

based approaches. Although progress towards these targets should lead to improvements in aid fragmentation indicators, the data present in this paper does not yet capture the effects of the Paris Declaration on aid management.

V. CONCLUDING REMARKS

41. **ODA has grown steadily over the last decade, and is expected to continue to rise as donors have committed to significantly scale-up aid to achieve the MDGs.** As indicated in the 2006 Global Monitoring Report, net ODA disbursements are projected to increase by 60 percent from US\$79 billion in 2004 to US\$128 billion in 2010, with half of it expected to benefit Africa.^{60, 61} With the winding down of debt relief, the scaling up of aid is most likely to occur in other categories of ODA (i.e. core development programs).

42. **To make effective use of such scaled-up ODA at the country level, a number of implementation challenges would need to be addressed by donors and recipients.** The most upfront challenges include: (i) achieving complementarity across national, regional and global development priorities and programs; and (ii) strengthening recipient countries' ability to make effective use of potentially scaled-up fast-disbursing ODA such as budget support.

43. **A platform for achieving complementarity across national, regional and global development priorities and programs can be found in the principles and targets of the Paris Declaration.** New ODA sources – emerging donors, regional and global programs, private philanthropic aid – bring with them more resources to help developing countries reach their MDGs. However, uncoordinated priorities and programs at the national, regional, and global levels – associated with more fragmented delivery – create transaction costs in ODA delivery and reduce the effectiveness of aid. As noted in the Declaration, “excessive fragmentation of aid at global, country or sector level impairs aid effectiveness. A pragmatic approach to the division of labour and burden sharing increases complementarity and can reduce transaction costs.” The Paris Declaration also puts forward a renewed emphasis on harmonization and alignment as well as on the centrality of national development strategies as the primary mechanisms to increase country-level effectiveness of the international aid architecture: “In determining the most effective modalities of aid delivery, we will be guided by development strategies and priorities established by partner countries. Individually and collectively, we will choose and design appropriate and complementary modalities so as to maximize their combined effectiveness”.

44. **The country-level effectiveness of a potential scaling-up in fast-disbursing ODA – added to the increased fiscal space brought about by recent debt relief initiatives – can be enhanced if country systems are strengthened.** If current trends

⁶⁰ Measured in 2004 prices and based on DAC members' announced commitments. See 2006 *Global Monitoring Report*, p. 76: “At their summit in Gleneagles, G-8 leaders committed to increase aid to Africa by \$25 billion a year by 2010, more than doubling assistance to the region. Coupled with pledges by the EU, DAC members have also agreed to expand aid to all developing countries by about \$50 billion. These promises would raise the average share of ODA to GNI to 0.36 percent in 2010.”

⁶¹ This discussion is based on an extrapolation of previous aid trends and is not meant to be predictive of future aid flows. Aid flows figures for the 2006-2010 period are not forecasts, but DAC Secretariat projections based on public announcements by DAC member countries.

persist, the share of fast-disbursing ODA would continue to rise. In low-income countries without robust fiduciary systems, budget support scale-up and the effective use of additional funds retained by countries due to debt relief will need to be accompanied by increased capacity to systematically review public expenditure composition and by strengthened financial management systems. In addition, coordinated donor support is critical. Under the Paris Declaration, donors committed to “use country systems and procedures to the maximum extent possible. Where use of country systems is not feasible, [they committed to] establish additional safeguards and measures in ways that strengthen rather than undermine country systems and procedures.”