Involvement by external agencies in development policies and programs which are concerned with monetary, fiscal, investment, and administrative policies of sovereign states is a delicate matter and the greatest care must be taken in order to avoid charges of political interference. This is one of the reasons why we have suggested that serious consideration be given to making available the bulk of our development assistance through regional and international institutions. For example, it is believed that the Inter-American Development Bank, or such agencies as the Economic and Social Council of the OAS and the U.N. Economic Commission for Latin America are in a better position to bring pressure on Latin American governments to adopt sound financial policies and social reforms than is the U.S. Government acting unilaterally. The creation of the International Development Association and the channeling of a large portion of our assistance to Latin America through the Inter-American Development Bank constitute significant moves toward multilateralizing our development assistance. However, we believe it would be desirable to move much further in this direction over the next few years, perhaps by channeling more of our aid dollars through IDA. This recommendation also reflects the view that as the relative economic position of the United States declines, we must exercise our leadership role more through multilateral organizations in which both the economic burden and the responsibility for achieving free world goals are shared, rather than through unilateral action.

In addition to these general conclusions, the following specific recommendations have been made in part II of this study:

(*a*) Surplus agricultural commodities should be more closely integrated with our long-range development programs. In this connection, the practice of "selling" agricultural commodities for local currencies should be abandoned in favor of commodity grants or sales for dollars on generous credit terms.

(*b*) The practice of making loans repayable in local currencies should be completely abandoned in both bilateral and multilateral programs. In most cases, aid should be made available on a loan basis with repayment and other terms geared to the recipient's capacity to service foreign indebtedness.

(*c*) Capacity to service foreign indebtedness should be determined jointly by all economic assistance agencies operating within a country so that a consistent policy may be followed. This does not mean, of course, that the county might not receive loans both from the World Bank under normal hard loan terms, and from AID or the soft loan window of the Inter-American Development Bank, under especially generous terms. However, coordination among the various lending agencies would assure that the "mix" of hard and soft loans would reflect an agreed position with respect to the country's capacity to service.

(*d*) Country-level coordination of all free world development assistance activities is essential to the basic approach outlined in the administration's new AID program. Such coordination should include: (1) An agreement on investment priorities in relation to medium- and long-term social and economic goals; (2) a coordinated review and common recommendations to local government officials with respect to individual country plans and programs; (3) coordination of long-term commitments of external funds called for by the