MFAN MODERNIZING FOREIGN ASSISTANCE NETWORK

Resource

Briefer: Where does U.S. foreign assistance go from here?

2026

Where does U.S. foreign assistance go from here?

Chidozie Ezi-Ashi, George Ingram and Homi Kharas

Overview: The first part of this briefer presents data and information that lays out the context for the final section that presents key principles and issues to be considered in crafting a vision (strategy) relevant to today's global environment. Among those issues are: the purpose of assistance in today's geopolitical context; whether to focus on country-specific needs or global challenges (or both); how far to take country ownership (and the Accra Reset); whether and how to move toward partnerships; and the role of innovation for more effective and efficient global engagement.

I. Context and background: why a new strategy is needed

From 1961 to 2025

The U.S. Foreign Assistance Act, the legislative foundation of today's foreign assistance[1] programs, was enacted in 1961. Around that time, 80 percent of people in the world lived in 100+ countries with an average annual GDP per capita below $110, the inflation-adjusted threshold of today's cut-off for low-income countries.

Building on the Marshall Plan and the early experience with foreign assistance in the 1950s, the Act was based on the idea that U.S. national interests were best served through a combination of military and economic development assistance; the former to shore up alliances given the context of the Cold War, and the latter to build prosperous, liberal, market economies to counter the alternatives offered by communist expansion.[2] The planning framework evolved to include basic human needs (1973), the "3D" frame of defense, diplomacy, and development (2002), and the

[1]This briefer will use the following terms to identify various categories of assistance and economic engagement with developing countries:

- Foreign assistance/aid – humanitarian, development, and security assistance
- Development assistance – financial and technical assistance designed to advance social, economic, and political progress in developing countries
- Humanitarian assistance – financial and in-kind assistance to save lives and ease the impact of natural and manmade disasters
- Foreign economic engagement – the broad range of programs and policies that impact developing countries, including foreign assistance, trade, remittances, debt, interest rates
- Official Development Assistance (ODA) – the methodology used by the Organization for Economic Cooperation and Development (OECD) for calculating development and humanitarian assistance.

[2] The Foreign Assistance Act of 1961 defines its purpose as an act to promote the foreign policy, security, and general welfare of the United States by assisting peoples of the world in their efforts toward economic development and internal and external security.

strategic pillars of "F" (2006), commonly summarized as peace and security, economic development, and humanitarian values.

In 1961, President Kennedy presented an updated vision for foreign assistance based on long-term development programs helping to build infrastructure, raise agricultural productivity, and provide education and health. He argued that existing programs were "largely unsatisfactory…bureaucratically fragmented, awkward and slow…conceived for different purposes, many of them obsolete, inconsistent and unduly rigid…"

Similar arguments were made in 2025. Secretary of State Marco Rubio claimed that USAID spending was no longer aligned with U.S. core national interests, while the White House complained about waste, fraud, and abuse.

In both cases, the existing aid bureaucracy was dismantled. President Kennedy moved to quickly create a new development assistance machinery—USAID and the Peace Corps at home and formation of the Development Assistance Committee at the OECD abroad, building upon the International Development Association at the World Bank that had been established the previous year.

As yet, the current Administration has not articulated an equivalent strategy of what comes next. The old has been done away with, but the question of what to put in its place remains open and hotly contested.

The stakes

There is an urgency to refresh the foreign assistance strategy and to make reasoned choices over what is funded and where. The cutbacks in U.S. foreign assistance are already having an impact. One study has documented significant increases in the share of the population in developing countries facing crisis or emergency food security needs; a Lancet study forecasts that the 2025 USAID defunding could cost between 9 and 24 million lives across 93 developing countries by 2030.

Although the precise numbers above are disputed, these findings clearly run counter to what the American public wants. There is overwhelming public support for humanitarian and health assistance: according to a Rockefeller Foundation poll, 90% of Americans support humanitarian aid, 90% support preventing disease outbreaks, and 84% support global health assistance. The same poll finds 70% of Americans support spending 2% of the budget (almost double the actual FY2024 share and around four times the initial estimate for FY25) on foreign assistance. Support for strong U.S. global leadership is near historic highs: 61% of Americans favor greater U.S. engagement and leadership in international affairs, while over 80% of both Republicans and Democrats agree that the U.S. has a moral obligation to stand up for human rights and democracy, and 60% support funding for programs to support freedom and democracy.

These polls suggest that the structural pillars of U.S. foreign assistance still enjoy substantial bipartisan public support. What has changed is the global context, raising questions about how U.S. global engagement can be most effective in achieving intended results.

About this briefer

This briefer provides context/background on the magnitude of U.S. foreign economic engagement policies and programs that impact developing countries.

Section II provides data on foreign assistance, development finance, remittances, philanthropy, security assistance, trade and tariffs, and private foreign investment and portfolio flows. Taken together, these data highlight that foreign assistance, while important, is but one of many areas where U.S. policy significantly affects developing countries. Discussions about foreign assistance should, therefore, focus on how it fits within a government-wide strategy that brings coherence to U.S. policy toward developing countries. For example, after recent changes in policy, the U.S. now collects far more in customs duties on imports from developing countries than it provides to those countries in aid. Yet there is no evidence that in imposing such a major, and shifting, application of tariffs, the administration considered its impact on development.

In a similar vein, a coherent foreign assistance strategy should leverage impact by building partnerships with private philanthropy, by leadership in multilateral organizations, and by considering how to bring down the cost of remittance transfers, to give just a few examples.

Section III provides details on specific aspects of foreign assistance: its magnitude, major programs, geographic distributions, and where cuts have been made. Budgets are policy and policy should follow and reinforce strategy, so an understanding of financial assistance helps to identify gaps in strategy and implementation.

Section IV draws these threads together into a set of guiding questions for a new foreign economic engagement strategy.

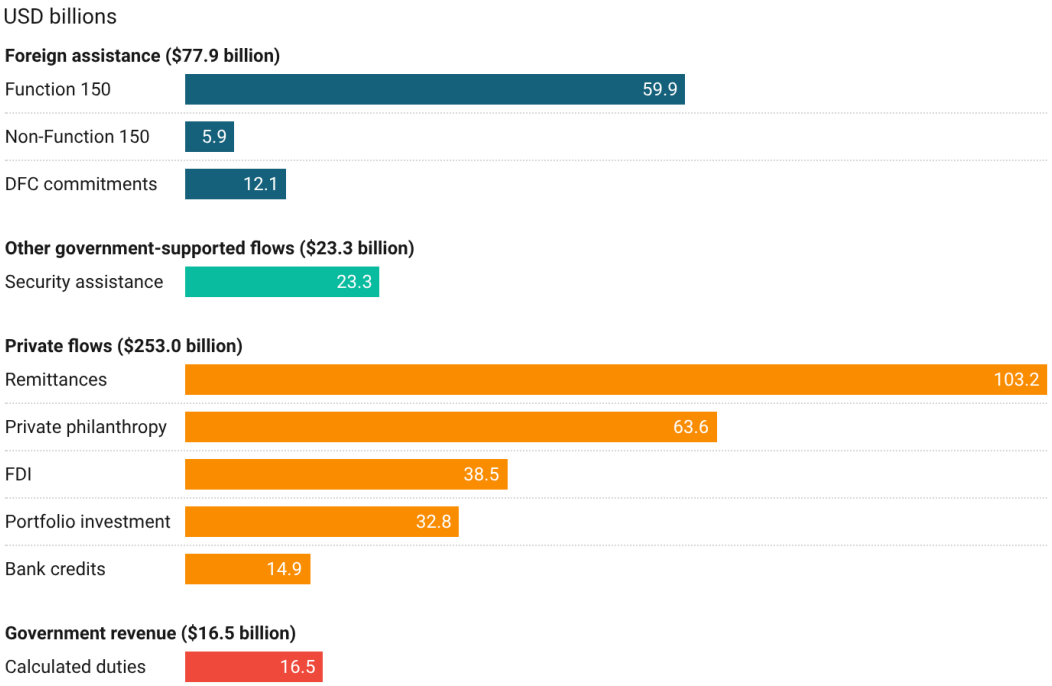
A note on terms

Although U.S. foreign assistance and ODA are not identical, there is considerable overlap in the coverage of the two. Data on ODA (providing a consistent methodology across major donors) provides insights into how the U.S. compares with other countries and approximates humanitarian and economic development assistance, while foreign assistance data provides information on how the U.S. tracks its own programs, including security assistance.

II. Placing U.S. foreign assistance in perspective: a whole-of-government approach to foreign economic engagement

Although recent headlines have highlighted cuts to U.S. foreign assistance, official aid accounts for only a fifth of total economic flows influenced by U.S. government policies.[3] This section outlines a broader scope of U.S. economic engagement with developing countries. In 2024, the most recent year for which comprehensive information is available, the U.S. was the source for about $371 billion in financial engagement with developing countries. The breakdown is shown in Figure 1.[4]

Figure 1. US foreign economic engagement, 2024



Function 150 reflects outlays from subfunctions 151 and 152. Non-Function 150 is estimated from 2024 U.S. ODA reporting and includes in-donor refugee costs funded outside Function 150, Department of Defense material relief, and technical assistance by non-Function 150 agencies. Security assistance, FDI, and calculated duties are limited to countries on the OECD DAC List of ODA Recipients and exclude China. Private philanthropy is estimated by applying a 6.3 percent increase in total U.S. charitable giving reported by Giving USA to Indiana University's estimate. Remittances are total U.S. personal remittances paid through formal channels and cover all countries. Function 150, DFC commitments, and security assistance are in fiscal years; all other measures are in calendar years.

Source: ForeignAssistance.gov; TOSSD; DSCA Historical Sales Book FY2024; World Bank; Giving USA; OECD DAC1/CRS; BEA; DFC; OMB Historical Table 3.2/Public Budget Database; Indiana University Global Philanthropy Tracker; USITC Dataweb • Created with Datawrapper

[3] U.S. foreign assistance includes some military and security assistance that is not counted as "aid" by the OECD's Development Assistance Committee. Conversely, the OECD includes as "aid" certain categories of spending, including administrative costs, selected provision of technical assistance by government agencies, and direct military humanitarian support (such as the response to the Venezuela earthquake).

[4] Whenever possible, recipients of the flows recorded in Figure 1 are limited to developing countries.

A. Official flows

The most direct form of engagement is with federal budget resources disbursed through the 150 account, covering international development and humanitarian assistance channeled through U.S. agencies and international non-governmental and multilateral organizations, and international security assistance such as military funding and global peacekeeping ($59.9 billion in FY2024).

Beyond the 150 account, certain U.S. federal agencies provide services that are counted in the OECD Development Assistance Committee's definition of ODA: in-country refugee costs, selected technical assistance provided by U.S. agencies, and humanitarian relief carried out by the Department of Defense are examples ($5.9 billion in 2024).

Equity, loans, guarantees and insurance. The U.S. government's development finance institution, the U.S. International Development Finance Corporation (DFC), provides loans, equity, guarantees and insurance to mobilize private capital ($12.1 billion in gross commitments in FY2024). The level of actual investments made possible by these commitments is a multiple of this figure, potentially 4-5x based on analysis done by the predecessor organization, OPIC.

Security assistance. The U.S. facilitates sales of defense articles, services, and training to foreign governments and international organizations through the Foreign Military Sales program. Under the program, the Department of Defense manages the government-to-government transactions ($23.3 billion in FY2024).

B. Private flows shaped by U.S. policy

Migration and remittances. Migrants living in the U.S. sent upwards of $103 billion abroad in 2024, making the U.S. the largest source of remittances to developing countries in the world (the second largest remitter, Saudi Arabia, was the source for $47 billion, less than half the U.S. level). The numbers may actually be even larger. Globally there is a substantial discrepancy between what host countries measure (largely through formal channels) and what recipient countries claim to receive.[5]

Remittances are heavily affected by migration numbers. In 2024, there were about 25 million non-U.S. citizens living in the U.S. The One Big Beautiful Bill Act established a 1% federal excise tax on remittances sent via international money transfers. Even before this, at current U.S. average transfer costs of 5.0%, an estimated $5.2 billion in fees is paid by recipients annually. Reducing remittance costs to the global target of 3% would increase flows to recipient households in developing countries by approximately $2 billion per year.

Private philanthropy. The U.S. stands out among other countries in the size of private philanthropic giving to developing countries, influenced, in part, by U.S. tax policy towards charitable donations.

[5] Metrics are derived from commercial bank reports to the International Transactions Reporting System, from large remittance transfer operators, and from surveys and modelling estimates. Different countries use different methodologies—hence the discrepancies.

Charitable contributions to developing countries from private sources in the U.S., including individuals, corporations, foundations, churches, and others, were estimated at $63.6 billion in 2024.[6] Large U.S.-based NGOs have significant field presence that can be effectively mobilized to deploy their own resources as well as considerable amounts of U.S. government foreign assistance. The 50 largest U.S. based international nongovernmental organizations (INGOs) alone reported $29.2 billion in total revenue in their latest tax filings, making them major development actors. U.S. cross-border philanthropy dwarfs that of any other country. The second most generous country is the U.K. from which private contributions totaled $6.6 billion. Significant contributions come from corporate donations in-kind (e.g. pharmaceuticals), volunteering, and the financing of development programs.

As a share of their income, American firms and households give two-and-a-half times as much as the British, eight times as much as Germans, and twelve times as much as the Japanese. The two main drivers of American generosity are religiosity and the desire to fill gaps between what is perceived as needed and limited government assistance. In countries where governments are more generous, as a share of national income, private philanthropy tends to be smaller.

Foreign direct investment and private capital flows. The U.S. has 27 bilateral investment treaties with developing countries. These can pave the way for U.S. companies to invest abroad providing financing, technology upgrading, and access to markets for subsidiaries or joint ventures located in developing countries. U.S. FDI flows to developing countries totaled $39 billion in 2024.

In addition, U.S. policy on the conditions and charges for lending by the IMF and other multilateral development banks is a crucial factor facilitating U.S. portfolio investment of $32.8 billion and bank credits of $14.9 billion to developing countries in 2024.[7] These private capital flows are, however, highly volatile, swinging from a high of $177 billion in 2014 to a low of -$114 billion in 2020.

C. Trade and tariffs

Trade. "Trade not aid" is a long-standing development mantra, oriented to integrating countries into the global economy and building their underlying productive capacity to accelerate economic growth and self-reliance.

At an aggregate level, U.S. goods trade with developing countries (excluding China) remained resilient to both the level and volatility of U.S. tariffs in 2025. U.S. exports to these trading partners increased from $688 billion in 2024 to $724 billion in 2025, while imports increased from $1.124

[6] Indiana University, Global Philanthropy Tracker, https://globalindices.indianapolis.iu.edu/tracker/country-level-a.html

[7] Developing countries can face shortages of foreign exchange which could impact the ability of foreign investors to repatriate earnings, or debt service. In such situations, they rely on the International Monetary Fund and other multilateral agencies to stabilize macroeconomic conditions and to provide dollar liquidity to resume payments due to private investors.

trillion to $1.286 trillion.[8] Although the U.S. runs a trade deficit with developing countries in the aggregate, its trade relations with most developing countries are not structurally imbalanced. Almost all the trade deficit of the U.S. with developing countries is concentrated in just six countries: Mexico, Vietnam, India, Thailand, Malaysia, and Indonesia. The U.S. ran a trade surplus with 79 other developing countries in 2024 and 82 in 2025.

Due to changes in tariff policy, calculated duties collected on imports from developing countries, excluding China, rose from $16.5 billion in 2024 to $78.1 billion in 2025.[9]

III. A deep dive into U.S. foreign assistance and aid

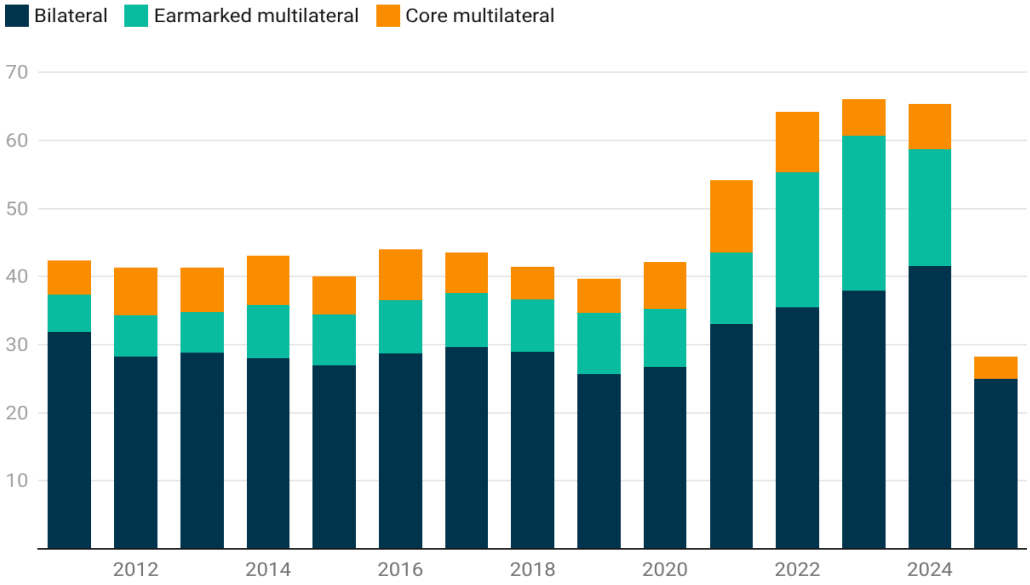
A. Aid changes in perspective

For 16 years, from 2005 to 2020, the U.S. gave about $40 billion annually in ODA (in inflation-adjusted constant 2024 dollars). With the onset of COVID-19, and then support to Ukraine, ODA grew steeply from 2020 to 2023. While numbers for 2025 are yet to be finalized, the initial estimates show U.S. ODA at $28.3 billion, the lowest level since 2003.[10]

[8] Mexico, the largest U.S. trading partner, accounted for $31.2 billion, or 19%, of the $162.4 billion increase in imports from developing countries. ODA-eligible Southeast Asian countries accounted for approximately $107.8 billion, or 66%, led by Vietnam and Thailand.
[9] 2025 data reflect calculated duties at entry and do not account for IEEPA duty refunds.
[10] OECD DAC1 in constant 2024 USD.

Figure 2. US ODA disbursements

Constant 2024 USD billions



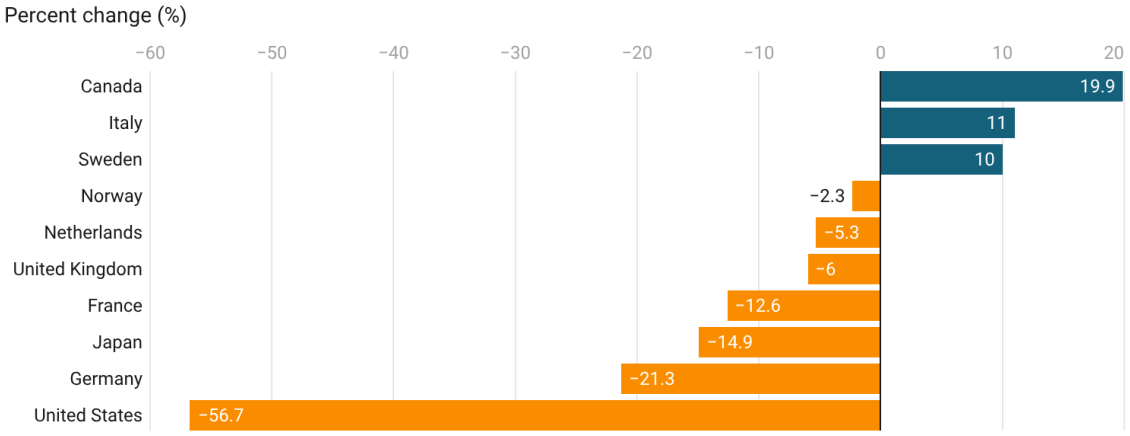
Bilateral excludes earmarked contributions through multilateral organizations. 2025 data are preliminary therefore bilateral ODA includes earmarked contributions.

Source: OECD DAC1; OECD DAC2A; OECD DSD_MULTI • Created with Datawrapper

Several large donors cut ODA from 2024 to 2025. The five largest Development Assistance Committee (DAC) providers in 2024, the U.S., Germany, the United Kingdom, Japan, and France, accounted for 68.3% of total ODA net disbursements. Their combined net disbursements declined from $145.2 billion in 2024 to $95.9 billion in 2025. The U.S. accounted for 75.2% of that reduction as its ODA fell by 56.7%, from $65.3 billion to $28.3 billion (preliminary figure), the largest decline by any provider in any year on record.[11]

[11] OECD DAC1; 2025 data are preliminary. In 2024, the U.S. provided 30.8% of total DAC net ODA, followed by Germany (15.6%), the United Kingdom (7.7%), Japan (7.2%), and France (7.1%). On a grant-equivalent basis in current USD, Germany became the largest DAC donor in 2025, providing $29.1 billion, with the U.S. second at $29.0 billion.

Figure 3. Change in official development assistance by donor, 2024-2025



2025 data are preliminary.

Source: OECD DAC1 • Created with Datawrapper

B. What aid programs got cut in 2025?

It is still unclear exactly what the level of foreign aid funding will total for FY2025, and hence the size of cuts is not yet fully known. The administration further reduced funding levels through rescissions[12] and the withholding of funds, with final decisions not yet made and some funding levels not being made public. Data below are best-available estimates at this time.

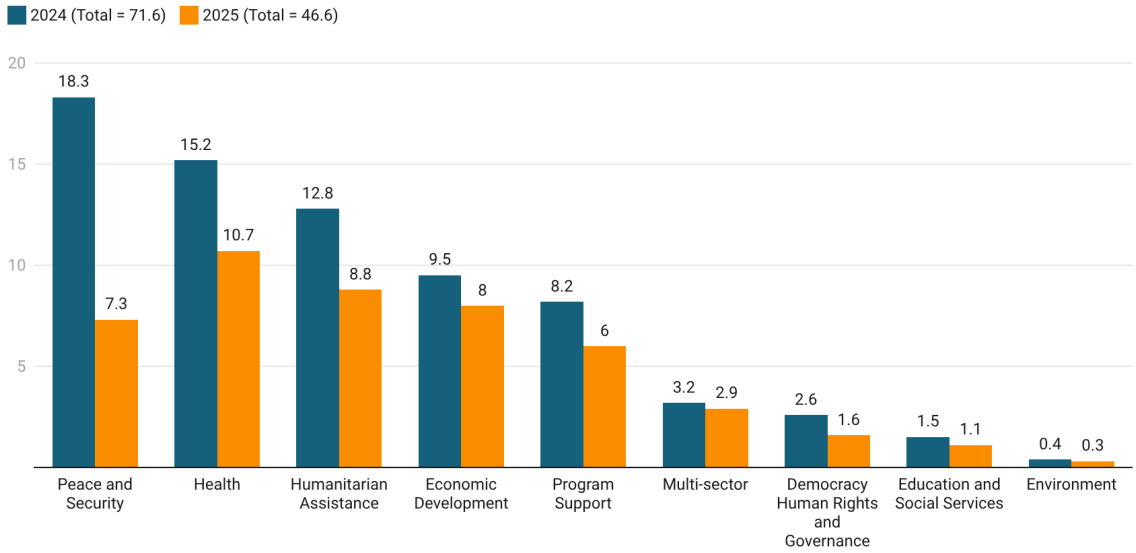
The bulk of U.S. foreign assistance cuts between 2024 and 2025 were in the largest programs: peace and security (-60%), health (-30%), and humanitarian assistance (-31%).[13] Other programs were also cut, but these three programs were cut by a combined $19.5 billion with peace and security accounting for 56.4% of that reduction (Figure 4).

[12] A rescission is the process by which previously appropriated funds are cancelled or "clawed back" before the money is spent.

[13] Peace and security cuts included large reductions to Israel and Ukraine; the largest health cuts were in Mozambique and Zambia; and significant humanitarian cuts were in the Democratic Republic of the Congo, Ethiopia, Yemen, South Sudan, and Somalia. Authors' calculations using ForeignAssistance.gov.

Figure 4. US foreign assistance by category, 2024-2025

Constant 2024 USD billions



Data are disbursements in fiscal years and excludes China. FY2025 is partially reported.

Source: ForeigAssistance.gov • Created with Datawrapper

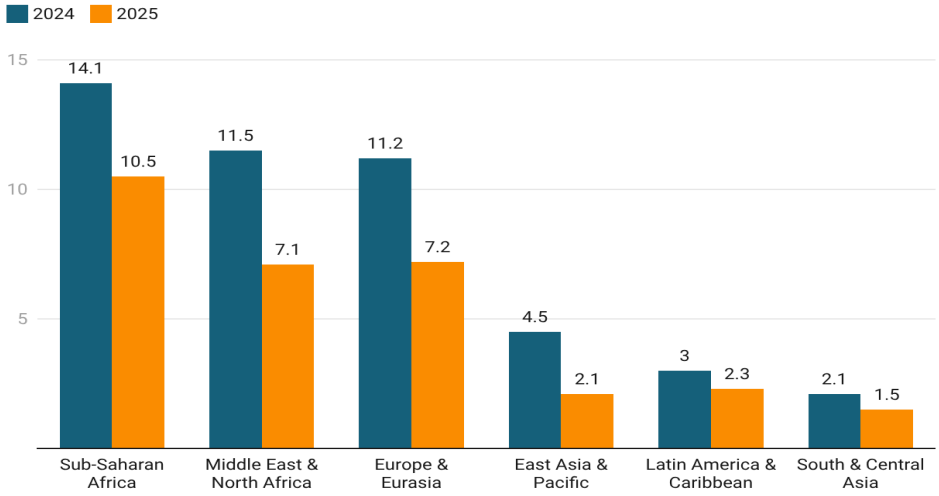
C. Which regions got cut?

Between 2024 and 2025, U.S. foreign assistance declined across all six regions.[14] The largest reductions were in the Middle East and North Africa and Europe and Eurasia at $4.4 billion and $4.0 billion respectively. U.S. foreign assistance to Sub-Saharan Africa fell by $3.6 billion but the region remained the largest regional recipient. Assistance to East Asia and the Pacific declined by $2.4 billion or 53%, the largest percentage reduction by region (Figure 5). East Asia and Latin America, the two regions targeted to receive at least 40% of assistance in the State Department's FY2026-2030 Strategic Plan, actually received just 14% of country-allocable aid in 2025.

[14] In 2024, the Middle East and North Africa and Ukraine accounted for 77% of country-allocable peace and security assistance. Sub-Saharan Africa accounted for 55% of humanitarian assistance and 81% of health assistance; authors' calculations using ForeignAssistance.gov.

Figure 5. US foreign assistance by region, 2024-2025

Constant 2024 USD billions



Data are in fiscal years and excludes China. FY2025 is partially reported. Country-allocable disbursements only.

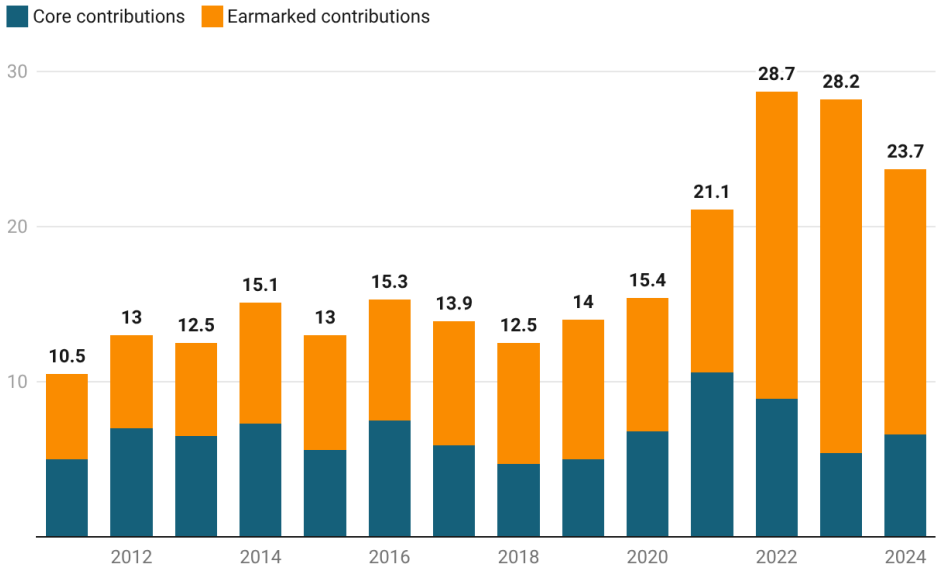
Source: ForeignAssistance.gov • Created with Datawrapper

D. Leveraging aid through use of multilateral channels

The U.S. contributed $23.7 billion to and through international organizations in 2024, a decline from $28.2 billion in the previous year but above its annual average of $13.5 billion from 2011 to 2020.

Figure 6. US contributions to and through multilateral organizations 2011-2024

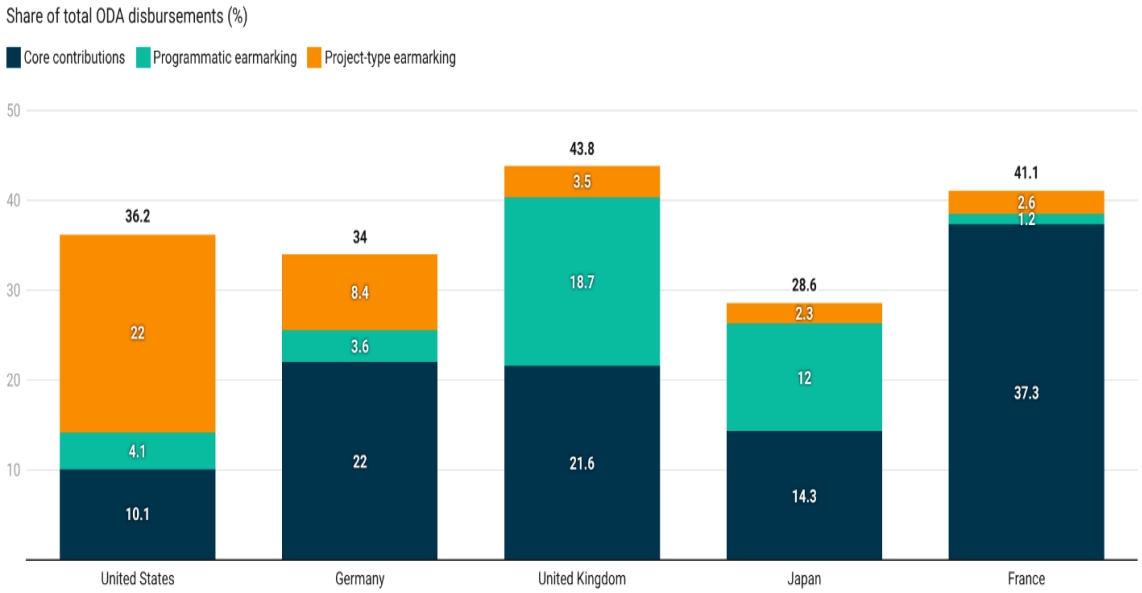
Constant 2024 USD billions



Source: OECD, Providers' total use of the multilateral system • Created with Datawrapper

U.S. contributions to and through multilateral organizations represented 36.2% of its total ODA disbursements in 2024, behind the United Kingdom at 43.8% and France at 41.1%. Among the five largest DAC donors, the U.S. led in project-type earmarking at 22% of its total ODA but had the lowest share of core contributions.

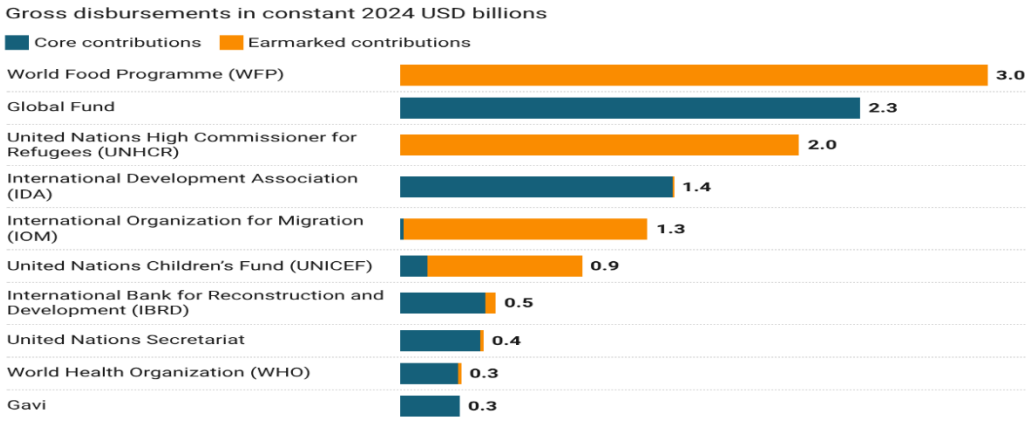
Figure 7. Top five DAC donors' contributions to and through multilateral organizations, 2024



Source: OECD DAC1; OECD multilateral system • Created with Datawrapper

The top 10 recipients accounted for $12.4 billion or 52% of the total. Leading organizations were: the World Food Programme (WFP) ($3 billion); the Global Fund ($2.3 billion); the UN High Commissioner for Refugees (UNHCR) ($2 billion); the International Development Association (IDA) ($1.4 billion); and the International Organization for Migration (IOM) ($1.3 billion). Among the top organizations, IDA and IBRD were the only institutions primarily focused on development finance.

Figure 8. Top recipients of US contributions to and through multilateral organizations, 2024

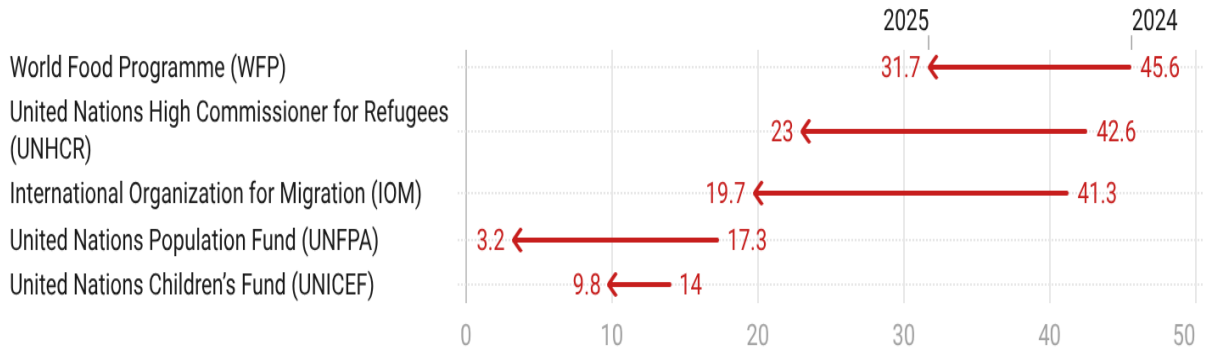


Source: OECD, Providers' total use of the multilateral system • Created with Datawrapper

Some multilateral institutions are highly dependent on U.S. contributions. In 2024, the U.S. accounted for 45.6% of total contributions to WFP, 42.6% to UNHCR, and 41.3% to IOM. By 2025, these shares had fallen to 31.7%, 23%, and 19.7%, respectively. The U.S. share of contributions to UNFPA also fell from 17.3% to 3.2% while its share of UNICEF contributions declined from 14% to 9.8%.[15]

Figure 9. US share of contributions to select international organizations, 2024-2025

Share of organization's reported total contributions (%)



Source: WFP; UNHCR; IOM; UNFPA; UNICEF • Created with Datawrapper

The decline of U.S. assistance was part of a broader funding contraction: WFP's total funding decreased to $6.5 billion, forcing WFP to reduce sizes of rations and downsize or suspend operations, affecting an estimated 16.7 million people; UNHCR reported it has met only 23% of its 2025 budget, putting up to 11.6 million refugees at risk of losing assistance; IOM announced it would scale back or end projects; UNICEF estimated that global cuts could disrupt nutrition services for at least 14 million children; UNFPA reported more than 1000 health facilities and mobile teams have closed or face closure and 10 to 12 million women and girls are at risk of losing essential services.

E. Looking ahead: FY2026 and beyond

Looking ahead, it appears that cuts will continue. The Consolidated Appropriations Act, 2026, provided $50 billion for U.S. international engagement in FY26, about 16% less than in FY25. Peace and security funding was largely protected despite the Administration's request to eliminate UN

[15] U.S. government contributions fell between 2024 and 2025 from $4.45 billion to $2.07 billion for WFP; $2.06 billion to $812 million for UNHCR; $1.50 billion to $539.7 million for IOM; $286.4 million to $47.1 million for UNFPA; and $1.12 billion to $743 million for UNICEF.

peacekeeping contributions and reduce other security-related programs.[16] Most of these resources are provided through the bilateral Foreign Military Financing allocations, in which 84% go to Israel, Egypt and Jordan.

The Act earmarked $9.42 billion for global health, with $5.88 billion going towards the President's Emergency Plan for AIDS Relief (PEPFAR), and of that, $1.25 billion towards the Global Fund and $45 million towards UNAIDS. PEPFAR funding for South Africa, however, was announced to be phased out.

The Trump Administration has made a major shift in U.S. health assistance by directing the bulk of assistance into government-to-government programs, negotiating as of September 2026, 35 bilateral health memorandums. Some $14 billion of U.S. assistance is assigned to these G2G programs, a reduction in recent U.S. health assistance to these countries, with the recipient governments committing additional funding. On one hand, placing these funds in the hands of government health ministries represents a move toward locally led development. On the other hand, there has been a lack of transparency, with only 17 of the memorandums being public and little information on how the memorandums will be implemented, along with considerable controversy over data required to be shared with the U.S.

Bilateral health agreements also sit awkwardly with the U.S. priority to promote developing country self-reliance. The Accra Reset provides a framing for self-reliance: nationally led frameworks organizing delivery across the whole supply chain with pooled financing, anchored by domestic resource mobilization, and supplemented with external resources where gaps persist.

Humanitarian assistance continues to be cut. Previously separate International Disaster Assistance and Migration and Refugee Assistance accounts have been combined in FY26 into an International Humanitarian Assistance account, which is receiving a combined $5.4 billion in 2026. Separately, individual large grants have been awarded to the United Nations Office for the Coordination of Humanitarian Affairs, UNICEF, International Organization for Migration (IOM), the Global Fund, and World Food Programme (WFP), leaving other programs to bear most of the cuts.[17]

In 2026, the State Department awarded $218 million to UNICEF and $800 million to WFP through large-scale humanitarian grants.

---

[16] The Administration's FY2026 request proposed reducing International Narcotics Control and Law Enforcement by 90%, Nonproliferation, Antiterrorism, Demining, and Related Programs by 14%, Peacekeeping Operations by 93%, International Military Education and Training by 20%, and Foreign Military Financing by 12% compared with FY2025 estimates. Overall, international security assistance would decline $2.3 billion or 27.5% from FY2025 to FY2026.

[17] In August 2026, the State Department announced nearly $2 billion in health and humanitarian partnerships with faith-based and community organizations.

IV. Toward a new strategy: principles, questions and ongoing debates

To return to where this briefer began, as important as foreign aid is for humanitarian purposes, for fostering economic prosperity, and for building resilience in fragile and least developed countries, for many, perhaps most, countries of the Global South it is not the most important U.S. policy/program on offer. Even without the current disruption to development assistance, the U.S. needs to craft a whole-of-government development strategy that integrates and ensures complementarity among the various statecraft tools that impact development.

Once an overall strategy is agreed upon, foreign assistance can be designed to better fit the purpose. The questions for foreign assistance design below are grouped around principles that have long underpinned U.S. assistance and draw together the issues raised in the preceding sections.

1. Purpose and geopolitics

Mutual self-interest is the foundation of sustainable development cooperation

One purpose of U.S. foreign assistance is to provide additional gravitational weight to draw other countries more closely into a U.S.-centered orbit. Unlike the Cold War, which encouraged countries to take sides, today's geopolitical rivalry cannot force countries to take sides; countries now want to work with multiple global leaders. As Singapore's PM Lawrence Wong has noted, "Both powers [the U.S. and China] claim they do not wish to force countries to choose sides. But in reality, each seeks to draw others closer into their respective orbits."

> *Is it in the U.S. strategic interest to encourage developing countries to align with it across the board or can the U.S. permit countries to choose development partners on an issue-specific basis?*

2. Where to focus: country needs and global challenges

Country-focus

There are only 25 low-income developing countries today, with a combined population of about 770 million, about 9% of the world's population and 14% of the developing world's population (excluding China).[18] Nearly half (11) of these countries are mired in conflict (g7+ countries) and have low levels of state capacity. The 2019 Global Fragility Act prioritized prevention of conflict in lower middle-income countries.

> *How should priority countries be chosen? The 2025 Reauthorization of the GFA recommends ending efforts in Haiti and Libya because of perceived high levels of corruption and weak government implementation capacity. This mimics the type of*

[18] Contrast this with 1961 when almost all developing countries were low-income.

> *criteria used by the MCC. Should such criteria be the basis for the U.S. to choose priority countries for its support?*
>
> *What are the most appropriate foreign assistance instruments, levels of support, and criteria to enhance the transition to self-reliance for these countries?*

Global challenges: Prevention and readiness is more cost-effective than *ex post* reaction

Foreign assistance can be used to combat a growing number of global development challenges with cross-border spillovers, directly and indirectly affecting U.S. security. Examples are pandemic surveillance, nature conservation, digital and AI security and interoperability, illicit human and wildlife trafficking, and narcotics control. In each case, prevention is more cost-effective than reaction once a problem emerges. Ending country support because of weak government (using the country-choice criteria) can create a weak link in global challenges. For example, severe aid cutbacks in U.S. support to DRC and Uganda degraded the current on-the-ground response to the Ebola crisis compared to 2014 and 2018-2020 outbreaks. Even though significant funding was restored after the emergence of the strain, staff expertise and surveillance capacity had already been degraded.

> *What global challenges are priorities for U.S. foreign assistance?*

3. Localization/country ownership

Locally led development is key to achieving effective development

Many developing countries have improved their public expenditure management capacity and have evolved local partners with granular knowledge of local conditions. They have long requested a greater "localization" of aid. Yet only $169 million was allocated as government-to-government aid from USAID in 2024. More was provided to local NGOs and regional partners, but still only 12.1% of USAID's acquisitions and assistance and G2G funding were localized in 2024, far short of USAID's own 25% by 2025 target. The culprit is detailed earmarks and procurement rules.

> *How should policy and values conditionality (human rights, democracy, rights of women and girls, Mexico City policies) be balanced with localization and recipient country priorities and policies?*

4. Partnerships and leverage

Leverage and partnerships can make aid dollars go further

Even before the drastic cuts in U.S. aid in 2025, the U.S. was becoming one of many rather than the dominant player in providing foreign assistance. It can achieve most impact by focusing on its comparative advantages, in partnership with others using national country platforms and UN, multilateral development bank, and OECD/DAC international platforms. Yet even when the U.S. seeks to use multilateral channels for its assistance it does so with more significant earmarks than

other donors, limiting the pooled nature of U.S. funding and reducing its ability to optimize its leverage with other donors.

The U.S. has sought to partner with the private sector. Leveraging private capital for development has had long bipartisan support. From 2001-2014 USAID supported 1393 public-private partnerships.[19] The BUILD Act, passed in 2018 during the first Trump Administration, created the U.S. International Development Finance Corporation. The DFC was explicitly designed to strengthen the U.S. government's ability to leverage private investment in developing countries. Earlier, President Obama had established a Global Development Council, the focus of which included support for public-private partnerships and to drive private capital towards development goals (for example through regulatory changes on sustainability practices). A number of bodies, such as the President's Export Council, the Business Council for International Understanding, and the U.S. Trade and Development Agency have an institutional role in connecting U.S. companies to development projects abroad.

> *How can assistance processes be made more agile and timely so as to facilitate partnership with the private sector but also not use public resources to unduly advance their commercial interests?*
>
> *Is there a clear division of labor between U.S. bilateral engagement and use of multilateral channels? Should U.S. multilateral support focus more on core contributions and broad program alignment and less on project earmarking?*

5. Efficiency and impact

Efficiency and impact should drive implementation

U.S. development agencies pioneered innovations to improve efficiency and impact. USAID's Development Innovation Ventures aimed to identify and pilot cost-effective solutions that could scale. The MCC introduced technical selection criteria in time-bound compacts with sunset clauses. Development impact bonds and results-based financing are examples of the pay-for-success concept. Multilateral organizations are committing to specific time-bound goals (such as the World Bank/African Development Bank M300 initiative). Large-scale, pooled (at national, regional or global levels) financing and procurement can reduce fragmentation and volatility. In much of this, AI now offers new opportunities as an efficiency-multiplier, providing the technical ability to target better, to collect real-time data, to build confidence and transparency in local accounting and procurement systems. The through-line is that AI opens new options for accountability that can drive efficiency and impact and build confidence in locally led systems.

[19] A Data Picture of USAID Public Private Partnerships: 2001-2014. https://www.brookings.edu/articles/a-data-picture-of-usaid-public-private-partnerships-2001-2014/

> *What new instruments and/or innovations (sunset clauses, programmatic KPIs, use of local systems) should be scaled up? Is increased use of cash transfers part of the solution, especially for humanitarian aid?*[20]

Conclusion

It is timely to review the landscape of global development, to ask questions such as those listed above, to debate how national interest can best be advanced, and to seek a new foreign economic engagement strategy that is relevant to current development needs.

[20] Under then-Chief Economist Dean Karlan, USAID issued a position paper, *Direct Monetary Transfers for Development Outcomes*, in October 2024 recommending direct monetary transfers as a core element of its development toolkit.