

Foreign Aid: 8 Bucks or 80 Cents a Benjamin?

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.

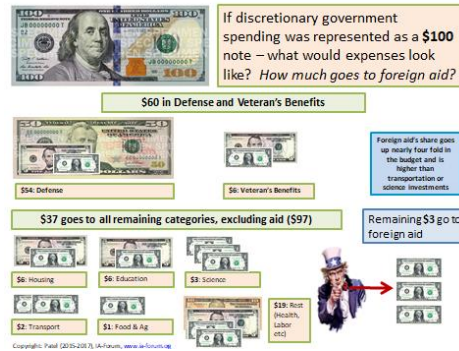
Foreign aid, as used here, excludes items like military aid to say Egypt or Israel, which is counted in traditional US government foreign aid budgets.

We use complete figures of foreign aid/ODA via the Organization for Economic Cooperation and Development (OECD) for the United States, for the latest available year.

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



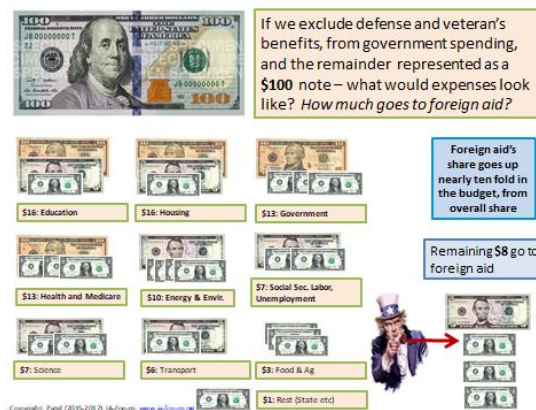
However, if we exclude [mandatory spending](#) – things like Medicare, Social Security – that the government is mandated to pay and Congress cannot change via regular budget processes, the aid share of the budget increases to 3 percent.



If we further exclude categories like interest on US debt, which is needed for America's creditworthiness, or defense spending, which is politically non-palatable for Congress to change, we get a different overall 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 actual budget that can be maneuvered by Congress 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.

Why is this important? Are we making an argument to cut foreign aid? No.

Then what is the point of this exercise?

First, foreign aid is not an insignificant portion of the US budget. It is substantial.

Second, given that foreign aid is such a high portion of the 'disposable' budget, we must redouble efforts to ensure that foreign aid funds are spent properly – in the most effective and efficient manner possible.

Foreign aid cannot be [delivered via multiple channels with overlapping objectives](#). The structure needs to be rationalized.

Third, while 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.

Fourth, USAID is a laggard when it comes to effective foreign aid delivery and care must be taken to examine any proposal that gives it overall budget authority and make it like the UK's DfID-the UK experience is very different from American experience. Extreme care must be taken before shifting PEPFAR to USAID- perhaps it works better because it is at State. USAID's [Global Health Initiative](#) experience was a lesson of how not to deliver health aid.

Congress needs to examine these issues in more depth. The Trump administration is right in focusing the lens on foreign aid effectiveness, but is wrong in its proposed across the board cuts. More analysis needs to be undertaken.

As Congress debates foreign aid reform, 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 aid programs like Food for Peace, McGovern-Dole school feeding programs to appropriate evaluations to show how effective these programs are. The same rigor as is applied to SNAP programs on the domestic front should be used for foreign programs. 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. It's effectively 8 bucks for every Benjamin. We should be able to get more bang for the buck, after all it's all about the Benjamins!