THE PRESIDENT, CONGRESS, AND THE ALLOCATION OF US FOREIGN AID

JEREMY CADDEL

ABSTRACT. A large literature studies the determinants of foreign aid and finds a strong correlation between US development aid and strategic security concerns. This presents an interesting policy puzzle. Why address security concerns with development tools? The strategy appears to be inefficient from both a development and a security perspective. I posit that the domestic political process contributes to this inefficient policy outcome. Congress, focused on the domestic effects of aid policy, cares little about where the aid is sent, but cares a great deal about how the aid is spent. As a result, Congress oversupplies certain types of foreign aid and undersupplies others. The president, focused primarily on foreign policy concerns, has greater discretion over where to send the aid and prioritizes those countries of highest concern to US security. Using a novel dataset, I find support for this theory. The differences between the president’s request for aid and Congress’s appropriation vary more by foreign aid account than by recipient country, and these differences also vary with the relative institutional strength of the actors. This process contributes to the suboptimal policy outcomes observed in the literature.

1. INTRODUCTION

The US and other developed countries spend billions of dollars a year in foreign assistance. This foreign aid serves a variety of purposes—arming allied militaries, providing emergency relief after natural disasters, supporting economic development, promoting democratic reforms, and more. Among foreign aid donors, the US shows a unique tendency to direct foreign aid to countries with strategic importance or security concerns, rather than to those countries most in need. Research shows that these security concerns play a major role even

in the allocation of US development aid; e.g., Alesina and Dollar (2000). It is not particularly surprising that US foreign policy is heavily concerned with national security. What is puzzling is that the US would choose to use development aid to address these security concerns when more suitable policy instruments are available. Why not simply increase the available mechanisms for security aid to address security concerns and focus development aid on the countries where it is most needed or most likely to have an impact?

Existing research on the determinants of foreign aid does not get to this question. First, most research focuses on aggregate levels of development aid as reported to the Organization for Economic Cooperation and Development. This is useful for comparing foreign aid levels across multiple donors, but less useful for examining the policy decisions of a single donor. The use of aggregate aid levels obscures internal decisions about how to allocate aid between the constituent aid programs and their different foreign policy objectives. Second, most aid research treats the US government as a unitary actor, thereby overlooking the distinction between the policy preferences of the president and Congress. In order to understand US foreign aid decisions, it is important to consider both policy actors and the process by which the policy is decided.

In this paper, I examine US foreign aid policy using new data on bilateral aid from fiscal years 2001–2010. The data covers both the president’s request and Congress’s appropriation, and breaks down the allocation of aid by recipient country and by foreign assistance account. Consequently, I can compare directly the preferences of the president and Congress over where foreign aid is sent and how foreign aid is spent. I find that Congress is largely unconcerned with the foreign policy implications of foreign aid, but defends its preferences when the policy has domestic implications. For the most part, the president is able to dictate the allocation of aid among recipient countries, but Congress maintains control over the allocation of aid through the accounts that determine the purposes for the aid and the mechanisms for its delivery.

1Recent work on the AidData project (Tierney et al., 2011) is an important exception.
In the next section I describe the distribution of US foreign aid and briefly review the relevant literature in this area. Section 3.3 develops a theory based on principle-agency to explain the relative influence of the president and Congress in foreign aid policy. Section 3.4 describes my data and methods. I present the quantitative models and results in section 3.5 and discuss the implications of these results in section 3.6.

2. BACKGROUND

This project focuses on the ways that the president and Congress interact to make foreign assistance policy decisions. A large literature examines the politics of foreign aid allocations at the international level (Alesina and Dollar, 2000; Schraeder, Hook and Taylor, 1998; Drury, Olson and Van Belle, 2005). Most of this research focuses on aggregate levels of aid and where it is sent—who gives aid to whom? The research on the determinants of foreign aid consistently finds that the US, more than any other donor, allocates development aid to countries where security concerns are prevalent.

Figure 1, depicting the geographic allocation of bilateral US foreign assistance from 2000–2010, illustrates this pattern. Each box represents a single recipient country. Countries are then grouped by region, each shaded by a different color. The size of each box represents the proportion of US bilateral aid received. It is readily apparent that a disproportionate share of bilateral US foreign aid flows to regions where security concerns are prevalent, such as the Near East and South Asia. And the pattern continues within regions, as aid flows to the countries in these regions with more prevalent security concerns—Israel and Egypt in the Near East, Sudan and Ethiopia in Africa, Afghanistan and Pakistan in South Asia, Colombia in the Western Hemisphere, and Georgia, Turkey, Ukraine, and Kosovo in Europe.

So, there is a clear security bias to US foreign aid distributions, but why? Why use development aid to address security concerns when more appropriate policy tools are available?

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2These geographic regions are based on the US Department of State’s six regional bureaus: the Bureau of African Affairs (AF), the Bureau of East Asian and Pacific Affairs (EAP), the Bureau of European Affairs (EUR), the Bureau of Near East and North African Affairs (NEA), the Bureau of South and Central Asian Affairs (SCA), and the Bureau of Western Hemisphere Affairs (WHA).
The existing allocation of foreign aid is inefficient for both development and security objectives. On the one hand, the US is not sending its aid to the poorest countries where it is most needed or to those countries with better institutional capacity where it might be expected to produce the best results. Instead, US aid is going to relatively wealthy countries, many of which are plagued by corruption and other institutional problems. On the other hand, foreign aid (particularly development aid) seems an inefficient policy tool for
accomplishing security objectives. Why not use security and political aid to address security concerns?

The puzzle would be easy to dismiss if the phenomenon were limited to just the past decade. Recent focus on counter terrorism and counter insurgency has led to repeated calls to integrate “the three D’s” of defense, diplomacy, and development. However, the US bias toward security concerns in development aid allocations is not new. It stretches back to the Marshall Plan and has continued to the present day. I posit that the domestic institutional structure in which foreign aid policy decisions are made contributes to the suboptimal policy outcomes observed in the literature.

Despite the attention paid to the determinants of foreign aid, there has been relatively little research on how these decisions are actually made. First, it is common practice in foreign aid research to focus on a single type of aid, such as economic development aid (Alesina and Dollar, 2000), humanitarian aid (Drury, Olson and Van Belle, 2005), or military aid (Francis, 1964), and to exclude other types of aid from the analysis. This approach is useful for cross-country comparison of foreign assistance, as the OECD provides standardized data for economic development aid across countries. However, limiting the analysis to one type of aid obscures the trade offs that governments must make between different types of foreign assistance and how it will be used. The AidData project (Tierney et al., 2011), which collects detailed data about donor and recipient countries, is making significant progress in improving on the OECD data at the point of program implementation. My project gathers similar data about the decision-making process that funds these programs.

On the domestic side, researchers have begun to address the domestic influences on US foreign aid policy. Milner and Tingley (2011), for example use Congressional roll call votes to measure the preferences of individual legislators. This research is valuable in helping to explain the factors that affect Congressional support for foreign aid in general, but does not provide specific information about policy preferences over the distribution of that foreign aid. As with the literature on determinants of foreign aid at the international level, this research
focuses on legislative support for foreign aid in general and not on the more nuanced decisions on what type of aid to provide.

My project builds on the existing research by incorporating US foreign aid accounts to examine the geographic and functional distribution of foreign assistance. The US provides foreign aid for a wide variety of purposes, and Congress has authorized several different foreign assistance accounts to meet these objectives. The Congressional Research Service identifies 12 major foreign assistance accounts (Tarnoff and Lawson, 2009). Table 1 summarizes these accounts. They cover five major categories of foreign assistance: bilateral development aid, economic assistance supporting US political and security goals, humanitarian aid, military aid, and the “Other” category that includes a variety of smaller accounts, most of which are to deal with contingencies and post-conflict transitions.

Table 1. US Foreign Assistance Accounts

<table>
<thead>
<tr>
<th>Account</th>
<th>Full Name</th>
<th>Category</th>
</tr>
</thead>
<tbody>
<tr>
<td>AEECA</td>
<td>Assistance to Europe, Eurasia, and Central Asia</td>
<td>Political</td>
</tr>
<tr>
<td>DA</td>
<td>Development Assistance</td>
<td>Development</td>
</tr>
<tr>
<td>ESF</td>
<td>Economic Support Fund</td>
<td>Political</td>
</tr>
<tr>
<td>FFP</td>
<td>Food for Peace</td>
<td>Humanitarian</td>
</tr>
<tr>
<td>FMF</td>
<td>Foreign Military Financing</td>
<td>Security</td>
</tr>
<tr>
<td>GHCS-State</td>
<td>Global Health and Child Survival (DoS)</td>
<td>Development</td>
</tr>
<tr>
<td>GHCS-USAID</td>
<td>Global Health and Child Survival (USAID)</td>
<td>Development</td>
</tr>
<tr>
<td>IMET</td>
<td>International Military Education and Training</td>
<td>Security</td>
</tr>
<tr>
<td>INCLE</td>
<td>International Narcotics Control and Law Enforcement</td>
<td>Political</td>
</tr>
<tr>
<td>MRA</td>
<td>Migration and Refugee Assistance</td>
<td>Humanitarian</td>
</tr>
<tr>
<td>NADR</td>
<td>Non-Proliferation, Anti-Terrorism, Demining, and Related</td>
<td>Security</td>
</tr>
<tr>
<td>PKO</td>
<td>Peacekeeping Operations</td>
<td>Security</td>
</tr>
<tr>
<td>Other</td>
<td>(various smaller programs)</td>
<td>Other</td>
</tr>
</tbody>
</table>

These accounts also impose requirements for implementation, including which agency is responsible for the aid and how much of the aid must be provided through US contractors.
or organizations, known as “tied aid.” Thus, the allocation of funding among accounts can have significant implications for domestic groups in the US, including issue advocacy groups lobbying for aid to support specific causes and the US companies and NGO’s that compete for contracts to implement the aid programs.

**Figure 2.** Bilateral US Foreign Aid Appropriated 2001-2010 by Category and Account (Total = $163 billion)

Figure 2 depicts the allocation of US bilateral aid from fiscal year 2001–2010 by category and account. Each box represents a specific foreign aid account. Accounts are then grouped
into functional categories, each shaded with a different color. Approximately one-third of US foreign aid is given for political purposes, with Economic Support Funds (ESF) representing the largest proportion. A bit less is given for military aid, the vast majority coming from the Foreign Military Financing (FMF) account. Interestingly, economic development aid makes up less than one-third of all US foreign aid. And, more than two-thirds of this development aid comes from the Global Health and Child Survival (GHCS) accounts. Pure economic development aid in the DA account represents a very small proportion of US foreign aid. Finally, the vast majority of humanitarian aid comes in the form of agricultural commodities in the Food for Peace (FFP) account.\(^3\)

As Figure 2 makes clear, there is significant variation in the types of foreign aid provided by the US, and this variation is lost when research focuses only on aggregate aid levels. These accounts provide a means to examine and make comparisons of support for foreign aid by function. Using this data, it is possible to move beyond aggregate aid levels and examine the interaction between the geographic and functional distribution of US foreign aid.

3. Theory

Few studies of US foreign aid policy have investigated the role of Congress (c.f., Milner and Tingley (2011)), perhaps due to the widely held assumption that Congress does not matter much for US foreign policy. From Wildavsky (1966) on, foreign policy scholars have debated the relative power of the president and Congress (Fleisher and Bond, 1988; Meernik, 1993; McCormick and Wittkopf, 1990; Prins and Marshall, 2001). While the relationship varies

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\(^3\)It is important to note that much of the aid that the US reports to the OECD and the international community as economic development aid is classified differently for domestic audiences. The OECD defines overseas development assistance (ODA) as aid that “is administered with the promotion of the economic development and welfare of developing countries as its main objective” (OECD, 2013). The US does not report military aid, anti-terrorism aid, or most aid for peacekeeping as ODA. However, ESF, AEECA, and INCLE funds are reported as ODA, even though these accounts are defined as political aid under US domestic law (Tarnoff and Lawson, 2009). The OECD ODA numbers also include debt forgiveness and domestic costs for housing foreign refugees and students. The propensity of the US government to double count aid in this way must be considered when interpreting the results of existing foreign aid studies. Simply put, the US reports political aid as development aid to the OECD, so that any research relying on aggregate ODA data is capturing political and humanitarian aid along with aid intended purely for development purposes.
over time, most researchers conclude that the president enjoys greater policy discretion in foreign policy than in domestic policy. It does not follow, however, that Congress has no influence over foreign policy. Canes-Wrone, Howell and Lewis (2008) identify three institutional factors that are likely to affect the power of the president in foreign and domestic policy: a first-mover advantage, information asymmetry, and differing electoral incentives. In this section, I extend their theory to develop hypotheses about when the president will have greater control over foreign aid policy.

First, Howell (2003) notes that the president, as a unitary actor, is able to act more quickly than Congress. Consequently, the president has a first-mover advantage, and this advantage may be more pronounced because the nature of foreign policy requires constant response to unfolding events around the world. The first-mover advantage may be less pronounced in foreign aid policy, because foreign aid is a budgetary issue. As such, the president cannot act until Congress appropriates funds. Nonetheless, divisions within Congress may make it more difficult for Congress to reach consensus on an alternative policy to the president. Faced with the need to pass a bill, Congress may be more likely to rubber stamp the president’s proposals when internal divisions in Congress make it more difficult to reach such consensus. 

**Hypothesis 1** predicts that the president exercises greater control over foreign aid policy when Congress is divided.

Second, Canes-Wrone, Howell and Lewis (2008) argue that the president enjoys significant informational advantages in foreign policy. While Congress has oversight authority over the diplomatic, development, defense, and intelligence agencies, it is the President who manages them. To do so, presidents have developed significant foreign policy bureaucracies within the White House and organized them to assert control over foreign policy agencies (Hammond, 1960; Hess and Pfiffner, 2002; Burke, 2000). The president’s information advantage is expected to influence the foreign aid debate. Bureaucratic agents are posted to foreign countries to implement and oversee these foreign aid programs. Their chain of command ultimately reports to the president. Congress has oversight authority over these agencies, but it is too costly and time consuming to monitor them closely. Moreover, these programs have
more direct impact on foreign citizens overseas than on voters at home, so there are fewer domestic interest groups with incentives to monitor the programs (Zegart, 2000). Without strong domestic interest groups, fire alarm oversight is not likely to be effective (McCubbins and Schwartz, 1984).

Finally, and closely related to the issue of salience, Canes-Wrone, Howell and Lewis (2008) point out that foreign policy has little effect on Congressional re-election prospects, so Congress lacks the incentives to devote significant time or resources to foreign policy. Few US voters are likely to care enough about who receives U.S foreign aid to influence an election. On the other hand, the implementation of foreign aid policy can affect certain domestic groups. Issue-based interest groups that are concerned with specific global problems—poverty, human rights, environmental sustainability, etc.—may have well-defined preferences about the types of aid they favor and care enough about the issue to lobby Congress (Lancaster, 2007). Various organizations, both nonprofit and for-profit, also have a stake in the implementation of foreign aid. These include suppliers like American farmers who are paid to provide aid commodities, American shipping companies who provide logistics, and the contractors who are paid to execute the aid programs. In all of these cases, the account by which the aid will have a greater effect on these groups’ fortunes.

Highly salient international events may provide an incentive for Congress to gather information about foreign policy, but Congress is not likely to devote the necessary energy to oppose the president because foreign policy has little effect on Congressional elections. In fact, international events that reach high levels of salience in the US often involve military action, and that can strengthen the president’s position in foreign policy (Prins and Marshall, 2001). Therefore, Congress is likely to defer to the president on which countries receive foreign aid, and this deference is expected to increase when the international events justifying the aid request are more salient. Hypothesis 2 predicts that the president exercises greater control over foreign aid policy when foreign policy is more salient.
In contrast, the allocation of foreign aid by account has important implications for segments of the domestic electorate who are highly involved in advocacy groups or the aid distribution economy. These decisions about the type of aid to send and the mechanisms by which to implement it will be more important to Congress. Therefore, Congress may challenge the president over the allocation of foreign aid by account, even while deferring to the president on where to send the aid. 

Hypothesis 3 predicts that the president exercises greater control over foreign aid allocations by recipient country than by foreign aid account.

4. Data and Methods

To test this theory, I compile a dataset that includes the president’s request and Congressional appropriations for US bilateral foreign aid from fiscal years 2000–2010.\textsuperscript{4} I obtain this data from the Congressional Budget Justifications (CBJ) submitted by the US Department of State and US Agency for International Development each year. The CBJ has several advantages over alternative data on foreign aid. First, foreign aid appropriations increasingly are passed as continuing resolutions or packaged with other appropriations in omnibus bills (Adams and Williams, 2010). With multiple issues packaged in a single bill, it can be difficult to discern Congressional preferences from floor votes on these bills. Even floor votes held on specific provisions of the aid bill may simply be opportunities for legislators to take public positions, knowing full well that all of the real work will be done later by the conference committee. The CBJ captures the final allocation of foreign aid approved by Congress, regardless of the funding mechanism used.

Second, the CBJ data provides detailed allocations by country and account. The appropriations bills themselves provide only general funding levels, and the committee reports provide detailed allocations for only a few high priority items. More detailed congressional guidance on foreign aid is found in the manager’s reports that accompany the bill. These come from the conference committee that negotiates the final agreed upon levels between the Senate and the House of Representatives. But even these reports do not provide a fully specified

\textsuperscript{4}Additional data collection and coding is underway to expand the coverage from the 1970s to present.
allocation of the foreign aid funds. In fact, the final allocations are determined only after
the appropriations bill is passed, when the executive branch and Congress negotiate the de-
tails of the foreign aid allocation through a procedure known as the “653 process” (USAID,
2005).

Section 653 of the Foreign Assistance Act of 1963 requires that, after finalization of the
appropriations bill, the executive branch submit to Congress a detailed plan for the allocation
of appropriated foreign aid. In other words, the president must revise the original foreign
assistance request to fit within the amounts legislated by Congress and resubmit the request.
The 653 allocation must reflect the administration’s plan for foreign assistance within the
broad outlines legislated in the appropriations bill and the more specific guidance provided
by the accompanying committee reports.

Congress takes no vote on these 653 submissions. The process takes place entirely within the
committees that have authority over the foreign affairs budget, primarily the Subcommittees
on State, Foreign Operations, and Related Programs of the Appropriations Committees in
the House and Senate. Thus, it is important to look beyond public roll call votes to get to
the real heart of interbranch negotiations over foreign aid.

For these reasons, the CBJ is a more detailed and reliable quantification of foreign aid
preferences than other available data sources. The Department of State and the Agency for
International Development prepare a CBJ to accompany the president’s budget request each
fiscal year. In addition, the CBJ reports the breakdown of foreign assistance funds for the
previous two fiscal years. This makes it possible to extrapolate the final allocation of foreign
aid agreed upon by the president and Congress. 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.

Using CBJ data, I construct a data set that measures foreign aid levels by account and
country in the president’s request and Congress’s appropriation for fiscal years 2000–2010.
This data does not include multilateral aid, nor does it include funds designated as regional aid that may be divided among multiple countries in a region. In total, there are 210 countries and overseas territories, 13 accounts, and 11 fiscal years in the dataset. Each observation records the amount of foreign aid in $1,000 increments. 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 2,730 programs per year for a total of 30,030 observations overall.

However, several programs receive no aid during this time period. Excluding these programs could create a selection effect problem, particularly when examining the effect of exogenous variables on aid allocations (Drury, Olson and Van Belle, 2005). But including these programs in the dataset creates its own bias, as there will be many observations for which no money is requested and no money given. Quantitatively, these would appear in the data as complete agreement between the president and Congress. In some sense this is accurate—neither actor believes these programs should receive aid. On the other hand, including these programs only serves to increase the noise in the data, since they are not even on the foreign aid agenda. My focus here is on the relative influence of the president and Congress, and I am not using exogenous variables, such as recipient GDP, that would suffer from the potential selection bias at this stage. Therefore, I limit the data to those observations in which the president requested funds, Congress appropriated funds, or funds were spent in the previous fiscal year.\(^5\)

Measuring the difference between Congress and the president presents its own set of methodological difficulties. Canes-Wrone, Howell and Lewis (2008) recommend a widely used measure for comparing budgetary appropriations, which takes the absolute difference between the percentage change of the president’s request and the Congressional appropriation over

\(^5\)As an additional test, I ran all models using the complete data set. Results were substantively identical to the models using the redacted dataset. The only significant difference was in the effect of the variable for salience. This effect is obvious when one considers that many of the developed countries that do not receive foreign aid nevertheless receive substantial coverage from the US media.
the previous fiscal year. Thus, the dependent variable, \textit{Difference} (D), is calculated:

\[
|(Requested_t - Enacted_{t-1})/Enacted_{t-1} - (Enacted_t - Enacted_{t-1})/Enacted_{t-1}|
\]

This measurement provides several advantages when making budget comparisons. Using the change over the previous year emphasizes the changes in policy over the incremental nature of the budgetary process. Measuring it as a percentage provides a uniform comparison between country and account allocations of different sizes. Using the absolute difference treats the budget proposals as preference points and allows for the measurement of differences regardless of the direction of those differences.

My first independent variable captures the president’s first-mover advantage. This advantage derives from the inability of Congress to quickly reach consensus on alternative policy options. When there is more division within Congress, it should be more difficult for Congress to reach consensus, and the president should have greater discretion over the policy. To capture this effect, I use a dummy variable, \textit{Divided Congress}, coded 1 if there are different majority parties in each chamber and 0 if a single party controls both chambers. In expectation, \textit{Difference} will decrease when \textit{Divided Congress} equals 1 and increase when \textit{Divided Congress} equals 0.\textsuperscript{6}

My second independent variable captures the effect of foreign policy salience. In theory, highly salient international events could generate enough public interest to make Congress pay attention to foreign policy. However, these salient events often involve security concerns, which make it more likely Congress will defer to the president, who has better information about conditions overseas and greater incentive to focus on foreign policy. The variable \textit{Salience} is a simple count of the number of times a country is mentioned in the New York Times in the year leading up to the appropriations bill. In expectation, \textit{Difference} should

\textsuperscript{6}I also tested an alternative measure of internal division by using the partisan difference in each chamber based on DW-NOMINATE scores. Results were less pronounced but showed no substantive difference from the \textit{Divided Congress} measure.
decrease as *Salience* increases, because Congress is more likely to defer to the president in highly salient foreign policy decisions.

Finally, I expect the difference between the president and Congress to be greater in debates over accounts than over recipient countries. In effect, this is a measure of the domestic impact of foreign aid policy versus the international impact. I use a non-nested multilevel model to estimate this difference. Every dollar of foreign aid in my dataset is categorized by recipient country and by account. Using a hierarchical model, I can measure the overall effect of the independent variables on the dependent variable *Difference*, as well as the group-level effects for each recipient country and foreign aid account. Model 1, using *Difference* ($D$) as the dependent variable, is specified:

$$D_i \sim \mathcal{N}(\mu + DivCon_i + Salience_i + \gamma_c[i] + \delta_a[i], \sigma^2_D), \text{ for } i = 1, ..., n$$

$$\gamma_c \sim \mathcal{N}(\mu + DivCon_c[i] + Salience_c[i], \sigma^2_c), \text{ for } c = 1, ..., C$$

$$\delta_a \sim \mathcal{N}(\mu + DivCon_a[i] + Salience_a[i], \sigma^2_a), \text{ for } a = 1, ..., A$$

The model provides and intercept and overall estimates for the effects of the variables *Divided Congress* and *Salience*, along with separate estimates for the intercepts and effects of these variables for each country and account. This partial pooling model can differentiate between the amount of variation in the dependent variable attributable to changes in recipient country and that attributable to changes in foreign aid accounts (Gelman and Hill, 2007). I expect the variation in the dependent variable *Difference* to be greater in the account-level estimates than in the country-level estimates, because the domestic factors that interest Congress are more dependent on the type of account than on the recipient country. In other words, I expect Congress to defer to the president on the allocation of aid by country, but to impose its own preferences on the allocation of foreign assistance by account.

The *Difference* measure is well-accepted as a means of evaluating the president’s success in budgetary politics (Canes-Wrone, Howell and Lewis, 2008). However, this measure can overemphasize the differences between the president and Congress and distort the real world
policy effect of those differences. For example, a 50% difference in a small aid account would be weighted more heavily than a 5% difference in a large aid account, even if the difference in real dollars is much greater in the larger account. This becomes more problematic as the analysis moves to more specific budget items. These smaller budget lines are more volatile than the larger budget categories, such as Defense and Agriculture, which are used to evaluate success across the entire federal budget. The *Difference* measure also obscures Congressional preferences over the direction of change in the budget; a 10% decrease and a 10% increase are indistinguishable when only absolute difference is measured.

To correct for these problems, I also fit a regression of the Congressional appropriations as a function of the president’s request. Here, the amount of funding enacted by Congress, *Enacted* (*E*), is the dependent variable, and the amount of funding requested by the president, *Requested* (*R*) is included as an independent variable. Model 2 is specified:

\[
E_i \sim \mathcal{N}(R_i + DivCon_i + Salience_i + \gamma_c[i] + \delta_a[i], \sigma^2_D), \text{for } i = 1, \ldots, n
\]

\[
\gamma_c \sim \mathcal{N}(R_c[i] + DivCon_c[i] + Salience_c[i], \sigma^2_c), \text{for } c = 1, \ldots, C
\]

\[
\delta_a \sim \mathcal{N}(E_c[i] + DivCon_a[i] + Salience_a[i], \sigma^2_a), \text{for } a = 1, \ldots, A
\]

In Model 2, the amount *Enacted* is expected to closely follow the amount *Requested*, and this relationship should be even closer as *Divided Congress* and *Salience* increase. As with Model 1, I expect that this relationship will vary more by account than by recipient country.

5. **Analysis**

As discussed above, I fit two versions of the model to test my theory. The dependent variable in the first model is the absolute *Difference* in the percentage change over last year’s budget between the president’s request and the Congressional appropriation. This model emphasizes the change in policy in a given year and standardizes comparisons between observations of different sizes. The dependent variable in the second model is the amount of foreign aid *Enacted* by Congress, and I include an independent variable for the amount requested by
the president. This model allows for observation of the direction and real dollar amount of
the difference between Congress and the president.

5.1. **Model 1 Results.** Table 2 presents the results of Model 1 using *Difference* as the
dependent variable. The overall model fit is relatively poor, as the overall effects explain
comparatively little of the variation. The coefficients for *Divided Congress* and *Salience*
are negative as expected, indicating that the difference between the president and Congress
decreases when Congress is divided and when the foreign policy salience is higher. However,
neither coefficient is statistically significant.

<table>
<thead>
<tr>
<th>Overall Estimates:</th>
<th>Estimate:</th>
<th>Std. Error:</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Intercept)</td>
<td>-0.787</td>
<td>0.310</td>
</tr>
<tr>
<td><em>Divided Congress</em></td>
<td>-0.419</td>
<td>0.489</td>
</tr>
<tr>
<td>log(<em>Salience</em>)</td>
<td>-0.072</td>
<td>0.082</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Group-level Variation:</th>
<th>Variance</th>
<th>St. Dev.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Country</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Intercept)</td>
<td>0.189</td>
<td>0.434</td>
</tr>
<tr>
<td><em>Divided Congress</em></td>
<td>0.380</td>
<td>0.616</td>
</tr>
<tr>
<td>log(<em>Salience</em>)</td>
<td>0.039</td>
<td>0.197</td>
</tr>
<tr>
<td>Account</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Intercept)</td>
<td>0.326</td>
<td>0.571</td>
</tr>
<tr>
<td><em>Divided Congress</em></td>
<td>2.396</td>
<td>1.548</td>
</tr>
<tr>
<td>log(<em>Salience</em>)</td>
<td>0.044</td>
<td>0.211</td>
</tr>
</tbody>
</table>

AIC: 41385  Log Likelihood: -20676  Observations 6767  Countries 164  Accounts 13

On the other hand, the model provides considerable information about the variation in the
group-level effects by country and account. Figure 3 shows the individual estimates for
coefficients by country and by account for the intercept, *Divided Congress*, and *Salience*. A
horizontal line plots the estimated overall effect for each variable. The group level estimates
are plotted relative to the overall effects, with vertical lines representing the confidence
intervals of the individual estimate. Confidence intervals shaded in red depict an estimate
that is statistically differentiable from the overall effect estimate at the 95% level. These plots make it easy to see that there is more significant variation by account than by country. Only a few of the countries show significant variance for the intercept and for *Salience*, while the majority of accounts differ significantly from the overall estimates. There is no significant variation by country for *Divided Congress*, while five of the thirteen accounts show significant variation. Accounts explain more of the variation between the president and Congress than recipient countries. This is consistent with the hypothesis that Congress is focused more on the foreign aid accounts than on recipient countries.\(^7\)

\(^7\)Note that this difference in variation is not driven by the difference in the number of categories for Country (164) and Account (13), because both categories have the same number of observations (6767). As a further test, I ran the models using more the more aggregated categories, region and function. Here, the number of categories was more similar, six geographic regions and five functional categories, but the results were the same—changes in functional category accounted for more of the variation than changes in geographic region.
Figure 3. Effect on Difference, Group-level Effects
These results provide some insight into how the president and Congress interact in foreign aid policy process. There is strong evidence that the difference between the president and Congress is more a function of the foreign aid accounts than the recipient countries. The effects of internal divisions in Congress and foreign affairs salience are consistent with the theory, but not large enough to differentiate from the null hypothesis. However, these results say little about the effect of this process on actual policy outcomes. We can observe the pattern of the differences between the president and Congress, but not the direction of the differences or the real dollar amount of the change. The second model helps address these issues.

5.2. **Model 2 Results.** Table 3 presents the results of Model 2 using *Enacted* as the dependent variable, and including *Requested* as an additional independent variable. Overall, Congress is estimated to provide only 45% of the president’s request—much lower than expected. However, the other variables add substantially to this base level. Importantly, both *Divided Congress* and *Salience* are significant in this model, and both are in the expected direction. Overall, Congress grants more of the president’s request when Congress is divided and when foreign policy events are more salient.

More importantly, the variation in *Enacted* foreign aid levels varies more by account than by recipient country. Figure 4 shows the individual estimates for coefficients by country and by account for the dependent variables *Requested*, *Divided Congress*, and *Salience*. Again, group level estimates are plotted relative to the overall effects, with vertical lines representing the confidence intervals of the individual estimates. While the difference is less pronounced than with Model 1, there is again more significant variation in the individual estimates for account than for country. It should be kept in mind that each account-level estimate represents approximately ten times the number of observations (approximately 1,640) than each country-level estimate (approximately 130). This further supports the hypothesis that Congress is focused more on the foreign aid accounts than on recipient countries.
Table 3. Real Effects of President’s Request on Aid Enacted by Congress

<table>
<thead>
<tr>
<th>Overall Estimates:</th>
<th>Estimate:</th>
<th>Std. Error:</th>
</tr>
</thead>
<tbody>
<tr>
<td>log(\textit{Requested})</td>
<td>0.454</td>
<td>0.049</td>
</tr>
<tr>
<td>\textit{Divided Congress}</td>
<td>0.893</td>
<td>0.342</td>
</tr>
<tr>
<td>log(\textit{Salience})</td>
<td>0.680</td>
<td>0.112</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Group-level Variation:</th>
<th>Variance</th>
<th>St. Dev.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Country</td>
<td>log(\textit{Requested})</td>
<td>0.022</td>
</tr>
<tr>
<td></td>
<td>\textit{Divided Congress}</td>
<td>0.048</td>
</tr>
<tr>
<td></td>
<td>log(\textit{Salience})</td>
<td>0.058</td>
</tr>
<tr>
<td>Account</td>
<td>log(\textit{Requested})</td>
<td>0.026</td>
</tr>
<tr>
<td></td>
<td>\textit{Divided Congress}</td>
<td>1.287</td>
</tr>
<tr>
<td></td>
<td>log(\textit{Salience})</td>
<td>0.148</td>
</tr>
<tr>
<td>AIC:</td>
<td>33107</td>
<td>Log Likelihood: -16537</td>
</tr>
<tr>
<td></td>
<td>6767 Observations</td>
<td>164 Countries</td>
</tr>
</tbody>
</table>
Figure 4. Effect on Enacted, Group-level Effects

Country

Account

Salience

Divided Congress

Intercept
On the whole, the results of all models are consistent with the theory. Most importantly, the differences between the foreign aid policies of the president and Congress depend more on the foreign aid account than on the foreign aid recipient. This suggests that Congress is concerned more with the domestic level factors surrounding how the money is spent than on the international level issue of who receives it. This result is extremely robust, appearing in every model regardless of the method used to measure the difference between the president and Congress. On the other hand, there is weaker support across the models for the hypotheses that Congress is less able to oppose the president when divisions within Congress make it difficult to reach consensus and when the salience of foreign policy events increases. While the coefficients for these variables are in the expected direction in both models, they reach statistical significance only in Model 2.

6. Implications

What can these findings tell us about US foreign aid policy? Economists and political scientists have found time and again that the geographical distribution of US development aid is strongly influenced by security concerns (Alesina and Dollar, 2000). No doubt a major reason for this finding is the US government’s disingenuous practice of reporting some foreign assistance as development aid at the international level even when economic development is not the primary justification under US domestic legislation for these accounts. Additionally, the recent shift in foreign policy priorities with the Global War on Terror has provided a strategic argument for policymakers to link development aid and security concerns (Lancaster, 2007). Even so, it remains to be explained why these policies, among the many other policy options proposed, were accepted by Congress and became engrained in US foreign policy.

My findings suggest that the answer is at least in part an example of policy substitution (Clark, 2001). The president, focused on foreign policy, has a range of policy options available, but needs to find options that Congress will support, particularly when budgetary appropriations are required. Congress is more concerned with the domestic implications
than the international effects of the foreign policy options. When the agreement of both actors is necessary, then the equilibrium policy is one that balances international and domestic concerns. In foreign aid policy, this means that Congress grants the president greater discretion over where to send aid while retaining control over the type of aid and the mechanisms for sending it. Consequently, Congress has a real effect on foreign policy even if it may be largely uninterested in the policy itself.
But, what effect does this process have on actual policy outcomes? Figure 5 depicts the sum of president’s request for aid over the time period. The size of each box represents the relative proportion for each account. The shading of the boxes illustrates the amount by which Congress modifies the president’s request. A clear pattern is evident with Congress cutting the president’s request for ESF, INCLE, and the Other funds and over supplying funds in the FFP and GHCS accounts.

In future stages of this project I will incorporate exogenous variables to explore which factors make these accounts so attractive to Congress. At this point, two possible explanations present themselves. First, Congress may favor accounts that provide significant redistributive benefits to American suppliers. The preference for food aid supports this theory, as food aid is almost entirely a subsidy to American farmers and shippers. However, military aid provides the same benefits to defense manufacturers and Congress does not appear to oversupply military aid. At present, I do not have sufficient information to determine how much of the aid in the medical accounts is tied to US producers.

A second possibility is that Congress favors the type of foreign aid that appeals to voters and issue-based interest groups. Food aid and health aid resemble the types of programs carried out by private sector charities, both religious and secular. They are the types of programs that generate heart-wrenching photo ops, celebrity endorsements, and high profile advocacy. Thus, it may be that Congress is responding to perceived public will, providing foreign aid in these high profile accounts while cutting the less visible political and economic development accounts.

Regardless of Congress’s motives it is clear that, from the president’s perspective, Congress undersupplies the foreign aid accounts that are most clearly tied to political objectives. This limits the president’s ability to redistribute foreign aid to address emerging strategic challenges. Congress defers to the president when there is a sufficiently salient foreign policy reason for the change, but by the time an issue reaches a sufficient level of salience in the US, it may be too late for foreign aid to have much of an impact.
Overall, the president is faced with a shortage of political funds and an excess of humanitarian and healthcare funds, but Congress places few constraints on where the president sends the appropriated aid. After the appropriations bill is passed and the 653 process has begun, the president may shift funds from the oversupplied accounts to priority countries. By the end of the process, food and healthcare aid end up over-allocated to countries with prominent security concerns, as the president attempts to make up for cuts in the political aid, and the correlation between US development funds and security concerns becomes more pronounced.

Obviously this effect occurs on the margins. I do not contend that this is the sole or even the dominant cause of the correlation observed in the determinants of foreign aid research. It does, however, illustrate how the larger patterns we observe may have come to be. The US could have used any number of policy options to win countries to its side during the Cold War or to address the rising concerns of terrorism and insurgency in recent years. The use of development aid would not appear to be the most efficient means of meeting those objectives, but it is the policy option that prevailed. The domestic implications of these foreign aid policies, and thereby their appeal to Congress, are a likely reason for this policy outcome.

7. Conclusion

In this paper I set out to explain the influence of domestic institutional variables on foreign aid policy outcomes. My theory proposes that these policy outcomes are the result of policy negotiations between the president and Congress, and the relative strength of each actor in these negotiations will be affected by the level of internal division within Congress, the salience of the international issues to be addressed by the policy, and the domestic implications of the policy. Regardless of the measurement methodology used, I find evidence consistent with the theory across all models. The difference between the president and Congress varies more by the foreign aid account than by the proposed recipient country.
In addition, the difference is smaller when Congress is divided and when the foreign policy issue is more salient.

These results indicate that Congress plays an important role in foreign policy decision making, even when Congress is largely unconcerned with the foreign policy itself. The president must substitute policy options that meet Congress’s domestic priorities, even when the final policy option is not the best suited to meet the foreign policy objectives. In further extensions of this theory, I will investigate the sources of the president’s foreign aid requests. To what extent do these requests reflect the proposals of the foreign affairs bureaucracy? What are the president’s priorities for foreign aid policy? And how do domestic institutional factors influence these decisions? I will then incorporate the exogenous international and domestic variables that have been used in previous determinants of foreign aid literature to map out exactly how these factors influence the policy process.


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