FOREIGN AID ACCOUNTS AND THE POLITICS OF THE US FOREIGN ASSISTANCE BUDGET

JEREMY CADDEL

ABSTRACT. While research on foreign aid effectiveness is moving beyond aggregate aid levels to a more nuanced analysis of the different types of foreign aid that governments provide, research on donors’ decisions to give foreign aid remains focused primarily on aggregate aid levels. In this paper, I argue that the US addresses a variety of policy objectives through its foreign aid policy and uses different types of foreign aid to achieve these objectives. Using an original dataset covering the US foreign aid budget from 1990-2010, I show that allocations to different budgetary accounts are an important mechanism through which the US government prioritizes foreign aid objectives. Some accounts are focused solely on economic development goals, others are focused solely on security objectives, and still others are used to accomplish a mixture of objectives. This finding helps explain a repeated finding in the foreign aid literature—that US development aid is heavily influenced by strategic security concerns. In fact, there is no evidence of a security bias in the foreign aid accounts that are devoted solely to development. There is, however, a strong correlation between security concerns and the aid accounts that also reference political objectives. I then use these budgetary accounts to evaluate the effect of partisan ideology on the types of aid that the US provides. I find that Republican administrations demonstrate a marked preference for distributing foreign aid through accounts that focus on security-related objectives. These are important findings and demonstrate the potential research advantages that can be gained from considering foreign aid accounts.

1. INTRODUCTION

Foreign aid is something of an anomaly in American politics. The American public is ill-informed about foreign aid policy and there is no broad-based support for the policy. For example, Rep. Ted Yoho (R-Fla.) in a recent debate claimed that over 85% of his constituents
opposed foreign aid (Staats, 2013). While that estimate may be high, a 2013 Pew survey found that foreign aid was by far the least popular major spending category, with nearly half of all respondents favoring cuts to the program (Dimock et al., 2013). Yet, year after year politicians continue to fund foreign aid, ostensibly taking tax dollars from voting constituents and sending the money overseas to the citizens of foreign countries who can have no direct impact on the politicians’ chances for re-election. Why? It may be that these politicians care only about the implementation contracts that foreign aid provides to their constituents. But another possible answer is that politicians and some of their constituents see foreign aid as a broader tool of foreign policy, important for addressing a range of issues beyond economic development. Indeed, US foreign aid has become a microcosm of US foreign policy writ large, addressing national security concerns, bilateral and multilateral diplomatic goals, the expansion of US trade, and the promotion of US values abroad. So, despite little support from the general public, foreign aid continues to be funded as an important pillar of US foreign policy.

The policy literature on foreign aid explicitly acknowledges that there are myriad non-development objectives behind US aid policy. Similarly, economic and political science research on foreign aid has identified international strategic, political, and security factors that also influence the allocation of foreign aid (McKinlay and Little, 1977; Schraeder, Hook and Taylor, 1998; Meernik, Krueger and Poe, 1998; Drury, Olson and Van Belle, 2005; Alesina and Dollar, 2000). However, the implicit assumption in most of this research is that the primary goal of foreign aid is and should be economic development. When the goal of the research agenda is to investigate the effects of foreign aid on economic development, then this approach makes sense. However, if the primary focus of the research is on the political factors that determine how a donor government makes decisions about foreign aid allocations, then we should jettison the limiting assumption that foreign aid is primarily a tool for economic development and give equal consideration to other justifications and policy goals.

For many policy makers, the economic development of recipient countries is not the sole or
even the primary reason to support foreign aid. Accounting for these different objectives will provide a more complete picture of how governments make foreign aid decisions.

In this paper, I begin with the assumption that US foreign aid policy is intended to address multiple objectives. I posit that the budgetary accounts used to fund US foreign aid are a useful indicator of the objectives that the aid is intended to address. Using an original dataset that covers US foreign aid from 1990 to 2010, I evaluate the effect of international determinants—economic development needs, US economic interests, and US strategic interests—on the allocation of aid across the different budgetary accounts. I find that there are clear distinctions in how the US government uses these foreign aid accounts. Money allocated to development accounts goes to countries that have greater economic need. Money allocated to security accounts goes to countries where U.S. security concerns are more prevalent. And, funds allocated to political accounts respond to both sets of determinants. Based on these findings, I am able to test the oft-stated but rarely tested theory that ideological differences over foreign policy result in different preferences for foreign aid. Consistent with the theory, I find that both parties use foreign aid to promote economic development and US economic interests. However, Republican administrations seek more aid for countries where US security concerns predominate.

2. Background

US foreign aid policy is justified on numerous policy grounds. Certainly, a major justification for foreign aid is the humanitarian impulse to assist those in need. At the same time, helping other countries develop their own economy is an important component of the US strategy to sustain its own economic expansion. More developed countries can buy more US exports and may represent more stable environments for investment by US corporations (Lancaster, 2007; Milner and Tingley, 2011). Advocates also point out foreign aid’s perceived impact on international security. Military aid specifically addresses this issue, but many policymakers also believe that there is a direct link between economic development and political stability. Thus, supporters of foreign aid appeal directly to US security interests to justify the foreign
aid budget. Finally, foreign aid has become an important means to promote the political goals of the United States. At the domestic level, the US uses foreign aid to incentivize political reforms in foreign countries. At the international level, foreign aid may be used as a side payment to incentivize support for US positions on important international issues (Lancaster, 2007).

It is often difficult to identify a single justification for any one foreign aid allocation. However, I posit that the budgetary accounts by which Congress appropriates foreign aid place effective constraints on the ways in which the executive branch may spend the money in those accounts. As such, these accounts—and the objectives identified in their authorizing legislation—can be used to distinguish between different policy goals. A quick survey of the annual appropriations bills makes clear the overarching importance of the foreign assistance accounts. The appropriations bills themselves are organized by account rather than by country or geographic region. In other words, the laws passed by Congress to provide the funds for foreign assistance are focused on how much money will be devoted for the different foreign aid objectives that have been authorized for each account (Adams and Williams, 2010; Tarnoff and Lawson, 2009). The appropriations bills do include specific earmarks or requirements for some countries, but these are *ad hoc* and only exist within the broader subsections of the appropriations bill for each of the accounts. Moreover, earmarks only cover small portions of the foreign aid budget, but every single dollar must be appropriated through an existing account. Therefore, focusing on these foreign aid accounts promises to provide a more complete picture of foreign aid policy.

The US Congress considers four primary categories of foreign aid accounts: development aid, strategic or political aid, humanitarian aid, and security or military aid (Adams and Williams, 2010). Each category contains multiple accounts. I limit my analysis in this paper to the development, political, and military/security categories. Humanitarian aid is important, but the appropriations process differs because this aid is used specifically to respond to emerging disasters, famines, etc. As such, Congress appropriates these funds with fewer restrictions and grants the executive branch more discretion to distribute humanitarian
aid as needs arise. This makes it difficult to compare humanitarian aid to the other categories, where Congress is less willing to provide such general contingency funds.

**Table 1. Summary of US foreign Assistance Accounts**

<table>
<thead>
<tr>
<th>Category</th>
<th>Account</th>
<th>Authorizations</th>
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<tbody>
<tr>
<td>Development</td>
<td>DA</td>
<td>development (general)</td>
</tr>
<tr>
<td></td>
<td>GHCS</td>
<td>development (health)</td>
</tr>
<tr>
<td>Political</td>
<td>AEECA</td>
<td>development, economic, political, security</td>
</tr>
<tr>
<td></td>
<td>ESF</td>
<td>development, economic, political, security</td>
</tr>
<tr>
<td></td>
<td>INCLE</td>
<td>political, security (narcotics)</td>
</tr>
<tr>
<td></td>
<td>NADR</td>
<td>political, security (terrorism)</td>
</tr>
<tr>
<td>Military</td>
<td>FMF</td>
<td>security</td>
</tr>
<tr>
<td></td>
<td>IMET</td>
<td>security</td>
</tr>
</tbody>
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Table 1 summarizes the accounts included in this analysis. Figure 1 compares the total appropriations for each account from 1962-2010.

The first category is for development assistance. While these funds may help address other foreign policy concerns, the primary focus of these funds is to promote economic development in the recipient countries. The Development Assistance (DA) account is among the oldest foreign assistance accounts. DA is authorized specifically for “sustained support of the people of developing countries in their efforts to acquire the knowledge and resources essential to development and to build the economic, political, and social institutions which will improve the quality of their lives” (USAID, 2005). From 1962 to 2010 the US obligated about $27 billion in DA funds (USAID, 2013).

In the 1990s, the US created a new Child Survival and Health (CSH) account to “expand basic health services and strengthen national health systems to significantly improve people’s health, especially that of women, children, and other vulnerable populations” (Adams and Williams, 2010). In 2003, President George Bush proposed a massive increase in healthcare development aid, particularly focused on HIV/AIDS (Radelet, 2003). These funds were appropriated under various titles until being consolidated with CSH funds under the new Global Health and Child Survival (GHCS) account in 2010. From 1962 to 2010 the US obligated about $45 under the various headings within the GHCS account (USAID, 2013).
The second major category of US foreign assistance is for political or strategic accounts. While these accounts may help to promote economic development, that is not their sole justification under the authorizing legislation. The largest of these accounts is for Economic Support Funds (ESF), created in 1978 to support the Middle East peace process and continued since then to address other strategic issues (Adams and Williams, 2010). While ESF funds are counted as development assistance, the ESF authorization language specifically recognizes that “under special economic, political, or security conditions, the national interest of the United States may require economic support for countries in amounts which could not be justified solely for development purposes” (USAID, 2005). In fact, substantial portions of ESF aid are delivered as budget subsidies to recipient countries, which allows those countries to transfer funds in their own budget to address strategic or security needs.
Following the collapse of the Soviet Union and the end of the Cold War, new assistance accounts were created to help newly independent states transition to democracy and free market economies. The Support for East European Democracies (SEED) account was created in 1989 and focused on South and Central Europe. The Freedom Support Act (FSA) was created in 1992 and targeted the newly independent states of the former Soviet Union. These accounts subsequently were combined under the Assistance to Europe, Eurasia and Central Asia (AEECA) account. While funds from these accounts are authorized for economic development, Congress also authorizes them as a means to stabilize the strategically important Eurasian region and to promote US economic interests (USAID, 2005). From 1962 to 2010, the US obligated almost $12 billion under the AEECA and its predecessors (USAID, 2013).

Foreign aid in the political category also includes accounts that make no specific claim to promote economic development. The International Narcotics Control and Law Enforcement (INCLE) account is one example. The authorizing legislation for the INCLE account prioritizes “fighting international crime and drug trafficking and strengthening law enforcement overseas” and “the suppression of the illicit manufacture of and trafficking in narcotic and psychotropic drugs, money laundering, and precursor chemical diversion, and the progressive elimination of the illicit cultivation of the crops from which narcotic and psychotropic drugs are derived” (USAID, 2005). At certain times specific accounts have been created to serve similar purposes, such as the Andean Counterdrug Initiative (ACI) that targeted narcotics from Latin America. From 1962-2010, the US obligated close to $23 billion under the INCLE and related accounts (USAID, 2013).

Finally, the Nonproliferation, Antiterrorism, Demining, and Related Programs (NADR) account was created in 1996 (Adams and Williams, 2010). Again the justification for this account is not focused on economic development goals. Rather, NADR funds are authorized
to enhance the ability of “law enforcement personnel to deter terrorists and terrorist groups from engaging in international terrorist acts such as bombing, kidnapping, assassination, hostage taking, and hijacking” and “to halt the proliferation of nuclear, chemical, and biological weapons, and conventional weaponry [and to establish] verifiable safeguards against the proliferation of such weapons” (USAID, 2005). From 1962 to 2010, the US obligated about $4 billion in funds under the NADR account (USAID, 2013).

In addition, there are separate accounts for military aid that do not address to any development objectives. The Foreign Military Financing (FMF) account was created in 1989 to replace the Military Assistance Program (MAP) (Adams and Williams, 2010). It provides assistance to “finance the procurement of defense articles, defense services, and design and construction services by friendly foreign countries” (USAID, 2005). In essence, FMF funds are given to a recipient government to purchase military equipment from the United States (Tarnoff and Lawson, 2009). From 1962 to 2010, the US obligated about $130 billion in bilateral FMF and MAP funds.

In addition, the U.S provides funds under the International Military Education and Training (IMET) account for “training on a grant basis to students from allied and friendly nations” (USAID, 2005). Essentially, these funds serve as scholarships that allow foreign military personnel to attend training in the United States or through US-sponsored training programs overseas. From 1962 to 2010, the US obligated about $2.7 billion in bilateral IMET funds (USAID, 2013).

Overall, the authorization language for the various accounts makes clear that US foreign aid is not homogeneous. Some funds are set aside for economic development concerns, but much of the foreign aid budget is directed explicitly at non-development foreign policy objectives.
Numerous studies examine the factors influencing the allocation of US foreign aid. McKinlay and Little (1977) examine aid allocations from 1960 to 1970 and find that the US focuses more on its own international security interests than on the development or humanitarian needs of recipient countries. Alesina and Dollar (2000) examine allocations from 1970 to 1994 and find that the US distributes more aid to poorer countries, but also rewards countries with better domestic institutions, those with more open economies, allies in the Middle East, and countries that vote with the US in the United Nations. Looking only at aid to Africa in the 1980s, Schraeder, Hook and Taylor (1998) find that US aid was predominately driven by security and trade interests.

Many researchers attribute the link between foreign aid and US security interests to the strategic concerns of the Cold War. Meernik, Krueger and Poe (1998) examine the period from 1977 to 1994 and find that the focus of US aid policy shifted from international security concerns to a focus on domestic institutions in the recipient countries as the Cold War wound down. Bearce and Tirone (2010) examining aid from 1965 to 2001, Bermeo (2011) from 1992 to 2007, and Dunning (2004) focusing on aid to Africa from 1975 to 1997 all reach similar conclusions. In sum, the literature shows that US aid policy addresses a number of concerns beyond mere humanitarian or economic need, and that these policy concerns have changed over time.

Despite the recognition that US aid addresses multiple policy objectives, most of the research on foreign aid has relied on aggregate Official Development Assistance (ODA) data as reported to the Organization for Economic Cooperation and Development (OECD). This is a suitable measure for many research questions and facilitates easy comparisons between different donors. However, there is increasing evidence that aggregate aid measures obscure important differences between the types of foreign aid that governments give (Tierney et al., 2011). For example, Finkel, Perez-Linan and Seligson (2007) collect a unique dataset on US aid to promote democracy. They find that greater levels of democracy aid lead to better
governance in recipient countries, but there is no significant effect for greater levels of aggregate aid; cf., Nielsen and Nielson (2010). And, Mavrotas and Ouattara (2006) finds that recipient governments respond differently to different types of foreign aid. In some cases governments will use aid for the intended purpose, but in other cases governments simply divert the aid to their own purposes. So, there are important reasons to isolate the types of aid that governments provide and not just to rely on aggregate aid data. Yet, with a few notable exceptions, e.g., Poe and Meernik (1995) focusing on US military aid in the 1980s and Drury, Olson and Van Belle (2005) focusing on US humanitarian aid from 1964 to 1995, researchers on the determinants of foreign aid have based their analysis on aggregate aid data. Consequently, none of these studies have been able to investigate the connection between international determinants and the decision over what type of aid to provide.

While academic researchers usually assume the purpose of foreign aid is to promote economic development in the recipient country, the policy literature on foreign aid takes a more pragmatic approach, acknowledging that development often is not the primary or even secondary rationale for foreign aid (Lancaster, 2007; Adams and Williams, 2010). This is an important distinction to make when considering whether aggregate OECD aid data is an appropriate measure. The OECD defines ODA as funds “administered with the promotion of the economic development and welfare of developing countries as its main objective” (OECD, 2013). At first glance, it might appear that most US aid meets this general definition. After all, the legislation governing foreign aid, the Foreign Assistance Act of 1961 (P.L.87-195), states that a “principal objective of the foreign policy of the United States is the encouragement and sustained support of the people of developing countries in their efforts to acquire the knowledge and resources essential to development, and to build the economic, political, and social institutions that will improve the quality of their lives” (Lawson, 2013). However, that original legislation has been amended multiple times to include additional goals, including the suppression of international narcotics trafficking, the alleviation of suffering caused by natural disasters, the enhancement of anti-terrorism capabilities, and the solidification of bilateral ties (Lawson, 2013). These funds may have little to do with economic development,
but with the exception of designated military aid, the US reports much of this aid to the international community as ODA.

The core premise of this paper is that these foreign aid accounts are an important mechanism by which the US government prioritizes aid among these various foreign policy objectives. Two theoretical rationales explain why these accounts would be important in foreign aid policy. First, foreign aid is appropriated through the budgetary process, where incremental policy making is the norm. The incremental model of policymaking posits that policy makers operate under conditions of bounded rationality. Policy issues are too complex for true zero-based decision making, so policy makers rely on standard operating procedures to move policy incrementally in the desired direction (Davis, Dempster and Wildavsky, 1966).

Indeed, there is reason to believe that the foreign policy implications of foreign aid have gradually been overshadowed by budgetary concerns in recent years. The Senate Foreign Affairs Committee or the House Committee on International Relations regularly attempt to reform foreign aid policy through authorization bills, but these bills have failed to find traction on the floor. Even though federal law requires an authorization bill to be passed every two years, Congress routinely waives this requirement. In fact, no comprehensive foreign assistance authorization bill has been passed since 1985 and only five ad hoc foreign assistance authorization bills were passed from 1990-2010 (Tarnoff and Lawson, 2009). In the absence of oversight from the foreign policy committees, the appropriations committees have come to dominate foreign assistance policy (Adams and Williams, 2010). This suggests that foreign aid allocations will follow a pattern of budgetary incrementalism in which allocations among foreign aid accounts remain fairly stable.

Budgetary incrementalism might explain the persistent importance of foreign assistance accounts, but it tells us nothing about the factors that causes changes in the allocation of funds among these accounts. Policy outcomes are not uniformly incremental, but often exhibit periods of incrementalism punctuated by major policy shifts (Jones and Baumgartner, 2005). Davis, Dempster and Wildavsky (1974) acknowledged the existence of these shifts,
attributing them to exogenous changes in the policy environment. Baumgartner and Jones (2009) argue further that the causes for these shifts can be endogenous to the decision making process due to institutional friction. Large policy changes require active bargaining, which carries heavy transactional costs. With limited resources, policymakers can focus attention on a limited number of issues. When sufficient attention is focused on an issue, transactional costs can be overcome and large shifts may occur.

This suggests a second reason for the importance of foreign aid accounts. The authorization of a new account is an important tool for Congress to impose \textit{ex ante} controls on executive branch policies. \textit{Ex ante} controls are procedural and structural rules made at the time of delegation that constrain executive branch agencies’ discretion in the future. These rules help Congress overcome informational disadvantages and ensure agencies respond to the needs of important constituents (McCubbins, Noll and Weingast, 1987).

The authorization language for each foreign aid account dictates the purposes for which the aid can be used and places restrictions on its use, such as those prohibiting aid to governments with major human rights abuses. Authorizing language also provides instructions for how the aid is to be implemented, including “tied aid” instructions that require the executive branch to procure the aid through US suppliers. Thus, Congress can be expected to take these accounts seriously and use the allocation of money among the accounts as a means of ensuring that the executive branch follows its preferences on aid spending. Knowing that new authorizations for foreign aid are rare, Congress will pay careful attention to the language it uses when creating a new account. Because new authorizations have proven difficult to pass, any new authorizations are likely to dictate the terms by which the aid will be provided far into the future. For both reasons—the tendency toward budgetary incrementalism and the value of account authorizations as \textit{ex ante} controls—foreign aid should constrain foreign aid spending and limit the purposes for which it can be used.
The theory to be tested is simple. I posit that foreign aid accounts are effective constraints on foreign aid spending and that the authorizing language of each account dictates the acceptable uses for the money appropriated to the accounts. In practice, this means that the international determinants of US aid will vary with the objectives for each account. Aid authorized under the economic development accounts should go primarily to countries with greater development needs and not to countries of strategic importance to the US. At the other extreme, aid authorized under the security accounts should go primarily to countries that are strategically important to the US regardless of economic need. The political accounts should fall somewhere in between, responding to both development and strategic factors.

4. Methods & Data

I use an original dataset covering US bilateral foreign aid from 1990-2010 to test the theory that foreign aid accounts matter. Data on the US foreign aid budget comes from two sources: the USAID Greenbook (USAID, 2013), which tracks obligations of US foreign assistance, and the Congressional Budget Justifications (CBJs) submitted by the US Department of State and US Agency for International Development each year. These CBJs provide data on the president’s request for foreign aid by country and account. The CBJs also provide data on the amount of foreign aid that Congress appropriates by country and account.

In total, there are 188 countries and overseas territories, 8 accounts, and 21 fiscal years in the dataset. The data is hierarchical and non-nested, so that there is a separate observation for each country-account combination in each fiscal year. For convenience, I refer to each country-account combination as a “program” in this paper. Thus, the dataset contains 1,504 programs per year for a total of 31,584 observations overall. However, many countries never receive any foreign aid during the time period covered by the dataset. To focus the analysis more clearly on countries actively considered for foreign aid, I restrict the dataset to those programs for which the president requested funds, Congress appropriated funds, or funds
ultimately were obligated during the current or two prior fiscal years. This reduces the dataset to 14,703 observations.¹

In addition, the dataset measures aid at three distinct stages of the budgetary process: the president’s request to Congress, the final levels approved by Congress, and the amount actually obligated for delivery to foreign countries. The final obligations provide the most accurate measure of foreign aid outputs in a given year. This is the money that has been spent by the end of the fiscal year.² However, the other measures are useful for discerning the preferences of the different political actors in the process. The president’s request most closely captures the preferences of the executive branch on the distribution of foreign aid. The enacted level represents the amount approved by Congress after the appropriations bill is passed, when the executive branch and Congress negotiate the details of the foreign aid allocation through a procedure known as the “653 process” (USAID, 2005). Because the 653 process is a negotiation, the final results do not necessarily reflect the pure policy preferences of Congress. However, Congress has the final veto in the 653 process, and so it is reasonable to assume that these final allocations are at least an approximation of Congressional will.

The data, covering 21 years from 1990 to 2010, provides a good sample of US foreign assistance policy in the post Cold War era. The dataset includes years from four presidencies, divided roughly equally between Democratic and Republican administrations. It also covers aid allocations both before and after the terrorist attacks of September 11, 2001, an event that is often cited as a turning point in foreign aid policy (Lancaster, 2007). Ideally, the

¹Selection bias is an issue for foreign aid research, because a large number of countries receive no foreign aid at all. As a result, many researchers model donor decisions on foreign aid as a two stage Heckman model involving an initial decision on whether to give any foreign aid and a secondary decision on how much aid to give (Dreher, Sturm and Vreeland, 2009; Vreeland, 2011; Meernik, Krueger and Poe, 1998; Drury, Olson and Van Belle, 2005; Poe and Meernik, 1995). However, there is no well established method for applying the Heckman correction to a multilevel model. Limiting the dataset to active aid programs is a means to approximate the second-stage decision of how much aid to give without considering the first-stage decision of whether to provide aid. While imperfect, this method is appropriate given the assumption that the first-stage decision is relatively static and the group of countries receiving aid does not change considerably over time.

²In reality, an obligation merely means that the US government has made a contractual obligation to pay some amount in the future, but actual expenditures have only recently been made available to the public, and this data only begins in 2005. Consequently, obligations are the closest approximation to programmatic expenditures available for all of the years in the dataset.
dataset would extend back to cover the Cold War era, as well. However, budgetary data from that era is more difficult to obtain, as electronic copies of CBJs prior to 1990 are only sporadically available. Moreover, there is considerably less detail in the earlier budgetary documents that are available. Given the general consensus that foreign aid policy shifted considerably with the end of the Cold War (Meernik, Krueger and Poe, 1998), I am comfortable that limiting the dataset to the current period provides an accurate portrait of foreign aid policy as it is currently practiced.

I modify a common approach used by researchers analyzing the determinants of US foreign aid (McKinlay and Little, 1977; Schraeder, Hook and Taylor, 1998; Meernik, Krueger and Poe, 1998; Drury, Olson and Van Belle, 2005; Alesina and Dollar, 2000) to test whether allocations differ meaningfully by account. In these models, the dependent variable, $\text{Aid}$, is the log of amount of foreign aid allocated to a recipient countries in each fiscal year. Rather than using aggregate aid levels, I construct a multilevel model that fits an overall estimate while also fitting varying estimates for each of the underlying foreign aid accounts. The independent variables are characteristics of the recipient countries meant to capture the policy objectives for the aid: the recipient country’s economic need, US economic interests, US security interests, and US strategic interests. Foreign aid studies typically include an exhaustive menu of explanatory variables in attempt to capture all of the intricacies of the allocation decision. However, these variables often are highly correlated with one another, creating considerable multicollinearity problems. Therefore, I rely on a simpler model that uses a single variable to measure each policy objective. While the model loses some predictive power, the simpler model reduces collinearity and provides a clearer distinction between the objectives.

The first independent variable is the log of per capita GDP ($\text{GDPPC}$) for each recipient country. This variable captures the development needs of the recipient country. The data is obtained from the United Nations Statistics Division’s website (UN, 2013). In expectation, $\text{GDPPC}$ should be negatively correlated with development aid expenditures, indicating that development aid is flowing to countries where it is most needed. When trying to distinguish
between aid accounts, however, measures of GDP may be less useful. Regardless of policy objectives, foreign aid is likely to go to poorer countries because richer countries are less likely to need the transfer of capital. For example, even if the US intends to use foreign aid solely as a side payment to induce a country to implement a given policy, such bribes are more likely to succeed when the recipient country desperately needs the money than when the recipient has no real need for additional capital (Bueno de Mesquita and Smith, 2009). So, it is likely that per capita GDP also correlates with higher allocations of political and security aid, although the effect should be smaller than that for the development accounts.

Given that per capita GDP is likely to correlate negatively with foreign aid for all accounts, I include average life expectancy for each recipient country, $LifeExp$, as a second measure of the recipient need for development assistance. Again, the data is obtained from the UN Statistics Division (UN, 2013). In expectation, life expectancy will correlate negatively with development aid levels, indicating that more development aid goes to countries with lower life expectancies. Unlike per capita GDP, life expectancy is not a measure of the recipient country’s budgetary resources. Therefore, I expect no significant correlation between life expectancy and foreign aid allocations for security accounts. In expectation, the political accounts will vary. Both AEECA and ESF accounts specifically reference development as a policy objective, but they also list a number of non-development goals. Therefore, these accounts may show some correlation to $LifeExp$, but the effect should be weaker than that for development accounts. INCLE and NADR accounts, in contrast, are specifically authorized for security-related purposes, counternarcotics and antiterrorism, so these accounts are not expected to correlate with $LifeExp$.

As a measure of US economic interests I include the log of US exports to recipient countries, $Exports$. The data is obtained from the UN Statistics Division (UN, 2013). In expectation, foreign aid in political accounts will be correlated with higher levels of US exports, indicating that these accounts are used to secure US policy objectives rather than to serve recipient countries’ development needs. This is particularly true for the AEECA and ESF accounts,
both of which list the promotion of US economic interests as an objective. I do not expect that development or security aid will correlate significantly with US exports.

I also include the log of the number of US troops stationed or deployed in a recipient country, *Troops*, as a measure of US security interests. The data for this variable is obtained from a Heritage Foundation data set through 2005 (Kane, 2006) and data for subsequent years is obtained directly from Department of Defense reports on troop deployments (DoD, 2013). In expectation, aid levels in security accounts should correlate positively with troop levels. In addition, political aid is likely to increase with troop levels, indicating that this aid is being used to address strategic security needs. In particular, INCLE and NADR funds should be correlated with *Troops*, since these accounts address specific security-related objectives. In contrast, I do not expect development aid to show any significant correlation with US troop levels.

As a measure of other US strategic interests, I include Streshnev and Voeten’s UN affinity data (*UN*), a measure derived from the number of times that the recipient country votes with the US in the UN General Assembly (Voeten and Streshnev, 2013). Multiple theories have been proposed for how foreign aid and UN voting might interact. For instance, studies have found that foreign aid can be used to influence UN votes (Kuziemko and Werker, 2006). Under those circumstances, UN agreement may be expected to correlate negatively with US aid levels, since the US would be likely to use aid to buy votes from countries that otherwise would be inclined to vote the other way. However, UN General Assembly votes are not binding, and therefore not particularly important as a US foreign policy objective. I posit that the more important foreign policy objective for the US is to support countries that share its views on international issues, and UN agreement is merely a representation of those shared views. Therefore, I use UN agreement in this paper as a general measure of the country’s like-mindedness on international issues. I expect that political and security aid will correlate positively with UN agreement, indicating that the US sends more aid to countries that share US objectives. In contrast, I do not expect any positive correlation between UN agreement and development aid.
All independent variables are included to fit the overall effects in the model and as independent variables to estimate the underlying distribution for each of the separate accounts, \( \beta_a \).

I also include several control variables. I include the amount of aid obligated in the previous fiscal year, \( \text{Lag} \) to account for the incremental nature of the budget process. Overall foreign aid expenditures increased significantly after 9/11, as US foreign policy re-focused on the War on Terror. Therefore, I include a dummy variable, \( 911 \), coded 1 for the years after 2001. Finally, I include varying intercepts by recipient country, \( \gamma_c \), and year, \( \delta_y \) to account underlying variations in foreign aid distributions. The model is as follows:

\[
\text{Aid}_i \sim N(\mu + \text{Lag}_i + 911_i + \text{GDPPC}_i + \text{LifeExp}_i + \text{Exports}_i + \text{Troops}_i + \text{UN}_i + \beta_a[i] + \gamma_c[i] + \delta_y[i], \sigma^2_{\text{Aid}}), \text{for } i = 1, ..., n
\]

\[
\beta_a \sim N(\mu + \text{Lag}_{a[i]} + 911_{a[i]} + \text{GDPPC}_{a[i]} + \text{LifeExp}_{a[i]} + \text{Exports}_{a[i]} + \text{Troops}_{a[i]} + \text{UN}_{a[i]} + \sigma^2_a), \text{for } a = 1, ..., A
\]

\[
\gamma_c \sim N(\mu, \sigma^2_c), \text{for } c = 1, ..., C
\]

\[
\delta_y \sim N(\mu, \sigma^2_y), \text{for } y = 1, ..., Y
\]

5. Results

Table 2 provides the results of the fitted model. Focusing only on the fixed effects, there is very little evidence of any strategic security impetus for foreign aid allocations. The coefficient for lagged foreign aid is significant and positive, indicating that the previous year’s foreign aid levels have a strong effect on the current year’s decisions. The coefficient for per capita GDP is significant and negative. As expected with foreign aid, countries with lower economic production receive more assistance. In addition, the coefficient for US exports to the recipient country is positive and significant, indicating that US trade interests play an important role in the decision on where to send foreign aid. However, neither the coefficient for US troop deployments nor that for UN affinity are significant. So, aggregate US aid allocations appear to be geared primarily to addressing economic development needs.
in recipient countries, whether purely for the benefit of the recipients or to help improve markets for US exports.

Table 2. Overall Effect of Determinants on Allocation of US Foreign Aid

<table>
<thead>
<tr>
<th>Overall Estimates:</th>
<th>Estimate</th>
<th>Std. Error:</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Intercept)</td>
<td>3.596</td>
<td>1.056 *</td>
</tr>
<tr>
<td>Lag</td>
<td>0.580</td>
<td>0.036 *</td>
</tr>
<tr>
<td>911</td>
<td>0.393</td>
<td>0.213</td>
</tr>
<tr>
<td>GDPPC</td>
<td>-0.413</td>
<td>0.090 *</td>
</tr>
<tr>
<td>LifeExp</td>
<td>0.011</td>
<td>0.013</td>
</tr>
<tr>
<td>Exports</td>
<td>0.113</td>
<td>0.059 *</td>
</tr>
<tr>
<td>Troops</td>
<td>0.643</td>
<td>0.035</td>
</tr>
<tr>
<td>UN</td>
<td>0.010</td>
<td>0.026</td>
</tr>
</tbody>
</table>

Group-level Variation:

<table>
<thead>
<tr>
<th>Variance</th>
<th>St. Dev.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Country</td>
<td>0.245</td>
</tr>
<tr>
<td>Fiscal Year</td>
<td>0.171</td>
</tr>
<tr>
<td>Account</td>
<td>7.850</td>
</tr>
<tr>
<td>Lag</td>
<td>0.010</td>
</tr>
<tr>
<td>911</td>
<td>0.062</td>
</tr>
<tr>
<td>GDPPC</td>
<td>0.047</td>
</tr>
<tr>
<td>LifeExp</td>
<td>0.001</td>
</tr>
<tr>
<td>Exports</td>
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</tr>
<tr>
<td>Troops</td>
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</tr>
<tr>
<td>UN</td>
<td>0.004</td>
</tr>
</tbody>
</table>

AIC: 58195  Log Likelihood: -29051
12244 Observations  179 Countries  21 Fiscal Years  8 Accounts

Note: * indicates statistical significance at to above the 95% level.

However, the fixed effects tell only part of the story. Looking at the group-level variation in the random effects, we see that the different accounts also matter. The fiscal fear variance of 0.245 and recipient country variance of 0.171 represent a relatively small proportion of the overall variance in the model. In contrast, the account variance of 7.850 is substantially larger. Simply put, the inclusion of varying intercepts for the fiscal year and recipient country have little effect on the estimates for foreign aid levels, while including variation by
account explains much more of the variation in aid levels. Table 3 provides a breakdown of
the estimated coefficients for each of the aid determinants for each account. By comparing
the variation to the expectations derived from the authorizing language for the different
accounts, it is possible to evaluate whether these accounts effectively constrain the ways in
which foreign aid can be spent.

Table 3. Account-level Estimates for Effect of Determinants on Allocation
of US Foreign Aid

<table>
<thead>
<tr>
<th>Account</th>
<th>DA</th>
<th>GHCS</th>
<th>AEECA</th>
<th>ESF</th>
<th>INCLE</th>
<th>NADR</th>
<th>FMF</th>
<th>IMET</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Intercept)</td>
<td>4.94</td>
<td>8.55</td>
<td>5.77</td>
<td>4.11</td>
<td>1.41</td>
<td>2.19</td>
<td>0.39</td>
<td>1.38</td>
</tr>
<tr>
<td>Lag</td>
<td>0.70</td>
<td>0.57</td>
<td>0.68</td>
<td>0.47</td>
<td>0.55</td>
<td>0.49</td>
<td>0.47</td>
<td>0.67</td>
</tr>
<tr>
<td>911</td>
<td>0.22</td>
<td>0.32</td>
<td>-0.086</td>
<td>0.55</td>
<td>0.60</td>
<td>0.62</td>
<td>0.55</td>
<td>0.33</td>
</tr>
<tr>
<td>GDPPC</td>
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<td>-0.78</td>
<td>-0.59</td>
<td>-0.52</td>
<td>-0.22</td>
<td>-0.34</td>
<td>-0.26</td>
<td>-0.16</td>
</tr>
<tr>
<td>LifeExp</td>
<td>-0.02</td>
<td>-0.04</td>
<td>0.02</td>
<td>0.01</td>
<td>0.01</td>
<td>0.02</td>
<td>0.06</td>
<td>0.02</td>
</tr>
<tr>
<td>Exports</td>
<td>0.20</td>
<td>0.37</td>
<td>-0.05</td>
<td>0.19</td>
<td>0.13</td>
<td>-0.04</td>
<td>0.04</td>
<td>0.04</td>
</tr>
<tr>
<td>Troops</td>
<td>-0.05</td>
<td>-0.00</td>
<td>0.04</td>
<td>0.12</td>
<td>0.07</td>
<td>0.13</td>
<td>0.18</td>
<td>0.01</td>
</tr>
<tr>
<td>UN</td>
<td>0.01</td>
<td>-0.05</td>
<td>0.05</td>
<td>-0.00</td>
<td>0.01</td>
<td>-0.09</td>
<td>0.10</td>
<td>0.05</td>
</tr>
</tbody>
</table>

Before turning to the determinants themselves, it is important to note that all of the accounts
demonstrate a substantial degree of incrementalism, although the effect of last year’s aid
levels varies by account. Compared to the fixed effects estimate for Lag, the random effects
estimates for the DA, AEECA, and IMET accounts show greater levels of incrementalism,
while ESF, NADR, and FMF show lower levels of incrementalism. The effect of Lag in the
GHCS and INCLE accounts are about the same as for the fixed effects. The amount of aid
given in the previous year remains a strong predictor of aid levels in the current year for all
accounts. However, the individual determinant variables do have significant effects on aid
levels even after controlling for the incremental nature of the budget.

The first determinant variable is per capita GDP. As noted previously, it is difficult to form
concrete expectations about the effect of GDPPC, because it is presumed that all foreign aid
will be more effective when it goes to countries with a stronger budgetary need, regardless of
whether that aid is intended to promote economic development or non-development policy
goals. Nonetheless, there should be a stronger negative correlation between aid levels and GDPPC for the development accounts, as the authorizations for these accounts establish development objectives as the sole foreign policy goal. In contrast, the effect for GDPPC should be considerably weaker for the security accounts, where the authorization language does not reference development objectives at all. The political accounts, which reference both development and strategic goals, are expected to fall somewhere in between.

Figure 2 depicts the variation in the effect of per capita GDP by account. The solid horizontal line indicates a coefficient of 0, while the dashed line indicates the overall fixed effect estimate for the coefficient. Coefficients for each account are indicated by a point with a vertical line depicting a 95% confidence interval. Accounts highlighted in red are statistically significant and less than 0, while those in blue are statistically significant and greater than 0.

**Figure 2. Account-Level Variation in Aid ~ GDP per capita**

The results for account-level variation on GDPPC largely supports the theory that accounts constrain aid spending. As expected, the coefficient for all accounts is negative and significant. Moreover, both security accounts demonstrate a markedly weaker negative correlation
with per capita GDP. The effects for the NADR account, which focuses on anti-terrorism, and the INCLE account, which focuses on counter narcotics, are also considerably weaker. GHCS, a development account, shows the strongest negative correlation with \( GDPPC \), and the two political accounts that reference development goals, AEECA and ESF, also show stronger negative correlations. However, there is one important caveat. The effect of \( GDPPC \) on the DA account is weaker than expected. While the coefficient for DA is lower than the security accounts, it does not differ significantly from the fixed-effects estimate for \( GDPPC \).

The next determinant variable, \( LifeExp \), provides an alternative means to gauge recipient countries’ need for foreign assistance, so the expectations for each account are the same as those for the \( GDPPC \) variable. Table 3 depicts the account-level estimates for \( LifeExp \). These results are entirely consistent with expectations. Only the two development accounts, DA and GHCS, show a negative correlation with life expectancy. As might be expected, the GHCS account, which focuses on healthcare related aid, shows the strongest correlation, but the effect of \( LifeExp \) on DA aid levels is also significant. In contrast, all of the political and security accounts have a positive correlation, indicating that they are not targeted to the countries with the greatest need.

The third determinant, \( Exports \), captures the importance of each recipient as a market for US exports. This variable unique in the model because it is an economic variable, but it focuses on the needs of the US rather than on the needs of the recipient country. Since the authorizing language for the development accounts focuses only on the economic development needs of the recipient, there is no expected correlation with \( Exports \) for the development accounts. Likewise, there is no expected correlation with \( Exports \) for the security accounts, because these accounts only reference strategic security and not economic goals. Two of the political accounts, INCLE and NADR, do not reference any economic goals. Therefore, only the political accounts that reference both development and strategic goals, AEECA and ESF, should be positively correlated with \( Exports \).
Figure 3. Account-Level Variation in Aid $\sim$ Life Expectancy

Figure 4. Account-Level Variation in Aid $\sim$ US Exports
Figure 4 shows account-level variation for the *Exports* variable. The results are mixed. As expected, neither security account shows a significant positive correlation. However, both development accounts show a high level of correlation with *Exports*. Of course, the fixed-effects results for aggregate aid showed a positive relationship between *Exports* and US foreign aid overall, but the coefficients for the development accounts show a statistically significant deviation even from the fixed-effects estimate. So, there is strong evidence that US development aid is used to benefit US trade interests in addition to the recipient’s development needs. This is not necessarily surprising, as contributing to the economic development of these countries improves markets for US exports. However, there is no specific authorization in the DA or GHCS accounts that directs aid to be used in this way.

Turning to the political accounts, ESF account references a broad array of US interests including specific reference to promoting US economic interests, and there is indeed a positive correlation with US exports. However, the AEECA account, which specifically references promotion of US exports as one of many policy objectives, is negatively correlated with *Exports*, suggesting that other considerations dominate the decision making process for this account. The NADR account focuses on anti-terrorism and does not reference economic interests. As expected, there is no correlation between NADR funds and *Exports*. However, INCLE funds—focused on international narcotics—are positively correlated with *Exports*. This effect is likely due to the geographic concentration of the US War on Drugs. A large proportion of INCLE funds is directed to countries in Latin America, which are geographically near to the US and, therefore, represent an important export market.

The fourth variable is the number of US troops deployed in the recipient country. This is an indicator of US security concerns in the country, so security aid should be correlated with increased security concerns and development aid should not. Political aid, which references a number of objectives, is expected to fall somewhere in between. Figure 5 depicts account-level variation for this variable. As expected, neither development account is positively correlated with this variable. DA funds show a significant negative correlation and GHCS funds are not statistically distinguishable from 0. Both security accounts are positively
correlated with *Troops*, although the coefficient for IMET is not statistically significant. It is unclear why the IMET account would not show a more positive effect, although it may be that there are differing strategies in how to provide aid to these countries—some receive more US troop deployments and others receive more training for their own troops. All political accounts also correlate positively with *Troops*. The effect for AEECA is not statistically significant, probably due to the geographic concentration of these funds in the former Soviet Union or Eastern Bloc, which results in fewer observations and less precision in estimating the coefficient. Overall, these results are strongly supportive of the theory that accounts constrain foreign aid spending.

The final determinant variable is the measure of foreign policy affinity derived from votes in the UN. This is an alternative measure of US strategic concerns in the recipient country, indicating that countries have shared interests with the US in international politics. Figure 6 shows the account-level variation for this variable. As expected, the two security accounts
have a significant positive correlation with \textit{UN}. Also as expected, neither development account shows a significant positive correlation. The results for the political accounts are mixed. There is a significant positive effect only for the AEECA account. It is not necessarily surprising that the INCLE and NADR accounts show no positive effect for \textit{UN}. These accounts target specific concerns—narcotics and terrorism—that may be more prevalent in countries that tend not to share the US perspective in the UN. However, it is surprising that ESF funds do not have a stronger correlation with UN affinity. Given that the ESF account authorization language references US strategic interests, it was expected that more ESF funds would go to US allies. This may be due to mixed motives in the distribution of aid. While some ESF aid goes to support allies who vote with the US in the UN, other ESF aid may be used as a side payment in an attempt to win votes or for some unrelated purpose.

Overall, the models of account-level variation are consistent with the theory that US foreign aid accounts constrain the purposes for which they can be used. There is a clear delineation
between the development accounts—DA and GHCS—and the security accounts—FMF and IMET. The political accounts fall in between and vary according to the specific purposes for which they are authorized. INCLE and NADR, accounts that focus on narrow, security-related concerns, are more similar to the security accounts. AEECA and ESF, accounts that reference a wide variety of US policy objectives, respond to a mix of economic and strategic variables.

However, the results are not entirely consistent with expectations. In particular, the development accounts have an unexpectedly strong correlation with US trade interests. In contrast, AEECA, an account that specifically authorizes the promotion of US exports, does not correlate with Exports. The relationship between US aid and trade interests bears further examination. Neither is the effect for the UN variable as consistent as expected. Future research should consider the alternative uses of aid to promote international strategic interests. Nonetheless, the results on the whole demonstrate that accounts place meaningful and predictable constraints on how the executive branch can use the allocated aid.

6. Discussion

The preceding analysis is the first meaningful attempt to quantify how foreign aid accounts may constrain decisions over foreign aid allocation in the US. More work can and should be done to refine and continue to explore how these accounts help shape US foreign aid policy. Nonetheless, the initial results already shed light on US foreign aid patterns that researchers have observed in the aggregate ODA data for many years. The foreign aid literature has shown that both development and international strategic concerns influence aggregate US ODA allocations. This effect may have diminished after the Cold War, but most agree that security concerns re-emerged as an important foreign aid consideration after September 11, 2001. By examining the account-level variation in US foreign aid allocations, it becomes clear that this effect is due largely to the overlapping definitions of development aid that the US employs.
The OECD defines development aid as “primarily intended for economic development” OECD (2013). However, most of the aid the US reports as ODA to the international community is in fact intended to achieve a wide range of objectives. Only for the two development accounts—DA and GHCS—does the authorization language strictly meet the OECD’s definition of ODA. And for these accounts, we indeed see that US strategic security interests have no significant effect on aid allocations. Security aid shows a strong correlation with the security determinants, but the US does not report this aid as ODA. However, the aid channeled through the political accounts—aid that also is reported to the international community as ODA—does show a significant effect for these non-development determinants. So, the influence of US security concerns in foreign aid policy is really more a case of the US double counting political aid as development aid, and not a case of the US using development aid to address security concerns.

In addition, these results point to a new method for evaluating preferences over different foreign aid policy objectives. An open question in the foreign aid literature is whether and how the partisan ideology of donor governments affects decisions to give foreign aid. Cross-national studies suggest that, in keeping with broader ideological preferences over income redistribution, liberal governments support foreign aid more than conservative governments. Liberals favor both domestic and international redistribution, while conservatives oppose both forms of redistribution (Therien and Noel, 2000). However, US aid allocations appear to challenge this theory, as Republican presidential administrations often give more foreign aid than Democratic administrations. One explanation that has been offered for this phenomenon is that the political parties in the US favor different foreign aid objectives (Tingley, 2010). Republicans may provide more aid in the aggregate, but the additional aid is directed to US economic and strategic security objectives rather than to international development objectives. Using the allocation of aid by accounts provides a means to test this theory empirically, as it is possible to observe variations in the funds allocated to the different types of accounts when partisan control of the government varies. I test this approach in the following section.
In order to evaluate partisan preferences over foreign aid accounts, I modify the original model in several ways. First, I focus on the amount of aid requested by the president instead of the final amount obligated. Unlike obligations, which capture the final policy output, the president’s budgetary request is a closer approximation of the president’s policy preferences before bargaining with Congress. So, the dependent variable, Request, is the amount of money allocated by program in the president’s initial budget request to Congress.

Second, I include dummy variables for the party of the president and both houses of Congress. The primary variable of interest is the party of the president making the budget request, Party. The Congressional party variables, House and Senate, are included as controls. I interact the Party variable with the amount of money enacted by Congress for the program in the previous fiscal year, Lag. This approach helps control for the incrementalism inherent in the budget process and emphasizes the difference in the president’s request over the previous year’s allocation. Finally, the Party and Lag variables are interacted with a categorical variable for the Account so that the amount allocated can be compared across the different aid accounts.

Finally, I include all of the independent variables used in the previous account-level models as control variables. Given the length of the budget process, I lag these variables by two years. The president’s foreign aid budget is based on the budget proposal presented to the White House by the State Department and USAID, preparation for which begins two calendar years ahead of time (e.g., agency level proposals for the FY2010 budget were prepared in calendar year 2008). The fiscal year actually begins in the October of the preceding calendar year (e.g., FY 2010 began in October of 2009), and the president is required by statute to present the budget by February of the preceding calendar year (e.g., the president’s FY2010 budget was presented to Congress in February of 2009). Thus, the majority of the foreign aid request is based on international policy inputs that take place two years ahead of the fiscal year in which the funds are spent. Given the substantial lead
time built into the budget process, it makes sense to include two-year lags for all of these variables. I also include multilevel random effects to account for variation by fiscal year and country. The model is as follows:

\[
\begin{align*}
Request_i & \sim N(\mu + \text{Lag}_i \cdot \text{Party}_i + \text{Account}_i + \text{House}_i + \text{Senate}_i + 911_i + GDPPC_i \\
& \quad + \text{LifeExp}_i + \text{Exports}_i + \text{Troops}_i + UN_i + \gamma_c[i] + \delta_y[i], \sigma^2_{\text{Request}}), \\
& \text{for } i = 1, \ldots, n \\
\gamma_c & \sim N(\mu, \sigma^2_c), \text{for } c = 1, \ldots, C \\
\delta_y & \sim N(\mu, \sigma^2_y), \text{for } y = 1, \ldots, Y
\end{align*}
\]

The theoretical expectation is straightforward. Controlling for the country-level variation in the international determinants, Republican presidents should request more aid than Democratic presidents in the political and security accounts; Democratic presidents should request more aid than Republican presidents in the pure development accounts.

Table 4 presents the results for the fitted model. Overall, presidents of both parties are responsive to a number of international determinants. Neither of the control variables for partisan control in Congress are significant. However, there are significant increases in presidential requests for foreign aid after 9/11. As with the first model, the coefficient for GDPPC is negative and significant, and the coefficient for Exports is positive and significant. The presidents’ requests also show significant positive correlations with LifeExp and Troops, indicating that presidents focus on international security concerns, as well.

Even after controlling for these changes in international events, we can observe important differences in the accounts that presidents use to address these events. Figure 7 depicts the variation in foreign aid by account for each of the political actors. The estimate for each account is highlighted in blue for Democratic control and red for Republican control.\(^3\)

\(^3\)In a black and white printed version, the left-hand estimate is for Democratic control and the right-hand estimate is for Republican control.
Table 4. Partisan Variation in President’s Request by Account

<table>
<thead>
<tr>
<th>Overall Estimates:</th>
<th>Estimate</th>
<th>Std. Error</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Intercept)</td>
<td>1.016</td>
<td>0.314</td>
</tr>
<tr>
<td>House</td>
<td>0.280</td>
<td>0.284</td>
</tr>
<tr>
<td>Senate</td>
<td>-0.500</td>
<td>0.311</td>
</tr>
<tr>
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</tr>
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</tr>
<tr>
<td>Exports</td>
<td>0.067</td>
<td>0.021 *</td>
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<tr>
<td>Troops</td>
<td>0.044</td>
<td>0.017 *</td>
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<td>UN</td>
<td>-0.010</td>
<td>0.011</td>
</tr>
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</table>

<table>
<thead>
<tr>
<th>Party</th>
<th>Democrat</th>
<th>Republican</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lag:DA</td>
<td>0.878</td>
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</tr>
<tr>
<td>Lag:GHCS</td>
<td>0.664</td>
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<td>0.50</td>
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<td>Lag:IMET</td>
<td>0.875</td>
<td>0.809</td>
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<tr>
<th>Group-level Variation:</th>
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<th>St. Dev.</th>
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<tr>
<td>Country</td>
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<td>(Intercept)</td>
<td>0.138</td>
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</table>

AIC: 55754  LL: -27849  Observations 179 Countries 20 Years

Note: * indicates statistical significance at to above the 95% level.

These results present a mixed picture for the partisan effect on account preferences. The theoretical expectation is that aid for development accounts is greater under Democratic control and aid for political and security accounts is greater under Republican control. The DA account is in keeping with expectations. Democratic presidents requested more DA funds than Republicans and the difference is statistically distinguishable at a 95% confidence interval. In contrast, Republican presidents requested more GHCS funds, although the difference was not statistically significant. The GHCS results probably stem from President
George Bush’s massive request for GHCS money to fund the President’s Emergency Plan for AIDS Relief (PEPFAR) in 2003. It is interesting to note that even with the PEPFAR funds there is no significant difference between the parties. This suggests that without that one-time surge in development funding under a Republican administration, the results might look different.

Turning to the security accounts, the results again are split. As expected, Republicans favored military aid through FMF, and the difference was significant. On the other hand, Democratic presidents requested more security funds for the IMET account. It is worth remembering that the FMF account with $130 billion appropriated from 1962 to 2010 is substantially larger than the IMET account with only $2.7 billion appropriated over the same time period. Accounting for this difference, Republicans request considerably more in military aid.

The results for the political accounts also are mixed. There are no significant differences between the parties for the AEECA and INCLE accounts. However, Republican presidents
requested substantially more funds for the ESF and NADR accounts. Again, it is worth noting that ESF is the largest US foreign aid account, with $140 billion appropriated from 1962 to 2010. So, the partisan difference here represents a substantial difference in the amount of foreign aid money allocated.

On the whole, then, these results do not show a clear breakdown between the parties by the categories for the aid accounts. There is no clear evidence that Democrats prefer more development aid than Republicans. Those results are no doubt influenced by the PEPFAR initiative and further research is warranted to investigate this effect. There is somewhat better evidence that Republicans favor more aid in political and security accounts, particularly if the size of the accounts is considered. The ESF and FMF represent the largest US foreign aid accounts, so these differences in preferences are likely to have a profound impact on the overall allocation of US foreign aid. Beyond account categories, however, there is a more clear pattern of Republican preferences for foreign aid that correlates with US troop deployments. There are clear Republican preferences for ESF, NADR, and FMF funds, and as shown in Figure 5, these three accounts also had the strongest correlations with US troop levels. So, the partisan differences do not break down neatly by account category, but there is a clear Republican preference for those specific aid accounts that are linked to US troop deployments.

It remains to be seen whether these presidential preferences have an effect on the final policy outcomes. Presidential requests first must go through Congress, and much can change in the two years between the formulation of the president’s request and the final obligation of foreign aid funds. To determine whether these processes mitigate the president’s preferences, I return to the aggregate model of foreign aid obligations and include measures for partisan control of each political institution. The main dependent variable for each model is the amount obligated by program. The independent variables are the same measures used to capture policy objectives in the first model: per capita GDP, life expectancy, US exports, US troop levels, and UN affinity. These variables are interacted with the president’s party variable to determine whether the final obligations vary differently in response to the international
determinants. I also include control variables for 9/11, the party in control of both houses of Congress, and random intercepts to control for variation by country, fiscal year, and account. The model is as follows:

\[
\text{Aid}_i \sim \mathcal{N}(\mu + \text{Lag}_i + 911_i + \text{House} + \text{Senate} + (\text{GDPPC}_i + \text{LifeExp}_i + \text{Exports}_i

+ \text{Troops}_i + UN_i) : \text{Party} + \beta_{a[i]} + \gamma_{c[i]} + \delta_{y[i]}, \sigma^2_{\text{Aid}}, \text{for } i = 1, \ldots, n
\]

\[
\beta_a \sim \mathcal{N}(\mu, \sigma^2_a), \text{for } a = 1, \ldots, A
\]

\[
\gamma_c \sim \mathcal{N}(\mu, \sigma^2_c), \text{for } c = 1, \ldots, C
\]

\[
\delta_y \sim \mathcal{N}(\mu, \sigma^2_y), \text{for } y = 1, \ldots, Y
\]

Table 5 presents the results of the third model. None of the control variables are statistically significant. Looking at the effect of the determinant variables, there are some important variations. The coefficients for GDPPC are negative and significant for both parties. The coefficients for Exports are positive and significant for both parties. These results are consistent with the results for the nonpartisan model in Table 2. The coefficient for LifeExp is positive for both Democrats and Republican presidents. This coefficient is statistically significant only for Democratic presidents, but the substantive effect of this variable is extremely small. So, there is little evidence to show that partisan differences in the presidency have much effect on how much foreign aid is devoted to development or economic policy objectives.

The real partisan differences show up in the strategic security determinants. The coefficient for Troops is positive for both parties, but it is only significant for Republican presidents. In contrast, the coefficient for UN is only positive and significant for Democratic presidents. This suggests a defined split between the parties in how they use aid to address security concerns. The pattern is consistent with the general trend of foreign policy in recent years, with Republicans more likely to use unilateral military force and Democrats more likely to pursue multilateral diplomatic solutions.
### Table 5. Partisan Variation in Obligations ~ Determinants

<table>
<thead>
<tr>
<th>Overall Estimates:</th>
<th>Estimate</th>
<th>Std. Error</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Intercept)</td>
<td>2.974</td>
<td>0.370</td>
</tr>
<tr>
<td>House</td>
<td>0.184</td>
<td>0.362</td>
</tr>
<tr>
<td>Senate</td>
<td>-0.197</td>
<td>0.364</td>
</tr>
<tr>
<td>911</td>
<td>0.284</td>
<td>0.220</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Party</th>
<th>Democrat</th>
<th>Republican</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Estimate</td>
<td>Std. Error</td>
</tr>
<tr>
<td>GDPPC</td>
<td>-0.338</td>
<td>0.057 *</td>
</tr>
<tr>
<td>LifeExp</td>
<td>0.016</td>
<td>0.007 *</td>
</tr>
<tr>
<td>Exports</td>
<td>0.123</td>
<td>0.028 *</td>
</tr>
<tr>
<td>Troops</td>
<td>0.018</td>
<td>0.025</td>
</tr>
<tr>
<td>UN</td>
<td>0.050</td>
<td>0.015 *</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Group-level Variation:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Variance</td>
</tr>
<tr>
<td>Country (Intercept)</td>
</tr>
<tr>
<td>Fiscal Year (Intercept)</td>
</tr>
<tr>
<td>Account (Intercept)</td>
</tr>
</tbody>
</table>

AIC: 55754
LL: -27849
12244 Observations 179 Countries 21 Fiscal Years 8 Accounts

Note: * indicates statistical significance at to above the 95% level.

However, the partisan effect on policy outcomes should not be overstated. Figure 8 depicts the partisan variation in the effects of each determinant. Again, the coefficient estimate for Democrats is highlighted in blue (left-hand side) and the estimate for Republicans is highlighted in red (right-hand side). The 95% confidence intervals for Troops and UN overlap between the two parties, so it is not possible to distinguish completely between the two parties. The effect of partisan difference on the final obligation of foreign aid funds is much less pronounced than the differences that were evident in the president’s requests in Figure 7. This suggests that the president’s partisan preferences are mitigated through the political process. In particular, it appears that the Congressional preferences for incrementalism reign in large shifts in aid priorities from the president. Still, the president’s partisan preferences...
do seem to have a predictable, if marginal, impact on the final distribution of US foreign aid obligations.

Figure 8. Partisan Variation in Aid Obligations ~ Determinants

In summary, these partisan models demonstrate some important findings. First, they show consensus by both parties for certain foreign aid objectives. Presidents of both of parties support the use of foreign aid to address development concerns and to promote US economic interests. Second, these findings are consistent with existing theory that suggests that political ideology affects the type of aid that governments favor. The evidence that Democrats view development aid more favorably than Republicans is, at best, weak. But, there is stronger evidence that Republicans favor the use of foreign aid to address security concerns. The effect also appears to be additive. Republicans don’t necessarily cut development aid, but they do provide additional funds for security aid. This would explain the previously observed pattern in which Republican governments actually provide more aggregate foreign aid than Democrats.
The evidence that Democrats are more likely to use foreign aid to support UN allies is interesting and deserving of further study. The source of this effect is not clear. In the non-partisan models, only FMF, IMET, and AEECA showed a significant correlation with UN agreement (Figure 6). Of these, FMF represents a much larger share of aid funds and showed the largest substantive correlation. And, Republicans favored the FMF account. So, if preferences over accounts were the only determinant factor, then we would expect to see a stronger correlation with UN agreement under Republican control. Because the Democratic preference for UN agreement only shows up in the obligations stage, this result may be driven by an omitted variable that is closely correlated with UN agreement.

Adherence to human rights norms is a likely candidate. The authorizing language for most foreign aid accounts includes some version of a prohibition against obligating funds to countries that violate human rights. However, these clauses often include an escape clause that allows the president to waive the restriction when it is in the national interest. Republican presidents may be more willing than Democratic presidents to issue such waivers. If there is a significant correlation between human rights violations and countries that disagree with the US in the UN, then that would explain the existence of a Democratic preference for countries with high UN agreement, particularly one that shows up only at the obligation stage.

8. IMPLICATIONS

At a minimum, incorporating the role of budgetary accounts provides a more complete understanding of aggregate US foreign aid allocations. As previous research has found, aggregate US ODA is influenced as much by the economic and security concerns of the US as it is by the development needs of recipient countries. However, this paper demonstrates that the influence of non-development concerns—especially security concerns—varies predictably by foreign aid account. Thus, the common finding that US development aid focuses on security interests is not entirely accurate. In fact, this effect is the result of double counting—foreign aid that is authorized domestically for security objectives is nonetheless reported to
the OECD as pure economic development aid. In contrast, the aid that goes to the development accounts is, in fact, used to promote economic development rather than security. Consequently, policy advocates that prefer a US foreign aid policy that is better focused on international development concerns would do well to direct move beyond aggregate ODA levels to focus on how US aid is allocated by account.

For academic researchers, incorporating the role of foreign aid accounts promises to open up new avenues for research into the domestic determinants of US foreign aid policy. As this paper demonstrates, Democratic and Republican presidents exhibit important differences in foreign aid policy, and these differences can be observed by looking at the accounts that each party favors. But, partisan differences are just one aspect of domestic politics; many more questions could be answered using foreign aid accounts. Are different assistance accounts more or less vulnerable to budget cuts in times of economic austerity? Do different accounts respond more to media coverage or higher salience among the general public? Which accounts are most sensitive to interest group pressure? The answers to these questions will have important implications for our understanding of US foreign aid policy.

Much more work is needed before we truly understand foreign aid accounts. First, my initial dataset should be extended further back to account for the Cold War era. This is essential for making more definite comparisons with previous work and for determining whether there has been a substantial shift in the use of foreign aid accounts over time. Data on obligations by account are readily available, but the data on budget requests and enactments are not complete prior to 1990. Presumably, these records still exist in archives and can be digitized to complete the dataset.

In addition, more work is needed to understand the politics surrounding the creation of new foreign aid accounts. Once the account is created, the distribution of aid into that account is largely incremental. That means that punctuated shifts in foreign aid policy occur primarily through the authorization of new foreign aid accounts. Focusing on these events can help us to understand what factors drive major increases in US foreign aid.
Finally, the present paper is limited to the US. Presumably, other aid donors have similar mechanisms for allocating foreign aid among different policy objectives. Compiling this data will require significant effort to understand the budgetary processes of multiple countries and identify common cross-country categorizations of aid. However, donors already report on the different purposes of aid projects at the international level (Tierney et al., 2011), so it is likely that their domestic budgets contain similar means to constrain the use of foreign aid. Opening up the research agenda to other donor countries will provide more generalizable theories of foreign aid decision making. Canada and the United Kingdom are likely first candidates for this expansion, as there has been significant coordination between the US and these countries, so many of the institutional mechanisms may be similar.

9. Conclusion

I have shown that foreign aid accounts are a useful measure of US foreign aid policy goals. Models of the determinants of foreign aid by account indicate that the US uses the different accounts to address different foreign policy concerns, and these accounts serve as constraints on how the aid may be used. The allocation of development aid primarily responds to economic factors, while political and security aid respond to US strategic concerns. Using budgetary data about these accounts, I also have shown shown that there are clear differences between the preferences of political parties on the different aid accounts. Republican governments direct more funds than Democrats to those foreign aid accounts with a strong security focus. Finally, these partisan differences over accounts result in markedly different foreign policy outcomes under different governments. In the aggregate, both parties use foreign aid to promote economic development and US trade interests. But, Republicans direct more aid to countries where US security concerns are in play, while Democrats direct more aid to countries that agree with the US in the UN.

These results provide an initial proof of concept for a research agenda focusing on the politics of foreign aid accounts. Further work can help to help answer more of the persistent puzzles in the foreign aid and, more broadly, the foreign policy literature. A first step to furthering
this agenda is to expand the dataset to include budgetary data on foreign aid accounts back through the Cold War era. A second step is to focus on the politics surrounding the creation of these accounts. Finally, the geographic scope should be expanded as much as possible to incorporate the budgetary processes of other donor governments. With further effort, a foreign aid research agenda that focuses on budgetary accounts can yield greater insights into the domestic politics of foreign policy and help improve policy-relevant assessments of foreign aid effectiveness.
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