

Unilateral Current Transfers and U.S. Government Grants

Unilateral Current Transfers

The unilateral current transfers accounts (lines 36, 37, and 38), which include both U.S. government and private transfers, cover international transactions in which goods, services, or financial assets are transferred between U.S. residents and residents of other countries without an item of economic value received in return.

Current transfers directly affect the level of disposable income and savings and influence the consumption of goods or services. That is, current transfers reduce income and consumption possibilities of the donor country and increase income and consumption possibilities of the recipient country. Thus, they are closely related to the goods, services, and financial assets exchanged and are included in the current account. Current transfers are differentiated from capital transfers included in the capital account in that capital transfers result in a commensurate change in the assets of one or both parties to the transaction without affecting the income or savings of either party.

Unilateral current transfers are recorded in the following accounts: (1) U.S. government grants (line 36); U.S. government pensions and other transfers (line 37); and private remittances and other transfers (line 38).

U.S. Government Grants

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Coverage and definitions

Entries for U.S. government grants offset transfers of real resources or financial assets to foreign residents recorded in the goods, services, income, or financial accounts. The term transfers denotes that no corresponding items of economic value are expected, or received, in return for the goods, services, or financial assets exchanged. Because a transfer is the corresponding entry to an actual resource flow, the value of the transfer equals the value of the corresponding flow. In general, transfers are recorded as of the time of delivery of goods, performance of services, or disbursement of cash; the valuation of noncash transfers generally corresponds to the value of the goods or services to which they are offsets. Estimates of grants are published on a net basis, with U.S. government transfers to foreigners netted against foreign transfers to the U.S. government.

Estimation methods overview

U.S. government grants are estimated on the basis of data submitted quarterly by U.S. government operating agencies under Office of Management and Budget Directive No. 19. Where necessary, the reported data are adjusted for timing; the adjustments are based on supplementary information, including published statements, congressional submissions, and the financial and operating records of government agencies. For transactions that are reported only partially or not at all by the operating agencies, BEA prepares estimates using supplementary information.

1 U.S. Government Grants (line 36)

This account measures the utilization of U.S. government financing to transfer real resources or financial assets to foreigners under programs enacted by the U.S. Congress for the provision of nonmilitary and military foreign assistance (grants) for which no repayment is expected. These grants are classified in

table 14 according to the legislative programs under which they are extended. Utilized assistance represents the goods delivered or shipped, services rendered, or cash disbursed by the U.S. government to, or for the account of, a foreign government or other foreign entity. Grants are measured on a net basis, with the amount of gross grants netted against cash settlements for grants previously provided, for returns of equipment previously transferred, for foreign currencies provided to offset U.S. expenditures under foreign assistance programs, and for goods and services provided under mutual assistance programs that require the receiver to extend assistance to the United States or other countries to achieve a common objective. Corresponding entries representing the actual shipment of goods, performance of services, or disbursement of cash are included in the goods, services, or financial accounts.

Also included in U.S. government grants are transfers under assistance programs for which repayment terms are indeterminate at the time of the transfer, subject to future settlement. These types of assistance are included with grants in the period rendered. Subsequently, when settlement for the assistance is agreed upon, the terms may call for a cash settlement or may establish a long-term credit. Cash settlements are included as reverse grants. Amounts of newly established long-term credits previously recorded as grants are not included in the balance of payments estimates, but are added as an adjustment to outstanding long-term credits in the international investment position.

1.1 Nonmilitary grants

1.1.1 U.S. government nonmilitary grants (gross) measure the financing of goods delivered, services rendered, or cash disbursed by U.S. nonmilitary agencies to foreign countries under programs enacted by the U.S. Congress to authorize the provision of non-military assistance for which no repayment is expected or for which repayment terms are indeterminate.

1.1.2 U.S. government nonmilitary grants (gross) include (1) funds advanced to finance sales to foreign governments and to release foreign governments from their contractual liabilities to pay for defense ar-

ticles and services purchased under the Arms Export Control Act; (2) funds advanced by the U.S. Agency for International Development (USAID) for economic support and development assistance, child survival and disease and global health initiatives, disaster assistance, aid to the former Soviet republics, other humanitarian and development initiatives, USAID's expenditures including administrative overhead in the United States and abroad, and USAID's payments to other U.S. government agencies for services in support of USAID programs; and (3) contributions and special grants to international agencies carrying out humanitarian activities—such as the United Nations Relief and Work Agency for Palestinian Refugees, the United Nations Child's Emergency Fund (UNICEF), and the United Nation's High Commissioner for Refugees.

1.1.3 Also included are (4) assistance for economic reconstruction and humanitarian relief in Iraq and Afghanistan; (5) donations of food and other relief supplies, and their transportation; (6) expenditures for international refugee assistance; (7) expenditures for the Peace Corps; and (8) and contributions to the economic development and subsidies for the Pacific Ocean islands that the United States holds in trusteeship for the United Nations. The offsetting entries to the expenditures by the Peace Corps and USAID are included in receipts for U.S. government miscellaneous services (line 11) or in other private services (line 10), where they represent the "export" of U.S. government services, or private services, respectively, to the aid-receiving countries. When services are obtained and paid for abroad, an entry is also made for payments under U.S. government miscellaneous services (line 28).

1.1.4 It should be noted that the amount of foreign assistance included in the U.S. government grants account does not provide a comprehensive measure of the foreign aid activity of the U.S. government. Other accounts containing assistance-related activities are lines 47, 48, and 49, related to disbursements and repayments of concessional loans, and line 16, related to the income earned on those loans.

1.1.5 For a detailed discussion of the different concepts and measures of foreign assistance and historical data series on foreign assistance extended by the United States under various programs in earlier time

periods, reference should be made to the annual reports of the U.S. Treasury Department's National Advisory Council on International Monetary and Financial Policies. These reports continue the series published by BEA in *Foreign Aid by the United States Government, 1940–1951*, a supplement to the SURVEY OF CURRENT BUSINESS, and in the periodic reports *Foreign Grants and Credits by the United States Government*.¹

1.2 Military grants

1.2.1 U.S. government military grants (gross) measure the financing of goods delivered, services rendered, or cash disbursed by U.S. military services to foreign countries under programs enacted by the U.S. Congress to authorize the provision of military assistance for which no repayment is expected or for which repayment terms are indeterminate.

1.2.2 For recent time periods, gross military grants include primarily transfers of equipment, materials, supplies, and services for Iraq, Afghanistan, and Pakistan military security forces (valued on the basis of the U.S. government financial records reflecting the

1. U.S. Department of the Treasury. National Advisory Council on International Monetary and Financial Policies. *International Finance: Annual Report*. Washington, DC: GPO, annually.

U.S. Department of Commerce. Office of Business Economics. *Balance of Payments Statistical Supplement*. Washington, DC: GPO, 1963.

U.S. Department of Commerce. Office of Business Economics. *Foreign Grants and Credits by the United States Government*. Washington, DC: GPO, annually 1964–67, quarterly 1943–63.

U.S. Department of Commerce. Bureau of Foreign and Domestic Commerce. *Foreign Aid by the United States Government, 1940–1951*. Washington, DC: GPO, 1952.

expenditure of authorized funds). For earlier time periods, similar transfers made under various military assistance programs are also included here.

1.2.3 Gross military grants include transfers of goods and services purchased with dollar funds appropriated or with foreign currencies owned by the U.S. government and authorized by legislation for that use (valued on the basis of the U.S. government financial records reflecting the expenditure of authorized funds). Gross military grants also include transfers of goods under authorizations to deliver to foreign nations the equipment and material deemed excess to U.S. requirements and military drawdowns (valued according to the legislative authorization under which the transfer is made).

1.2.4 Gross military grants also include transfers for programs such as narcotics control and law enforcement, cooperative threat reduction through nuclear nonproliferation and disarmament, and humanitarian assistance for which the Department of Defense has been designated as the executive agent.

1.2.5 Transactions netted against gross military grants—reverse grants—include returns of equipment previously transferred and supplies and services provided to the U.S. government as part of a mutual assistance program.

1.2.6 The value of goods and services financed by U.S. military grant programs offsets identical credit entries for goods in line 3 and for services in line 5, which reflect the military goods delivered and services rendered.

Table 14. U.S. Government Grants, 2009 (Line 36)
 [Millions of dollars; credits +, debits -]

Total	-41,638
Nonmilitary grants, gross	-30,500
Under Foreign Assistance Act and related programs:	
Financing military purchases ¹	-4,668
U.S. Agency for International Development	-13,735
Other U.S. government agencies (excluding DOD)	-5,864
For economic reconstruction and humanitarian relief (DOD).....	-1,849
Under authorizations for farm product disposals:	
For commodity donations.....	-1,299
For freight donations	-958
For international refugee assistance.....	-1,447
For Peace Corps.....	-333
For trust territory development.....	-347
Military grants, gross	-11,138
Military security forces	-9,114
Military goods, services, and training (MAP), excess defense articles, and military drawdowns	-535
Narcotics control, cooperative threat reduction, and humanitarian assistance.....	-1,489
Less: Reverse grants and returns	0

1. Includes funds advanced to finance military sales to foreign governments and to release foreign governments from their contractual liabilities to pay for defense articles and services purchased under the Arms Export Control Act.

DOD Department of Defense

MAP Military Assistance Program