 2008 (P.L. 110-293); the Millennium Challenge Act of 2003 (Division D, Title VI of P.L. 108-199); and the Enhanced Partnership With Pakistan Act of 2009 (P.L. 111-73; 22 U.S.C. 8401).

In the absence of regular enactment of foreign aid authorization bills, appropriation measures considered annually within the State-Foreign Operations spending bill have assumed greater significance for Congress in influencing U.S. foreign aid policy. Not only do appropriations bills set spending levels each year for nearly every foreign assistance account, State-Foreign Operations appropriations also incorporate new policy initiatives that would otherwise be debated and enacted as part of authorizing legislation.

[44] A few foreign aid programs that are authorized in other legislation have received more regular legislative review. Authorizing legislation for voluntary contributions to international organizations and refugee programs, for example, are usually contained in omnibus Foreign Relations Authorization measures that also address State Department and public diplomacy issues. Food aid and amendments to P.L.480 are usually considered in the omnibus "farm bill" that Congress re-authorizes every five years.

Appendix A. Data Tables

Table A-1. Aid Program Composition

(as percentage of total aid)

	1986	1991	1996	2001	2006	2011	2016
Development/Humanitarian	**36.8**	**43.5**	**42.7**	**49.8**	**35.7**	**40.4**	**54.3**
Bilateral Development	25.2	28.1	28.0	31.6	24.5	27.0	36.9
Multilateral Development	7.2	9.5	7.6	7.2	3.7	4.8	5.3
Humanitarian	4.4	5.9	7.1	11.0	7.5	8.6	13.7
Political/Strategic Development	**31.1**	**26.9**	**22.9**	**19.5**	**18.5**	**10.9**	**11.0**
Security	**32.1**	**29.6**	**34.3**	**30.8**	**45.7**	**48.6**	**33.1**
Nonmilitary Security Assistance	0.4	0.9	2.8	7.6	11.6	11.9	2.7
Military Assistance	31.7	28.7	31.5	23.2	34.1	36.7	30.4

Sources: USAID Explorer; CRS calculations.

Table A-2. Foreign Aid Funding Trends (Obligations)

Fiscal Year	Current U.S. $	Constant 2016 U.S. $	As % of GDP	As % of total budget authority	As % of discretionary budget authority
1946	3,075,702,000	31,155,150,975	1.3%	-	-
1947	6,708,001,000	61,298,772,295	2.8%	-	-
1948	3,179,504,000	26,544,439,105	1.2%	-	-
1949	8,300,704,000	67,081,762,067	3.0%	-	-
1950	5,971,296,000	48,969,034,059	2.1%	-	-
1951	7,612,560,000	59,237,231,602	2.3%	-	-
1952	6,813,953,000	50,987,640,229	1.9%	-	-
1953	4,979,870,000	36,598,092,217	1.3%	-	-
1954	4,767,778,000	34,627,156,320	1.2%	-	-
1955	4,097,382,000	29,526,659,392	1.0%	-	-
1956	4,847,691,000	34,050,279,634	1.1%	-	-
1957	4,871,415,000	32,986,693,143	1.0%	-	-
1958	4,014,661,000	26,381,379,675	0.8%	-	-
1959	5,074,241,000	32,839,234,721	1.0%	-	-
1960	5,218,274,000	33,305,836,152	1.0%	-	-
1961	5,480,911,000	34,506,449,306	1.0%	-	-
1962	6,532,295,000	40,710,522,738	1.1%	-	-
1963	6,384,723,000	39,305,840,429	1.0%	-	-
1964	5,265,148,000	32,023,166,166	0.8%	-	-

Fiscal Year	Current U.S. $	Constant 2016 U.S. $	As % of GDP	As % of total budget authority	As % of discretionary budget authority
1965	5,420,680,000	32,401,611,684	0.8%	-	-
1966	6,904,358,000	40,400,856,294	0.9%	-	-
1967	6,339,162,000	35,994,260,675	0.8%	-	-
1968	6,757,250,000	37,098,103,771	0.8%	-	-
1969	6,639,256,000	34,849,037,626	0.7%	-	-
1970	6,513,214,000	32,440,535,188	0.6%	-	-
1971	7,792,876,000	36,943,019,672	0.7%	-	-
1972	8,986,908,000	40,677,198,246	0.7%	-	-
1973	9,428,685,000	40,894,437,055	0.7%	-	-
1974	8,479,202,000	34,349,578,089	0.6%	-	-
1975	6,886,787,000	25,281,128,876	0.4%	-	-
1976[a]	9,609,495,000	32,727,562,775	0.4%	1.9%	4.0%
1977	7,756,101,000	24,837,404,692	0.4%	1.7%	3.1%
1978	8,999,414,000	27,005,532,917	0.4%	1.8%	3.5%
1979	13,837,318,000	38,430,461,789	0.5%	2.5%	5.0%
1980	9,681,780,000	24,737,626,879	0.3%	1.4%	3.1%
1981	10,517,411,000	24,475,281,886	0.3%	1.4%	3.1%
1982	12,166,665,000	26,493,431,605	0.4%	1.5%	3.4%
1983	13,836,455,000	28,862,528,243	0.4%	1.6%	3.6%
1984	14,864,489,000	29,949,991,248	0.4%	1.6%	3.5%
1985	18,106,876,000	35,311,268,188	0.4%	1.8%	4.0%
1986	15,815,716,000	30,155,153,785	0.3%	1.6%	3.6%
1987	13,872,898,000	25,873,723,153	0.3%	1.3%	3.1%
1988	13,963,153,000	25,224,931,904	0.3%	1.3%	3.1%
1989	14,443,414,000	25,093,060,712	0.3%	1.2%	3.1%
1990	16,002,892,763	26,833,279,678	0.3%	1.2%	3.2%
1991	16,959,737,549	27,463,801,163	0.3%	1.2%	3.1%
1992	15,725,968,425	24,857,320,203	0.2%	1.1%	3.0%
1993	16,549,513,930	25,552,063,205	0.2%	1.1%	3.2%
1994	16,202,682,387	24,482,486,627	0.2%	1.1%	3.2%
1995	15,555,497,616	23,016,336,810	0.2%	1.0%	3.1%
1996	14,457,039,252	20,999,558,124	0.2%	0.9%	2.9%
1997	13,909,513,423	19,853,887,347	0.2%	0.8%	2.7%
1998	14,922,848,713	21,040,819,040	0.2%	0.9%	2.8%
1999	18,323,182,974	25,511,490,920	0.2%	1.0%	3.1%
2000	17,111,919,619	23,339,591,376	0.2%	0.9%	2.9%

Fiscal Year	Current U.S. $	Constant 2016 U.S. $	As % of GDP	As % of total budget authority	As % of discretionary budget authority
2001	16,029,347,094	21,351,966,309	0.2%	0.8%	2.4%
2002	19,068,690,857	24,996,023,505	0.2%	0.9%	2.6%
2003	29,463,736,940	37,898,025,594	0.3%	1.3%	3.5%
2004	32,576,160,366	40,888,545,560	0.3%	1.4%	3.6%
2005	35,460,524,289	43,153,799,742	0.3%	1.4%	3.6%
2006	37,254,519,153	43,908,805,319	0.3%	1.3%	3.7%
2007	39,726,329,576	45,584,363,407	0.3%	1.4%	3.7%
2008	46,746,849,290	52,549,416,874	0.3%	1.4%	4.0%
2009	46,629,163,226	51,814,325,996	0.3%	1.1%	3.1%
2010	48,397,701,856	53,310,394,570	0.3%	1.4%	3.8%
2011	48,945,877,723	52,840,434,496	0.3%	1.4%	4.0%
2012	50,079,760,982	53,094,771,508	0.3%	1.4%	4.2%
2013	45,659,958,925	47,604,941,290	0.3%	1.3%	4.0%
2014	43,086,424,528	44,114,654,695	0.3%	1.2%	3.8%
2015	49,190,165,170	49,776,988,839	0.3%	1.3%	4.4%
2016	49,470,106,966	49,470,106,966	0.3%	1.2%	4.2%

Sources: Foreign Aid Explorer (U.S. Overseas Loans and Grants); Office of Management and Budget Historic Budget Tables, FY2018; CRS calculations.

Notes: Budget authority data by function are not available prior to FY1976.

a. FY1976 includes both regular FY1976 and transition quarter (TQ) funding, and the GDP calculation is based on the average FY1976 and TQ GDP.

Appendix B. Common Foreign Assistance Acronyms and Abbreviations

AEECA	Assistance to Europe, Eurasia, and Central Asia
CERP	Commanders Emergency Response Program
DA	Development Assistance
DAC	Development Assistance Committee of the OECD
DOD	Department of Defense
ERMA	Emergency Refugee and Migration Assistance
ESF	Economic Support Fund
FAA	Foreign Assistance Act of 1961
FMF	Foreign Military Financing
FSA	FREEDOM (Freedom for Russia and Emerging Eurasian Democracies and Open Markets) Support Act of 1992
GDP	Gross Domestic Product
GNI	Gross National Income
HHS	Department of Health and Human Services
HIPC	Heavily Indebted Poor Country
IBRD	World Bank, International Bank for Reconstruction and Development
IDA	World Bank, International Development Association
IDA	International Disaster Assistance
IMET	International Military Education and Training
IMF	International Monetary Fund
INCLE	International Narcotics Control and Law Enforcement
INL	State's Office of International Narcotics and Law Enforcement
IO&P	International Organizations and Programs account
MCC	Millennium Challenge Corporation
MDBs	Multilateral Development Banks
MDRI	Multilateral Debt Relief Initiative
MRA	Migration and Refugees Assistance
NADR	Non-Proliferation, Anti-Terrorism, Demining and Related Programs
NED	National Endowment for Democracy
NGO	Nongovernmental Organization
OCO	Overseas Contingency Operations
ODA	Official Development Assistance
OECD	Organization for Economic Cooperation and Development
OFDA	Office of Foreign Disaster Assistance
OGAC	Office of the Global AIDS Coordinator

OHDACA	DOD's Overseas Humanitarian, Disaster and Civic Assistance account
OMB	Office of Management and Budget
OPIC	Overseas Private Investment Corporation
OTI	Office of Transition Initiatives
PEPFAR	President's Emergency Plan for AIDS Relief
PKO	Peacekeeping Operations account
P.L. 480	Food for Peace/Food Aid
PVO	Private Voluntary Organization
SEED	Support for East European Democracy Act of 1989
TDA	U.S. Trade and Development Agency
UNDP	United Nations Development Program
UNICEF	United Nations Children's Fund
USAID	U.S. Agency for International Development

Author Information

Curt Tarnoff
Specialist in Foreign Affairs

Marian L. Lawson
Specialist in Foreign Assistance Policy

Disclaimer

This document was prepared by the Congressional Research Service (CRS). CRS serves as nonpartisan shared staff to congressional committees and Members of Congress. It operates solely at the behest of and under the direction of Congress. Information in a CRS Report should not be relied upon for purposes other than public understanding of information that has been provided by CRS to Members of Congress in connection with CRS's institutional role. CRS Reports, as a work of the United States Government, are not subject to copyright protection in the United States. Any CRS Report may be reproduced and distributed in its entirety without permission from CRS. However, as a CRS Report may include copyrighted images or material from a third party, you may need to obtain the permission of the copyright holder if you wish to copy or otherwise use copyrighted material.