



[A Small Price to Pay](#)

By [Alex Palmer](#)

Here's a quick quiz for you: What percentage of the fiscal year 2010 United States federal budget was spent on foreign aid? Remember, expenditures in the 2010 U.S. federal budget totaled a whopping \$3.456 trillion. Also remember that foreign aid encapsulates a wide range of activities and programs: counter-terrorism, development, reconstruction, humanitarian assistance, global health, education, and much more.

FOREIGN AID SPENDING

Americans' perceptions of the federal budget

Percent of \$3.456 trillion budget Americans thought government spent on foreign aid



Percent Americans thought government should spend



Percent government really spends



data from November 2010 University of Maryland poll

So how much do you guess? 15%? 20%? Maybe 25%? Just think of all those newscasts you've seen filled with images of USAID food bags being carried off planes and ships toward impoverished masses, and children around the world receiving vaccinations thanks to American largesse. 25% seems right, doesn't it?

The American populace seems to agree. In a **November 2010 poll conducted by the University of Maryland, respondents estimated that 25%** of the U.S. federal budget goes to foreign aid. Numerous other polls show that Americans believe foreign aid to be one of the biggest pieces of federal spending—larger than defense spending, Social Security, and a host of other programs. In fact, respondents to the University of Maryland poll said that foreign aid should be cut down to a more reasonable level **of 10%** of the federal budget.

In reality, foreign aid accounted for just **over 1%** of the 2010 U.S. federal budget, or about \$53.9 billion.

The wide disparity between public perception and reality potentially has dire consequences for the U.S. foreign aid budget and those it supports, particularly in a time

of increasing fiscal austerity. In times like these, it is crucial that the true size and impact of foreign aid be understood; myths of its use and misuse debunked; arguments for its dissolution examined; and, certainly, its weaknesses acknowledged and strategies for reform proposed.

So why the gulf between what Americans think goes to foreign aid and the actual budget expenditure? Dr. Homi Kharas, a senior fellow and deputy director for the Global Economy and Development program at the Brookings Institution, says that part of the misconception arises because “Americans are generous people and like to believe that as a rich country they have contributed handsomely to the rest of the world.” Indeed, private giving by individual Americans far exceeds foreign aid expenditures in the federal budget. According to an article in *American Magazine* titled “A Nation of Givers,” in 2006 Americans gave about \$295 billion to charity. No developed country approaches American giving: in 1995, Americans gave, per capita, three and a half times as much to causes and charities as the French, seven times as much as the Germans, and 14 times as much as the Italians. Americans were also much more likely to volunteer their time to charities. So Americans seem to expect this same generosity to be reflected in federal spending on foreign aid. In some ways, in fact, the U.S. budget is downright stingy: As Stephen Glain wrote in *U.S. News & World Report*, a mere 0.19 percent of gross national income is earmarked for international humanitarian assistance, compared with the global average of 0.30 percent.

Part of the confusion also stems from a misunderstanding of just what foreign aid entails. Kharas says that Americans “also tend to associate foreign aid with other forms of U.S. cooperation with developing countries, including military assistance.” Some forms of military assistance are included under foreign aid, including programs to help U.S. friends and allies acquire U.S. military equipment and training. But the majority of military assistance—which Americans envision as “foreign aid”—is actually budgeted separately, under programs overseen by the Department of Defense.

Perhaps as a result of these misunderstandings, polls show that 70% of Americans believe foreign aid should be cut, even though similar polls show that Americans think foreign aid spending should constitute 10% of the federal budget. Despite the confusion, politicians respond to the public call for cuts. International assistance programs as a percent of federal spending have been on a steady decline for the past fifty years, and recent worries about the size of the federal deficit have only accelerated this trend. Senator Rand Paul (R-KY), for instance, recently advocated ending foreign aid entirely.

So how does U.S. foreign aid actually fit into the federal budget? Where is it spent, on what, and by what agencies and departments?

According to the Center for Global Development, “the majority of U.S. foreign assistance is contained in the international affairs budget requested and allocated through the State, Foreign Operations, and Related Agencies appropriations bill,” which is also referred to as Function 150 or the “150 account.” This account funds spending on global economic, diplomatic, and humanitarian programs run by the Department of State, the United States

Agency for International Development (USAID), the Peace Corps, the Department of the Treasury, and many other national and international agencies and programs.

Foreign aid spending is broken down into five categories:

1. Bilateral development, or aid directly from the U.S. to another state to support economic progress and social stability through programs like debt relief, democracy promotion, and treatment for HIV/AIDS.
2. Humanitarian assistance, aimed at alleviating immediate emergencies through programs like food aid.
3. Multilateral development, which pursues goals similar to bilateral development but with added contributions from other states.
4. Economic aid supporting U.S. political and security objectives, which funds economic development and cash transfers to states considered of vital importance to the U.S., like Israel and Egypt, as well as programs aimed at curbing terrorism, weapons proliferation, and the narcotics trade around the world.
5. Military aid to U.S. friends and allies to help them acquire U.S. military equipment and training. Again, Israel and Egypt are major recipients.

Given the relatively small size of the foreign aid budget and the many agencies, programs, and priorities across which spending is scattered, it would be all too easy to conclude that the actual impact of U.S. foreign aid is negligible, or that the ongoing global war against terrorism has decreased the importance of foreign aid as compared to defense and military spending.

In fact, today's foreign aid budget may play a larger role than at any other time in the nation's history. In a February 2011 article for the *Los Angeles Times*, Micah Zenko and Rebecca Friedman of the Council on Foreign Relations highlight the ongoing threats to U.S. security created by poverty, instability, and radicalization. Former Secretary of Defense Robert Gates stated plainly that "the most important lesson from our experience in Iraq, Afghanistan and elsewhere has been the decisive role reconstruction, development and governance plays in any meaningful, long-term success." Foreign aid directly supports and sustains these programs. Gen. David Petraeus, architect of the successful counter-insurgency strategy in Iraq and now Director of Central Intelligence, argues that 80% of counter-insurgency funding should be directed toward political activities, and only 20% on security.

Zenko and Friedman also reject the notion that aid does not help perennially-poor nations as myth. Citing the U.S. International Trade Commission, they point out that ten of the fifteen largest importers of American goods and services, including South Korea, Taiwan, and Singapore, graduated from U.S. foreign aid programs—not to mention the huge advantages the U.S. derived from rebuilding Europe after World War II through the Marshall Plan. Aid administered effectively makes a difference in the economic and political development of potential trading partners and allies.

Sometimes, the problem is that it's difficult to see aid working. As Kharas, from the Brookings Institute, points out, the world has not seen a major famine in decades, and "U.S. assistance has saved millions of lives under PEPFAR [The President's Emergency Plans for AIDS Relief] and new U.S. funding [for] agricultural research." This type of aid prevents bad outcomes—like millions more dying from HIV/AIDS or mass hunger and malnutrition—and so it can be hard to see it "working" except by examining the counterfactuals. But it's this type of political instability and violence, which foreign aid prevents, that threatens to harm the security of America and its allies around the world. The rapid decrease in U.S. foreign aid to Afghanistan after the withdrawal of the Soviet Union, for instance, has been blamed for the instability and violence that gave rise to the Taliban government.

Foreign aid has long been an easy target for politicians intent on cutting the federal budget. Today, in a time of fiscal austerity, calls to drastically cut foreign aid or eliminate it altogether have grown especially loud. Senator Paul and Stephen Moore, Director of Fiscal Policy Studies at the CATO Institute, have both called for the total elimination of foreign aid from the federal budget, citing the increasing federal deficit and popular support for cutting foreign aid. With Americans ailing here at home, it seems only fair to decrease assistance abroad. These are legitimate points. The federal government is facing an ever-growing debt crisis, as it borrows more and more money to keep essential programs running. Medicare and Medicaid, two of the largest sources of federal expenditure, will continue to balloon in cost as more and more Baby Boomers retire, and defense and security are sure to require high spending levels for years to come. Cuts need to be made somewhere.

But eliminating foreign aid entirely would be a drastic step, says Jake Grover, a research assistant in the Re-Thinking U.S. Foreign Aid Program at the Center for Global Development. "The U.S. makes up about a quarter of official development assistance (roughly \$30 billion of \$129 billion) among the Development Assistance Committee countries. The total elimination of these resources would have a huge impact on development work around the world." Rajiv Shah, USAID administrator, recently argued before Congress that a bill to cut funding for global health programs could cost the lives of at least 70,000 children.

A drastic cut in foreign aid spending would be especially devastating if it were to occur in the context of a broader retreat to isolationism, Kharas argues. A poorly functioning global economy would have negative consequences for the U.S. in terms of the decline of the U.S. sphere of influence, not to mention the additional suffering that would have to be endured by the world's poorest, who rely on the U.S. for life's most basic necessities. In the end, even eliminating all U.S. foreign aid would cut a mere 1% of the federal budget, but it would have widespread and far-reaching negative consequences for U.S. global leadership.

Even foreign aid supporters acknowledge that the government must take a good hard look at how it spends the allocated fifty plus billion dollars. First, aid to individual countries should be re-examined and, if need be, adjusted, as USAID recognizes, Grover says.

“USAID has attempted to become more selective in their countries and sectors—the FY2012 budget eliminates aid to 11 countries and cuts it by half to at least 20.” Bureaucratic pushback and inertia may nonetheless keep the aid flowing to some of these countries. Going forward, Grover says, foreign aid might be delivered more effectively by following the model used by the Millennium Challenge Corporation (MCC), which disburses aid based on rigorous criteria and a four-step selection process.

Second, some of the bureaucratic clutter that accompanies any government project could be cut with minimal negative consequences. According to Kharas, a few areas deserve an especially close look:

- USAID administrative costs.
- Contracts with U.S. consulting firms to do studies about foreign governments. The effect of these studies on development is “highly debatable,” says Kharas.
- The large reporting costs (tracking aid, where it goes, and who it benefits) imposed by the U.S. on countries to receive aid. These additional steps do not seem to decrease corruption or allow aid to be administered more effectively, often because such data is hard to track or easy to fake.

In the budget battles that seem likely to envelop the Congress and the country over the coming years, it will be important to remember what foreign aid is and is not. Foreign aid is a relatively cheap, highly effective way to exercise U.S. leadership abroad, advance U.S. interests, and help millions in danger of dying from starvation or disease, argue experts like Kharas and Zenko; it is not a major budget drain or a black hole of money that produces no results. Moreover, aid will always be an easy target for budget cuts, because the positive effects are seen only outside the U.S. or not at all in averted crises. Poll after poll shows that U.S. citizens think foreign aid should constitute 10% of the budget. Why not listen to the people?

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