used for development, must be closely coordinated with other forms of aid, and their availability over a reasonably long period of time must not only be assured, but they must be taken into account in a country's development program. Thus the availability of so many million bushels of wheat for a developing country over a 5-year period should make an important difference in the way its investment funds are to be allocated.[6]

3. Aid terms: Grants and loans—hard, medium, and soft

The terms on which development assistance is made available may be determined on the basis of either the type of assistance provided or on the basis of the capacity of the recipient country to service foreign obligations. The terms on which U.S. and multilateral development assistance has been made available to various countries constitutes a hopeless hodgepodge which, by and large, defies any rational explanation. Some countries are receiving hard loans (repayable in dollars at 5¾ percent from the Export-Import Bank or the World Bank), loans repayable in local currencies from the DLF, agricultural commodities in exchange for local currencies under Public Law 480, and, in addition, loans from the private capital markets of the world. The International Development Association has recently made several loans repayable over a 50-year period in foreign exchange, but without interest. The loans to be made by the new Agency for International Development (AID) are to be repayable in dollars, but on much more generous terms than loans from the Export-Import Bank, the World Bank, or the hard-loan window of the Inter-American Development Bank. Some countries receiving hard loans are also recipients of grants for certain purposes. In some cases there are perhaps administrative reasons for providing grants rather than loans. For example, certain types of technical assistance projects in which the personnel is provided directly by the U.S. Government or an international agency might involve special problems if undertaken on the basis of a loan agreement. On the other hand, technical assistance in the form of contracts with private groups in which the recipient country has some voice in the selection of the private agencies might well be financed on a loan basis.

Except where the nature of the technical assistance creates special problems for loan financing, it seems desirable to base the terms of financing of development assistance on a judgment regarding a country's capacity to service foreign obligations. Moreover, there are strong reasons for preferring loans—however generous the terms—over grants in nearly all cases. Also there appears little justification for differentiating between grants and loans on the basis of whether the project constitutes economic development or social development. It might be argued, of course, that some developing countries would refuse to enter into loan contracts for social development programs or that they would be less willing to undertake basic self-help or reform measures if the assistance were to be made available in the form of a loan rather than as a grant. In addition, there may be cases where grants would be appropriate for nonprofit private organizations abroad such as American schools or hospitals. All of these factors need to be considered. However, in the case of govern-

[6] For a discussion of some of these problems, see "Development Through Food: A Strategy for Surplus Utilization," United Nations Food and Agricultural Organization, Rome, May 1961.