CENTER FOR GLOBAL DEVELOPMENT

Restocking the Toolkit

The Case for US Concessional Sovereign Loans

ERIN COLLINSON · CLEMENCE LANDERS · JUSTIN HURLEY

Abstract

For decades, the United States has relied almost exclusively on grants to deliver foreign assistance. While grant-based assistance remains essential in the poorest countries and for meeting health and humanitarian needs, grants are poorly suited to financing large-scale infrastructure, where funding needs far exceed grant budgets, and may be less attractive to middle-income countries seeking larger volumes of finance at below-market rates. Amid growing budget pressures, the United States needs a broader toolkit for engagement, and concessional loans could help fill a key gap at a fraction of the cost.

This paper argues that the United States should initiate a concessional sovereign lending pilot of around $5 billion in annual infrastructure lending that is narrowly targeted and carefully designed. Under the program, eligibility would be limited to countries below the World Bank's graduation threshold with investment-grade or near-investment-grade credit ratings and a low risk of debt distress. Borrowers would commit to full debt transparency, and the United States would publish the terms of all its loans. With major shifts in US international assistance already underway, there is an important window of opportunity to revive a financially efficient tool for engaging middle-income partners without worsening debt dynamics or diverting grant resources from the poorest countries.

POLICY PAPER 408 • OCTOBER 2026

Restocking the Toolkit: The Case for US Concessional Sovereign Loans

Erin Collinson, Clemence Landers, and Justin Hurley
Center for Global Development

The authors thank Casey Dunning Davis, Mikaela Gavas, Charles Kenny, and Nancy Lee for their helpful comments on an earlier draft. The authors are also grateful to Rowan Rockafellow for valuable contributions to the paper's methodology, and to Julia Brownell and Nico Martinez for research support. Any remaining errors are the authors' own, and the views expressed here are solely theirs.

Erin Collinson, Clemence Landers, and Justin Hurley. 2026. "Restocking the Toolkit: The Case for US Concessional Sovereign Loans." CGD Policy Paper 408. Washington, DC: Center for Global Development. https://www.cgdev.org/publication/restocking-toolkit-case-us-concessional-sovereign-loans

CENTER FOR GLOBAL DEVELOPMENT
2055 L Street, NW Fifth Floor
Washington, DC 20036

1 Abbey Gardens
Great College Street
London
SW1P 3SE

www.cgdev.org

Center for Global Development. 2026.

The Center for Global Development works to reduce global poverty and improve lives through innovative economic research that drives better policy and practice by the world's top decision makers. Use and dissemination of this Policy Paper is encouraged; however, reproduced copies may not be used for commercial purposes. Further usage is permitted under the terms of the Creative Commons Attribution-NonCommercial 4.0 International License.

The views expressed in CGD Policy Papers are those of the authors and should not be attributed to the board of directors, funders of the Center for Global Development, or the authors' respective organizations.

Contents

Glossary 1

Introduction 2

1. Historical origins and goals of US sovereign lending for development 3

The functions of USAID's development loans 4

The end of US bilateral sovereign loans 6

The return of development loans? FY24 sovereign direct loans to Ukraine 8

2. Identifying opportunities and challenges for US concessional sovereign lending in the current context 9

Why bring back loans? 9

3. Designing a new concessional sovereign loans program 13

How much would it cost? 14

Country eligibility: Who could benefit? 15

Housing the loan program 16

Statutory authority and future appropriations 19

Rules of the road and thinking through the risks 21

Conclusion 22

Appendices 24

Appendix A. Estimating the subsidy costs of a sovereign loan program 24

Appendix B. Current state of play: The shutdown of USAID and ongoing US government credit-based support to developing countries 28

Bibliography 31

Figures

1. USAID loans by region—obligations (constant 2020 USD) 5
2. US foreign economic assistance in the 21st century by country income status 11
3. How much would a sovereign loan cost the US government? 15
4. Proposed financial architecture 20
A1. Components of the ICRAS Process 25

Tables

1. USAID historical loan data 5
2. Proposed development loan pilot: Countries and terms 14

Glossary

DFC	US International Development Finance Corporation
EXIM	Export-Import Bank of the United States
FCRA	Federal Credit Reform Act
FY	fiscal year
GAO	Government Accountability Office
G7	Group of Seven (Canada, France, Germany, Italy, Japan, United Kingdom, United States)
HIPC	heavily indebted poor countries
IBRD	International Bank for Reconstruction and Development (World Bank Group)
ICRAS	Interagency Country Risk Assessment System
IDA	International Development Association (World Bank Group)
LIC	low-income country
LMIC	lower-middle-income country
MCC	Millennium Challenge Corporation
MDBs	multilateral development banks
NGO	nongovernmental organization
OMB	Office of Management and Budget
OPIC	Overseas Private Investment Corporation
PGI	Partnership for Global Infrastructure and Investment
PL 480	Public Law 480 (Food for Peace Act)
UMIC	upper-middle-income country
USG	United States government

Introduction

Over the past several decades, the United States has relied overwhelmingly on grants to deliver its foreign assistance—and that choice has come at a cost. Grants are an inefficient tool for financing large-scale infrastructure investments, where public capital is often essential, but the required sums far exceed what grant budgets can support. They are also often an ineffective means of engaging with middle-income countries, where larger volumes at below-market rates tend to be more appealing. The result has been a persistent gap between what the United States aspires to do in emerging markets and what it can finance.

This paper argues that reviving concessional sovereign lending is the most practical way to close that gap. Loans were once the dominant instrument in America's development arsenal: from the late 1950s through the 1980s, the United States financed railways in India, dams across Latin America, and economic reform programs from South Korea to Türkiye through direct loans to sovereign governments. At their peak in the 1960s, loans accounted for more than half of the US Agency for International Development's (USAID) total assistance portfolio.

The economic case for returning to loans is strong. A modest budget appropriation can underwrite a loan many times its size, dramatically extending the US financing footprint at a fraction of the cost of grants. Below-market interest rates and long repayment periods give developing countries access to affordable capital for infrastructure investments they could not otherwise finance on reasonable terms. And unlike grants routed through nongovernmental organizations (NGOs), sovereign loans put the United States in direct dialogue with partner governments—creating leverage for policy reform. A concessional sovereign loan program could also function as a force multiplier for existing US investments in the multilateral development banks (MDBs). Bilateral loans could be structured to co-finance key MDB projects, stretching scarce US resources further by leveraging MDB capital alongside them. They could also give emerging market borrowers an incentive to steer their own MDB allocations toward projects the United States is already prioritizing, aligning MDB lending more closely with US development and strategic objectives without requiring the US to expand its own capital contributions.

We are not proposing a return to the sprawling lending programs of the past, nor a substitute for grants in the world's poorest countries. We propose a disciplined pilot program of around $5 billion in annual lending, targeted at a small set of middle-income countries with sound macroeconomic frameworks and strong US partnerships, focused specifically on infrastructure investment.

This paper is in three parts. First, we trace the history of US development lending. Then we argue for its revival. Finally, we lay out a concrete program design with eligibility criteria and cost estimates and assess the risks and how to manage them.

1. Historical origins and goals of US sovereign lending for development

To understand the rationale for a renewed sovereign lending program, it helps first to examine the evolution and objectives of historic US development lending. While the United States provided some international assistance earlier, the roots of recent development assistance programs trace back to the post-World War II period and were shaped by emerging Cold War tensions. President Truman's 1949 inaugural address—known today as the "Point Four" speech—outlined a vision for a new program to assist "underdeveloped" countries through sharing technical capabilities and scientific knowledge.[1] By offering development assistance, the United States aimed to create economic stability and prosperity that could serve as a bulwark against Soviet encroachment.

Cold War competition intensified under President Eisenhower, and development assistance evolved beyond technical support to include more substantial financial aid with the creation of the Development Loan Fund (DLF) in 1957. The fund provided direct sovereign loans to support economic growth in developing nations. The program was grounded in Walter Rostow's modernization theory, which posited that loans would encourage recipient governments to take greater ownership of project development and implementation, incentivize private-sector involvement, and promote the adoption of a "sound, business-like" framework.[2,3]

The Foreign Assistance Act of 1961 (FAA) gave the president the authority to provide both grants and loans for development purposes.[4] When the Kennedy administration established USAID in the wake of the FAA's passage, it consolidated technical assistance, grants, and loans under a single agency. At the time, the Kennedy administration's vision was that loans—not grants—would be the dominant financing tool for USAID.

> *"The instrument of primary emphasis—the single most important tool—will be long-term development loans at low or no rates of interest, repayable in dollars, and designed to promote growth in those less-developed nations which have a real chance for ultimate self-reliance but which lack the ability to service loans from normal lending institutions. The terms of repayment will vary from as long as 50 years for those countries just starting on the road to development, to a much shorter period of time for those countries that are nearing the stage of self-sufficient growth."*
>
> —President John F. Kennedy, Special Message to the Congress on Foreign Aid, March 1961

1 Harry S. Truman, "Inaugural Address," January 20, 1949, Harry S. Truman Library & Museum, Public Papers of the Presidents, https://www.trumanlibrary.gov/library/public-papers/19/inaugural-address. The US government did provide moderate amounts of technical assistance to Latin American countries in the early 1940s through the Institute of Inter-American Affairs and the Inter-American Education Foundation, but President Truman's speech identified assistance to developing countries as a core element of US foreign policy. See:, 27.

2 *Terminal Report of the Development Loan Fund, August 1957–November 3, 1961* (Agency for International Development, January 1962), https://web.archive.org/web/20241130220645/https:/pdf.usaid.gov/pdf_docs/pdabc787.pdf.

3 Carol Lancaster, *Foreign Aid: Diplomacy, Development, Domestic Politics* (University of Chicago Press, 2007) 66.

4 Foreign Assistance Act of 1961, Pub. L. 87-195, sec. 122, https://www.govinfo.gov/content/pkg/COMPS-1071/pdf/COMPS-1071.pdf.

This approach reflected President Kennedy's broader strategy of promoting economic development as an alternative to communism.

The functions of USAID's development loans

USAID's development loans were predominantly issued directly to recipient governments to implement infrastructure programs, but rules encouraging the procurement of US goods and services often meant these investments promoted US economic interests.[5] According to a 1982 OECD report, more than 70 percent of US bilateral loans were "tied" to US procurement.[6] USAID reports from the late 1960s estimate that these loans helped support foreign purchases of US commodities valued at over $1 billion annually.[7]

USAID's lending followed two main approaches:

- Project-based loans that financed specific initiatives, like India's railway modernization and the construction of hydroelectric dams.[8]
- Program assistance loans that supported the partner government's national development strategies by providing financing for commodity imports and capital equipment.[9]

USAID generally negotiated economic reforms in tandem with large development program loans.[10] For example, USAID set explicit conditions requiring economic stabilization and growth policies in Latin America, import liberalization and private-sector investment in India, and increased foreign exchange holdings in South Korea and Türkiye.[11]

Countries that appeared ready for "takeoff," such as India, Brazil, and Chile, were identified as suitable recipients of large development loans, but foreign policy priorities also informed country selection. At times, loan allocation decisions revealed tensions between development objectives and geopolitical considerations.[12]

5 Curt Tarnoff, "U.S. Foreign Assistance: USAID Loan Guarantees," CRS In Focus IF10409 (Congressional Research Service, July 18, 2017), https://www.congress.gov/crs-product/IF10409.

6 U.S. General Accounting Office, "Donor Approaches to Development Assistance: Implications for the United States," ID-83-23 (GAO, May 4, 1983), 48, https://gao.justia.com/agency-for-international-development/1983/5/donor-approaches-to-development-assistance-id-83-23/ID-83-23-full-report.pdf.

7 Agency for International Development, "AID in Summary Report, FY1967" (Agency for International Development, 1967), 4.

8 U.S. Agency for International Development Mission to India, "The United States Contribution to Indian Development" (USAID Mission to India, Office of Program and Finance, December 3, 1964), 12, https://web.archive.org/web/20170218224932/https://pdf.usaid.gov/pdf_docs/Pdacq704.PDF.

9 U.S. General Accounting Office, "U.S. Assistance for the Economic Development of the Republic of Korea" (GAO, July 12, 1973), 21, https://www.gao.gov/assets/b-164264.pdf.

10 Samuel Hale Butterfield, *U.S. Development Aid—An Historic First: Achievements and Failures in the Twentieth Century* (Praeger Publishers, 2004), 69.

11 U.S. General Accounting Office, "U.S. Use of Conditions to Achieve Economic Reforms" (GAO, August 1986), 10, https://www.gao.gov/assets/nsiad-86-157.pdf.

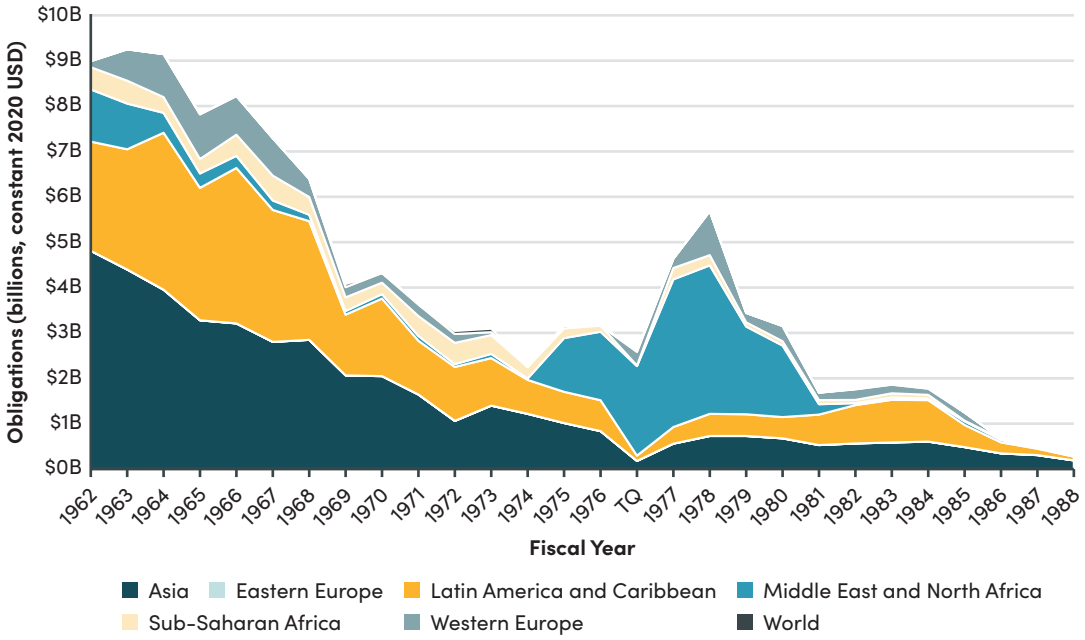
12 Lancaster, *Foreign Aid*, 73.

TABLE 1. USAID historical loan data

Constant Dollars (USD 2020)			Historical Dollars		
1	India	$19,258,790,691.00	1	India	$3,512,702,000.00
2	Pakistan	$11,557,712,728.00	2	Egypt	$2,678,557,000.00
3	Brazil	$8,050,889,389.00	3	Pakistan	$2,371,143,000.00
4	Egypt	$7,643,432,507.00	4	Turkey	$1,485,429,000.00
5	Turkey	$6,892,373,356.00	5	Israel	$1,420,500,000.00
6	Colombia	$5,190,216,293.00	6	Brazil	$1,311,002,000.00
7	Israel	$4,953,895,023.00	7	Indonesia	$1,112,216,000.00
8	Indonesia	$4,293,180,543.00	8	Colombia	$924,600,000.00
9	Chile	$3,726,961,180.00	9	Chile	$607,000,000.00
10	Korea, South	$2,886,869,290.00	10	Korea, South	$501,900,000.00

Source: US Overseas Loans & Grants [Greenbook], Fiscal Years 1946–2020, "USAID Loans—Inactive".

FIGURE 1. USAID loans by region—obligations (constant 2020 USD)



Note: TQ = transition quarter (July–Sept. 1976), when the US fiscal year start moved from July 1 to October 1.
Source: US Overseas Loans & Grants [Greenbook], Fiscal Years 1946–2020.

USAID's development loans were concessional with terms established on a case-by-case basis, typically featuring:

- Lending periods of 25 to 40 years
- Interest rates of 2.5 to 3 percent
- Grace periods of about 10 years[13]

13 Jonathan E. Sanford, "Debt Owed to the United States by Foreign Countries: Recent Rescheduling and Forgiveness," CRS Report (Congressional Research Service, November 19, 1993), 4, https://web.archive.org/web/20231120154201/https:/pdf.usaid.gov/pdf_docs/Pcaaa486.pdf.

While the executive branch initially enjoyed broad discretion to set loan terms, Congress enacted minimum interest rates for US development loans in the mid-1960s and gradually raised them over the decade. By the end of 1968, minimum interest rates on sovereign loans were set at 2 percent for the first 10 years of the loan's duration, and 3 percent for the remaining repayment period.[14]

Unlike its predecessor, the Development Loan Fund, which authorized the issuance of loans repayable in local currency to reduce the burden of foreign exchange on borrowing countries, USAID strictly issued dollar-denominated development loans.[15]

USAID initially retained the authority to recycle repayments into new loans, but Congress later amended the program, beginning in FY 1976, to require that all repayments be returned to the Treasury.[16]

The end of US bilateral sovereign loans

Until the mid-1970s, debt restructurings for developing countries were rare, but by the late 1970s, they had become increasingly common.[17] Sovereign loans as a percentage of USAID assistance had already begun to shrink over the decade, in part due to advocates who pushed for USAID programs to address the needs of the world's poorest populations more directly, helping to fuel legislative changes that prioritized grant-based support for agriculture, education, health, and nutrition programming. Growing balance-of-payment issues in developing countries also prompted the agency to favor grant-based aid. Several other factors contributed to the shift away from loans:

- USAID's Housing Guaranty Program faced challenging financial conditions, with many borrowers repeatedly rescheduling their debt.[18]
- A poorly designed US loans program financing foreign military sales required Congress to act as countries struggled to make payments.[19]
- According to a GAO report, certain USAID missions shifted from loans to grants to accelerate aid delivery because, unlike loans, grants did not require recipient countries to obtain legislative approval.[20]

14 Foreign Assistance Act of 1968, Pub. L. 90-554, 82 Stat. 960, https://www.govinfo.gov/content/pkg/STATUTE-82/pdf/STATUTE-82-Pg960.pdf.

15 *Terminal Report of the Development Loan Fund*, 4. The accumulation of excess local currencies from the sale of surplus agricultural commodities led Congress to specify that USAID's development loans required dollar repayment.

16 U.S. General Accounting Office, "Revolving Funds: Full Disclosure Needed for Better Congressional Control" (GAO, August 30, 1977), 53, https://www.gao.gov/assets/pad-77-25.pdf.

17 U.S. General Accounting Office, "U.S. Development Efforts and Balance-of-Payments Problems in Developing Countries" (GAO, February 14, 1983), 21, https://www.gao.gov/assets/id-83-13.pdf.

18 Frank C. Conahan, "Foreign Housing Guaranty Program: Goals Are Not Achieved and Financial Condition Is Poor," testimony before the Subcommittee on International Economic Policy and Trade, Committee on International Relations, U.S. House of Representatives, June 29, 1995, 4, https://www.gao.gov/assets/t-nsiad-95-181.pdf.

19 U.S. General Accounting Office, "Military Loans: Repayment Problems Mount as Debt Increases" (GAO, October 1985), https://www.gao.gov/assets/nsiad-86-10.pdf.

20 U.S. General Accounting Office, Foreign Assistance: U.S. Use of Conditions to Achieve Economic Reforms, GAO/NSIAD-86-157 (Washington, DC: U.S. General Accounting Office, August 1986), https://www.gao.gov/assets/nsiad-86-157.pdf.

By the time USAID ceased providing sovereign loans in 1988, World Bank lending had grown considerably and become the dominant source of external development financing for many developing countries, particularly for infrastructure investments.[21,22] The end of the Cold War ushered in a change in the US approach to foreign economic assistance, which was no longer animated by the mission to contain the spread of communism.[23] While direct lending ceased, the US has maintained a sovereign guarantee program, which it has used sporadically, primarily as a foreign policy instrument.[24] It has also maintained a private sector lending program through the Overseas Private Investment Corporation (OPIC) and its successor agency, the US International Development Finance Corporation (DFC).

The US experience with debt forgiveness

As lending receded and debt burdens grew, the US government's role shifted toward managing and, eventually, forgiving outstanding debts. Through the mid-1980s, the US government's approach to debt rescheduling focused on maximizing short-term repayment by lengthening the maturities of principal repayments rather than on achieving development goals.[25] By the late 1980s, amid unsustainable debt burdens facing many low-income countries, a group of major creditor nations, known as the Paris Club, agreed to cancel debts rather than refinance them. [26] Shortly after USAID phased out its concessional lending program in FY1988, the US government began to cancel certain debts outright to reduce the debt burden of developing countries.[27]

21 Nick M. Brown, "Foreign Assistance: Where Does the Money Go?," CRS Report R48150 (Congressional Research Service, August 8, 2024), 6, https://www.congress.gov/crs-product/R48150. Food for Peace continued to provide long-term loans to foreign countries under Title I beyond 1988, but Title I has not received funding since FY2006, and prior to that, in FY1998, it was no longer considered foreign aid given its export focus.

22 Curt Tarnoff, "U.S. Agency for International Development (USAID): Background, Operations, and Issues," CRS Report R44117 (Congressional Research Service, July 21, 2015), https://sgp.fas.org/crs/row/R44117.pdf.

23 U.S. General Accounting Office, "AID Strategic Direction and Continued Management Improvements Needed" (GAO, June 1993), 18, https://www.gao.gov/assets/nsiad-93-106.pdf.

24 Scott Morris, Rowan Rockafellow, and Daleep Singh, "Reimagining the US Sovereign Loan Guarantee Program: A Cost-Effective Strategy for Supporting Developing Country Partners" (Center for Global Development, June 20, 2023), https://www.cgdev.org/publication/reimagining-us-sovereign-loan-guarantee-program-cost-effective-strategy-supporting.

25 U.S. General Accounting Office, "U.S. Development Efforts and Balance-of-Payments Problems in Developing Countries," 20–21.

26 Martin A. Weiss, "The Paris Club and International Debt Relief," CRS Report RS21482 (Congressional Research Service, July 18, 2017), https://www.congress.gov/crs-product/RS21482.

27 Sanford, "Debt Owed to the United States by Foreign Countries," 6.

The US government's debt forgiveness covered a wide range of bilateral claims, including non-concessional debt from the Export-Import Bank, military assistance loans, agricultural credits, and USAID development loans.[28] The US went on to provide loan forgiveness through the Enterprise for the Americas Initiative, under Paris Club and Heavily Indebted Poor Countries agreements, and through debt swaps. As a result of these relief programs over three decades, relatively little outstanding debt for development loans remains today, likely around $1.2 billion in principal, interest, and arrears combined, of which a portion is scheduled for future repayment.[29]

The return of development loans? FY24 sovereign direct loans to Ukraine

After a protracted hiatus, US sovereign lending returned in 2024, in a unique and limited form. As part of the Ukraine Security Supplemental Appropriations Act 2024, included in the supplemental appropriations bill colloquially dubbed the "National Security Supplemental," Congress required the president to enter into a repayment agreement with the Ukrainian government for nearly $9.5 billion in economic assistance.

While the arrangement was described as a loan, marking the first direct sovereign loan USAID issued since the late 1980s,[30] Congress authorized the president to cancel 50 percent of the Ukrainian debt nearly seven months later, and any remaining debt at the beginning of 2026.[31] Since the potential for cancellation was known from the start, the financial support was treated as a grant rather than a loan for budget scoring purposes. And indeed, President Biden exercised the early forgiveness authority while in office, canceling $4.7 billion of Ukraine's debt in late November 2024.[32]

28 "Debt Reduction: Initiatives for the Most Heavily Indebted Poor Countries," CRS Report RL30214 (Congressional Research Service, February 1, 2000), https://www.everycrsreport.com/files/20000201_RL30214_57350308c1dd8be9ca5b772d8f2b55735bc5b1fc.pdf. This estimate comes from analyzing various GAO and CRS documents related to debt forgiveness. At least $2 billion was forgiven for development loans under the authority provided by Section 572 of the FY1989 Foreign Operations Appropriations Act, which authorized the President to cancel outstanding principal and interest for least developed countries undertaking IMF or World Bank-led adjustment programs. Additional forgiveness during the last 30 years has been applied to debt held by a wide range of government agencies, making it difficult to determine the exact amount of debt forgiveness applied directly to USAID development loans.

29 Analyzing the Treasury Department's Foreign Credit Reporting System, Composition of Foreign Credit Exposure, $1.85 billion remained on the books for direct loans to official debtors from USAID as of 2019-12-31, before the portfolio was transferred to DFC in 2020. The most recent report (2026-06-30) indicates that USAID retains no direct-loan exposure to official debtors, and that $732.7 million in principal (plus $456.1 million in interest and fees in arrears, for $1.19 billion in total direct-loan exposure) remains owed by official debtors to DFC on these direct loans. The Sovereign Lending, Loan-by-Loan report shows $732.7 million in outstanding principal. See: U.S. Department of the Treasury, "U.S. Government Foreign Credit Exposure by Region and Country," Foreign Credit Exposure Reports, accessed September 16, 2026, https://fcrs.treasury.gov/fcrs/s/foreign-credit-exposure-report; U.S. Department of the Treasury, "Sovereign Lending, Loan-by-Loan," Foreign Credit Exposure Reports, accessed September 16, 2026, https://fcrs.treasury.gov/fcrs/s/sovereign-lending-loan-by-loan.

30 Nick M. Brown and Emily M. McCabe, "U.S. Direct Financial Support for Ukraine," CRS In Focus IF12305 (Congressional Research Service, January 13, 2025), https://www.congress.gov/crs-product/IF12305.

31 Emergency Supplemental Appropriations for Fiscal Year 2024, Pub. L. 118-50, 138 Stat. 895, sec. 507 (2024), https://www.congress.gov/118/plaws/publ50/PLAW-118publ50.pdf.

32 Note: A group of Republican senators attempted to block the debt cancellation through a joint resolution of disapproval, but the measure failed by a vote of 37 to 61.

Separately, USAID guaranteed repayment of a $20 billion loan to the government of Ukraine in December 2024, to be repaid from future revenue flows on Russian sovereign assets frozen in the European Union.[33] While technically a loan guarantee, the funding was treated for budgetary purposes as a $20 billion USAID loan, with $535.25 million obligated for subsidy costs.[34,35] The Ukraine case demonstrates both the enduring utility and the evolving challenges of sovereign lending. With this context, we now turn to the case for reviving a broader, more systematic program.

Note: The US government retains select lending and financial instruments that provide support abroad. See Appendix B for a list of ongoing programs.

2. Identifying opportunities and challenges for US concessional sovereign lending in the current context

Why bring back loans?

A longstanding policy question—one that predates the current development financing crisis but has renewed relevance—is whether the United States should reenter the field of sovereign lending. Most G7 countries provide a share of their overseas economic support to developing countries in the form of loans. Loans offer key advantages to donors: they are more affordable than grants because they are repaid, and thus they allow the lending country to support a larger financing footprint at lower cost. They are particularly well suited to large infrastructure financing programs. For instance, France and Japan have used concessional loans through their development agencies—AFD and JICA, respectively—to finance overseas rail infrastructure projects in countries such as Senegal and India, creating investment opportunities for domestic manufacturers like Alstom and Hitachi.

The United States has a strong policy case for relaunching a concessional sovereign lending program, as outlined below. But before examining the merits, it is important to lay out three key limitations of the proposed loan program.

First, the program is not a substitute for large-scale grant-based US assistance. Specifically, concessional loans are not an appropriate tool for channeling US development assistance

33 U.S. Agency for International Development, "The United States Signs Agreement Providing $20 Billion Loan to Ukraine," press release, December 10, 2024, https://web.archive.org/web/20241220000742/https:/www.usaid.gov/news-information/press-releases/dec-10-2024-united-states-signs-agreement-providing-20-billion-loan-ukraine.

34 Special Inspector General for Operation Atlantic Resolve, "Operation Atlantic Resolve Including U.S. Government Activities Related to Ukraine: January 1, 2025–March 31, 2025" (Special Inspector General for Operation Atlantic Resolve, 2025), https://oig.usaid.gov/sites/default/files/2025-05/OAR_Q2_Mar2025_Final_508.pdf. The budget implications of the subsidy rate (2.68 percent) are unlikely to serve as a blueprint for future sovereign loans, given its unusual structure, as the default risk is substantially reduced by repayments from immobilized Russian assets.

35 The FY27 Federal Credit Supplement indicates the Ukraine ERA loan was reestimated upward, driven by a change due to technical assumptions. See: Office of Management and Budget, *Federal Credit Supplement, Budget of the U.S. Government, Fiscal Year 2027* (Executive Office of the President, 2026), https://www.whitehouse.gov/wp-content/uploads/2026/04/cr_supp_fy2027.pdf.

in the world's poorest countries, especially poor countries at high risk of debt distress. Instead, concessional loans will be best used for investment programs in middle-income countries with demonstrated economic capacity to repay. Further, global health and humanitarian response comprised the largest share of the US foreign assistance portfolio in recent decades, underscoring that loans for infrastructure would offer a complementary avenue for engagement rather than a direct replacement for grant-based support.

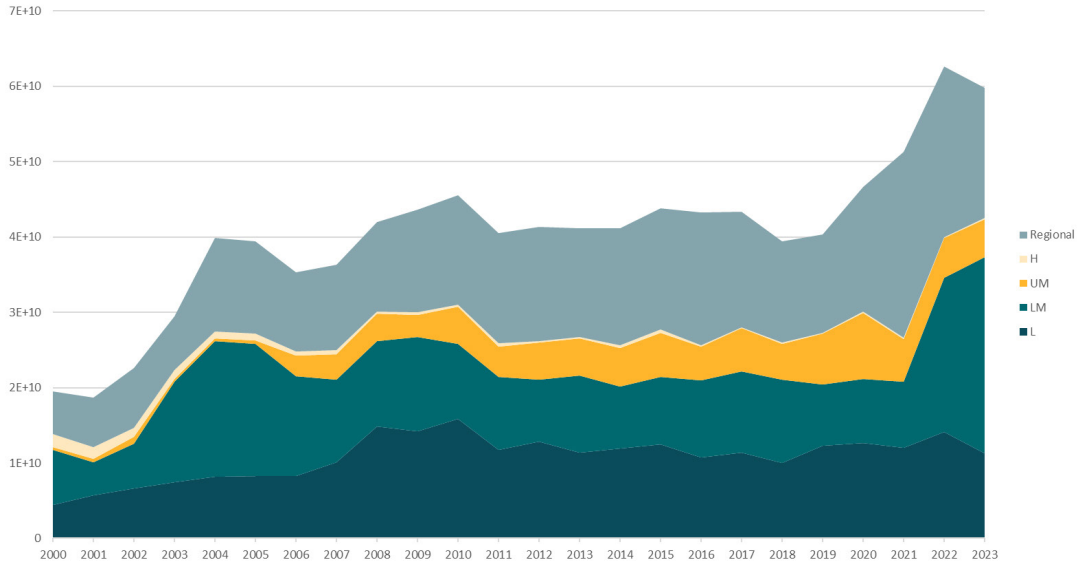
Second, a revived sovereign lending program is not a substitute for DFC or EXIM financing. Many infrastructure projects are suitable for private funding, but when returns are limited or uncertain, some form of public funding is needed. This is especially true for transit and road corridors. In such cases, loans would fill a longstanding instrument gap in the US development financing arsenal.

Finally, US bilateral sovereign lending would not be a substitute for its investments in multilateral development banks. Many MDB shareholders co-finance MDB programs with their own bilateral loans to incentivize countries to borrow for specific projects. Indeed, MDBs offer an unmatched scale of financing and technical expertise around the globe. As a leading shareholder in several key institutions, the United States has significant influence in shaping their agendas and policy goals. US engagement at the World Bank and regional development banks remains vital to tackling development challenges, while serving US foreign policy interests.

A financially efficient approach

In the context of reduced foreign assistance budgets and a development policy landscape increasingly focused on economic statecraft and geopolitical competition, a lending instrument could help the United States increase its overseas footprint at a fraction of the cost of a grant. A former Treasury official remarked in 2024 that had the United States provided the bulk of its foreign assistance to sub-Saharan Africa over the past five years as loans rather than grants, it "would be the largest bilateral creditor to the region by a substantial margin." While volume is not the yardstick by which the United States should measure the efficacy of its foreign assistance, especially to the world's poorest countries, there are significant costs associated with a purely grant-based model. This is especially true for some of the more established middle-income countries where the United States continues to provide foreign assistance.

FIGURE 2. US foreign economic assistance in the 21st century by country income status



Indeed, for middle-income, investment-grade countries, where default risk is low, the trade-off can be quite significant. For instance, for a country like Indonesia, which received around $200 million on average in US assistance annually in the form of grants between FY2014 and 2023, we estimate that, under the Federal Credit Reform Act (FCRA), directing $200 million toward the subsidy cost of a 10-year loan at 3 percent annual interest would allow the US to provide a $2 billion loan.[36]

Beyond the subsidy-cost savings described above, a revived lending program would also generate real reflows over time—though these are not an additional benefit on top of the scored savings, since the expectation of future repayment is already priced into the subsidy-cost calculation itself. Unlike grants, loans would ultimately flow back to the United States as principal repayments and interest, even at concessional rates. For instance, assuming the US provides $5 billion in loans with 10-year maturities and 3 percent annual interest, this could yield roughly $5.9 billion in reflows (or $900 million in profit) in nominal terms.

A bigger US infrastructure finance footprint

A sovereign lending program could transform the United States into a key player in global infrastructure finance, an arena in which the People's Republic of China has been a dominant force.

The US government plays a relatively minor role in emerging markets compared to the volume of financing provided by multilateral development banks, China, and the private sector.

36 ForeignAssistance.gov, accessed May 21, 2026, https://foreignassistance.gov; Our methodology for estimating the subsidy costs of direct loans is explained further in the section, "What a revived sovereign lending program could look like"

A 2024 GAO report found that from 2013 to 2021, China provided $679 billion in bilateral finance for international infrastructure projects, while the US provided $76 billion. China has achieved that scale of finance through government-to-government loans, whereas the US toolkit has largely relied on lending to the private sector through EXIM and DFC.

The Biden administration attempted to establish a strategy to scale up US international infrastructure finance, alongside other G7 nations, through the Partnership for Global Infrastructure and Investment (PGI). Still, the initiative lacked budgetary authority and relied on a fragmented set of tools across various US government agencies. PGI attempted to align the wide range of US instruments into a unified force to mobilize private infrastructure finance, but the total volume of finance still pales in comparison to what China can provide through direct loans to recipient governments. In Angola, home to PGI's flagship Lobito Corridor, the US government assembled $4 billion in financing. But compare that to the 9-year period before PGI's launch, when China offered $29 billion in infrastructure financing to Angola alone. The US has attempted to boost its infrastructure finance on the private-sector side by continuing to grow DFC and EXIM's portfolios, but many projects still require significant public-sector investment, especially road and connectivity projects that do not generate immediate cash flow.

A tailored instrument for middle-income countries

The US has often struggled to calibrate its bilateral financing relationship with emerging market economies. Indeed, many upper-middle-income countries, despite their demonstrated ability to self-finance through markets and revenue collection, have continued to receive grant assistance from the United States. The first Trump administration sought to address this as part of the "Journey to Self-Reliance," which envisioned that, as their economies grew, countries would transition from aid programs to "peer-to-peer" partnerships. A concessional loan program could become part of this strategic relationship evolution: as countries graduate out of traditional aid, a new range of financial instruments, including loans and guarantees, would become available.

This vision aligns with longstanding US policy at the MDBs, which has sought to adjust countries' financing terms, making them increasingly less concessional as they move up the income ladder. For instance, the most vulnerable countries primarily receive grants. As they grow and develop stronger macroeconomic frameworks, they take on more concessional loans until they can graduate to market-based lending.

An instrument for better debt dynamics

Reviving a US bilateral development lending program would not be without risk: it would put the US back in the debt arena. The downsides are particularly vivid today, when debt dynamics are increasingly dire for many developing countries, but the multilateral process for addressing debt distress is largely failing.

A US loan program could paradoxically benefit global debt dynamics if deployed on below-market terms and carefully targeted to countries with sound debt management and strong macroeconomic frameworks. A US loan instrument that is cheaper than market finance would be an attractive alternative to more expensive Chinese loans. The key is to make the loans affordable and target them to countries with the capacity to take on additional debt.

Still, any effort to reenter debt financing would need to be incremental; loans would need to be concessional and carefully targeted to countries with solid macroeconomic fundamentals; and the US government would need to be a model creditor. This means generous funding terms (i.e., concessional), disciplined engagement in its country selection process, and competitive bidding in procurement (to ensure projects achieve an appropriate cost-to-quality equilibrium). US loans could also drive greater global debt transparency. The US could condition its loans on the recipient country fully disclosing its external borrowing and making all contractual terms publicly available.

The potential for greater leverage and direct partnership

As a government-to-government (G2G) instrument, it could help increase the share of US financial support that runs through government systems. And if provided on below-market terms, a concessional sovereign lending program could potentially help reduce the mounting debt overhang in low- and lower-middle-income countries by offering a cheaper alternative to market (and Chinese) funding.

A criticism leveled at US foreign assistance, including recently by officials in the Trump administration, is that it offers too little leverage. They point, for instance, to UN voting—to underscore that countries that benefit from aid funding do not reliably side with the United States. Little of the United States' current grant-based portfolio flows directly to governments; instead, it supports programming implemented by private-sector partners, including an array of nongovernmental organizations and multilateral institutions. Sovereign lending would put the US in a position to negotiate directly with country governments, engagement that could strengthen relationships and policy dialogue.

3. Designing a new concessional sovereign loans program

We propose launching a pilot US direct lending program. The program would begin at a modest scale—providing around $5 billion in financing per year—and would primarily finance infrastructure investments. Loans would be extended on concessional, or near-concessional, terms to promote debt sustainability and reduce the risk of default. They could still be flexible and calibrated to a country's income level, debt sustainability, and project cash flow.

We propose piloting the development loan program by offering loans with around 10-year maturities and an annual interest rate of 3 percent to a subset of countries with investment-grade credit ratings. (We are not wedded to these exact terms, which could be adjusted based on country and project circumstances.) Currently, eight countries meet those criteria. Countries near investment grade but still below (rated Ba) could be considered on a case-by-case basis for loans on Blend terms; however, the subsidy cost would be relatively high, providing the US with less-leveraged finance.

TABLE 2. Proposed development loan pilot: Countries and terms

A-Baa; investment-grade	Ba; sub/near investment-grade
Low risk: Pilot countries Receive 10-year loans with 3% interest.	**Medium risk: Case by case Receive loans on Blend terms.**
Azerbaijan, Botswana, Colombia, India, Indonesia, Paraguay, Philippines, Thailand	Benin, Côte d'Ivoire, Guatemala, Jamaica, Jordan, Morocco, South Africa, Uzbekistan, Vietnam

How much would it cost?

While the US government should have the flexibility to adjust loan terms on a case-by-case basis, for the purpose of assessing the costs of a concessional lending program, we modeled four different loan terms, which could be deployed depending on the country's economic context:

- Medium-term concessional:10-year loans at concessional rates (3 percent interest)
- Long-term, highly concessional: IDA terms
- Long-term concessional: IDA blend terms
- Long-term semi-concessional: IBRD terms

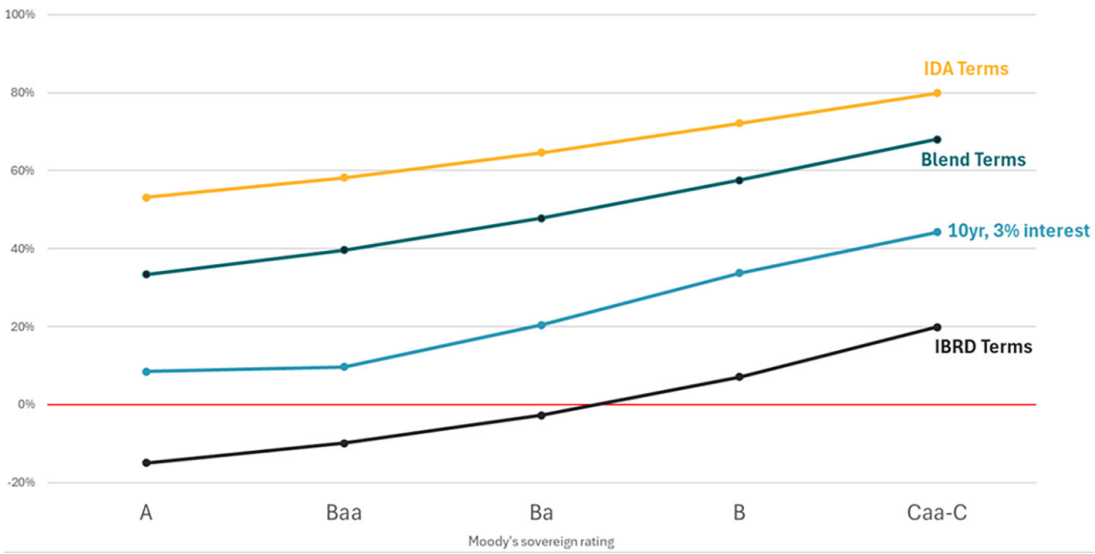
These loan terms would allow countries to access more generous financing from the US government than they can obtain from the market or from most other bilateral creditors, while minimizing subsidy costs.

To estimate the budgetary cost of these hypothetical sovereign loans, we follow the framework established under the Federal Credit Reform Act (FCRA), which defines subsidy cost as the difference between the net present value (NPV) of loan disbursements and the NPV of expected repayments. The Office of Management and Budget (OMB) estimates expected loss rates, including default and recovery assumptions, that agencies then use to estimate the NPV of repayments and the subsidy cost required for each loan.

We mimic the OMB approach for estimating loss rates for 10-year loans, but given the scarcity of historical data on default rates for longer-term sovereign loans, particularly those exceeding 15 years, we construct a proxy for credit risk using market-based bond spreads to estimate the subsidy cost for loans on IDA, Blend, and IBRD terms. (Our approaches are explained in further detail in Appendix A.)

Below are the estimated costs to the US government of issuing loans at different lending rates. In our model, the subsidy rate is the same regardless of the principal (e.g., a $1 billion loan that requires a $400 million subsidy has the same subsidy rate as a $100 loan requiring a $40 subsidy: 40 percent).

FIGURE 3. How much would a sovereign loan cost the US government?
Subsidy rates by sovereign rating and lending terms



For countries with weaker credit ratings, the subsidy rate is higher to reflect the higher sovereign risk. Lending on more concessional terms, for example, on IDA terms, also leads to higher subsidy rates, as the net present value of repayments decreases. Because IDA and Blend terms are concessional, lending to any country would require a positive subsidy. Lending on IBRD terms to countries with stronger credit ratings (above B) would result in a negative subsidy cost, indicating that the US government would expect to make a profit in net present value terms.

Country eligibility: Who could benefit?

As a first step, we limit the program's purview to developing countries (GNI/capita below the World Bank's graduation discussion income threshold) that are reliable US partners, have investment-grade (or near investment-grade) credit ratings, are at low risk of debt distress, and have strong governance. Loans would be conditioned on full debt transparency.

We propose the following criteria, with the corresponding countries, to determine which countries should receive US bilateral loans:

a. **Is the country below the World Bank's Graduation Discussion Income ? ($7,855 in FY26)**
   There are 104 LICs/LMICs/UMICs below the Graduation Discussion Income

b. Is the country eligible to receive United States economic assistance under part I of the Foreign Assistance Act by reason of the application of any provision of the Foreign Assistance Act or any other provision of law (as of August 6, 2025)?

Yes	No
91 remaining eligible countries.	Afghanistan, Burkina Faso, Chad, Eritrea, Iran, Islamic Rep., Korea, Dem. People's Rep., Mali, Myanmar, Nicaragua, Niger, South Sudan, Sudan, Zimbabwe

c. Is the country at high risk of debt distress, in debt distress, or rated C-Caa?[37,38]

No (35)	Yes (56) **These countries should continue to receive grants.**
Angola, Azerbaijan, Bangladesh, Benin, Botswana, Cambodia, Colombia, Congo, Democratic Republic of the, Côte d'Ivoire, El Salvador, Eswatini, Fiji, Guatemala, Honduras, India, Indonesia, Jamaica, Jordan, Kyrgyz Republic, Moldova, Mongolia, Morocco, Namibia, Nigeria, Pakistan, Paraguay, Philippines, Rwanda, South Africa, Tanzania, Thailand, Togo, Uganda, Uzbekistan, Vietnam	Algeria, Belize, Bhutan, Bolivia, Burundi, Cabo Verde, Cameroon, Central African Republic, Comoros, Congo, Republic of the, Djibouti, Ecuador, Egypt, Equatorial Guinea, Ethiopia, Gabon, Gambia, The, Ghana, Guinea, Guinea-Bissau, Haiti, Iraq, Kenya, Kiribati, Kosovo, Lao PDR, Lebanon, Lesotho, Liberia, Libya, Madagascar, Malawi, Mauritania, Micronesia, Federated States of, Mozambique, Nepal, Papua New Guinea, Samoa, Sao Tome and Principe, Senegal, Sierra Leone, Solomon Islands, Somalia, Sri Lanka, Suriname, Syria, Tajikistan, Timor-Leste, Tonga, Tunisia, Turkmenistan, Ukraine, Vanuatu, Venezuela, Yemen, Zambia

d. What is the country's sovereign rating?

A-Baa; investment grade	Ba; sub/near investment-grade	B; sub investment grade
Low risk: Pilot countries Receive 10-year loans with 3% interest	**Medium risk: Case by case Receive loans on Blend terms**	**High risk: Proceed with caution Receive loans on IDA terms**
Azerbaijan, Botswana, Colombia, India, Indonesia, Paraguay, Philippines, Thailand	Benin, Côte d'Ivoire, Guatemala, Jamaica, Jordan, Morocco, South Africa, Uzbekistan, Vietnam	IDA: Bangladesh, Cambodia, Congo, Democratic Republic of the, Honduras, Kyrgyz Republic, Rwanda, Tanzania, Togo, Uganda Blend: Eswatini, Fiji, Nigeria, Pakistan IBRD: Angola, El Salvador, Moldova, Mongolia, Namibia

Housing the loan program

Operationalizing a revival of US sovereign bilateral lending will require tapping an agency or department to manage and administer financing. The Treasury Department, the State Department, DFC, MCC, Ex-Im, and the Commerce Department are all likely to have equities in future US

37 International Monetary Fund, "List of LIC DSAs for PRGT-Eligible Countries," March 31, 2026, https://www.imf.org/external/pubs/ft/dsa/dsalist.pdf.

38 Moody's, "Credit Ratings, Research, and Data for Global Capital Markets," September 9, 2026, https://www.moodys.com/.

sovereign lending. A primary goal in determining where to house the program should be to ensure decision-making prioritizes development objectives, foreign policy, and economic security considerations and is anchored in sound macroeconomic analysis. Also crucial is assessing capacity, expertise, mission compatibility, and alignment with other instruments.

In the long run, the United States would be well served by establishing a development finance institution that supports durable partnerships with countries, benefiting from centralized coordination even as approaches and instruments evolve over time. But because the politics of establishing a new central hub would likely play out over years, we have identified two possible arrangements that would provide a suitable launch pad for a pilot program: the Millennium Challenge Corporation or the US Treasury Department's International Affairs Department.

The case for MCC

The Millennium Challenge Corporation is one of the most viable institutional homes for a revived sovereign loan program. MCC's compact model includes promising elements that position the agency to assume sovereign lending operations, including experience with rigorous country selection based on policy performance, multi-year partnerships with clear accountability mechanisms, data-driven decision-making processes, and a strong commitment to transparency. The recent expansion of MCC's starting pool of potential partners to include a subset of upper-middle-income countries provides a logical entry point for assessing countries as candidates for bilateral lending.

MCC's board includes the Secretaries of State and Treasury, the US Trade Representative, and the MCC CEO, furnishing an existing platform for oversight and strategic coordination among several agencies with a stake in sovereign lending—bearing a passing resemblance to the Development Loan Committee, established in 1961, which briefly helped set the standards and criteria for lending operations.

Many MCC partner countries face infrastructure and institutional needs that exceed what grant financing alone can address but demonstrate the governance quality and fiscal capacity to service well-structured loans. A loan facility could enable MCC to deepen engagement with successful compact countries and support larger-scale infrastructure investments. By providing concessional loans in lieu of, or as a complement to, grants in select middle-income countries, MCC could stretch its limited budget. Other potential partner countries that do not meet the bar set by the agency's patented scorecards—generally required to be selected for a compact program—may still be good loan candidates. Thus, the loan instrument should have its own qualifying criteria, incorporating the basic financial litmus test described above.

Importantly, MCC would need to build substantial additional capacity to manage a sovereign lending program. The agency saw a major reduction in its workforce last year, and critically, would need to

hire staff with expertise in credit risk analysis and sovereign debt assessment, loan structuring, macroeconomic forecasting, and portfolio risk management. MCC's current staff excel at evaluating governance quality and development program design, but sovereign lending requires different capabilities: assessing debt sustainability and repayment capacity, projecting loan performance, working with OMB to calculate subsidy costs under FCRA, and managing a loan portfolio over time. The agency would also need expertise in handling non-performing loans and coordinating with Treasury (and, by extension, the IMF) on debt policy matters.

The case for Treasury

Treasury's Office of International Affairs (IA) offers another potential institutional home. IA houses the government's cadre of experts on global macroeconomics, including staff who engage directly with the IMF, MDBs, Paris Club, and G20. A bilateral lending program housed at Treasury would be structurally positioned to align new lending with a country's macroeconomic profile and repayment capacity. Treasury's IA also brings institutional credibility, a nontrivial asset for a program whose success depends on rigorous financial analysis rather than purely political considerations. The broader Treasury Department also has a deep bench of domestic expertise around credit administration, including underwriting standards, loan servicing, portfolio monitoring, and calculating credit subsidy costs under FCRA, that a new sovereign lending function could draw on. Indeed, Treasury has administered a range of large-scale domestic lending and credit activity through entities including the Federal Financing Bank, which finances federal and federally guaranteed loans across sectors from rural utilities to transportation, and the Community Development Financial Institutions Fund.

At the same time, housing the program within IA would require the department to build capacities that it does not currently possess and to manage some real tensions with its existing mandate. While Treasury's domestic credit programs provide a useful foundation on the financial-management side, cross-border sovereign lending introduces distinct risks. IA's core competency is not project finance. It lacks experts in project appraisal or procurement capacity. Treasury would also need to guard against the perception, and the reality, that a lending program run out of the same building that oversees debt relief and IMF programs could blur the line between Treasury's role as an honest broker on sovereign debt and its role as a creditor with its own book to protect. Unlike MCC, Treasury has no established track record of long-term bilateral partnership management or the kind of country-selection scorecard process that could lend legitimacy to loan decisions; it would need to build both new operational muscle and a credible governance structure to keep lending decisions insulated from short-term political pressure.

A possible MCC-Treasury hybrid option exists where Treasury would be responsible for financial and macroeconomic oversight, and MCC would be responsible for project management. Or similarly, Treasury could opt to only deploy sovereign concessional loans as co-financing with MDBs, putting the project management onus on the relevant MDB.

Why alternative arrangements fall short

USAID, which historically managed US bilateral lending, was effectively shuttered by the Trump administration in 2025, making it unavailable as an institutional home for revived lending operations. Other institutional options present significant drawbacks.

The State Department possesses foreign policy expertise but extremely limited financial and project management capabilities. State's regional and functional bureaus already face substantial capacity constraints after assuming key foreign aid functions from USAID, and adding complex loan operations would stretch the department, whose comparative advantage lies in diplomacy rather than development finance.

DFC remains fundamentally oriented toward private-sector investment rather than sovereign financing. Its mandate, governance structure, and staff expertise center on mobilizing private capital and de-risking investments for commercial actors. Pivoting DFC to sovereign lending would dilute its focus and require substantial retooling, including creating a strong public policy division and a mechanism for country dialogue. DFC also has a limited staff footprint overseas.

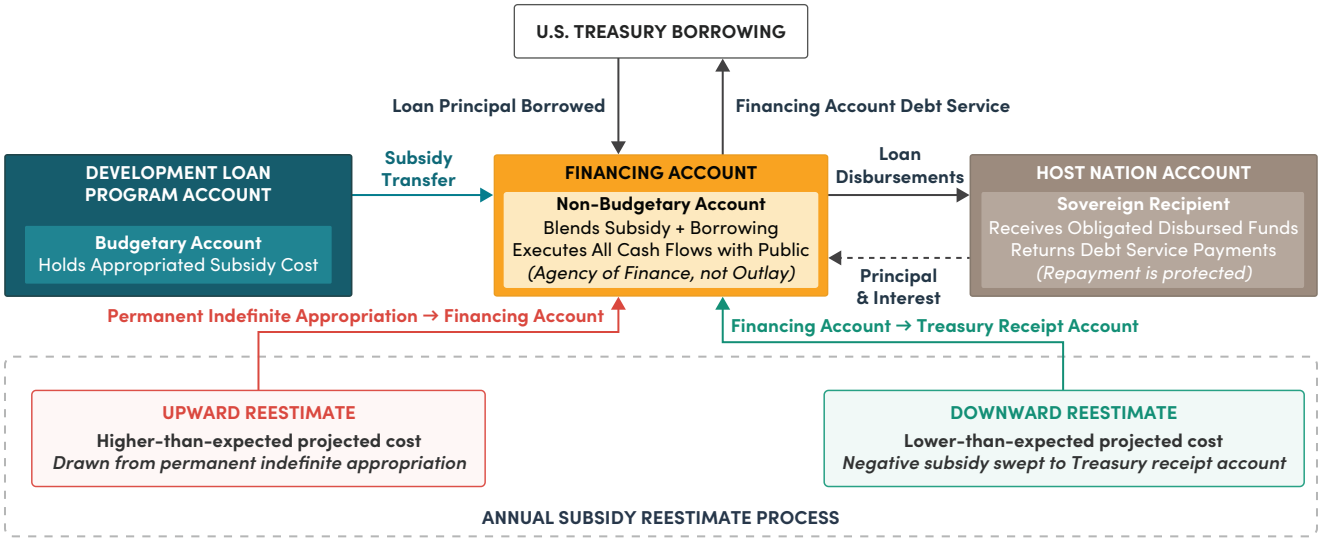
Statutory authority and future appropriations

The authority underpinning most historical US bilateral lending to promote development was repealed by the International Development and Food Assistance Act of 1978.[39] Though it was replaced with a broader provision that set parameters for future bilateral loans for economic development,[40] the administration would need congressional support to revive sovereign development lending. Implementing a new lending program would require appropriations and updated authority from Capitol Hill. By providing authority for up to $5 billion in annual lending, establishing terms, selection criteria, and transparency requirements, lawmakers could stress-test a broadening of the US development toolkit. As described, loans would be subject to FCRA. At the time a loan is issued, a subsidy cost is calculated, and the appropriated funds are set aside and deposited in a separate Treasury account. The funding would remain available in the event of default. The financial accounting setup for the pilot loan program could draw on the structure of the Foreign Military Financing program, which has a distinct direct loan program account and a corresponding direct loan financing account. Under FCRA, loans are subject to annual re-estimates—and the appropriate financing accounts are balanced accordingly.

39 Foreign Assistance Act of 1961, sec. 201, https://www.govinfo.gov/content/pkg/STATUTE-75/pdf/STATUTE-75-Pg424-2.pdf.

40 Foreign Assistance Act of 1961, sec. 122, https://www.govinfo.gov/content/pkg/COMPS-1071/pdf/COMPS-1071.pdf#page=52.

FIGURE 4. Proposed financial architecture



The administration and Congress should consider appropriating additional funds to Treasury's existing debt restructuring account and extending budget authority to enable future modifications. Guarding the fund from rescissions would be vital to its utility. While the FCRA scoring process accounts for the expected risk, the United States may ultimately wish to modify loans to allies. Further, a relatively modest set-aside would allow the United States to pursue responsible lending without risking a bottleneck in the already slow process of debt restructuring and relief under the Paris Club.[41]

While the authorization should avoid mandating tied aid, which is inefficient, often costly, and can reduce project viability,[42] the pilot program could be designed to incentivize procuring goods and services from US firms through an adjustment in terms. JICA achieves this through its Special Terms for Economic Partnership scheme, introduced in 2002, which extends more favorable terms to borrowers for projects that substantially utilize Japanese technologies and equipment.[43] The arrangement was billed as an opportunity to raise the profile of Japanese ODA and showcase the technologies developed by Japanese firms.[44] The political selling point is particularly strong in Japan's case, since the country has been at the cutting edge of infrastructure technologies ranging from high-speed rail to seismic engineering, both of which it has actively promoted abroad. Should US decision-makers determine that the program would benefit politically from similar incentives, it would need to establish goals and determine eligibility requirements accordingly.

41 John Hurley, "The Paris Club: Will the United States Be Asked to Leave?" Center for Global Development (blog), April 3, 2018, https://www.cgdev.org/blog/paris-club-will-united-states-be-asked-leave.

42 Organisation for Economic Co-operation and Development, "Untied Aid," accessed May 22, 2026, https://www.oecd.org/en/topics/sub-issues/oda-standards/untied-aid.html.

43 Japan International Cooperation Agency, "Terms and Conditions of ODA Loans," last modified April 20, 2026, https://www.jica.go.jp/english/activities/schemes/finance_co/standard/index.html.

44 Japan International Cooperation Agency, *Operational Rules of Special Terms for Economic Partnership (STEP) of Japanese ODA Loans* (Tokyo: Japan International Cooperation Agency, December 21, 2018), https://www.jica.go.jp/Resource/english/our_work/types_of_assistance/oda_loans/step/c8h0vm000053zae9-att/operational_rules.pdf.

Rules of the road and thinking through the risks

A revived US loan program would need to be carefully tailored to avoid worsening debt dynamics. As discussed, the debt crises of the 1980s and 90s contributed to the US government winding down its lending program and converting its bilateral foreign assistance program almost entirely to grants. As a result, as the world faces another wave of debt defaults—including Zambia, Ethiopia, Ghana, and Sri Lanka—the US has extremely limited direct exposure.[45] The global debt restructuring architecture is in crisis, with no expedient debt resolution mechanisms to ensure countries can restructure quickly.[46] Adding the US as a creditor to the restructuring mix would inevitably complicate an already fraught process since the US would need to obtain congressional approval to appropriate the required relief. Given the degree of uncertainty inherent in the appropriations process, there is a high risk that the United States could become a future source of delays in restructuring. To mitigate this risk, in addition to targeting the program judiciously, as noted above, the US government should consider setting aside funding for a debt restructuring that requires modification on the part of the United States.

Congress in the international debt forgiveness process

US participation in international debt forgiveness requires congressional action on two fronts: authorization of new debt relief initiatives and appropriation of the anticipated budgetary costs. Unlike many other Paris Club creditors, bilateral debts to the US are often already heavily discounted due to country risk, so the budgetary cost of cancellation is relatively modest, with previous estimates around 10 percent of the nominal value.[47] However, the need for upfront appropriations adds a layer of procedural complexity that can slow or disrupt coordination with other creditors.

Under the Heavily Indebted Poor Countries Initiative, for example, appropriations followed a phased structure aligned with each indebted country's "decision point" and "completion point." Congress first authorized US participation, then appropriated small amounts to support early engagement at the "decision point," with larger appropriations required at completion to cancel US bilateral claims in full. In past cases, other bilateral creditors have postponed their own debt relief while waiting for the US to secure appropriations to cancel its portion.

45 U.S. Department of the Treasury, "U.S. Government Foreign Credit Exposure by Region and Country," Foreign Credit Exposure Reports, accessed May 7, 2026, https://fcrs.treasury.gov/fcrs/s/foreign-credit-exposure-report in foreign credit exposure to the US government.

46 Mary Svenstrup, Masood Ahmed, and Charley Ward, "Beyond a Blueprint: Reconciling Sovereign Debt Reform Proposals with Impact and Reality," CGD Policy Paper 395 (Washington, DC: Center for Global Development, May 2026), https://www.cgdev.org/sites/default/files/beyond-blueprint-reconciling-sovereign-debt-reform-proposals-impact-reality.pdf.

47 U.S. General Accounting Office, Developing Countries: Debt Relief Initiative for Poor Countries Faces Challenges, GAO/NSIAD-00-161 (Washington, DC: U.S. General Accounting Office, June 2000), https://www.gao.gov/assets/nsiad-00-161.pdf.

Another important risk mitigant will be around debt transparency, as referenced earlier. To be eligible for a US loan, borrowing countries must demonstrate commitment to high standards of debt reporting, including public disclosure of all external and domestic debt, and be in full compliance with the IMF's debt sustainability and transparency policies. Concomitantly, the US would also make all its lending publicly available through its loan-by-loan repository on the Treasury Department's website, including the full terms of its debt.

The US could also employ crisis buffers such as Debt Suspension Clauses to temporarily pause creditor repayments in the event of an exogenous shock.[48] The US adopting these kinds of instruments could also drive uptake by other creditors and borrowers in their loan instruments.

The US would also need to avoid lending practices that have bedeviled other countries' sovereign programs, including collateralized transactions that use unrelated assets or revenues to back the programs.

Finally, any US program would need to be anchored in high fiduciary standards to minimize the risk of grift and corruption on the lending and borrowing sides of the equation. In sum, while risks remain, a carefully managed sovereign lending program offers substantial benefits. The following conclusion summarizes our recommendations.

Conclusion

US international assistance is at an inflection point. Broad agreement remains that life-saving assistance should be preserved and that scarce grant resources should be channeled to the poorest countries and most vulnerable populations. At the same time, the United States has an interest in being a bigger player in emerging markets, where infrastructure needs are large and persistent and where grant-based support is poorly matched to the scale of public capital required.

Our proposal for a concessional sovereign loan program addresses both objectives. It would expand the US toolkit and enable the United States to act as a responsible lender in countries that have moved beyond traditional grant assistance, without significantly diverting budget resources from grant programs serving populations in lower income settings.

We propose a disciplined pilot, housed at MCC, starting with roughly $5 billion in annual lending focused on infrastructure, with concessional terms calibrated to countries' income levels and debt sustainability. Initial eligibility would be narrow, targeting investment-grade and near-investment-grade countries below the World Bank's graduation discussion income threshold that have sound macroeconomic frameworks and a demonstrated commitment to debt transparency. Even on generous terms, loans of this kind require only modest appropriation relative to the traditional

48 https://www.cgdev.org/blog/protection-most-vulnerable-debt-shock-absorbers-poor-countries.

grant portfolio. Over time, the program could evolve to other areas, including budget support, and expand the country eligibility pool to include slightly riskier candidates. But our aim is to start with a well-targeted, low-risk program that would allow the US to rebuild its internal capacity to administer the instrument.

The program would also complement US engagement at the multilateral development banks. US policy has long championed a graduation logic at the MDBs in which countries move from grants to concessional loans to market-based borrowing as their economies strengthen. A bilateral loan program calibrated by income and debt sustainability would extend that same logic to the bilateral channel. It would give the United States a direct way to support select partners even as it continues to provide critical resources to institutions like the World Bank. Initially, the US could co-finance key projects with the MDBs to incentivize investments in strategic partners.

In the longer term, the program could grow into the primary financing vehicle through which the US engages with middle-income and some fast-growing lower-middle-income countries. In turn, this would allow the United States to better target—and even increase—its grant finance to the poorest countries with the greatest development needs.

Appendices

Appendix A. Estimating the subsidy costs of a sovereign loan program

Using corporate default probabilities and assumed recoveries to estimate the subsidy cost of medium-term (10-year) sovereign loans

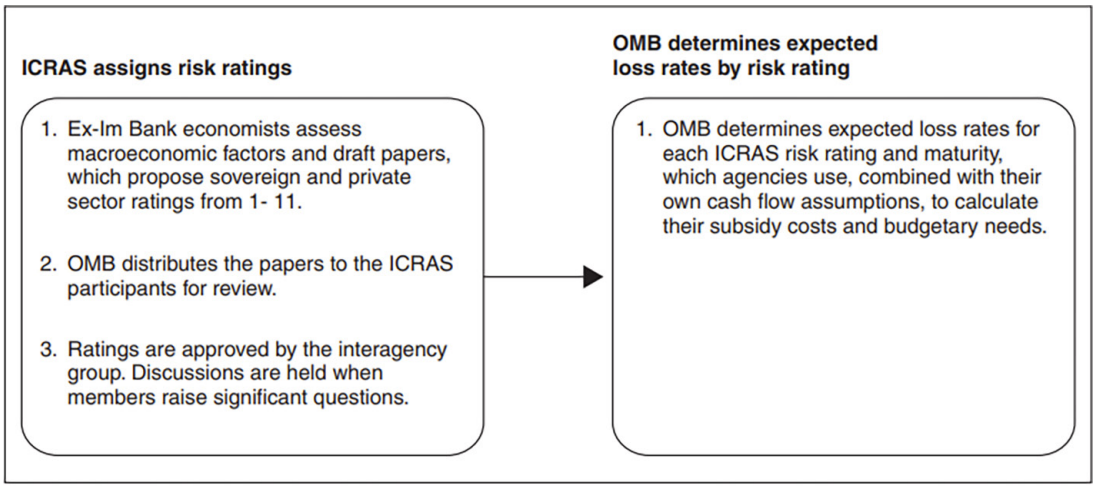
We estimate the subsidy cost of medium-term sovereign loans by calculating the net present value of expected repayments, adjusting for country credit risk using rating-specific default probabilities and an assumed recovery rate of 17 percent (based on OMB's assumption as described in GAO-04-531). Default probabilities are drawn from Moody's cumulative corporate bond default rates by rating category, consistent with the approach used by OMB.

Our methodology approximates the US government's internal process for evaluating the cost of sovereign lending under the Interagency Country Risk Assessment System (ICRAS) and Office of Management and Budget (OMB) guidelines. While we do not have access to ICRAS country risk ratings or OMB's internal loss estimates, our framework follows the same basic logic:

- **USG Approach:** ICRAS assigns risk ratings to sovereign borrowers to reflect creditworthiness.
    - **Our Model:** We substitute Moody's sovereign credit ratings as a public, standardized proxy for country risk.
- **USG Approach:** OMB assigns expected loss rates to each ICRAS rating using Moody's corporate bond default data, adjusted for current market conditions based on interest rate spreads, and applies an assumed recovery rate.
    - **Our Model:** We calculate expected loss rates by combining Moody's cumulative corporate default rates with a 17 percent recovery assumption, yielding an expected loss equal to the cumulative default probability multiplied by 83 percent of the loan's outstanding value.

This framework allows us to estimate the total subsidy cost associated with medium-term sovereign lending across a range of credit ratings, incorporating both interest rate terms and expected credit losses.

FIGURE A1. Components of the ICRAS Process



Sources: GAO analysis of Ex-Im Bank and OMB documents.

Estimating the costs of long-term sovereign lending to developing countries (MDB concessional rates)

Historical default data for long-term sovereign loans—particularly those with maturities beyond 15 years—is sparse, so we construct a market-based proxy for credit risk to estimate the subsidy cost of US government concessional lending at long tenors. Bond spreads serve as our indicator of expected loss: as perceived risk rises, so does the spread. This allows us to estimate the implicit subsidy cost required to lend to sovereign borrowers below A1, as defined by Moody's sovereign ratings.

As with the medium-term analysis, our methodology approximates the US government's internal process under ICRAS and OMB guidelines:

- **USG Approach:** ICRAS assigns risk ratings to sovereign borrowers to reflect creditworthiness.
    - **Our Model:** We substitute Moody's sovereign credit ratings as a public, standardized proxy for country risk.
- **USG Approach:** OMB assigns expected loss rates to each ICRAS rating using Moody's corporate bond default data, adjusted for current market conditions based on interest rate spreads, and applies an assumed recovery rate.
    - **Our Model:** We use observed long-term bond spreads as a market-implied risk premium for each Moody's sovereign rating, applied as the discount rate on theoretical loan repayment schedules. Because bond spreads already reflect the market's joint pricing of default probability and expected recovery, no separate recovery rate assumption is required.

Data and scope

We compile data on USD-denominated sovereign bonds with maturities greater than 20 years, issued by countries with a Moody's sovereign rating of A1 or lower. For robustness, we extract data from a consistent January snapshot for each year from 2015 to 2025. This approach helps smooth volatility in sovereign spreads, especially given recent heightened market instability and fluctuations in US Treasury yields.

Constructing the risk premium curve

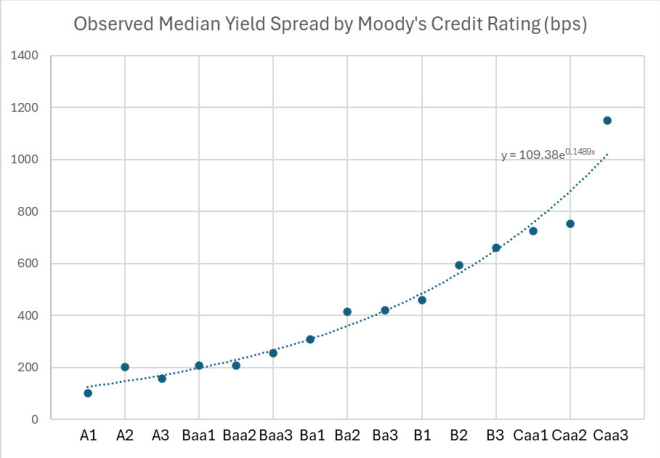
For each sovereign rating from A1 to Caa3, we identify all USD-denominated bonds with maturities greater than 20 years issued by countries with that rating. We calculate the yield spread of each bond relative to a US Treasury bond of similar maturity, which we treat as the risk-free benchmark. We then compute the median spread for each sovereign rating and fit a smooth exponential curve to the observed data, producing an implied risk premium for each rating. These expected spreads represent the market-based risk premium for long-term lending to countries with that rating and serve as the discount rate in our subsidy cost calculations.

From risk premiums to subsidy cost

We apply these rating-based risk premiums as discount rates on theoretical loan repayment schedules to estimate the present value of expected repayments. We evaluate three sets of loan terms corresponding to World Bank lending instruments: IDA terms, Blend terms, and IBRD terms. For each set of terms and each sovereign rating, we calculate the present value of repayments discounted at the corresponding risk premium. The subsidy cost is then computed as:

Subsidy Cost = Net Present Value of Loan – Net Present Value of Repayments

This allows us to quantify the subsidy required to lend at concessional or near-concessional terms to sovereign borrowers of varying risk profiles, even in the absence of long-term historical default data.



Moody's Rating	Implied Risk Premium (bps)
A1	126.9
A2	147.3
A3	171.0
Baa1	198.4
Baa2	230.3
Baa3	267.3
Ba1	310.2
Ba2	360.0
Ba3	417.8
B1	484.8
B2	562.7
B3	653.0
Caa1	757.9
Caa2	879.6
Caa3	1020.8

Credit reform enacted by the Federal Credit Reform Act (FCRA) introduced a net cost approach to federal loans, using present-value analysis, beginning in FY1992. This approach required budget authority to be provided upfront, reflecting the estimated costs to the US government, including future repayments. The estimated cost—known as the subsidy cost—is defined as the "present value—over the loan's life—of disbursements by the government (loan disbursements and other payments) minus estimated payments to the government (repayments of principal, payments of interest, and other payments) after adjusting for projected defaults, prepayments, fees, penalties, and other recoveries."[49]

Subsidy costs are calculated on a loan-by-loan basis. Loans have a positive subsidy when the present value of estimated disbursements exceeds the present value of estimated receipts, and have a negative subsidy when the present value of receipts is expected to exceed the present value of disbursements (i.e., the loan is estimated to make money for the US government, aside from administrative expenses).

A loan to a borrower country with greater credit risk will lower the estimated value of repayments and increase the subsidy cost required to issue the loan. The same principle applies when decreasing the interest rate of the loan (i.e., the more concessional the loan, the lower the estimated value of repayments, and thus a greater subsidy cost must be appropriated).

To assess the country's risk of extending a sovereign loan, the Inter-Agency Country Risk Assessment System (ICRAS), chaired by OMB, was created after the passage of FCRA. EXIM provides risk rating recommendations on an 11-category scale, ranging from A to F, which must be agreed on by all the ICRAS agencies, and OMB sets the expected loss rates associated with each ICRAS risk rating and maturity level.[50]

Once the initial subsidy cost is calculated, the amount must be appropriated by Congress and paid by the lending agency to a Treasury department financing account, where it's held for the duration of the loan. The subsidy cost is re-estimated annually to account for changes in the default risk. When re-estimates exceed agencies' original subsidy cost estimates, the additional costs are covered from indefinite budget authority rather than requiring new appropriations.[51] Additionally, the financing account pools the risk of individual loans across the entire portfolio, so borrowing from Treasury is only required when the re-estimated subsidy cost exceeds the existing balance of that program's financing account.[52]

49 U.S. General Accounting Office, "Credit Reform: U.S. Needs Better Method for Estimating Cost of Foreign Loans and Guarantees" (GAO, December 1994), https://www.gao.gov/assets/nsiad/ggd-95-31.pdf.

50 Martin A. Weiss, "The Paris Club and International Debt Relief," CRS Report RS21482 (Congressional Research Service, July 18, 2017), https://www.congress.gov/crs-product/RS21482.

51 U.S. Government Accountability Office, "Export-Import Bank: OMB's Method for Estimating Bank's Loss Rates Involves Challenges and Lacks Transparency" (GAO, September 2004), 7, https://www.gao.gov/assets/gao-04-531.pdf.

52 Office of Management and Budget, Circular No. A-11: Preparation, Submission, and Execution of the Budget, sec. 185 (Executive Office of the President, July 2024), https://web.archive.org/web/20250304225151/https://www.whitehouse.gov/wp-content/uploads/2018/06/a11.pdf.

In cases of default, the subsidy cost would be recalculated to account for the decreased (or zeroed out) present value of receipts. Existing subsidy funds allocated to the Treasury financing account would be directed to offset the loss on the loan, but the loan originating agency retains the loan on its records unless Congress approves a write-off.[53] When the US government seeks to provide debt relief, Congress must authorize US participation in new debt-reduction programs and appropriate, in advance, the estimated costs to the US government of canceling such debt.[54]

It's worth acknowledging that the lower the initial subsidy, the larger the gap to close is if a borrower defaults. Countries perceived as less risky by ICRAS, therefore, require a greater infusion of funds to cover unrecovered receipts in the event of default. This is a slightly counterintuitive budget dynamic: lending to more creditworthy countries is cheaper at origination but more expensive to the US budget if those countries ultimately default.

Budget dynamics of a bilateral loan vs. a loan guarantee

Prior to FCRA, cash-based accounting would have a bilateral loan appear as a total loss to the federal budget in the year the loan was issued, but in contrast, the federal budget did not record any budget authority in the year when a loan guarantee was made (unless there were receipts for origination fees). Although the guarantee could entail future profits or losses, no cash was exchanged when a guarantee was issued, and thus, it had no immediate budget cost. This budget approach led to a proliferation of federal loan guarantees before FCRA was enacted.

Under FCRA, direct loans and loan guarantees could be compared on an equal basis using a net cost approach that weighed future loan repayments and defaults in calculating recorded costs to the budget. FCRA had an immediate effect on USAID's risk tolerance for guarantees, pushing the agency's housing guaranty program towards higher-income countries with lower risk, as those guarantees required less subsidy.

Appendix B. Current state of play: The shutdown of USAID and ongoing US government credit-based support to developing countries

In recent decades, the United States has primarily delivered grant-based assistance to advance development and foreign policy objectives. Still, the government retains other instruments for providing support abroad as part of its broader foreign policy toolkit. A brief overview of the most prominent of these follows.

53 U.S. Agency for International Development, "ADS Chapter 623: Financial Management of Credit Programs," ADS Chapter 623 (USAID, November 20, 2009), https://web.archive.org/web/20241206223220/https://2012-2017.usaid.gov/sites/default/files/documents/1868/623.pdf.

54 "Debt Reduction: Initiatives for the Most Heavily Indebted Poor Countries." For example, in 1993, Congress granted the President authority to participate in Paris Club debt relief arrangements for certain non-concessional debt owed by IDA borrowing countries, and this authority has been reenacted in each annual SFOPs measure.

DFC

The US International Development Finance Corporation (DFC) is the US government's bilateral development finance institution, established in 2019 following passage of the Better Utilization of Investments Leading to Development (BUILD) Act and reauthorized with an expanded mandate in 2025. DFC provides direct loans, loan guarantees, and political risk insurance to private sector investors globally to advance development objectives. The agency can also make direct equity investments. DFC inherited a total portfolio from its predecessor, the Overseas Private Investment Corporation (OPIC), of roughly $25 billion at the start of FY2020,[55] and brought in the Development Credit Authority previously housed at USAID, which provided partial loan guarantees to advance development aims by encouraging private lending to borrowers who might otherwise be deemed too risky.[56]

Sovereign loan guarantees

Before its dismantling, USAID managed the US sovereign loan guarantee program, under which the US government guaranteed a foreign government's bond issuance or a commercial loan. Should the country default, the US would be on the hook to repay creditors. This is an attractive instrument because it helps the sovereign access private lending at more affordable rates than it would get without the US backstop.

To date, 14 non-military sovereign loan guarantees have been issued, helping six countries access a combined total of nearly $24 billion in commercial financing.[57]

The BUILD Act authorized the transfer of the sovereign loan guarantee program to DFC or another entity, but the program's final fate has been less than clear. The President's FY27 Budget Request includes authorizing language for future sovereign loan guarantees to be administered by the Department of State.[58]

EXIM

The Export-Import Bank of the United States (EXIM) operates as the official US export credit agency, established in 1934. Through a combination of direct loans to foreign buyers, loan guarantees, and export credit insurance, EXIM facilitates US exports by both providing financing to international

55 Overseas Private Investment Corporation, "Unobligated Balances Report FY2020 Q1: Remaining Balances and Transactions—Quarterly Annex," report for Appropriations Committees, through December 31, 2019, https://www.dfc.gov/sites/default/files/media/documents/Unobligated%20balances%20report%20FY%202020%20Q1.pdf.

56 https://www.dfc.gov/sites/default/files/media/documents/USIDFC FY2024 AMR-508.pdf; U.S. International Development Finance Corporation, "Annual Management Report: Fiscal Year 2025" (DFC, 2025), https://www.dfc.gov/sites/default/files/media/documents/DFC%20Annual%20Management%20Report%20-%20FY%202025.pdf.

57 Morris, Rockafellow, and Singh, "Reimagining the US Sovereign Loan Guarantee Program," 5.

58 U.S. Office of Management and Budget, "Department of State and Other International Programs," in *Appendix, Budget of the U.S. Government, Fiscal Year 2027* (Washington, DC: U.S. Government Publishing Office, 2026), https://www.whitehouse.gov/wp-content/uploads/2026/04/sta_fy2027.pdf.

purchasers and supporting domestic firms when private-sector financing is inadequate. The bank operates as a self-sustaining agency, earning revenues from interest and fees, while focusing primarily on supporting American jobs through export promotion.

Foreign Military Financing Loans and Loan Guarantees

The Foreign Military Financing Program, jointly administered by the Departments of State and Defense, has generally provided countries with grant-based assistance to purchase American-made weapons and related military equipment. In more recent years, the program has occasionally extended direct sovereign loans and guarantees for the same purpose.[59]

USDA Export Credit Guarantee Programs

To encourage the export of US agricultural products, the US Department of Agriculture guarantees up to $5.5 billion in commercial financing each year. The Commodity Credit Corporation provides funding for the program rather than annual appropriations.

59 U.S. Department of State, *Congressional Budget Justification, Department of State, Fiscal Year 2027* (Washington, DC: U.S. Department of State, April 20, 2026), https://www.state.gov/wp-content/uploads/2026/04/FY2027-Department-of-State-Congressional-Budget-Justification-Final-4.20.2026.pdf.

Bibliography

"Administration of Foreign Assistance and Related Functions." Executive Order 10973, November 3, 1961. The American Presidency Project. https://www.presidency.ucsb.edu/documents/executive-order-10973-administration-foreign-assistance-and-related-functions.

Agency for International Development. "ADS Chapter 623: Financial Management of Credit Programs." ADS Chapter 623. USAID, November 20, 2009. https://web.archive.org/web/20241206223220/https://2012-2017.usaid.gov/sites/default/files/documents/1868/623.pdf.

Agency for International Development. "AID in Summary Report, FY1967." Agency for International Development, 1967.

Brown, Nick M. "Foreign Assistance: Where Does the Money Go?" CRS Report R48150. Congressional Research Service, August 8, 2024. https://www.congress.gov/crs-product/R48150.

McCabe, Emily M., and Nick M. Brown. "U.S. Direct Financial Support for Ukraine." CRS In Focus IF12305. Washington, DC: Congressional Research Service, January 13, 2025. https://www.congress.gov/crs-product/IF12305.

Butterfield, Samuel Hale. "U.S. Development Aid—An Historic First: Achievements and Failures in the Twentieth Century." Westport, CT: Praeger Publishers, 2004.

Casey, Alyssa R., and Emily M. McCabe. "International Food Assistance: FY2020 Appropriations." CRS Report R46255. Congressional Research Service, March 4, 2020. https://www.congress.gov/crs-product/R46255.

Conahan, Frank C. "Foreign Housing Guaranty Program: Goals Are Not Achieved and Financial Condition Is Poor." Testimony before the Subcommittee on International Economic Policy and Trade, Committee on International Relations, U.S. House of Representatives, June 29, 1995. https://www.gao.gov/assets/t-nsiad-95-181.pdf.

"Debt Reduction: Initiatives for the Most Heavily Indebted Poor Countries." CRS Report RL30214. Congressional Research Service, February 1, 2000. https://www.everycrsreport.com/files/20000201_RL30214_57350308c1dd8be9ca5b772d8f2b55735bc5b1fc.pdf.

Development Loan Fund. "Terminal Report of the Development Loan Fund, August 1957–November 3, 1961." Agency for International Development, January 1962. https://web.archive.org/web/20241130220645/https://pdf.usaid.gov/pdf_docs/pdabc787.pdf.

Emergency Supplemental Appropriations for Fiscal Year 2024. Pub. L. 118-50, 138 Stat. 895 (2024). https://www.congress.gov/118/plaws/publ50/PLAW-118publ50.pdf.

Export-Import Bank of the United States. "Historical Timeline." https://www.exim.gov/about/history-exim/historical-timeline.

ForeignAssistance.gov. Accessed May 21, 2026. https://foreignassistance.gov.

Foreign Assistance Act of 1961. Pub. L. 87-195, 75 Stat. 424. https://www.govinfo.gov/content/pkg/STATUTE-75/pdf/STATUTE-75-Pg424-2.pdf.

Foreign Assistance Act of 1968. Pub. L. 90-554, 82 Stat. 960. https://www.govinfo.gov/content/pkg/STATUTE-82/pdf/STATUTE-82-Pg960.pdf.

Hurley, John. "The Paris Club: Will the United States Be Asked to Leave?" Center for Global Development (blog), April 3, 2018. https://www.cgdev.org/blog/paris-club-will-united-states-be-asked-leave.

International Monetary Fund. "List of LIC DSAs for PRGT-Eligible Countries." March 31, 2026. https://www.imf.org/external/pubs/ft/dsa/dsalist.pdf.

Japan International Cooperation Agency. "Operational Rules of Special Terms for Economic Partnership (STEP) of Japanese ODA Loans." Tokyo: Japan International Cooperation Agency, December 21, 2018. https://www.jica.go.jp/Resource/english/our_work/types_of_assistance/oda_loans/step/c8h0vm000053zae9-att/operational_rules.pdf.

Japan International Cooperation Agency. "Terms and Conditions of ODA Loans." Last modified April 20, 2026. https://www.jica.go.jp/english/activities/schemes/finance_co/standard/index.html.

Lancaster, Carol. "Foreign Aid: Diplomacy, Development, Domestic Politics." Chicago: University of Chicago Press, 2007.

Moody's. "Credit Ratings, Research, and Data for Global Capital Markets." Accessed May 21, 2026. https://www.moodys.com/.

Morris, Scott, Rowan Rockafellow, and Daleep Singh. "Reimagining the US Sovereign Loan Guarantee Program: A Cost-Effective Strategy for Supporting Developing Country Partners." Center for Global Development, June 20, 2023. https://www.cgdev.org/publication/reimagining-us-sovereign-loan-guarantee-program-cost-effective-strategy-supporting.

Morss, Elliott R. "New Directions and Beyond: A Review of Accomplishments and an 'Agenda' for the Future." Paper prepared for the Congressional Research Service. Development Alternatives, Inc., November 1980. https://web.archive.org/web/20170224000308/https://pdf.usaid.gov/pdf_docs/PDAAM506.pdf.

Nowels, Larry. "Foreign Aid Reform Commissions, Task Forces, and Initiatives: From Kennedy to the Present." In Security by Other Means, edited by Lael Brainard. Washington, DC: Brookings Institution Press, 2007. https://web.archive.org/web/20170304142910/http://pdf.usaid.gov/pdf_docs/Pcaab460.pdf.

Office of Management and Budget. "Circular No. A-11: Preparation, Submission, and Execution of the Budget. Sec. 185." Executive Office of the President, July 2024. https://web.archive.org/web/20250304225151/https://www.whitehouse.gov/wp-content/uploads/2018/06/a11.pdf.

Office of Management and Budget. "Federal Credit Supplement, Budget of the U.S. Government, Fiscal Year 2027." Washington, DC: Executive Office of the President, 2026. https://www.whitehouse.gov/wp-content/uploads/2026/04/cr_supp_fy2027.pdf.

Organisation for Economic Co-operation and Development. "Untied Aid." Accessed May 22, 2026. https://www.oecd.org/en/topics/sub-issues/oda-standards/untied-aid.html.

Overseas Private Investment Corporation. "Unobligated Balances Report FY2020 Q1: Remaining Balances and Transactions—Quarterly Annex." Report for Appropriations Committees, through December 31, 2019. https://www.dfc.gov/sites/default/files/media/documents/Unobligated%20balances%20report%20FY%202020%20Q1.pdf.

Sanford, Jonathan E. "Debt Owed to the United States by Foreign Countries: Recent Rescheduling and Forgiveness." CRS Report. Congressional Research Service, November 19, 1993. https://web.archive.org/web/20231120154201/https://pdf.usaid.gov/pdf_docs/Pcaaa486.pdf.

Serafino, Nina M., Curt Tarnoff, and Dick K. Nanto. "U.S. Occupation Assistance: Iraq, Germany, and Japan Compared." CRS Report RL33331. Congressional Research Service, January 29, 2008. https://www.everycrsreport.com/files/20080129_RL33331_10e06a5a3d9491bf2251a3772e90f8194f0b425d.pdf.

Special Inspector General for Operation Atlantic Resolve. "Operation Atlantic Resolve Including U.S. Government Activities Related to Ukraine: January 1, 2025–March 31, 2025." Special Inspector General for Operation Atlantic Resolve, 2025. https://oig.usaid.gov/sites/default/files/2025-05/OAR_Q2_Mar2025_Final_508.pdf.

Svenstrup, Mary, Masood Ahmed, and Charley Ward. "Beyond a Blueprint: Reconciling Sovereign Debt Reform Proposals with Impact and Reality." CGD Policy Paper 395. Washington, DC: Center for Global Development, May 2026. https://www.cgdev.org/sites/default/files/beyond-blueprint-reconciling-sovereign-debt-reform-proposals-impact-reality.pdf.

Tarnoff, Curt. "U.S. Agency for International Development (USAID): Background, Operations, and Issues." CRS Report R44117. Congressional Research Service, July 21, 2015. https://sgp.fas.org/crs/row/R44117.pdf.

Tarnoff, Curt. "U.S. Foreign Assistance: USAID Loan Guarantees." CRS In Focus IF10409. Congressional Research Service, July 18, 2017. https://www.congress.gov/crs-product/IF10409.

Truman, Harry S. "Inaugural Address." January 20, 1949. Harry S. Truman Library & Museum, Public Papers of the Presidents. https://www.trumanlibrary.gov/library/public-papers/19/inaugural-address.

U.S. Agency for International Development. Bureau for Private Enterprise. "Annual Report of the Private Sector Revolving Fund for Fiscal Year 1988." USAID, September 30, 1988. https://web.archive.org/web/20170225030227/https://pdf.usaid.gov/pdf_docs/PDABC767.pdf.

U.S. Agency for International Development. "The United States Signs Agreement Providing $20 Billion Loan to Ukraine." Press release, December 10, 2024. https://web.archive.org/web/20241220000742/https://www.usaid.gov/news-information/press-releases/dec-10-2024-united-states-signs-agreement-providing-20-billion-loan-ukraine.

U.S. Agency for International Development Mission to India. "The United States Contribution to Indian Development." USAID Mission to India, Office of Program and Finance, December 3, 1964. https://web.archive.org/web/20170218224932/https://pdf.usaid.gov/pdf_docs/Pdacq704.PDF.

U.S. Department of State. "Congressional Budget Justification, Department of State, Fiscal Year 2027." Washington, DC: U.S. Department of State, April 20, 2026. https://www.state.gov/wp-content/uploads/2026/04/FY2027-Department-of-State-Congressional-Budget-Justification-Final-4.20.2026.pdf.

U.S. Department of State, Office of the Historian. "U.S. Invasion and Occupation of Haiti, 1915–34." Milestones: 1914–1920. https://history.state.gov/milestones/1914-1920/haiti.

U.S. Department of Treasury. "Sovereign Lending, Loan-by-Loan." Foreign Credit Exposure Reports. Accessed May 21, 2026. https://fcrs.treasury.gov/fcrs/s/sovereign-lending-loan-by-loan.

U.S. Department of Treasury. "U.S. Government Foreign Credit Exposure by Region and Country." Foreign Credit Exposure Reports. Accessed May 21, 2026. https://fcrs.treasury.gov/fcrs/s/foreign-credit-exposure-report.

U.S. General Accounting Office. "AID Strategic Direction and Continued Management Improvements Needed." GAO, June 1993. https://www.gao.gov/assets/nsiad-93-106.pdf.

U.S. General Accounting Office. "Credit Reform: U.S. Needs Better Method for Estimating Cost of Foreign Loans and Guarantees." GAO, December 1994. https://www.gao.gov/assets/nsiad/ggd-95-31.pdf.

U.S. General Accounting Office. "Donor Approaches to Development Assistance: Implications for the United States." ID-83-23. GAO, May 4, 1983. https://gao.justia.com/agency-for-international-development/1983/5/donor-approaches-to-development-assistance-id-83-23/ID-83-23-full-report.pdf.

U.S. General Accounting Office. "Developing Countries: Debt Relief Initiative for Poor Countries Faces Challenges." GAO/NSIAD-00-161. Washington, DC: U.S. General Accounting Office, June 2000. https://www.gao.gov/assets/nsiad-00-161.pdf.

U.S. General Accounting Office. "Military Loans: Repayment Problems Mount as Debt Increases." GAO, October 1985. https://www.gao.gov/assets/nsiad-86-10.pdf.

U.S. General Accounting Office. "Revolving Funds: Full Disclosure Needed for Better Congressional Control." GAO, August 30, 1977. https://www.gao.gov/assets/pad-77-25.pdf.

U.S. General Accounting Office. "U.S. Assistance for the Economic Development of the Republic of Korea." GAO, July 12, 1973. https://www.gao.gov/assets/b-164264.pdf.

U.S. General Accounting Office. "U.S. Development Efforts and Balance-of-Payments Problems in Developing Countries." GAO, February 14, 1983. https://www.gao.gov/assets/id-83-13.pdf.

U.S. General Accounting Office. "U.S. Use of Conditions to Achieve Economic Reforms." GAO, August 1986. https://www.gao.gov/assets/nsiad-86-157.pdf.

U.S. Government Accountability Office. "Export-Import Bank: OMB's Method for Estimating Bank's Loss Rates Involves Challenges and Lacks Transparency." GAO, September 2004. https://www.gao.gov/assets/gao-04-531.pdf.

U.S. International Development Finance Corporation. "Annual Management Report: Fiscal Year 2025." DFC, 2025. https://www.dfc.gov/sites/default/files/media/documents/USIDFC%20FY2024%20AMR-508.pdf.

U.S. Office of Management and Budget. "Department of State and Other International Programs." In Appendix, Budget of the U.S. Government, Fiscal Year 2027. Washington, DC: U.S. Government Publishing Office, 2026. https://www.whitehouse.gov/wp-content/uploads/2026/04/sta_fy2027.pdf.

U.S. Overseas Loans & Grants [Greenbook], Fiscal Years 1946–2020. U.S. Agency for International Development.

Weiss, Martin A. "The Paris Club and International Debt Relief." CRS Report RS21482. Congressional Research Service, July 18, 2017. https://www.congress.gov/crs-product/RS21482.