



PUBLIC FINANCIAL GOVERNANCE AS A FRAMEWORK FOR ACHIEVING INCLUSIVE GROWTH: AN ANALYTICAL STUDY OF INTERNATIONAL EXPERIENCES

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Abstract:

This research paper's goal to highlight the fundamental concepts of inclusive growth and its importance in enhancing public financial governance, while outlining its core pillars as a necessary objective sought by many countries. The study also aims to showcase a range of international experiences that have adopted innovative financial and social policies to achieve inclusive growth. These experiences demonstrate how financial policies can be aligned with social objectives, achieving sustainable growth, and reducing economic and social disparities. Additionally, this paper seeks to extract lessons that can guide future policies to strengthen public financial governance and achieve inclusive and sustainable development.

key words: inclusive Growth; Public Financial Governance; Sustainable Development.

Introduction:

Good public financial governance has become one of the most vital foundations in attaining sustainable development, certainly in the current increasing economic and social challenges worldwide. Public financial governance in as an effective tool for directing a state's financial resources in a transparent, fair, and efficient manner, contributing to the improvement of public service quality and the promotion of social justice.

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In this context, the concept of *inclusive growth* is witnessing a growing importance as a central goal of modern economic policies, focusing on attaining that the benefits of economic growth are enjoyed across all segments of society and on reducing social disparities.

Therefore, understanding the relationship between public financial governance and inclusive growth is vital. This study analyzes selected international experiences where public financial governance has been effectively leveraged to foster economic and social inclusion.

In this context, we thought that the problematic of our research paper should be as follows:

To what extent does public financial governance contribute to achieving inclusive growth? What are the leading international experiences that have successfully achieved it ?

This paper aims to provide an analysis of selected international experiences in public financial governance, with a particular focus on how these practices have contributed to achieving inclusive growth, and to draw lessons.

This paper aims to present the theoretical framework of the *inclusive growth*, in addition to pointing to a set of pioneering experiences that have successfully linked sound public financial management to inclusive economic and social outcomes.

This research paper is based on the descriptive approach, by addressing the highlighting which is based on a group of international experiences.

1- Definition of Public Financial Governance and Inclusive Growth

According to the World Bank, public financial governance refers to the manner in which power is exercised in the management of a country's economic and social resources for development, while aiming to strengthen transparency and accountability. (Artha, Sumartono, Amarullah, & Maulendra, 2022, p. 3).



Public financial governance is the system by which financial resources are planned, directed and controlled to enable and influence the efficient and effective delivery of public service goals.

Public financial governance is a vital aspect of the public sector management. It encompasses the systems, processes, and institutions used by governments to allocate, manage, and account for public funds. Effective public financial governance ensures the effective usage of public resources in equitable and transparent way, hence supporting the macroeconomic stability, promoting inclusive economic growth, and improving service provision.

There are many definitions given to inclusive Growth by multiple literatures most important of them are:

The OECD defines inclusive growth as economic growth that creates opportunity for all segments of the population and distributes the dividends of increased prosperity, both in monetary and non-monetary terms, fairly across society. (OECD, 2016, p. 12).

As defined by the European Commission inclusive growth means empowering people through high levels of employment, investing in skills, fighting poverty and modernizing labour markets, training and social protection systems so as to help people anticipate and manage change, and build a cohesive society. (European-Commission, 2010, p. 17).

Moreover, AfDB refers to inclusive growth as economic growth that results in wider access to sustainable socio-economic opportunities for a broader number of people, regions or countries with protection for the vulnerable in an environment of fairness, equal justice, and political plurality. Also, it connotes improvement in production, income generation and distribution. (Kolawole, 2021, p. 110).

Inclusive growth involves addressing social disparities and ensuring equal access to opportunities by all members of society;

this infers building capabilities and increasing the participation of marginalized groups such as women or children. (Yeboah, Gatsi, Appiah, & Fumey, 2024, p. 01).

Inclusive growth is defined as growth that is both sustainable and broad-based in terms of employment opportunities. (Luiz & Dutz, 2012, p. 16).

2- The Distinction Between Inclusive Growth and Traditional Economic Growth

Inclusive growth is not limited to the traditional concept of increasing GDP or market output. Rather, it encompasses a broader approach that integrates economic progress with improved equity in living standards. It considers dimensions such as labour market participation, human capital, health, environmental quality, social protection, housing, and food security. The core objective is to ensure that the benefits of economic growth are widely and fairly shared across the population. (Hasmath, 2015, p. 03).

3- Importance and objectives of inclusive growth

Inclusive Growth, which is a new approach to economic growth that aims to improve living standards and share the benefits of increased prosperity more evenly across social groups, has become a major challenge for many countries around the world. (OCDE, 2015, p. 16)

In addition we can sum up the objectives of inclusive growth as next : (Abdellaoui, 2022, pp. 340-341)

- Sustainable Growth through Sectarian Diversity: Inclusive growth goal is the ability to attain and effect positively a variety of sectors such as industry, services, and agriculture, which enhances the sustainability of growth in the long term ;
- Sense of Equality: inclusive growth ensures a overall sense of equality between each citizens in terms of opportunities and rights and reducing the economic and social gap and



unfairness, thus promoting a sense of justice and balance within the community;

- Building Inclusive Societies: it accommodates the provision of job chances as being a base for erasing poverty from society and building inclusive communities that guarantee the full participation of all members of society.

4- Pillars of inclusive growth :

Asian Development Bank has defined the pillars of inclusive growth as : (EEC & UNCTAD, 2019, p. 16)

- Fostering high, efficient, and sustained growth to create productive jobs and economic opportunity;
- Investing in education, health, other social services to expand human capacity and eliminating market and institutional failures and social exclusion to level the playing field;
- Establishing social safety nets to protect the chronically poor and to mitigate the risks of transitory livelihood shocks.

5- Measuring inclusive growth

Several indicators have been developed in an attempt to measure inclusive growth and assess the extent to which it achieves its economic and social objectives. Among the most prominent of these indicators are: (Ranieri & Raquel, 2013, pp. 11-12)

- Asian Development Bank Framework: This approach evaluates inclusive growth by considering various factors such as poverty reduction, employability, and economic infrastructure. It aims to identify barriers to inclusivity rather than measuring the current level of inclusiveness;
- McKinley's Inclusive Growth Index represents one of the most comprehensive attempts to translate the concept of inclusive growth into a measurable framework. Developed in alignment with the Asian Development Bank's Long-Term Strategic Framework (2008–2020), the index aims to assess

both the pace and distribution of economic progress by integrating various social and economic dimensions. The index includes indicators such as economic growth, productive employment, social protection, and gender equity. However, McKinley notes that data availability is a challenge for effectively operationalising inclusive growth definitions.

6- The Role of Integrated Governance in Promoting Inclusive Growth

Achieving inclusive growth requires the adoption of an integrated governance approach involving various state institutions, where decision-making is linked to accurate data. Vision, incentives, and implementation mechanisms are coordinated throughout the public policy cycle. Governance supporting inclusive growth is approached from two key perspectives: (OECD, 2016, pp. 18-19).

- Policy-making: by enhancing public sector tools and strategies to ensure alignment with inclusive growth objectives.
- Policy-shaping: by promoting openness, accountability, and citizen participation in identifying problems and formulating and executing solutions.
- This approach aims to ensure coordination and inclusivity at all levels of public administration.

7- International Experiences in Public Financial Governance and Inclusive Growth

Public financial governance and inclusive growth are pivotal issues in achieving sustainable development. Sound governance systems contribute to enhancing transparency, efficiency, and accountability in the management of public resources, thereby supporting the realization of more equitable and inclusive economic growth, this axe reviews a set of leading international experiences that have adopted governance reforms aimed at linking public financial management to the objectives of



inclusive growth, highlighting the key lessons learned from these experiences.

Sweden can be counted as a leading country in the field of public financial governance and the ability of attaining an inclusive growth; these were a result of the country integrated financial system and well studied social policies. The Swedish government has been able to strengthen its transparency and accountability while also complying to clear rules to ensure the sustainability of the public budget.

This can be specially seen in the 90s of the last century, in which the local Swedish government passed the “surplus target” rule in which the national should always be stable at a surplus equal to 1% or over of the Swedish GDP. It has enabled the reduction of the public debt while creating a fiscal space for social investment hence solidifying the economic stability. (GOS, 2017)

The Swedish model framework adopts the inclusive growth at the centre of its economic approach in addition to that it protects the citizen’s autonomy and independence via three distinctive pillars which are flexible labour market, a universal welfare system, and an economic framework that fosters openness and stability.

The effective operation of this model relies on several foundational conditions present in Sweden, namely strong public finances, high levels of trust in institutions, robust employment rates, and active engagement of social partners. (Balasubramanian, Bounader, Bricco, & Vasilyev, 2021, p. 12)

Brazil has been one the countries that opted to achieve an inclusive economy due to the country’s wealth inequality and other economic and social.

Among the most notable policies and measures adopted are:

- **Fiscal Framework Reform:** In 2023, the Brazilian government approved a new fiscal framework aimed at achieving a fiscal surplus of 0.5% of GDP by 2025, focusing

specially on including the poorer classes into the general budget. (GovBR, 2023)

- Promoting Financial Inclusion: The Central Bank of Brazil has opted to improve the social and economic prosperity for low income groups therefore enhancing its financial inclusion . (IFC, 2016, p. 3)
- As part of its efforts to promote inclusive growth, Brazil implemented the " Bolsa Família" Program, that focused on reduce poverty and inequality by having a cash transfer initiative. The program provides direct financial support to poor and low income families, it ensures some basic rights like school attendance regular health check-ups for children "Bolsa Família "has assisted in developing the Brazilian human capital such as improving educational outcomes, reducing child mortality rates, and promoting social mobility among disadvantaged groups hence achieving financial inclusion . (Soares, Ribas, & Osório, 2008, p. 176)

Over the past decade, Brazil had been successful in implementing inclusive growth which assisted in rapid growth with declining poverty and inequality it is worth mentioning that brazil's blueprint for economic growth has been pro-poor compared to the experiences of other countries. The main findings indicate that: (IRIBA, 2017)

- *Inclusive growth was achieved* through a combination of labour market policies and social policies, where focusing social policies on marginalized groups significantly contributed to tangible economic growth ;
- *Brazil adopted a new development model* over the past two decades, based on broad social and political consensus to tackle poverty and inequality;
- *An effective institutional framework was established* to manage the economy, which enhanced stability and provided fiscal space to support innovative social policies;



- *Sustainable inclusive growth was achieved* through a combination of labour market and social policies.

Canada has made significant progress in public financial governance. According to the International Monetary Fund reports for 2022, the Canadian government continues its vision of enhancing fiscal sustainability by implement fiscal policies aimed at, while focusing on the support of the middle class, combating climate change, and improving the cost of living (IMF, 2022) (International Monetary Fund, 2022, p. 3). The report also noted that the Canadian government implemented reforms that enhance the resilience of the economy and its ability to withstand global and local economic crises and seeks to achieve a balance between economic growth and fiscal sustainability through comprehensive. (IMF, 2022)

Regarding inclusive growth, Canada has adopted social protection programs aimed at supporting vulnerable groups and promoting social justice. According to the World Bank report 2023,for Canada is developing its programs accommodating comprehensive reforms aimed at protecting vulnerable groups, which aids into strengthening financial resilience of the country improving social services for marginalized populations (worldbank, 2023).

Since 2011, **Tunisia** has completely transformed its public financial governance marked by the incorporation of new areas focused primarily on the principles of transparency and financial sustainability. The main objective is to attain a balance in the public finances sector while strengthening the roles of oversight, accountability, and governance. (Dahou and Ziyad, 2022, p. 70)

The Tunisian government launched the 'Social Safety Program' in 2019, which included a national wide plan for social integration and eliminating poverty. In addition, a higher committee for Social Development was established to coordinate various development programs aimed at preventing poverty. (GOV.TN, 2025)

Tunisia also worked to strengthen social spending in the vital sectors of the country such as health and education in favour of the low income families and individuals. In addition, Tunisia has been able to increase its financial transparency by regularly publishing budget documents and developing anti-corruption mechanisms via its Open Budget Initiative and enhanced. Even with that the country still suffers from various problems economically and socially such as the rising levels of public debt, persistent unemployment rates, and difficulties in achieving equal distribution of wealth across the society. (Dahou and Ziyad, 2022, p. 74)

Jordan has been able to make some significant progress in public financial governance via Public Financial Management Reform Strategy implemented 2021-2025 by the Ministry of Finance which aims at developing the efficiency of public spending and a sustainable financing (Ministry-of-Finance, 2021, pp. 5-7). Jordan has improved financial transparency best demonstrated by the 2021 Open Budget Survey in as a result of a better availability of budget documents and information to citizens (IBP, 2021, p. 12) .

In this context of, the Jordanian government has developed various social protections that its goal is to protect low income groups. This was confirmed by the World Bank, which showcased Jordan's improvement of social services for disadvantaged groups (World.Bank, 2023). Also, the United Nations Economic and Social Commission for Western Asia (ESCWA) highlighted the vitality of Jordan's social programs that are a key foundation in social justice and achieving inclusive growth (ESCWA, 2022).

According to the International Monetary Fund, the economic and social reforms implemented by the Jordanian government have contributed to improve financial stability and supporting low income groups, which strengthens Jordan position in the face of regional and global economic crises. (IMF, 2022, p. 11)



8- Lessons Learned from International Experiences in Public Financial Governance and Inclusive Growth

From these on international experiences, we have concluded that the key lessons that can guide future policies toward achieving public financial governance supportive of inclusive growth:

- *Importance of adopting strict fiscal rules:* Enforcing strict fiscal rules strengthens financial sustainability and enables social investment ;
- *Enhancing transparency and accountability:* the transparency of official documents by publishing them which helps building trust between the government and citizens and improve the efficiency of public resource management;
- *Integrating fiscal policies with social objectives:* envisioning the public spending in support for low income individuals and achieve social justice is a fundamental foundation in attaining inclusive growth;
- *Social Protection:* such as the programs of conditional cash transfers are effective in reducing poverty and enhancing human capital development;
- *Adopting a comprehensive reform approach:* Combining labour market reforms, expanding social safety nets, and strengthening financial transparency are all helping factors in sustainable and inclusive economic growth.
- *Promoting financial inclusion:* allowing low-income groups accessing financial services supports economic development and enhances opportunities for social and economic integration;
- *Investing in vital sectors:* using valuable resources into major sectors as a way to strengthen it like education, healthcare, and technology which all contribute to improve the population living standards and reducing socio-economic disparities;
- *Economic resilience:* Developing flexible fiscal policies facilitates the adaptation to local and global economic crises,

thus enhancing the economy's ability to withstand shocks and continue growing;

- *Integrated Governance*: Coordinating financial governance and social policies enables inclusive and equitable development.

Conclusion:

This study showcases the importance of public financial governance as having a major role in achieving inclusive growth and promoting sustainable development pathways, certainly during this era where many countries are facing accelerating economic and social challenges.

Through these international experiences it can be concluded that the governance of public finances should be accorded by principles which are fiscal discipline, transparency, and accountability, which enables achieving economic stability and creating a social environment supportive of inclusive growth which contributes in constructing trust between the economic actors and the utilisation of public resources and achieving sustainable development goals in the prioritised sectors.

It can be concluded that financial strategies based on sound governance presents a key pillar in supporting the economic growth in a long term while ensuring an equal distribution of growth benefits in society. Also the international cases had demonstrated the colossal importance of reducing social gaps and inequality and have an equal distribution of growth via. Additionally, experiences have shown that comprehensive reforms that include the development of social protection systems, expanding financial inclusion, and investing in vital sectors.

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