THE SIGNIFICANCE OF PUBLIC FINANCIAL MANAGEMENT AND GOVERNANCE FOR SUSTAINABLE DEVELOPMENT

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Abstract: It is concerned with the fact that public finance is a rosy politics, a roots in economics, and the other is how the state and the state have taken their decisions; these are the most important elements shaping the macroeconomic status of a sustainable development. For sustainable development, stability in the financial markets and efficiency in management are indispensable, while the assurance element in this activity is emerging as governance. In this context, the focus of this paper will be on the significance of public financial management and governance for sustainable development. the first part of the discussion gives an overview of public financial management and governance. The second section begins by laying out the importance of public financial management and governance in sustainable development. It concludes that the relationship between sustainable financial management and governance is linked to macroeconomic frameworks, public trust, good decision making and efficient resources allocation for sustainable development.
Keywords: Public Financial Management, Governance, Global Governance, Sustainable Development, Macroeconomic Framework.

Introduction

Public financial management is a complex concept that revolves around systems, rules and laws that help in the mobilization of resources, particularly revenue, allocation of public resources, implementation of public spending as well as the accounting and auditing of the usage of public resources (Finch 2010). In this context, governance refers to the exercise of power, particularly in the management of national affairs as well as its relations with other nations. Public financial management and governance assume an imperative role in influencing the public service delivery, poverty reduction and in the attainment of sustainable development (Guinn and Straussman 2016).

According to BPP (2016), sustainable public financial management and governance are key to ensuring financial efficiency as well as strengthening transparency and accountability. Sustainable development is dependent on effective macroeconomic and development policies that allow for proper governance and private investment (Cangiano, Curristine and Lazare 2013). When pursuing development agenda, it is important to ensure that there are effective rules, institutions, and systems to facilitate appropriate management of public finances and governance. This helps in ensuring there are transparency and accountability in terms of how public resources are used (De Melo 2015).

1.Overview Of Public Financial Management And Governance

The public sector plays a crucial role within the society and overall economy of any economy. Public expenditure is one component of the economy, which largely influences the gross domestic product (GDP). According to Tennent (2008), good governance and sound public financial management are considered synonymous with sustainable economic development. Basically, public financial management and governance is a comprehensive system comprising of processes and functions relating to planning, programming, budgeting, execution of the budget, accounting for the public resources, auditing as well as evaluation (Pirdal 2017).

The aim of these activities is to ensure that there is maximum utilization of public financial resources, in accordance with the set laws (Bastida and Benito 2007) Moreover, the public financial utilization should aim at yielding maximum results. Moreover, it should be done in a transparent and accountable manner. This means that there should be effective institutions such as the legislature, to ensure that those responsible for implementing government projects and policies are held accountable (Akyüz,2014). Argues that many countries are faced by challenges related to unsustainable development, which arises due to poor public financial management due to pursuit of ideologies such as financial populism as well as lack of effective budgetary mechanisms and financial management institutions to facilitate and oversee the implementation of public policies (Scott 2017).

According to Bevir (2011), sustainable development is achievable if the government reduces its role in the economic sphere and recognizes the important role played by the private sector in spearheading economic growth. However, the function of the government in establishing and managing effective legal as well as regulatory framework is crucial in ensuring that both the private and public sectors operate effectively and in a sustainable manner (Nummy et all.,2011). The frameworks should revolve around creating basic principle and guidelines to ensure effectiveness in economic governance and in the management of public resources (Campo,2017). It the role of the government to organize an effective financial management system that ensures that there are appropriate economic policies and that these policies are implemented with the aim of promoting sustainable socio-economic development (Allen et all.,2013).

In the contemporary world, politics and public administration have become strongly intertwined, which has raised numerous governance issues. Good governance revolves around ensuring that those who hold public offices have legitimacy and trust of the public to exercise power in the management of public resources. However, they should use the power in ensuring that the resources are used to serve the public interest and for the good of the nation. This implies that governance within the public financial management is closely linked to good governance. The mode of governance intrinsically influences how public financial resources are managed, and the overall quality of life of citizens (Martí and Kasperskaya 2015).

The only way that effective and sustainable development can be achieved is through enhanced public financial management and good governance and it can only be achieved if the three interdependent branches of state, which include legislature, executive, and judiciary, are held accountable and hold other financial management institutions accountable. Moreover, effective power relations among the executive, parliament and civil society are crucial in ensuring that all aspects of governance operate effectively (Simson et all.,2011).

2.The Importance Of Public Financial Management And Governance In Sustainable Development

The importance of sustainable development can be best understood by identifying the benefits as well as problems caused by unsustainable development, particularly in relation to governance and management of public financial resources (Wescott, 2009). According to Chibba (2009), unsustainable development often arises due to poor governance and ineffective public financial management. This is largely evident in disregard or piecemeal approach in policy development and implementation. Sustainable development largely revolves around considering the future consequences of current activities and behaviors (Freestone,2012). Unsustainable public financial management becomes manifested in different areas such as depletions of non-renewable resources, growing poverty, increase in inequality and failure in public sectors and institutions such as health, education, infrastructure, and social welfare. This leads to social and economic crisis, increased national debt, growing corruption, and depletion of resources putting future societies at risk (Draghi wet all., 2003).

Traditional public administration values remain crucial in contemporary public financial management. Such values should be based on ethical financial management to ensure that the public sector functions effectively and renders appropriate services in a timely manner (Pirdal,2017). Some of the most essential measures of public financial management and governance include budget governance, internal control, public procurement, and revenue control (Elgert,2018). For effective public financial management and governance to be achieved, there is need for effective political governance through inclusiveness, openness, compliance to rules and regulation, availability of oversight frameworks, and capacity (Rupanagunta,2006). Good governance helps bridge the wealth gap and reduces poverty levels by ensuring equitable and sustainable development. Moreover, good governance is necessary for sustainable economic growth. This is because having good governance creates an appropriate environment for private and foreign direct investment (Bevir, 2009).

According to Indrawati (2017), there is a connection between good governance and a decrease in absolute poverty levels: Level of illiteracy, infant mortality, reduction in gender inequality, and increased access to resources such as clean water. Tennent (2008) identifies four dimensions necessary for effective public financial management. These include aggregate fiscal management, effective operational management, fiduciary risk management, and governance. These dimensions should be reflected in financial management elements such as planning, budgeting, financial reporting and performance management.

Furthermore, these dimensions help guide setting and achievement of development goals and targets. Aggregate fiscal management revolves around managing the revenues, expenditures, financing flows and other economic flows within the public finances. This is important in ensuring sustainable development by ensuring fiscal sustainability, maximizing the mobilization of resources from revenues as well as borrowing, and ensuring that resource allocation is done in accordance with the set policy priorities (Rupanagunta, 2006). In relation to operational management, sustainable development is assessed based on input versus output analysis. This is achievable through effective performance management, delivering value for public finances through effectiveness, efficiency and economy, as well as appropriate management of budget.

Governance is necessary for sustainable development and is assessed through the governance model of how public resources are managed and the role of stakeholders such as civil society and legislature in overseeing such management. For sustainable development, governance should be such that their governance structures put in place based on the interests of the stakeholders. Moreover, transparency in terms of how stakeholders access relevant information in a reliable and timely manner is important. Moreover, the sustainable government requires that individuals be held accountable in terms of how they use public resources (Agnew et all.,2015).

In relation to fiduciary risk management, sustainability should be based on risk versus cost analysis. This is achievable through putting in place effective financial control, at internal and external level. Moreover, public bodies should comply with the established constitutional, regulatory, and legal requirements, especially when dealing with public finances. Moreover, there should be appropriate oversight of public resources to ensure that they are used maximally and for the appropriate purposes (Ramkumar and Krafchik, 2005).

Conclusion and Suggestions

Sustainable financial management requires various elements, which include a legislative framework to advance financial management and accountability, appropriate governance principles to ensure financial probity, and appropriate institutions to safeguard public resources by being custodians of public finance. Failure to have in place appropriate policies and macroeconomic frameworks to implement these policies impinges on the government service delivery, programs, and even loss of finances through means such as corruption.

At this point, trust, as one of the basic pillars of global financial cash flows, also forms the basis of global governance, have a vital role in countries that supplying funds and demanding funds in global financial markets to be successful in terms of carrying out effective cost and benefit analyzes. In this context, the expenditures in budget, especially as interest payment, and the incomes in budget, especially as the taxes provided for the investments, are of great importance.

In this context, an acceleration of greater integration between public financial management and governance- as a comprehensive system- help any society for good decision making and efficient resource allocation. This holistic approach should primarily be aimed by any government to dealing with poverty and promoting sustainable development. At this point, with the concepts such as transparency, fairness and accountability, the concept of governance aimed at providing support and its implementation depends on the establishment of the infrastructure for the information society and its integration with a legal system strengthened by democracy and human rights.

Following this theoretical work, it is thought that a numerical research to be carried out in the context of observing relationship among the governance levels of countries and other indicators; such as the impact on budget performance, the increase in GDP levels, dealing with poverty, development and democratic indexes would be beneficial.

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