

Foreign Assistance

Assuring that Foreign Aid Is Effective

Raise the Level of Debate about Aid

Background

The United States is the world's largest foreign aid donor. But foreign aid is a diverse endeavor, encompassing a bewildering array of programs, both bilateral and international. While some aid programs are aimed at economic development, many others are intended to achieve other goals, such as fighting disease, supporting a friendly government, or providing disaster relief.

Intended to serve multiple purposes, the universe of U.S. foreign aid programs achieves only mixed results. Evaluating effectiveness is also elusive. The best measure of effectiveness might be whether a program accomplishes what it purportedly sets out to do, but aid agencies rarely get around to serious evaluation of individual programs.

Recommendations

The next President should follow a two-pronged strategy which will serve to produce a much-needed discussion on this important issue. First, there should be several *evaluative* initiatives undertaken to ground the foreign aid assistance decisions in better data:

- all foreign aid programs should be systematically evaluated, based on their unique goals, rather than the overarching, sometimes irrelevant criterion of economic development
- food aid policy, in particular, should be evaluated to determine its impact on hunger and on long-run agricultural development in recipient countries
- a consistent method should be established for comparing foreign aid efforts across developed nations that takes into account the contributions of private philanthropy and foreign-born workers' remittances

Second, the new administration should build on recent *programmatic* trends in foreign aid that reflect a bipartisan consensus:

- increase well-conceived health and education efforts, because they are valuable on their own terms and promote economic development



- expand collaborations among federal agencies, with other countries, and with international institutions and non-governmental organizations
- place World Bank lending on a more rational footing, by demanding concrete moves away from corruption both within the Bank and in recipient countries, and by limiting the implicit loan subsidy to middle-income countries, especially China
- continue the recent shift toward grants, away from loans.

Key Facts

- The United States is the world's largest foreign aid donor in absolute terms but its contribution as a percentage of gross domestic product (GDP) is quite low.
- The United States usually ranks either 26th or 27th among the 28 industrialized OECD member countries in the percentage of GDP devoted to foreign aid.
- U.S. ODA (Official Development Assistance) has climbed from 0.12 percent of GDP in 1994-1995 to 0.20 percent in 2004-2005, while ODA for the European Union as a whole remained flat at 0.39 percent.
- U.S. spends more on military and other forms of non-ODA assistance than other countries do.
- U.S. aid to Africa has grown even more rapidly with a strong focus on HIV/AIDS and a new focus on malaria.
- U.S. private philanthropy for developing countries is more than twice as large as ODA.

A full version of this proposal, as well as supporting background material, is available at www.opportunity08.org

About the Authors and the Project

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