



## Partnering to Strengthen and Support Effective States: Statement of Principles and Recommendations

We, representatives of countries, development organizations, parliaments and civil society<sup>1</sup> underscore the importance of effective states for sustainable and equitable development outcomes. An effective state is one that establishes an enabling environment for the delivery of high-quality and cost effective public services and the eradication of poverty in a manner that involves accountability to its citizens through both core state functions and processes. States can only manage development when these processes are underpinned by effective institutions and systems.

The concept of 'Effective States' builds on the importance of a holistic approach towards public sector management<sup>2</sup>, and places accountability and transparency<sup>3</sup> for the delivery of results centre stage. Public sector management encompasses a wider set of core state functions underpinning good governance including procurement and Public Financial Management as distinct but complementary policy tools and business processes.<sup>4</sup>

Effective States matter for development in all contexts including in situations of conflict and fragility. At the same time, we recognize differentiated responses and pathways to achieving a more effective state.

The principles upon which these recommendations are based draw **on a number of key political agreements<sup>5</sup> and technical consensus documents<sup>6</sup>**. Recognising that: (i) additional steps need to be taken at **country level** for more effective states as an essential component of better development outcomes; and (ii) **international fora** can provide a platform for timely sharing of knowledge and experiences, including successes and failures of country systems reforms, we state the following for Busan and beyond:

1. We recognise the critical importance of countries exercising ownership over their development through political and technical leadership in the strengthening public sector management systems in support of more effective states.

2. While we recognize the changing aid environment and the focus on development effectiveness, we recommend to continue to honour the Paris Declaration and Accra Agenda for Action which have had a catalytic effect on the way aid has been provided, particularly with a view to strengthening and using of country systems. In this spirit:

- We recognize the importance of results-based approaches in public sector management and we urge Development Partners to better support country driven approaches to results management. We jointly commit to invest resources at central and local government level in the strengthening of skills in public sector management, better assessment of needs, and the building of capacities of institutions and staff to deliver results. We will establish incentives to consolidate, maintain and sustain capacity and Development Partners will respect country leadership over the design of reforms.
- We urge Development Partners to enhance their skills and improve their capacities in ways that support more effective states.
- We recommend that capacity development should be an integral component of country development strategies. Development partners should support country-led capacity development- including through technical cooperation aimed at sustaining development.
- We promote the role of core state functions to accelerate domestic resource mobilization and create fiscal space for inclusive growth, equity and employment.
- Transparency is necessary for decision making and planning as well as accountability, we call on partner countries and Development Partners to make all aid transparent for country planning, budgeting, and accountability. We also call on partner countries to improve fiscal transparency overall, including aid.



- We urge partner countries to strengthen their oversight institutions (parliaments, auditing and the judiciary) and strengthen their data collection and statistical systems and for Development Partners to support these efforts in a co-ordinated and sustained manner.
- We recognize the role of non-governmental organizations and the media in supporting effective states by increasing the demand for increased transparency, contributions to planning, evaluation and monitoring, and call on all non-governmental organizations to be transparent in their activities.

3. We urge countries and their development partners not to lose sight of the important commitments agreed to in Paris and reiterated in Accra and Istanbul on country systems. In this regard:

- We call for development partners to have reasonable and realistic demands and expectations on country systems as well as to acknowledge progress made in strengthening country systems. With this in mind, we call for a common agreement that could promote the progressive use of country systems for aid over time.
- We recognize that mechanisms for country and development partners to jointly assess risks and work collaboratively to manage them, and risks related to their use should be a key element of a post-Busan effective states agenda.
- We recognize the opportunity for Climate Change Finance to utilize country systems to the extent possible.

In deciding to implement these recommendations at country level, we call on Countries and their Development Partners, together, to enter into a policy dialogue determining specific actions that will address the above components relevant to country context and priorities in a co-ordinated and sustainable manner over the medium to long term. The agreed upon actions can facilitate tracking of performance, mutual accountability and be used as a basis for sharing of experience with peers. We also call for systematic, joint learning and knowledge sharing on what works and what does not in supporting Effective States in a timely manner through regional and global platforms post HLF-4.

[To Note: The Principles on Effective States are currently being revised following comments received and will be annexed to this Statement in the week of June 26]

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<sup>1</sup>African Capacity Building foundation, African Development Bank, Asian Development Bank, Bangladesh, Better Aid, Collaborative African Budget Reform Initiative, Cambodia, Canada, Ecowas, Ethiopia, Gambia, Germany, Ghana, Inter-American Development Bank, IBON Foundation, Korea, Liberia, Mongolia, Nepal, Netherlands, Norway, OECD, Papua New Guinea, Peru, Philippines, Rwanda, Senegal, South Africa, Swaziland, Sweden, Timor Leste, Uganda, United Nations Development Programme, United Kingdom, United States, Vanuatu, Vietnam, World Bank, and Zambia.

2 Transparency of aid is defined as aid information that is accessible, comprehensive, timely, reliable and in an appropriate format.

3 Transparency and accountability are crucial tools for promoting effective public sector management.

4 This including planning, budgeting, procurement, domestic resource mobilization, internal and external auditing, accounting and internal controls, financial reporting, statistics, implementation, monitoring and evaluation, social and environmental assessments, civil service administration, parliaments (legislatures), civil society and the private sector. In countries in situations of fragility, security will also be a major component.

5 Political consensus documents include: the Paris Declaration on Aid Effectiveness, the Accra Agenda for Action, United Nations Least Developed Countries' Programme of Action for the Decade (2011-2020), the G20 Action Plan on Development and the OECD Strategy on Development to highlight the following key messages for the High Level Forum on Aid Effectiveness on Supporting and Strengthening Effective States

6 Technical consensus documents include: the Cairo Consensus in Capacity Development, the Tunis Consensus: targeting development effectiveness Cuzco Declaration 'Strong Procurement for Effective States', the Manila Consensus on Public Financial Management, the Proposals submitted to the Working Party on Aid Effectiveness on Results, Transparency, Climate Change Financing, Statistics and Social and Environmental Assessments, and agreements from other networks such as the International Dialogue on Peacebuilding and Statebuilding, the CABRI-AFROSAI-ATAF status report on Good Public Financial Governance in Africa, the OECD-DAC Governance Network, the Working Group on Tax and Development, and the OECD-DAC Evaluation Network.