

SGI Sustainable Governance
Indicators 2009

New Zealand report



Executive summary

The last 25 years have been a turbulent period in New Zealand history. In the 1980s, the country began to transform its once heavily protected, slow-growth economy and bureaucratic state, a process that was expedited by radical public sector reforms in the 1990s. Many of these changes, such as the introduction of performance-based contracts between ministries and agencies, and the creation of smaller administrative units tasked with fewer objectives, have been underpinned by the set of principles and objectives commonly known as the New Public Management (NPM) system. Having acknowledged that not all government agencies are by nature similar to private firms, the current government has relaxed these policies somewhat. Nevertheless, as an overriding principle, NPM is basically still intact in many public sectors in New Zealand.

The radical restructuring of nearly all aspects of socioeconomic policy, the public sector and public management triggered high levels of popular frustration and anxiety, resulting in dramatic changes to the electoral system in the mid-1990s. The ensuing multiparty politics have led to minority coalition governments, which depend on the support of other legislative parties on an issue-by-issue basis. The Labour-led governments since 1998 have dealt with coordination problems between the cabinet, individual ministers, and chief executives of agencies by developing a whole-of-government approach that defines criteria for agreements and evaluates performances accordingly. It is too early to tell whether this new approach has successfully eliminated the damage done by past failures in coordination.

Prime Minister Helen Clarke's Labour-led government is now in its third three-year term. In its first and second terms, the government's agenda blended a continuation of economic transformation policies, a re-establishment of employees' rights of protection, enhancement of access to social services, and implementation of new regulations in specific industries and utilities. Adapting to the challenges of globalization has been difficult but altogether successful. New Zealand rates well on most indicators of good governance, economic well being, social conditions and quality of life. In comparative terms, policy-making is dynamic, adaptable, modern and capable of change. Finally,

considerable effort has been expended to make government more transparent and accountable to the population.

Beyond a number of e-government activities, two instruments deserve mentioning. Regulatory impact assessments (RIAs) are now published online, and the Public Access to Legislation (PAL) project has not only started to provide online access to all legislation, including secondary legislation such as regulations, but is looking into a more systematic method of classifying and indexing acts of Parliament.

The current government has made a priority of re-regulating some major industries, including electricity, banking, telecommunication, and building products, and it has begun to abandon the philosophy of “light-handed” regulation. The government has been reluctant to partner with the private sector, and has introduced policies undermining the incentives of private firms to invest in vital infrastructure. Public sector employment has grown, as has the size of the public sector as a share of the economy. There is evidence of low productivity in parts of the public sector.

New Zealand’s key social issues involve individuals and families who are largely disengaged from society and suffer from family violence, unemployment, illness, poor education, substance abuse, crime and related problems. The present government has tried numerous policy strategies in response to these issues. Assistance to families extends to working families who are economically disadvantaged because of low income and/or large numbers of dependants.

In addition, the government has given attention to policies which support sustainable development, and it is a signatory to the Kyoto protocol on climate change. Public policy measures, including carbon taxes and a carbon trading scheme, have recently been introduced to complement measures which combat climate change. Policy goals in this area are ambitious, and the government has upheld New Zealand’s status as a nuclear-free region.

New Zealand’s educational system has largely been able to decouple the success of students from their social status. The OECD’s Program for International Student Assessment (PISA) study confirms the good performance of the country’s secondary education sector. New Zealand is both a target and a source country of migration, and New Zealand’s permanent residence status is among the world’s most generous policies toward residents who stop short of becoming citizens.

Due to its geographical isolation, New Zealand has little need for a large defense force. The New Zealand Defense Force’s relatively low combat

capabilities results in correspondingly low expenditure on defense, but the armed forces' structure reflects the country's needs. The country has contributed to international missions, including those in Afghanistan and Timor. Moreover, New Zealand is a very open country which supports the liberalization of worldwide trade. Since its comparative advantage is in agriculture, it suffers from other OECD countries' highly protective trade policies regarding agricultural imports. At the time of this analysis, it was negotiating a free trade agreement with China.

Policies to foster national identity have taken various forms, including high levels of funding and support for the arts, culture and heritage-related activities. New Zealand is becoming more diverse; the government continues to support a bicultural policy which reflects the Treaty of Waitangi with the indigenous Maori population, while recognizing the growth of other cultures, particularly of the Asia-Pacific region.

Strategic Outlook

Having recently undertaken radical reforms in many areas, including several in the national electoral system and the management of the executive itself, New Zealand is well positioned to tackle current and future challenges. The nation's institutions work well, and the country offers one of the best business environments in the world. The sustained momentum gained from the radical reforms of the 1980s and 1990s does not, however, mean that political debate over policy details has ended. Given the continued institutional status quo in New Zealand, any future government will have similar policy options as its predecessors. In this sense, New Zealand remains a role model for its approach to economic reforms.

Nevertheless there are four problem areas where additional reform is advisable: In terms of innovation policy, the government hopes to create a "high-income, knowledge-based market economy," although it is clear that investment in long-term research and development is much too low. One way to proceed might be to focus on foreign direct investment in high-technology industries. A related problem is that New Zealand does not invest enough in continuing job-based education and training. Whether this can be achieved by creating incentives for business firms or by strengthening employee rights is of secondary importance.

In terms of tax policy, the government needs to tackle the politically sensitive problem of a capital gains tax instead of introducing a new round of tax cuts in the near future. The current situation creates clear incentives for New Zealanders to invest in housing. Not surprisingly, the country has one of the highest rates of home ownership in the world. The downside is that in addition to violating principles of horizontal equity, this diverts capital away from potentially more productive uses. Imposing capital gains taxes on all but the family home would also help tackle the problem of the overheated property market.

Infrastructural and regional development issues in New Zealand must be addressed more aggressively as the country is characterized by a large and increasing divide between urban centers and rural regions. For example, in 2003, regional labor productivity in the Auckland, Wellington and Taranaki regions was between 15 and 30 percentage points higher than the New Zealand average, while productivity in rural areas was more than 20 percentage points below the average. This indicates that the government has to bring regional policies into focus, in metropolitan and rural areas alike. For example, infrastructure such as road transport has become a pressing problem in Auckland.

Finally, the government's agenda-setting power must be bolstered. New Zealand's political system is still characterized by a majoritarian design. There are no institutional veto players, whose policy positions have to be anticipated by the government in its legislative activities (such as second chambers, constitutional courts or subnational governments with constitutionally guaranteed veto powers). Nevertheless, the change to a mixed-member proportional electoral system has weakened the executive's agenda-setting power, and with it the strategic capacity of government. The last three Labour-led minority coalition governments have had to rely on legislative support agreements with small parliamentary parties. The current agreement is highly unusual in every respect. There are three bilateral support agreements that explicitly include the right to disagree over many issues: one with the Green Party that permits members to abstain from essential votes on specific policy issues; and one each with New Zealand First and United Future, who each have a minister outside of the core government, but do not count as part of the governing coalition. These three parties hold different and in many respects opposing positions on many issues. As a consequence, implementation of the government agenda is highly time-consuming and not very coherent.

Status Index

I. Status of democracy

Electoral process

Fair electoral process

Score: 10

New Zealand has fair procedures for registering candidates and parties. Under the 1993 Electoral Act, every person registered as a voter is qualified to be a candidate and to be elected to the unicameral House of Representatives, commonly called Parliament. The registration procedure for political parties and individual candidates is transparent. Compliance with the Electoral Act is monitored by the independent and highly professional Electoral Commission. New and small parties are treated in the same way as established and large parties.

In 1996, New Zealand's electoral system was reformed and a mixed-member proportional representation (MMP) system of voting introduced. Under this system, each voter has two votes: one for the candidate in the district and one for the party-list. The share of seats for each party is determined by its share of votes for the party-list.

Fair electoral campaign

Score: 9

In principle, all candidates and parties have fair access to the media. Allocation of funds and broadcasting time during elections is regulated through the broadcast allocation process. Broadcasting time is allotted to parties based on recent polling and their representation in Parliament. The independent Electoral Commission monitors these procedures laid down in the 1993 Electoral Act and the 1998 Broadcasting Act.

However, the system remains flawed, as the commission stated in a report to the Justice and Electoral Committee Inquiry in 2006. Problems include the fact that many regulations have not yet been adapted to the new MMP electoral system, and that two different acts regulate media coverage of

election campaigns. In addition, campaign rules in New Zealand are rather complex, and have not yet been adjusted to the change in the electoral system. Furthermore, there is no limit on private donations, and anonymous donations are allowed. While parties and candidates are requested to provide a report detailing their revenues and expenses, there is no procedure in place that systematically checks compliance with these rules, and the current regime seems to rely on complaints being made to the electoral agency.

Annotation: Electoral Commission, “Report and Public Submission for the Justice and Electoral Committee Inquiry into the 2005 Election,” March 10, 2006 (Wellington: Electoral Commission 2006).

*Inclusive
electoral
process
Score: 10*

New Zealand has an inclusive electoral process in which permanent residents have the right to vote in national elections. There is no observable discrimination in exercising the right to vote, although citizens who have been out of the country for more than three years are denied participation. Voting is also voluntary. All New Zealand citizens and permanent residents aged 18 and over can be registered as voters provided that they have spent at least one continuous year in the country at some time. In addition to legal regulations regarding voter participation, there are purposeful activities aimed at increasing the political efficacy and turnout of ethnic minorities such as Maori, Pacific Islanders and Asians. Most of these activities are products of the Electoral Commission’s efforts.

In 2005, the Ministry of Justice commissioned a survey of voters’ satisfaction with the electoral process. Deficiencies were found with regard to access to polling stations and information – whether Internet-based or on the spot – for voters with physical or learning disabilities. As a consequence of these findings, the Chief Electoral Office (in the Ministry of Justice), the Electoral Commission, and the Electoral Enrollment Center agreed upon an accessibility action plan for the next general election.

Annotation:

Elections NZ, “Access ‘08. Accessibility Action Plan for the 2008 General Election,” produced by the Chief Electoral Office, the Electoral Commission, and the Electoral Enrollment Center (Wellington: Elections NZ n.d.).

Access to information

Media freedom

Score: 9

The media industry has existed as a free market since the dissolution of the Broadcasting Corporation of New Zealand in 1988. According to the 1986 Commerce Act, restrictions are allowed only with regard to preventing monopolies and safeguarding consumer rights and interests. The government does not interfere with media content, and it respects press freedom. The state-owned broadcasters are managed at arm's length through appointed boards. Privately owned radio stations provide alternative sources of information, but have no constitutional protections. The Press Council deals with complaints about the conduct of newspapers and magazines. In its 2005 report, the council criticized a provision of the Coroners Act of 2006, which restricts the opportunities to report about suicides in the media. The government has defended this restriction on the grounds that it prevents imitation.

Annotation:

New Zealand Press Council, "Annual Report 2005," (Wellington: NZ Press Council n.d.)

<http://www.presscouncil.org.nz/articles/NZ%20Press%20Council%20%20AR%202005.pdf> (accessed 2 April 2008).

Media pluralism

Score: 7

The national print press market is dominated by four Australian companies. One of these companies, John Fairfax Holdings, controls papers representing nearly half the nation's daily circulation as of 2007, and the two main competitors control another 43 percent. This small ownership base may subtly constrain the range of opinions expressed. As for radio stations, the public Radio New Zealand is the only nationwide provider. However, there are about 150 commercial local radio stations.

In the television market, the public stations TV One and TV2 face two main private competitors: TV 3, owned by MediaWorks (which is itself majority-owned by the Australian Ironbridge Capital), and Prime Television, owned by News Corporation. Furthermore, there is one private supplier for pay television, Sky Network Television, which is closely linked with News Corporation. Internet-based communication, including live video streaming of parliamentary sessions, is expected to widen the scope of programming. The government has made a commitment to free-to-air satellite, digital television and radio broadcasting.

*Access to
government
information*
Score: 9

The Official Information Act of 1982 (which has been reviewed several times), in combination with the 1987 Local Government Official Information and Meetings Act regulates access to government information. Both acts are founded on the principle that information must be made available unless there is good reason for withholding it. Information deemed sensitive in terms of international relations, national security or the national interest is excluded. Furthermore, some information can be kept confidential in order to protect individual privacy or commercial secrets.

The legislation is intended to promote ministerial accountability, respect for the law and good government, and public participation in the making and administration of laws and policies. There are statutory time limits for delivering information requested under the legislation. If information is withheld, the decision can be appealed to the Office of the Ombudsmen, which reports to Parliament. Following a number of precedent-setting decisions by the Office of the Ombudsmen in recent years, access to official information is now far reaching, including politically sensitive communication between political advisers and ministers, as soon as this communication is held by the ministry concerned. One consequence of these decisions, of course, is that ministers and public servants now anticipate the possible disclosure of communication.

Civil rights

*Civil rights
protection*
Score: 10

New Zealand authorities respect and actively protect civil rights. New Zealand does not have a written constitution, and thus no formal constitutional law protecting civil rights exists. However, civil and human rights protections are based on the 1990 Bill of Rights Act and the 1993 Human Rights Act, which define the tasks of the Human Rights Commission. Furthermore, New Zealand is a signatory to international treaties such as the 1978 International Covenant on Civil and Political Rights. In addition, civil rights are protected by a variety of court decisions and widely recognized practices.

The Human Rights Commission actively promotes compliance with civil and human rights by public bodies and more broadly in society. Recent activities concern the rights dimension of the Treaty of Waitangi and the release of the Human Rights Action Plan of 2005, which addressed violence against women and children and the maltreatment of inmates in prisons and mental institutions. Recommendations from this report have not to date been acted upon. Amnesty International has reported some problems with the detention of asylum seekers, and the High Court has ruled that these issues represent a

Non-discrimination
Score: 9

breach of national and international human rights safeguards. The case is still pending, as the government has appealed the ruling.

New Zealand has an active policy against any kind of discrimination. The Bill of Rights Act includes rights to life and security, voting rights, and rights to freedom of expression, peaceful assembly, association, thought, conscience, religion and belief. Furthermore, rights to freedom from discrimination and various rights relating to justice and criminal procedures are included.

Other laws, including the 1993 Privacy Act, also provide protection for specific rights. The 2001 Human Rights Amendment Act introduced additional safeguards against discrimination on grounds such as age, disability or sexual orientation in the policies and practices of government agencies. Cases of discrimination are rare, but they do occur. For instance, the United Nations Committee on the Elimination of Racial Discrimination (CERD) published a list of concerns in its latest report, mainly dealing with discrimination against the Maori population.

Annotation:

United Nations, “International Convention on the Elimination of all Forms of Racial Discrimination,” (Geneva: UN, 2007)

<http://www.converge.org.nz/pma/CERD71-Obs.pdf> (accessed 2 April 2008).

Rule of law

Legal certainty
Score: 10

The government and administration act predictably on the basis of and in accordance with legal provisions. Although New Zealand, following the British tradition, does not have a codified constitution but a mix of conventions, statute law (including the Constitution Act, the Bill of Rights Act, the Electoral Act and the Treaty of Waitangi) and common law, the executive acts according to the principles of a constitutional state. A number of independent bodies such as the Office of the Ombudsmen increase accountability. Public bills affect the whole country, whereas local bills affect only a certain part of the country. Local bills are usually put forward by district or city councils. The government introduces government bills. Hence, there is a great deal of transparency in legislation, including at the level of local bodies.

Judicial review

New Zealand’s legal system is based on common law. Since 2003, the Supreme Court has been the country’s highest court and presides over the

Score: 10

Court of Appeal. Subordinated to the latter is the High Court, which is present in many centers in the country. Below the High Court, district courts can be found in most towns. Courts are independent, and appointments to most judicial positions are made by New Zealand's governor-general on the recommendation of the attorney general. The standards for appointment are high, both in terms of qualifications and a candidate's quality of character.

While this legal system is very transparent in its nature, there are many additional authorities, boards and commissions with decision-making powers. Since these bodies make quasi-legal decisions, their influence is considerable. For example, the Waitangi Tribunal deals with claims made under the terms of the Treaty of Waitangi. This treaty, signed between the English and the indigenous Maori in 1840, is now seen as the foundation of New Zealand's nationhood, and the Maori regard the document as a guarantee of their rights. The tribunal's recommendations, although not legally binding for the government, have a strong influence on legislation.

Executive action is subject to external and independent review by the courts, by parliamentary officers and their offices (including the Office of the Ombudsmen, the Parliamentary Commissioner for the Environment, and the controller and auditor-general) and by the privacy commissioner. Parliamentary select committees also exercise broad powers of inquiry. Officers of Parliament were created under standing orders of the legislature to provide a check on the use of executive power.

*Corruption
prevention
Score: 10*

New Zealand is said to be one of the least corrupt countries in the world, and its society has little tolerance for corruption. The few allegations of (relatively small-scale) corruption are taken seriously by media, politicians, and Parliament. The Office of the Auditor-General monitors use of public monies and reports to Parliament through several means, including annual financial audits and audits of service performance statements, special investigations, and the controller's authorization of release of public money.

The controller must be satisfied that the release of funds complies with the law – that is, that there is a warrant signed by the governor-general, that there is an appropriation and that the money is to be spent lawfully. The controller can prevent the release of funds if these criteria are not met, and has done so on occasion. MPs and political parties are required to declare financial and other interests and sources of income. Tighter legislation regarding donations to political parties and party campaign expenditures is under consideration.

II. Economic and policy-specific performance

<i>Basic socioeconomic parameters</i>	<i>score</i>	<i>value</i>	<i>year</i>
GDP p.c.	3.62	25950 \$	2005
Potential growth	2.86	2.4 %	2008
Unemployment rate	9.33	3.8 %	2006
Labor force growth	5.89	2.4 %	2007-2008
Gini coefficient	6.21	0.337	2001
Foreign trade	1.41	-46.01	2005
Inflation rate	6.94	2.3 %	2007
Real interest rates	7.23	3.9 %	2007

A Economy and employment

Labor market policy

Score: 9

Labor market policy in New Zealand has been very successful in recent years. It achieved the extremely low unemployment rate of 3.8 percent in 2006, along with a relatively high level of employment. This has been achieved in part by a mix of deregulatory reforms in the 1980s and 1990s, which effectively de-unionized much of the workforce. According to the OECD, the degree of unionization was approximately 22 percent in 2002. Thus, low unemployment is a result of macroeconomic restructuring rather than a specific policy targeting unemployment.

Nevertheless, individual and collective rights of employees remain protected. There is a minimum wage for adults, as well as for youths (80 percent of the adult rate). The government mandates that anybody working on a public holiday must be paid 1.5 times the regular wage, and be given an additional day of annual vacation. Unemployment benefits are paid on a weekly basis and vary depending on the recipient's family status and age, though the level

is comparatively low. The country's labor market participation rate is relatively high, particularly for women. Indeed, there is a growing shortage of skilled and professional labor, to which the government has responded by relaxing immigration criteria.

However, this overall picture does not reflect regional and ethnic differences. For example, a few districts have unemployment rates of over 10 percent, and 8.6 percent of Maori are unemployed, compared with just 2.9 percent of New Zealanders of European descent. The workforce participation rate for Maori has climbed, reaching 67.6 percent in 2007 compared to 61.4 percent in 1999.

Enterprise policy

Score: 8

By international comparison, New Zealand's enterprise policy presents relatively few bureaucratic hurdles to establishing and running a business. The World Bank's "Doing Business 2008" report rated New Zealand as the economy in which doing business was easiest. In 2006, the cabinet set economic transformation as a major priority for the next decade as a part of its Growth and Innovation Framework, with a particular focus on innovation and economic performance. The government has maintained a long-term commitment to improving per capita income by raising productivity in an innovative and environmentally sustainable way. The government's Economic Transformation Agenda seeks to transform New Zealand into a high-income, knowledge-based market economy, as a way to promote and maintain its quality of life. This agenda focuses on global competitiveness, infrastructure, innovation and productivity, and environmental sustainability.

However, enterprise policy alone cannot solve structural problems tied to the economy's small size, and the country's geographical isolation. These problems may outweigh the effects of otherwise excellent business conditions in some sectors. Furthermore, the economy is still characterized by a large, though very competitive agricultural sector. Innovation is hampered by the scarcity of high-technology companies, of large companies in general, and the fact that top personnel in high technology sectors mostly have to be trained overseas.

Annotation: OECD, "Reviews of Innovation Policy in New Zealand," (Paris: OECD 2007),

http://www.oecd.org/document/38/0,3343,en_2649_201185_39156838_1_1_1_1,00.html (accessed April 3, 2007).

Tax policy

Score: 9

Taxation policy promotes two of three important goals. It has strengthened New Zealand's competitive position, and it clearly generates sufficient public revenues, as the national budget's operating balance shows. Following a prolonged period of fiscal deficits, New Zealand has achieved surpluses since 1993 – 1994 although the current government has correctly noted that change in the public capital stock should also be taken into account, an analysis that would diminish the apparent budget surplus. However, there is an inherent conflict between horizontal and vertical equity in the tax system.

Although policymakers have acted to broaden the tax base, some types of capital gains and rental income taxes from owner-occupied housing are still not included in the taxation scheme. On the other hand, the equal treatment of tax types, which was rendered possible only by setting relatively low rates, has undermined the principal of vertical equity by effectively pushing the average industrial worker to the top marginal income tax rate.

The individual income tax is very simple: there are only three tax rates, 19.5 percent for relatively low earners, 33 percent for middle incomes and 39 percent for higher incomes. There is little scope for tax rebates. Thus, the majority of taxpayers do not file an application for a tax return. The tax rates do not depend on marital or family status but apply separately to every individual, a provision that some critics argue treats single-earner families unfairly. In response, the government has introduced a support program for which large families of even relatively high income are eligible.

The corporate tax rate is 33 percent, while tax rates for sole proprietorships coincide with the individual tax rates (but apply to net profits). Hence, there is a slight discrimination between companies and sole proprietorships. However, the simple tax system reduces administrative costs substantially and creates considerable transparency. In fact, the Inland Revenue Department's Web site allows anybody to estimate their tax bill using just a calculator.

Annotation:

New Zealand Treasury, "New Zealand Economic and Financial Overview 2007,"

<http://www.treasury.govt.nz/economy/overview/2007> (accessed 15 October 2007).

Budgetary policy

Score: 9

New Zealand's budgetary policy is fiscally sustainable. The country's debt-to-GDP ratio is among the lowest of OECD countries. The government has run a surplus for years, enabling the government to cut the public debt substantially. However, the private saving rate is not very high, so gross national saving as a share of GDP was down to 15 percent for 2005, a low rate by international standards. The reduction in public debt has thus led to a crowding-in effect, as it has gone along with an increase in private debt. The government is aware that private savings rates may be too low, and has tried to encourage household saving beyond the property market.

Recent forecasts project a further decline in public debt until 2007, but an increase for the years 2008 and 2009, because the government intends to make substantial investments in this period. Governments have also identified social welfare benefits and education spending as potential future fiscal challenges, and have actively focused on long-term fiscal objectives

Four pieces of legislation constitute New Zealand's fiscal management framework. Two of these are focused on sustainable budgeting: The Public Finance Act of 1989 provides for spending authorizations and reporting of financial results, while the Fiscal Responsibility Act of 1994 sets principles and practices such as the maintenance of debt at prudent levels, the establishment of long-term fiscal objectives, and the full reporting of fiscal policy, spending intentions and forecasts. The framework as a whole provides the context for developing fiscal policy and translating it into spending intentions.

An anchor of the government's fiscal policy is the long-term gross Crown debt objective, currently set at 30 percent of GDP. To achieve this objective, the government's policy has been to run surpluses across the economic cycle, while also meeting capital pressures and priorities.

B Social affairs

Health policy

Score: 8

New Zealand's health care system has undergone several changes in the last decade. A "purchaser/provider" market-oriented model was introduced in

1993, although a more community-oriented model now prevails. A devolved system of regional health boards running a population-based health system was established in 2000. The 21 district health boards are guided by overarching government strategies and supported by the Ministry of Health, which provides national policy advice, regulation, funding, and monitoring. This means that eligible people receive free inpatient and outpatient public hospital services, subsidized prescription items and various disability support services.

The eligibility for financial support has been widened in recent years, so that many people pay reduced charges. Public hospital admission is free to all New Zealand citizens and residents, though access is limited by waiting lists for some procedures. Private health insurance plans and private hospitals provide a means of “queue jumping.”

The government drug-purchasing agency, Pharmac, has sought competition and greater choice in purchasing medicines. The subsidization of some expensive drugs and the use of preferred providers and generic substitution have been controversial issues. Unlike other countries such as Australia, New Zealand does not have an obligation to support research and development in the pharmaceutical industry, which means that Pharmac can focus exclusively on health outcomes.

Nevertheless two problem areas remain. First, recent system changes have hampered efficiency, with key actors jostling for bureaucratic or market position. Second, health care provision for Maori needs to be improved. The gap between the life expectancies of Maori and non-Maori citizens has been increasing rather than decreasing in recent years.

Social cohesion

Score: 8

New Zealand’s welfare state, developed in the 1930s, was maintained until economic reforms were introduced in the 1980s and 1990s. Today, socioeconomic disparities are present, but do not dominate society. Most New Zealanders care deeply about family and community values, and do not hesitate to support the local community. Approximately 436,000 New Zealanders do voluntary work in nonprofit organizations, or four times more people than the total number of these organizations’ employees.

Social policy itself underwent major reforms in 2005 and 2007. Poverty in particular is regarded as a problem for families with children who rely on a low income or on social assistance. More than 30 percent of all children live in families whose income is less than 60 percent of the median family income.

In response to these problems, the government introduced the Working for Families program in 2005 to support this population with tax credits, child care and accommodation supplement payments. In 2007, the criteria for unemployment benefit eligibility were changed substantially, aiming to provide incentives to push unemployed individuals back to work. The conditions are quite strict. Applicants for unemployment benefits are required to undertake work or to engage in training-related activities. Furthermore, they have to look for and accept any offer of suitable work. Failure to do so may cut benefit levels by 50 percent. Furthermore, it is the government's goal to keep all 15- to 19-year-olds engaged in employment, training or education.

Family policy

Score: 9

The government has provided a range of financial support for families in recent years. Tax credits are offered to employed family members for each dependent child aged 18 or younger. A child care subsidy is available for low-income households. Since July 2007, the government has funded up to 20 hours of early childhood education for children aged three and four. This program is not income- or means-tested. A Domestic Purposes Benefit is also available to single parents, most of whom are expected to prepare for a return to work.

Women's labor market participation rates are relatively high. Many women return to work shortly after childbirth. The parental leave policy allows 14 weeks of job-protected leave for eligible parents, and although costly, it is not too difficult to find a place for babies, toddlers or young children in kindergartens. Children can enter primary school at the age of five, and primary schools are in session from 9 a.m. until 3 p.m. Many schools offer an afternoon session or work closely with other after-school programs. Furthermore, many holiday programs are available, in particular volunteer-run sports programs.

Pension policy

Score: 9

New Zealand's pension system is tax-based. It is highly efficient, as it effectively prevents senior citizen poverty with a relatively low level of public spending, measured as a percentage of GDP. In order to prepare for an aging society, without burdening future budgets too much, the cabinet decided in 2001 to pre-fund a part of its future obligations. This took the form of the so-called Superannuation Fund, designed to contribute to future pension costs.

Over the next 20 years, the government plans to devote NZD 2 billion annually to the fund, drawn from budget surpluses. Pensions related to this fund are not very generous and are subject to income taxation. However, it offers a universal benefit for all individuals – residents as well as citizens – and there is no means test. As a benchmark, its level net of tax should not fall short of 32.5 percent of the national average weekly income level of households in the pensioner’s former income bracket. It is indexed on an annual basis. In addition, the government introduced “Kiwisaver,” a publicly subsidized, voluntary private pension plan, in 2007.

A worker reaching the age of eligibility on the public pension program (currently 65) will also gain access to these private retirement savings. Hence, the government has aimed both at encouraging employees to increase retirement savings and at easing the burden faced by future generations in supporting an increasing number of pensioners.

Annotation: Periodic Report Group, “Retirement Income Report 2003,” <http://www.beehive.govt.nz/sites/all/files/Retirement%20Income%20Report%202003.pdf> (accessed April 3, 2008)

C Security and integration policy

Security policy

*External
security
Score: 10*

New Zealand’s geopolitical situation makes it a highly unlikely target for terrorist threats. The country’s Defense Force consists of three parts: the Army, the Royal Navy and the Royal Air Force. There is no compulsory military service. New Zealand’s Army consists of approximately 4,500 regular personnel and 2,500 non-regulars and civilians. The Navy has a fleet of ten ships, only two of which are frigates with combat capabilities. The Air Force has only 53 aircraft, all unarmed, intended to support the Navy or the Army in executing transport and maritime patrol tasks.

This relatively low combat power today results in a correspondingly low expenditure share for defense. This fits the nation’s needs, since significant combat power is unnecessary for a small country in relative isolation. Nevertheless, the government has invested in professionalizing its military, based on a long-term development plan.

New Zealand is an active partner in international strategic defense

arrangements with Australia and NATO. Domestically, a “Combined Threat Assessment Group” has been established, which brings together various ministries, the New Zealand Security Intelligence Service, the New Zealand Police, the Government Communications Security Bureau, the New Zealand Defense Force, Maritime New Zealand, and the New Zealand Customs Service.

Together with Australia, the country works toward peaceful and successful development of the Pacific Islands region. New Zealand has been involved in nation-building and peacekeeping missions in the South Pacific (including in Fiji, Tonga, East Timor and Papua New Guinea) and currently in Afghanistan. As one example, in 2003 New Zealand made a substantial contribution to support the Solomon Islands in terms of security, sending military and police forces to the country.

Internal security

Score: 8

New Zealand’s internal security is maintained by its police force. The Secret Intelligence Service (NZSIS) and the Government Communications Security Bureau (GCSB) provide advisory services. The NZSIS, as a civilian organization, has no police powers and no authority to enforce the law. Its role is advisory, involving collecting, assessing and analyzing intelligence, and advising the government accordingly. Legislation explicitly prevents the government from using the NZSIS to put any person in New Zealand under surveillance. The GCSB has a dual role. It collects foreign signals intelligence; and it provides advice and expertise aimed at ensuring the government’s official information is protected.

Expenditures for public order and safety are substantial, since New Zealanders feel crime to be a salient issue. In the 2006 New Zealand Crime and Safety Survey, rather high numbers of people identified themselves as crime victims. These numbers differed sharply from offences actually reported to the police. The common feeling that crime rates in New Zealand are growing is not entirely borne out by statistics. The number of reported murders went down from 66 in 1997 to 49 in 2006, despite a population increase. The case-resolution rate in 2006 was even 95.9 percent.

On the other hand, property damage rates went up from 106.3 per 10,000 people to 117.9 in 2006, although this was accompanied by an increase in the case-resolution rate from 28.6 percent to 30.6 percent. Along with these trends, New Zealand has the fifth highest rate of imprisonment in the OECD.

In recent years, police forces’ reputations have been substantially damaged. Investigations have found that a few police officers had used practices which were illegal, or at the least considered to be a misuse of power.

*New security policy**Score: 8*

New security policy in New Zealand was launched well before the September 11 attacks in the United States. Many people regarded French agents' 1985 sinking of Greenpeace's Rainbow Warrior vessel in Auckland Harbor as state-sponsored terrorism. In reaction, an International Terrorism (Emergency Powers) Act was enacted in 1987. The emergency powers under the Act have so far never been used.

From 2001 onward a number of additional measures such as the Terrorism Suppression Act 2002 have been passed. One major instrument now used is the designation of organizations as terrorist-related. In marked contrast to Australia, the only organizations to have been so designated thus far are those which have also been listed by the United Nations.

In general, New Zealand policy in this area is strongly influenced by United Nations conventions and policies on terrorism. Domestic policies are complemented by average levels of development aid, relatively low tariffs and participation in regional nation-building and peacekeeping missions. Following from New Zealand's foreign policy principle to be a "good international citizen," overseas development aid could well be increased to a Scandinavian level

Integration policy*Score: 9*

New Zealand's history is based on migration. Immigration is today possible under various means, the most important one being the skilled migrant program. For those who qualify in areas of skills shortage, migration to New Zealand is relatively easy, with a points system helping to attract immigrants who can easily be integrated in the labor market.

Entry can be applied for in the context of a work permit. If issued for at least two years, it gives the applicant complete access to all public services, including health services, and primary and secondary education. Entry is also possible as a permanent resident. In this case, a successful applicant is granted access to the same services enjoyed by citizens, and receives near-identical treatment, including the right to vote but not the right to stand for office. The permanent resident status grants recipients generous rights without having to become citizens, which is particularly important for migrants who do not want to give up their original citizenship. However, New Zealand does allow dual citizenship, and citizenship can be applied for after five years of residency (recently increased from three years) with no additional requirements beyond those which must be met for residential status.

Based on labor market and education system indicators, integration policy has

been successful. However, there is room for improvement regarding specific groups of migrants such as refugees. New Zealand actively promotes a detailed settlement strategy, first launched in 2004 and revised in 2006, aimed at assisting newcomers with issues such as housing, work, knowledge of the language and developing social networks. European immigrants tend to integrate more easily, while others may encounter difficulties in finding employment.

The government supports integration through initiatives that include funding for English tuition, regional migrant and refugee education coordinators, language programs and a telephone-based interpreting service. The police work closely with ethnic communities to increase confidence and trust in the authorities. The government's Office of Ethnic Affairs works to meet the long-term settlement needs of migrant and refugee groups, and promotes the value of ethnic diversity in New Zealand.

D Sustainability

Environmental policy

Score: 7

New Zealand's environmental policy is based on the 1986 Environment Act, as well as annual governmental statements of intent. Its implementation has largely been delegated to regional councils, with mixed success. In comparative perspective the country's efforts can be deemed highly successful.

However, with regard to individual aspects such as water quality and usage, use of natural resources or sustainable energy, room for improvement remains. It is generally agreed that additional central government leadership is needed on the more challenging issues. Point discharges' contributions to water and air pollution have diminished considerably since the current management regime was established in 1991. However, the system has coped poorly with agricultural nutrients, which have grown as a result of agricultural intensification and increased dairy farming, degrading overall water quality. Other policies have been successful, such as eliminating atmospheric lead from vehicle emissions.

New Zealand's energy mix is in general relatively favorable, as a huge part of electricity production is based on hydroelectric power. However, many residential houses are heated by electricity (if at all), which is rather inefficient. Residential buildings' energy efficiency levels are among the

OECD's worst. Building regulations introduced in the 1980s require a minimum amount of insulation, but a large number of older houses are still not insulated at all. Furthermore, most houses do not have central heating, but are heated by coal and wood burners, increasing local pollution in winter and the corresponding risk of health problems. New Zealand has one of the highest asthma rates among children.

The country has a very high number of endemic native flora and fauna, many of which are at risk as a result of habitat loss or degradation, or predation by introduced pests. Despite the implementation of government biodiversity strategies, some species remain threatened by regional or total extinction.

Research and innovation policy

Score: 7

New Zealand's research and innovation policy is clearly deficient according to indicators assessing research and development, high-technology employment and patents. The OECD has criticized the nation's approach to these issues, recommending a coherent policy that would increase enterprises' incentives to invest in R&D, and which would provide more guidance and funding to basic and applied research institutions.

The problem does not seem to result from bureaucratic hurdles, but rather from the country's small size and geographical isolation, and the small number of large firms operating at an international level. These factors will continue to hamper the country's success, despite its extraordinarily favorable business environment. The government reacted to this in 2006 with its "Economic Transformation Agenda (ETA)," which aims at increasing R&D in biotechnology, information and communication technology, design, and film production.

Foreign investors are perceived to hire innovative entrepreneurs away from New Zealand to larger markets, and there is little the government can do to stanch this flow. Moreover, many of New Zealand's major and most successful industries belong to the agricultural sector. By its nature, this sector is not particularly research intensive. New Zealand also struggles with a low level of labor productivity – according to the OECD, only 58.5 percent that of the United States in 2005 (measured on the basis of GDP per hour worked), compared to Australia's 83.6 percent, and an average of 75.9 percent across all OECD countries. Once again, the country's small market size plays an important role in this area.

Education policy

Score: 9

The New Zealand educational system has largely been able to decouple students' success from their social status. Access to secondary and tertiary education is fair, although participation indicators in secondary and tertiary education show only average to low values.

A high proportion of the country's high school graduates go on to tertiary education. Although tuition fees are substantial, enrollment was about 500,000 students. Since a large number of these are part-time students, this number translates to about 270,000 equivalent full time students (EFTS). This is a large number in a total population of approximately 4.2 million people. The government provides student loans covering tuition and other expenses, and the incumbent government has made these interest-free for those who stay in New Zealand (the country faces the problem of a high percentage of graduates leaving the country after graduation).

Results from the OECD's Program for International Student Assessment (PISA) tests have been impressive, meaning that the quality of education and training courses is excellent. However, there is room to improve with regard to the number of students. The government has responded to this with a number of reforms. The 2002 – 2007 Tertiary Education Strategy has three major target areas for achieving better results: the improvement of the education system's inclusiveness with regard to Maori and Pacific Islanders, the development of a knowledge society, and a higher investment in research and development activities at universities. Recent trends in tertiary education participation show that the strategy seems to be working.

With regard to job-based continuing education, New Zealand has followed the tradition of Anglo-American liberal market economies, investing extensively in transferable assets that are independent of specific jobs, rather than in job-based training, the path followed by some continental European economies.

Management Index

I. Executive Capacity

<i>Cabinet composition</i>	<i>Prime minister</i>	<i>Parties in government</i>	<i>Type</i>	<i>Mode of termination *</i>	<i>Duration</i>
	Helen Clarke	New Zealand Labour Party (NZLP), Progressive Party (PC)	multiparty minority government	1	08/02-10/05
	Helen Clarke	New Zealand Labour Party (NZLP), Progressive Party (PC)	multiparty minority government	-	10/05-

* The following modes of termination should be distinguished: elections = 1; voluntary resignation of the prime minister = 2; resignation of prime minister due to health reasons = 3; dissension within cabinet (coalition breaks up) = 4; lack of parliamentary support = 5; intervention by head of state = 6; broadening of the coalition = 7.

A Steering capability: preparing and formulating policies

Strategic capacity

Strategic planning
Score: 7

The government does not have a central dedicated strategic planning unit. However, a Department of the Prime Minister and Cabinet (DPMC), serving the executive as a whole (including the governor-general, the prime minister and the cabinet), provides high-quality impartial advice and support services. The DPMC also coordinates the work of the core public service departments and ministries, so that decision-making is as coherent and complete as possible. It is responsible for managing the performance of the public sector, along with the State Services Commission (SSC) and the Treasury.

The activities of the executive have been dramatically reshaped since the 1980s on the basis of New Public Management (NPM) methods. Most importantly, output-oriented contracts are used between ministers and the

chief executives of a large number of departments and agencies. This type of governance by contract led in the 1990s to a fragmentation of policy-making into vertically integrated networks, and subsequently to coordination problems. After 1999, the Labor-led governments reacted to this by recentralizing the core executive's steering capacity. All contracts now have to be based on a policy approach consonant with the government as a whole.

The most important instrument is the capability, accountability and performance process (CAP), through which the SSC monitors all agreements according to criteria set by the government. Beyond steering by contracts, there is only a moderate strategic planning capacity, in the form of the Policy Advisory Group, which the prime minister can use to coordinate with other ministers.

Scientific advice

Score: 7

Academic experts have considerable influence, although their relevance in governmental policy-making depends on the subject area. A large number of advisory committees work for the Ministry of Health. For example, the advisory committee on assisted reproductive technology consists of eleven academics advising the ministry.

Another example is the cancer control council, which is also comprised of eleven members. The council meets six times a year and works on the implementation of the ministry's cancer control strategy. Similarly, the Treasury runs an academic linkages program, set up in 2001 to deepen its links with the academic community. This includes guest lectures from foreign academics, as well as offering visiting research fellowships.

Inter-ministerial coordination

GO expertise

Score: 7

The Department of the Prime Minister and Cabinet (DPMC) was established in 1990, as a result of a report which recommended that the prime minister have two separate streams of advice: first, a new government department to supply impartial, high-quality advice and support (i.e., the DPMC), and second, a private office separate from the DPMC that can provide personal support and media services, and advice of a political nature.

The DPMC currently consists of 14 staff members who cover a broad spectrum of policy expertise. It provides advice on issues of the day directly to the prime minister and on occasion to other ministers; it coordinates advice coming in from different government departments, so the prime minister is given coherent messages; and it contributes to policy development across the full range of government business, including coordinating the provision of advice across agencies. The DPMC Policy Advisory Group also

seconds staff from line departments or outside organizations for specific projects.

The Cabinet Office (CO) is responsible for supporting the cabinet and cabinet committees. Cabinet Office staffers attend meetings and prepare decisions of all the cabinet and cabinet committee meetings held during the week, and distribute them to ministers. The CO is also involved in constitutional policy and issues covered by the Cabinet Manual, the guide to the working of the central government. A legislation program coordinator supports the chairperson of the cabinet's legislation committee. In addition, special units and task forces are established in the DPMC to provide advice on specific policy issues.

GO gatekeeping

Score: 8

The prime minister and his or her office have a very strong position in the cabinet. Since a strategic plan is developed at the beginning of each three-year period, and each ministry and department has to demonstrate how it will contribute to the plan's goal, ministerial scope of discretion is restricted. Furthermore, papers do not go directly to the cabinet except under exceptional circumstances (and even then, will most likely need approval by the prime minister). Typically, they go first to the committees instead.

The cabinet's composition and its committees' terms of references are determined by the prime minister, giving him or her control of key functions within the governmental decision-making process. Additionally, he or she chairs the cabinet, and has to approve its agenda.

Line ministries

Score: 9

The Cabinet Office is a separate unit of the DPMC. It facilitates the governmental decision-making processes, and interacts with the departments and other agencies. It supports the prime minister and the cabinet on both a strategic and an operational level. If line ministries prepare a policy proposal, they are obliged to consult other ministries affected as well as the coordinating units, the DPMC, the Treasury, and the State Services Commission. There are clear guidelines for that consultation process, which not only de jure but also de facto govern the coordination of policy formulation in the core executive.

Cabinet committees

Score: 9

Significant policy issues, new regulations and legislation, and any proposal with budget implications must be submitted to cabinet committees. Cabinet meetings therefore can focus on strategic policy debates and policy conflicts between coalition partners or between the government and its legislative support parties in the House of Representatives.

If ministers are entitled to take actions themselves, they do so within the framework of the cabinet's joint responsibility. Practically, this pushes them

to discuss these items with their cabinet colleagues before acting. However, ministers have the discretion to decide which matters should be discussed and brought to the cabinet's attention, with the exception of those dealing with the defined set of policy issues which require consultation.

Senior ministry officials

Score: 8

Policy development is the task of ministers. Most ministers are not specialists, and so civil servants rather than ministers take a large number of policy decisions. The cabinet process is overseen by the CO on the basis of clear guidelines. Departmental chief executives typically meet with ministers prior to cabinet meetings to discuss the agenda and clarify any outstanding concerns.

Line ministry civil servants

Score: 9

During the policy drafting process, coordination between civil servants of individual ministries is done by the CO. It serves as a secretariat, not just arranging meetings, but also preparing the agendas and ensuring that papers submitted meet cabinet requirements. Furthermore, it has a monitoring system in place to make sure that reports are delivered in time and deadlines are met. Proposals submitted to the Cabinet Office must meet detailed requirements to ensure that submissions are of a consistently high standard and contain all the information needed for ministers to make sound decisions.

Departments are expected to have consulted other relevant departments in the preparation of proposals, and every paper must be accompanied by a form certifying that this consultation has been carried out. If there is any uncertainty as to whether this process has taken place, the item will not be included on the agenda. These strictures encourage interdepartmental coordination. Although the amount and effectiveness of coordination varies depending on the policy field, most policy proposals are effectively coordinated by civil servants.

Regulatory impact assessments

RIA application

Score: 8

All policy proposals to the cabinet that result in government bills or statutory regulations must be accompanied by a regulatory impact statement (RIS), unless an exemption applies. Since April 1, 2001, all policy proposals to the cabinet that require a RIS and have compliance cost implications have had to include a business compliance cost statement (BCCS) in the RIS. The BCCS is intended to ensure that business compliance cost implications are made explicit and are properly considered in developing policy. Similar procedures exist with regard to draft laws that touch upon aspects of human rights, gender equality or the treatment of handicapped persons.

Needs analysis

In addition to its executive summary, a regulatory impact statement must

Score: 9

summarize the overall problem being addressed, not simply describe the proposed regulation. It should make clear why the government needs to act, and why the current situation is unsatisfactory. Costs and benefits of the status quo, and the preferred option must be detailed. Furthermore, the statement must explain how compliance costs can be reduced, how the change would impact existing rules, and how the preferred option would be implemented. Feedback from other departments and other interested parties must be included, as well as a report detailing who has been consulted and how the consultation process has been organized.

In 2006, the cabinet revised regulatory impact assessment (RIA) requirements, hoping to improve the quality of regulatory interventions by creating requirements and incentives for robust policy development, and by ensuring that ministers have accurate information on which to base decisions. However, in practice the quality of RIAs is variable.

Alternative options

Score: 9

RIAs are a cabinet requirement, and failure to comply is a breach of cabinet procedure. The obligatory template includes requirements for good policy analysis, with consideration of the status quo, as well as options and their costs and benefits. In particular, a summary of the key features of these options must be delivered. Furthermore, it must be explained why the alternatives were not chosen. This presentation must include estimates of alternative options' costs and benefits, including potential compliance costs. These requirements were strengthened further in April 2007. Discussion documents must now include the substantive RIA elements (statement of problem, and a presentation of options and their impact) or a draft regulatory impact statement. The RIA analysis must meet explicit adequacy criteria.

Societal consultation

Mobilizing public support

Score: 8

New Zealand has a strong tradition of broad consultation with interest groups and individuals. The government is aware of the need for public support in policy-making, and thus consults with sector and interest groups, especially those which it recognizes as forming part of its own power base. Consultation is also required when undertaking RIAs, if legislation or regulation has been proposed. Select committees usually invite public submissions and hold hearings on proposed legislation following its parliamentary introduction.

However, for a long time politics was based on a left-right socioeconomic cleavage, structured into a two-party system. Naturally, opportunities for a left-wing government to win support for its policies among business and

farmers' associations was limited (and vice versa). During the radical economic and social reforms of the mid-1980s to the mid-1990s, confrontation increased and adversarial interest groups were deliberately excluded from consultations. Nevertheless, there has always been a norm of acceptance of majority rule. More recently, with the development of a multiparty system, the cleavage structure has become more diversified. This has led to more consensus-seeking in recent years

Policy communication

Coherent communication
Score: 8

Although recent governments' multiparty nature has increased the potential for contradictory statements, strict cabinet rules have allowed the government to coordinate policies properly, including communication policies. Individual officeholders do, at times, make statements which do not fully support the cabinet's view, but as far as procedures are concerned, the government seems to be able to coordinate communication policy effectively.

B Resource efficiency: implementing policies

Legislative efficiency

Veto players

	<i>Total</i>	<i>Share</i>
Bills envisaged in the government's work program	179	
Government-sponsored bills adopted	151	84.36 %
Second chamber vetos	-	- %
Head of state vetos	-	- %
Court vetos	-	- %

Effective implementation

Government efficiency
Score: 9

Since New Zealand is a unitary state, the government does not have to rely on state or regional governments to implement or interpret national legislation. In fact, local governments and regional councils have a very narrow mandate, with many of the functions undertaken by local government in other countries performed by central government. Thus, the national government is well situated to achieve its own policy objectives.

At the beginning of each three-year period of office, the government establishes a plan with strategic goals. Since the current Labour-led

incumbent is a multiparty minority government, it necessarily relies on the support of other parties in Parliament. Nevertheless, it has been relatively successful in implementing its agenda, as outlined in its “Sustainable Development for New Zealand Program of Action” of 2003 (supplemented in 2006).

Ministerial compliance

Score: 9

New Zealand’s cabinet has a strong tradition of collective responsibility. Ministers are allowed to disagree about policy initiatives, even in public, but once a cabinet decision has been made, all members have to follow the collective will. The Cabinet Manual is very explicit about this. The prime minister has the power to appoint and dismiss ministers (formally it is the governor-general who does this on the advice of the prime minister), although in coalition governments his power over positions held by other parties is restricted.

However, even in a coalition, it is not too difficult to ensure that ministers act according to the government’s program. If a serious conflict arises, as happened in the controversy over treatment of the foreshore and seabed in 2004, a dissenting minister will typically resign (in the 2004 case, a junior minister). Collective responsibility is strengthened by an extensive list of coalition management instruments, founded on a comprehensive coalition agreement that addresses both the legislative agenda and procedures to ensure coalition discipline. It is clear that in this regard the current government learned from the mistakes of the unstable coalition governments in the mid-1990s

Monitoring line ministries

Score: 9

The fragmented policy-making of the 1990s was due in part to vertically integrated policy networks, and the related problems of coordination between ministries. In response, the Labour-led governments after 1999 recentralized the steering capacity of the core executive. Contracts between the cabinet and line ministries, or between ministers and departmental chief executives are monitored by a variety of institutions, rather than by the government office or prime minister’s office. Departments must submit annual budget bids and three-year statements of intent to the government for funding consideration. They must also provide audited annual reports detailing their previous year’s activities to Parliament.

Additionally, departmental CEOs typically must explain their departments’ activities in front of a parliamentary select committee during the course of annual budget appropriation examinations and financial performance reviews. The State Services Commission (SSC) can also investigate and audit personnel and administrative matters. Thus, while the policies implemented by line ministries may be political, accountability for their execution is

apolitical.

The head of the SSC is central to New Zealand's politically neutral, professional and permanent civil service corps. The head of the commission has two separate roles. As the holder of a statutory office, he or she acts independently in matters to do with the operations of the civil service and the wider state sector; as chief executive of the SSC, he or she is responsible to the minister of state services for the organization's capability and performance.

Monitoring agencies

Score: 9

All agencies are set annual performance targets by their minister, and the minister accounts to Parliament for the work of the agency. The New Public Management (NPM) processes introduced in New Zealand specified performance-based contracts between ministries and agencies. Furthermore, they favored the creation of smaller units, which would have the accountability of private companies, while having to meet fewer objectives. This policy has been slightly relaxed by the current government, as it was obvious that not all agencies were similar in nature to private companies. Hence, some reconsolidation has taken place, and the government's strict delineation between departments and strategic responsibilities has been loosened in some areas.

However, NPM is basically still intact in many of New Zealand's public arenas. All departments and entities must develop statements of intent (SOI) which translate strategic goals into outputs for which ministers as quasi-CEOs are held responsible by Parliament. The SSC provides guidelines for this process in order to make SOIs comparable. However, there is no mediating tier of administration. Since CEOs' remuneration is tied to their ability to achieve their goals, ministers have a significant influence over their ministry's performance. Departmental CEOs' performance reviews are conducted by the SSC but draw on comment from the associated minister.

Task funding

Score: 10

New Zealand being a highly centralized country, its local government structure is lean and generally uniform. There are 12 regional councils and 74 territorial authorities, of which 16 are city councils and 58 district councils. Local government raises only around 5 percent of total government tax revenues. However, local autonomy in setting tax rates and bases is stronger than in any other OECD country. The main source of autonomous local tax revenues is the "rates," or real estate taxes. Local governments have full discretion to set the rates, subject to a general balanced-budget requirement.

Other revenue sources include user charges and fees. There are no block grants from central to local government, but the central government contributes funding to specific local government functions such as

transportation, road construction and maintenance. Thus, while local governments have significant ability to fund their activities, unfunded mandates remain a concern, in particular regarding the implementation of the Resource Management Act (RMA), which regulates environmental management and land-use planning.

Constitutional discretion

Score: 9

Although local governments have no formal constitutional rights, there is a clear legal framework supporting local government autonomy. There is no de facto infringement of this independence. Regional councils were severely restricted in 1991 by a government hostile to their existence, but were given renewed (though conditional) powers in 2002. According to the New Public Management (NPM) idea, the local governments should decide on local matters which do not require national coordination. The most important limitation on local governments' discretion is the Resource Management Act, but this restriction makes sense as it obviously warrants nationwide coordination. However, local governments are given some leeway, with regional policy statements specifying only general policy prescriptions for local environmental management.

National standards

Score: 9

It is not the central government as such but a dense network of agencies that are responsible for developing and monitoring local government activities. Their roles range from strategic policy development, regulation and monitoring, to handling complaints about the activities and operation of local government. Under the RMA regulatory framework, the Ministry for the Environment controls how city and district councils operate with regard to environmental issues. The central government may also set national environmental standards which must be met by councils. In practice, local governments largely act autonomously, but there is no doubt that they meet national standards of public services, with or without central government intervention.

C International cooperation: incorporating reform impulses

Domestic adaptability

Domestic adaptability

Score: 8

New Zealand was an early adopter of public sector reform, as part of a broader set of economic reforms in the 1980s and 1990s. This period saw substantial changes to governmental structures, including the separation of functions such as funding, purchasing and regulation, in some cases into separate organizations.

However, this was done under a majority government, based on the former first-past-the-post electoral system. Part of the reform package was the change to a mixed-member proportional electoral system. Today, given the multiparty system and minority coalition governments, radical reform would be much more difficult to achieve.

In any case, New Zealand is not part of any supranational governance structures such as the European Union, and therefore has no requirement to respond to developments from such organizations.

External adaptability

International coordination activities

Score: 9

Despite New Zealand's isolated geopolitical position, the country actively participates in international organizations and regimes. The country's major policy interests include the Antarctic Region, disarmament and proliferation, environmental protection, and human rights. New Zealand is a member of APEC, the Commonwealth of Nations, the OECD, the United Nations, and the WTO.

The government is very active in the international coordination of reform initiatives. For example, it has taken an active role in reducing greenhouse gas emissions, and has fervently promoted free trade. Having abolished most of its own import barriers, and as the only OECD country without agriculture subsidies, New Zealand now actively pushes for trade liberalization on all levels. This is done multilaterally by taking an active role in the WTO, in particular by pushing for freer trade during its Doha Round of negotiations.

New Zealand has also sought to deepen its economic relationships with Asian countries by striking bilateral free trade deals. Its free trade agreement with China will be a milestone in this sense. As the New Zealand dollar has shown signs of volatility, there has been ongoing debate over forming a currency union with Australia, the country's most important trade partner. New Zealand continues to harmonize laws and relationships with Australia, often adopting common standards in areas such as food safety and pharmaceuticals.

Exporting reforms

Score: 9

New Zealand is regarded as a role model for political and economic reforms among OECD countries. There is a constant inflow of visitors from other countries to New Zealand studying the domestic system. At the same time, former government ministers and academics frequently travel abroad to report on the costs and benefits of reforms successfully implemented in New Zealand. This relates not only to New Public Management ideas and economic and social restructuring policies, but also to aspects such as the

country's freedom of information legislation.

Since most major reforms took place in the 1990s, the current government cannot claim credit. However, it is also a political achievement to avoid falling back into old habits, in particular in times of budget surpluses and low unemployment rates. Hence, the incumbent government has stayed "on the right track," and this persistence may be regarded as a difficult and perhaps pioneering achievement in its own right, as it shows that radical reforms are not necessarily reversed in the future.

D Institutional learning: structures of self-monitoring and -reform

Organizational reform capacity

Self-monitoring

Score: 8

The cabinet and its committees each may ask ministers and departments for reports on particular issues. Each department has to produce a statement of intent, against which its performance can later be compared. The SSC monitors performance and reviews institutional arrangements.

In recent years, the government has reviewed some of the reforms made under the New Public Management (NPM) system, making changes where appropriate. Institutional arrangements in the core executive have been regularly monitored following the change to a mixed-member proportional representation system in the 1990s.

Institutional reform

Score: 7

Previous governments sought to improve strategic capacity through considerable emphasis on structural reform, particularly in the 1980s and 1990s. More recently, emphasis has been less on structural changes than on other issues impeding performance, including organizational culture and the need for a "whole of government" approach to policy development and service delivery. However, the large number of government agencies makes this cross-department coordination and working style difficult to achieve. In response, central agencies have begun playing more of a coordinating role in recent years.

II. Executive accountability

E Citizens: evaluative and participatory competencies

Knowledge of government policy and political attitudes

*Policy
knowledge
Score: 8*

New Zealand's citizens seem to be relatively well aware of policy issues. The government actively supports the dissemination of information on policy initiatives. In a cross-country survey by the Comparative Study of Electoral Systems program, New Zealand's population correctly answered questions about political facts at a rate of 57 percent, while the international average was 52 percent. According to the findings of another study, the 2004 International Social Survey Program, 69 percent of New Zealand respondents felt that they had a good or very good understanding of important political issues.

Annotation: International Social Survey Program, "Citizenship," (ISSP 2004). http://www.gesis.org/en/data_service/issp/data/2004_Citizenship.htm (accessed April 3, 2008).

F Parliament: information and control resources

Structures and resources of parliament, committees, parliamentary parties and deputies

Number of deputies	121
Number of parliamentary committees	18
Average number of committee members	9.5
Pro-government committee chairs appointed	11
Deputy expert staff size	9
Total parliamentary group expert support staff	31
Total parliamentary expert support staff	562

Obtaining documents
Score: 9

In general, select committees have as much power as has been assigned by the House of Representatives. This includes the power to request government documents. If a minister has custody of the requested documents and declines the request because she or he considers the documents to be confidential, the select committee may report to the House of Representatives, and the House may order the documents delivered. Although no data is available, it seems that most documents are delivered voluntarily and in a timely manner.

Summoning ministers
Score: 10

The power of parliamentary privilege allows committees to “send for persons, papers and records” in relation to select committee proceedings. Ministers appear before select committees when summoned, in both the de jure and de facto senses. Select committees may summon any person to attend, except members of the House of Representatives, whose attendance can be requested.

If members do not comply with the request, the committee may report to the House of Representatives as a whole. If any person asked to attend fails to do so, it can be treated as contempt by the House of Representatives. Committees’ rights in this regard do not seem to be limited.

Summoning experts
Score: 10

The power to “send for persons, papers and records” in relation to select committee proceedings includes expert witnesses and advisors, the only restriction being public servants who need the approval of their minister to attend committee meetings. No case is known in which experts have declined to appear before a committee.

Task area coincidence
Score: 10

There are 18 parliamentary committees, and the areas of ministerial responsibility coincide with the 13 subject-area committees. Each subject-based select committee has oversight of business pertaining to the ministries and departments in its particular subject areas.

Audit office
Score: 10

The controller and auditor-general is appointed by the governor-general on the advice of Parliament, and is fully accountable to the legislature. The Office of the Auditor-General consists of the following departments: Accounting and Auditing Policy, the Legal Group, Local Government, the Parliamentary Group, the Performance Audit Group, and Research and Development.

The office’s scope of functions relates not only to central government but also to local government. The legal basis is the 2001 Public Audit Act. The controller and auditor-general’s office serves as an auditor of every public entity. This includes auditing public service departments, state enterprises, local authorities and other public bodies. The office reports to the House of

Ombuds office
Score: 10

Representatives.

New Zealand was the fourth country in the world to establish an ombuds office, in 1962. New Zealand also has an even older tradition of dealing with petitions in Parliament. The Office of the Ombudsmen, which can investigate complaints about the performance of central and local government bodies, can be seen as an independent review authority which is accountable to the House of Representatives. The Parliamentary Commissioner for the Environment is a specialized office responsible for environmental management

G Intermediary organizations: professional and advisory capacities

Media, parties and interest associations

Media reporting
Score: 4

Since the publicly owned TV stations operate like commercial stations, they do not offer a lot of in-depth analysis. Among the radio stations, only the National Radio offers this kind of information. The perceived lack of quality of the public television has prompted an initiative by 32 well-known New Zealanders to improve the quality of public television. In 2006, they wrote a letter to the minister of broadcasting, claiming that in terms of quality, New Zealand's public TV stations are the world's worst. In fact, there is no substantial difference between the program schedules of public and private TV channels. The government has suggested that this might change once digital TV is introduced, allowing the public TV stations to offer more channels.

Fragmentation

Parliamentary election results as of 9/17/2005

<i>Name of party</i>	<i>Acronym</i>	<i>% of votes</i>	<i>% of mandates</i>
New Zealand Labour Party	NZLP	41.1	41.32
New Zealand National Party	NP	39.1	39.67
New Zealand First	NZFP	5.7	5.79
Green Party		5.3	4.96
Māori Party		2.1	3.30
United Future New Zealand	UF	2.7	2.48

Act New Zealand	ACT	1.5	1.65
Progressive Party	PC	1.2	0.83
Others		1.3	0

*Party
competence*
Score: 9

Only two political parties, the New Zealand Labour Party (NZLP) and the National Party (NP), were supported by more than 10 percent of the voters in the last general election. Both of these political parties regularly produce detailed election programs with plausible and coherent policies, which are complemented by more specific policy papers. Both have considerable experience serving in government and in the opposition, and so understand the need for durable policy proposals. They also both generally reflect a mainstream understanding of the macroeconomic, social, cultural and environmental issues facing the country, and are experienced in designing and implementing policy proposals to address public issues.

However, the absence of a majority in government means that policy changes requiring legislative change require bipartisan support to succeed. Coalition governments necessitate negotiations with minor parties, resulting in policies being less coherent than in the past. All parties are now more sensitive to the need to maintain voters' support.

*Association
competence*
Score: 7

There are few well-organized and well-staffed interest groups in New Zealand. The only large ones are the New Zealand Council of Trade Unions and Business NZ. Both generally propose reasonable policies. However, there is an underlying asymmetry. The business side relies additionally on the work of the New Zealand Business Roundtable, an organization of chief executives of major business firms.

On the labor side, a crucial component of the 1990s reform process was the Employment Contracts Act, which essentially abolished collective bargaining and weakened unions substantially. Although the Labour government repealed this with the 2000 Employment Relations Act, unions remain relatively weak in New Zealand. Other influential groups include those representing the indigenous people of New Zealand, the Maori. These Maori groups can bring claims to the Waitangi Tribunal, asking for obligations stemming from the 1840 Treaty of Waitangi to be fulfilled.

*Association
relevance*
Score: 6

The New Zealand government has a long tradition of engaging in extensive consultation with societal groups before implementing major initiatives. The amount of consultation of interest groups and the way their proposals are dealt with is now reported in regulatory impact assessments. However,

interest groups' regular procedural involvement does not automatically guarantee their positions will be reflected in government policy. The government has stressed employee interests in recent years, despite the relative weakness of unions since the 1990s. Apart from that, the most influential group seems to be the representatives of the indigenous people, the Maori.

This country report is part of the Sustainable Governance Indicators 2009 project, which assesses and compares the reform capacities of the OECD member states.

More on the SGI 2009 at www.sgi-network.org

Contact

Andrea Kuhn, Dr. Leonard Novy, Daniel Schraad-Tischler

Bertelsmann Stiftung

Carl-Bertelsmann-Straße 256

33311 Gütersloh

www.bertelsmann-stiftung.de