

Foreign Aid: 8 bucks or 80 cents a Benjamin?

By Mitali Patel

What is the share of foreign aid in the US budget?

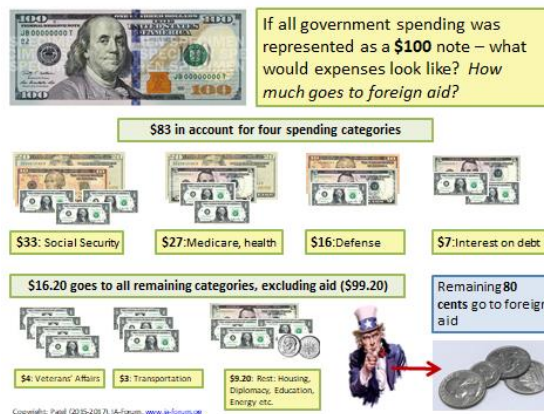
Many Americans believe that [nearly a third of the budget goes to foreign aid](#), while many experts and foreign aid supporters claim the figure to be closer to one percent.

So, we decided to dig in. As [Congress and the Administration](#) debate foreign aid reform, one must at least agree on basic facts like total foreign aid and its share of the budget.

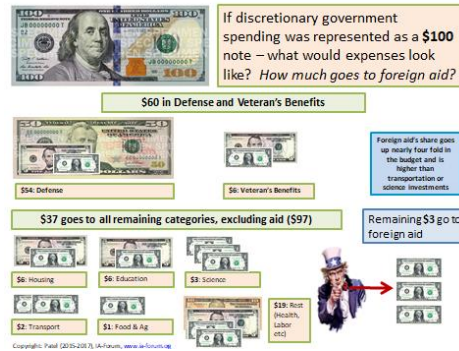
When we say foreign aid, we mean [Official Development Assistance](#), which is basically assistance to developing countries that's concessional in character: it's like a [Pell grant](#) in higher education, but to countries for economic development and social welfare. Foreign aid in our definition excludes items like military aid to say Egypt or Israel, which is counted in traditional US government foreign aid budgets.

For 2015 we have complete figures of foreign aid via the Organization for Economic Cooperation and Development (OECD) for the United States.

If we take the 2015 US Federal Budget, the share of foreign aid – or to be precise ODA – is roughly 0.8 percent of the total.

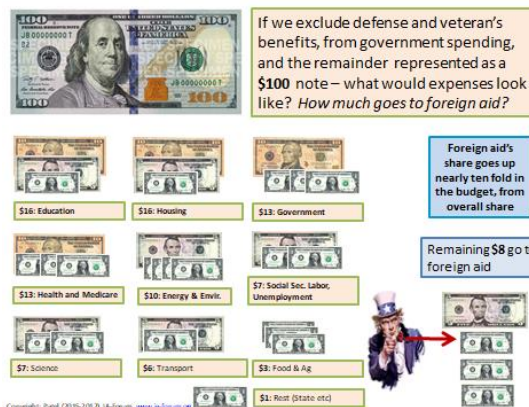


However, if we exclude [mandatory spending](#) – things like Medicare, Social Security – that the Congress has no control over, the aid share of the budget increases to 3 percent.



If we further exclude categories like interest on US debt, which is needed for America's creditworthiness, or defense spending, which has hardly been touched by Congress, we get another budget. Let's call this budget the 'disposable' budget, just like we have household disposable income. We can't forgo mortgage payments or credit card debt, when we count our household budget, so let's also consider these issues in the federal budget.

Under this budget, the share of foreign aid increases to 8 percent



That is considerable. It means that if the entire US Federal Budget that is 'disposable' were represented as a 100 dollar note – a Benjamin – the share of foreign aid would be about 8 dollars. That share is more than what the federal government spends on transportation, or science investments, or labor and unemployment.

The argument we are making is not to cut foreign aid.

The argument we are making is that when one views the federal budget with proper constraints like factoring in mandatory spending, foreign aid is a significant portion of the budget.

When we recognize this fact, we must redouble efforts to ensure that foreign aid funds are spent properly – in the most effective and efficient manner possible.

Foreign aid programs must be subject to the same rigor and oversight as other government programs. This [does not mean increasing reporting requirements to track receipts, but rather have evidence on results of the programs](#), as has been advocated by the Center for Global Development among others.

The Millennium Challenge Program and the President's Emergency Fund for AIDS Relief (PEPFAR) serve as good models here. MCC is the only foreign aid agency that has impact evaluations mandated to show learning about results, in addition to other evaluation methods. PEPFAR tracks spending and results much better than other health programs.

USAID is a laggard and one must think seriously before shifting PEPFAR to USAID- perhaps it works better because it is at State. USAID's [Global Health Initiative](#) was a disaster.

As Congress debates USAID's future and as we know it is the premier delivery agency for global development in America, the time is ripe to put in mechanisms for results based financing at USAID and to learn lessons of PEPFAR and MCC.

Congress should also consider subjecting other programs like Food for Peace, McGovern-Dole school feeding programs to appropriate evaluations to show how effective these programs are. Right now we have no evidence that they work or don't work.

Foreign aid is a significant portion of taxpayer's contributions to the federal budget. They should be able to get more bang for the buck, after all it's all about the Benjamins!

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