Sustainable Governance Indicators

2015 New Zealand Report
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Executive Summary

The main political event to have taken place in New Zealand during the review period was the general election of September 2014. The conservative National government under incumbent Prime Minister John Key was able to win 47% of the party vote and 60 out of 121 seats in Parliament. Following the election, the party renewed its confidence and supply agreement with three smaller parties, the Maori Party (two seats), United Future (one seat), and the ACT Party (one). As a result, the party leader John Key started his third term as he had after the 2008 and 2011 elections, that is, as head of a minority National-led government.

Throughout the review period, New Zealand performed well with regard to indicators of governance capacity, policy performance and quality of democracy. The nation’s democratic system – based on a unicameral parliament, working rule of law and strong executive and effective government – is healthy and stable. Despite an ongoing constitutional debate, the fundamental structure and operation of governance seems to be stable. For instance, the referendum accompanying the general election in 2011 confirmed public support (56%) for the mixed-member proportional (MMP) electoral system. However, despite evidence of public support for greater public engagement in the decision-making process, recent government reforms, especially in the area of local government, have been been geared to extend the centralization of powers.

The country’s commitment to economic freedom is reflected in its leading position in the World Bank’s 2012 Doing Business report, according to which New Zealand provides the world’s best protection for investors. In addition, the country is generally considered one of the safest countries within Asia-Pacific and a “low-risk environment for business investment.” Political reforms that were implemented in previous decades have created a policy framework that demonstrates impressive economic resilience. Openness to global trade and investment are firmly institutionalized, and the economy rebounded quickly from the global recession. The severe earthquakes in Christchurch in 2010 and 2011 caused only a transitory dip in economic growth, and the rebuild will contribute significantly to South Island economic growth in the coming decade.
According to IMF figures, public debt remains well under control at 26.5% of GDP (2012; UK: 82.7%, USA: 87.8%). During the review period of this report, economic growth has been solid and inflation remained under control. Economic recovery from the global economic crisis has been led by exports and the economic boost from the rebuilding of Christchurch. However, although the New Zealand economy endured the world financial crisis comparatively well, the government has been forced to prioritize budgetary policy at the cost of other reform projects. Hence, while many macroeconomic indicators point to a relatively strong performance, fiscal austerity policy reinforces a widening socioeconomic gap between the rich and the poor. In the lead-up to the 2014 general election, addressing the rise in levels of child poverty became a particularly salient issue.

Longer-term policy challenges have not changed during the review period of the SGI report. Firstly, New Zealand’s economic well-being strongly depends on developing a larger, more highly skilled workforce. This will require new initiatives and further investment in education and training, as well as a stronger commitment to research and development. Recent trends in immigration, including the return of many long-term New Zealand migrants from Australia, are good news in this regard, as are the opportunities for employment in the earthquake-ravaged city of Christchurch. Although New Zealand has been relatively successful in integrating new migrants, there is still more investment required to build the educational and skill levels of some segments of the Maori and Pasifika populations. New Zealand also needs to develop even stronger links with its neighbors in the Pacific region. Despite the government’s decision to withdraw from its Kyoto obligations, New Zealand is particularly vulnerable to the consequences of climate change.

Key Challenges

Having radically reformed its economy and electoral and public management systems over recent decades, New Zealand is in reasonable shape to tackle current and future challenges. The country has emerged relatively well from the global financial crisis when compared to other Organization for Economic Cooperation and Development (OECD) countries. Nevertheless, there are four problem areas where additional efforts for reform are advisable:

1. Innovation. Although recent governments, including the National-led minority government at the time of writing, have made further investments in tertiary education in the STEM subjects of Science, Technology, Engineering and Mathematics in particular, and in research and development, there is a
need to intensify these efforts, as comparative data for OECD countries has made clear. A related problem is that New Zealand does not invest enough in continuing job-based education and training. The country has followed the tradition of Anglo-American liberal market economies (LMEs) which invest more extensively in transferable skills rather than in job-based training, as some continental European coordinated market economies (CMEs) have done. Since the New Zealand economy is extremely small, other approaches, including those used in Scandinavian countries, may be well-suited to New Zealand conditions. One particular area of concern is the high rate of youth unemployment in Maori and Pasifika communities. The innovation potential of the economy is inextricably linked to immigration policy, where continuing a system of attracting highly skilled workers is of utmost importance. The government needs to keep on this track, even in face of the pressures put on it by parts of the population and despite the populist anti-immigration inclinations of New Zealand First, one of the smaller parliamentary parties which has performed rather well in recent general elections (2014 8.7% of the vote and 11 out of 121 parliamentary seats), with a further success in a by-election in a previously safe National seat in March 2015 increasing its complement of seats to 12.

2. Tax policy. With a balanced budget being its top priority, the government has shelved plans for a new round of tax reform. However, the government needs to tackle the politically sensitive issue of introducing a capital gains tax, although given that this was a key election proposal of the Labour party in 2011 and 2014 makes its adoption by the National government unlikely. In the absence of a capital gains tax, there are strong incentives for New Zealanders, as well as for foreign investors, to speculate on housing. Not surprisingly, the country has one of the highest rates of home ownership in the world. The downside is that these policies violate horizontal equity, and potentially divert capital away from more productive uses. A capital gains tax on all but the family home would also help to tackle the problem of an overheated property market, especially in the city of Auckland (population 1.4m). There is a growing consensus among political parties outside of government, together with economists, of the need to end this anomaly in the tax structure among OECD countries. Despite the concerns of government ministers that a capital gains tax would be electorally unpopular, a recent opinion poll revealed majority support for its introduction.

3. Regional development and governance structures. New Zealand is characterized by a large and increasing divide between urban centers and rural regions with regard to regional economic growth, labor productivity and population growth. The government needs to increase efforts to create a focused regional policy in both the metropolitan and rural areas. Regional
economic policies have to be accompanied by governance structures that geographically fit the problem area. The establishment of a unitary Auckland authority with an elected all-Auckland council has been a good starting point, but this should not be the end of local government reform; indeed, a similar centralized structure is being proposed for the Wellington area. Auckland local government covers more than one-third of the total population of the country. This implies a heavily asymmetric local government structure vis-à-vis central government, with potentially unhealthy consequences. The tragic series of devastating earthquakes in the Christchurch and the Canterbury region has understandably dominated the government’s regional development agenda, with most of its activities receiving praise. Lessons learned here should be evaluated with regard to their potential for restructuring the regions on a more general scale.

4. Government as agenda-setter. New Zealand’s political system is still characterized by majoritarian design. There are no institutional veto players whose policy positions have to be anticipated by the government in its legislative activities (such as provincial or state governments, second chambers, constitutional courts, or local governments with constitutionally guaranteed powers). However, the change to a mixed-member proportional electoral system has led to a multiparty system and the formation of minority government, establishing a number of minor political parties with de facto veto powers. After more than a decade, the experience with this governing arrangement is relatively positive, even though parts of the electorate, especially older and more conservative voters, still need to be persuaded as to the benefits of proportional representation. Governments seem to be able to be proactive with respect to policy reform agendas, and the performance of governments is not a disincentive for similar experiments in the future. However, while successive governments have been able to implement the vast majority of their policies, the process can be highly time-consuming, and occasionally leads to policy initiatives pointing in different directions. One proposal made by Prime Minister John Key in 2013 with a view to achieving greater policy coherence and consensus is to increase the parliamentary term from three to four years. It is a proposal that has been put to voters, without success, in two previous government-initiated referendums (1967, and 1990). Judging from comments made by leading opposition members, this new proposal seems to have the support of the opposition as well. This raises the question of whether the government would adopt a different strategy for extending the parliamentary term, namely calling for a vote of 75% of members of the unicameral parliament.
Policy Performance

I. Economic Policies

Economy

New Zealand is widely known for its significant structural policy reforms introduced in the 1980s and 1990s. Despite early opposition, these reforms have had a largely positive impact, and the resulting policy settings have remained largely intact. Yet New Zealand is also often cited as a country for which free-market reforms have not yielded the improvements in productivity, economic growth and living standards that were anticipated and promised by reformers. Advocates of yet further policy reform hold the previous Labour Party-led government (1999 – 2008) and the present highly pragmatic and moderate National-led government (2008-) responsible for an alleged lack of progress. Particular concerns have been directed toward the design and objectives of some of the new regulations, while other explanations for poorer-than-expected growth focus more on New Zealand’s small size and remoteness, as well as its skill shortages, on the labor market.

As indicated, although the demand for a return to growth became more insistent after the National Party-led government took office in 2008, substantive policy change since then has been relatively modest. Some have blamed the minority nature of the National-led government for the slow and incremental nature of change. However, given that National has been able to implement a vast majority of its economic initiatives, responsibility may have less to do with its compliant junior partners than with the cautious, pragmatic and poll-driven nature of the government’s economic agenda under the leadership of Prime Minister John Key. This is not to ignore the wider context of the world financial crisis, which drove the New Zealand economy into recession, albeit less severely than in many other Organization for Economic Cooperation and Development (OECD) countries. Fiscal surpluses, due in part to earlier reforms, swung to deficits. Getting back to a balanced budget has since been the pre-eminent issue on the government’s agenda. After a period
of slow growth, real GDP growth is currently driven mainly by post-earthquake rebuilding, a strong increase in immigration, and favorable terms of trade. The inflation rate modestly rose to 2% in 2014. By then it had become clear that the government’s planned surplus in 2014-15 would be delayed by at least a year.

Citation:
OECD Economic Outlook No. 95 (Paris: OECD 2014).

Labor Markets

Although the National-led government is reluctant to use direct interventions in the labor market, New Zealand’s labor market policy has been relatively successful. Following the world financial crisis, unemployment (less than 6% in 2014 and expected to dropping further) has risen less than in most Organization for Economic Cooperation and Development (OECD) countries. In addition to longer-term measures to reduce non-wage labor costs, the government has concentrated on online information for job seekers (the Department of Labor’s Jobs Online Index) and on measures to build up skill levels in the workforce and address skill shortages. A major problem in this regard has been the loss of highly skilled workers to Australia. The movement of New Zealanders to and from Australia, which has frequently exceeded 50,000 individuals per annum, is highly related to economic conditions in both countries. Recent strength in the Australian labor market relative to the situation in New Zealand encouraged migration between the two countries, although there are clear signs that a downturn in the Australian labor market, especially in the mining industry, is not only stemming the outward flow, but causing many New Zealanders to return home. With regard to mainly low-skilled work, the Essential Skills Policy facilitates the entry of temporary workers to fill shortages where suitable New Zealand citizens or residents are not available for the work offered. Areas of concern remain, such as the differentials between urban and non-urban areas, and with respect to Maori and Pasifika populations, which had an unemployment rate of 11.0% and 11.4% respectively in the second quarter of 2014. The unemployment rate for young people (11.1% in the second quarter of 2014) has been decreasing since 2008. This is mainly due to the government’s youth-based initiatives, including increased financial support for apprenticeship training, greater vocational preparation in schools and the introduction of a 90-day employment trial. The Canterbury rebuild, following a series of devastating earthquakes, is beginning to provide a strong growth stimulus for the economy and the labor
market situation, including an anticipated construction boom. In order to facilitate this, the government has put in place a number of policies.

Citation:

Taxes

Taxation policy has successfully continued to promote competitiveness and the generation of sufficient public revenues. Regarding equity, governments have followed a policy of equal treatment of tax types, including income earned outside New Zealand, but at relatively low rates. The National-led government reduced rates across the board in 2010, but at the same time increased the goods and services (GST) tax from 12.5% to 15%. Most services and products sold in New Zealand incur this rate of tax (with exceptions for financial services). The government has postponed plans for a new round of tax reductions in the face of its “zero budget” priority policy, with the goal (now delayed) of bringing the economy back into surplus by 2014 – 2015. It has resisted pressure from some media outlets, opposition parties and other sources to introduce a stamp duty and/or capital gains tax on residential investment properties.

Citation:

Budgets

New Zealand’s budgetary policy is fiscally highly sustainable. However, the world financial crisis ended 14 years of budget surplus. The National Party-led government stated very early on that a return to high-debt levels would be imprudent, and made decisions designed to ensure that gross debt peaked below 40% of GDP in 2010, well below the Organization for Economic Cooperation and Development (OECD) average. Since then, the government has maintained its course of fiscal consolidation. According to OECD data, general government gross financial liabilities as a percentage of GDP declined from 42.4 in 2012 to 39.3 in 2014. However, the government’s aim of arriving
at an operating surplus in 2014 has not been achieved. The longer-term aim of bringing net debt down to 20% of GDP by 2020 appears to be more and more realistic. The government announced that it would only be willing to reassess this course if the economy were hit by a severe negative shock that might imply that sticking to the current fiscal strategy would harm the economy by forcing a sharp reduction in demand. The proposed sale of shares in targeted state-owned energy companies will doubtless help offset the government’s spending commitments.

Citation:

Research and Innovation

New Zealand policy regarding research and development strategies and expenditure (R&D), high-technology employment and patent indicators is clearly deficient, a situation criticized by the Organization for Economic Cooperation and Development (OECD). The OECD strongly recommends a coherent policy that makes more use of incentives for enterprises to invest in research and development and that steers and funds public infrastructure with regard to basic and applied research institutions. The problem does not seem to result from cumbersome bureaucratic procedures, but has mainly to do with New Zealand’s size and the geographical isolation, as well as the lack of large companies operating at an international level. In response, the National-led government introduced a new business R&D support scheme including targeted grants and vouchers, and it restructured key innovation agencies into a single Ministry of Science and Innovation. In 2012, the ministry was absorbed by the Ministry of Business, Innovation and Employment. Major initiatives in research and innovation policy include the development of sector investment plans outlining priorities for the contestable science investment round (a program which provides financial resources for science and innovation research projects); input into the recovery and rebuilding of Christchurch following the 2010 earthquakes; the Green Growth Agenda; and the establishment of a new institute in February 2013 called Callaghan Innovation, to help commercialize innovation in the high-tech manufacturing and services sectors. While the government has increased spending on tertiary training in the fields of engineering and science, domestic expenditures on research and development as a percentage of GDP (0.59% in 2011/2012) places New Zealand well down the list of Organization for Economic Cooperation and Development (OECD) countries, including its closest economic partner, Australia. In September 2014, before the general election, the National
government promised, if elected, to invest $20 million a year more in business R&D co-funding through Callaghan Innovation, in order to achieve a total increase of R&D spending of 1% of GDP by 2018.

Citation:
"m a year more for business R&D", National, 15 September 2014.

Global Financial System

As a globally oriented country with a high degree of international economic integration, including financial market integration, New Zealand has a strong interest in promoting a stable, efficient and transparent international financial system. There is a commitment to preventing criminal financial activities, including tax evasion. However, New Zealand is too small a player in the international arena to proactively contribute to the regulation and supervision of financial markets. It concentrates on regional arenas, such as the Asia-Pacific Economic Cooperation (APEC). Even here, the country has only limited ability to shape the regulatory process within multilateral institutions.

II. Social Policies

Education

Education policy in New Zealand was in the past characterized by a paradox. On the one hand, as experienced in a number of other countries such as the United Kingdom and Australia, participation indicators in secondary and tertiary education were average to low. On the other hand, the country’s Program for International Student Assessment (Pisa) results have been impressive overall, although the socioeconomic background of students affects performance to a higher degree than in most other Organization for Economic Cooperation and Development (OECD) countries. Among the major initiatives introduced in recent years have been substantial increases in expenditures on preschool education, and the introduction of national standards in literacy and numeracy for children one to eight years old. Data from the Ministry of Education released in 2013 show that small gains have been made, although Maori and Pasifika students continue to underachieve, as do boys relative to girls. While the government has attempted to introduce performance-based
criteria for teachers, there has been strong resistance to the use of such measures from both primary and secondary schools. There has been a remarkable increase in student numbers in tertiary education. New Zealand now has among the highest standards of tertiary attainment in the OECD (ranked fifth out of 41 countries in 2010). In its Tertiary Education Strategy 2014–2019, the National-led government has named as their first priority the improvement of skills for the industry. Attainment has increased at all levels. With regard to job-based continuing education, the New Zealand economy has followed the tradition of Anglo-American liberal market economies (LMEs) that invest more extensively in transferable skills, independent from current jobs, rather than in job-based training as do some continental European coordinated economies (CMEs). That said, critics of the government’s tertiary education policy are of the view that too much attention is given to vocationally oriented subjects relative to those, such as in the arts, that stress the intrinsic worth of a university education.

Citation:

Social Inclusion

New Zealand has a long tradition of making an egalitarian society a social goal. Governments have established a comprehensive system of social security benefits, including income support. Increased efforts have been put into reducing general disparities, most evident between New Zealand Europeans and the Maori, Asian and Pasifika populations. These differences, however, are more of a reflection of economic, structural and geographic influences than race-based discrimination. With regard to gender equality, based on the ratio of female-to-male earned income, New Zealand has slipped behind in recent years, although, with a pay gap of 9.9%, it continues to rank among the top countries. In contrast, the rate of unemployment among Maori youth in 2014 was 22%, some four times above the national average. Pacific Island youth unemployment for the same year was at 25%.

Citation:
Health

Although there is both public and private provision of health care, access to the public hospital system is freely available to all New Zealand residents. Health care is not only generally of a high quality, it is also cost effective and relatively efficiently managed. At the same time, the sector faces growing expectations and rising cost pressures, partly as a result of an aging population, but also as a result of gradual increases in the numbers of immigrants. Gains have been made in terms of reducing the health status gap between Maori and non-Maori. Gaps in life expectancy have been reduced but more remains to be done, including changes in behavior and lifestyle. Concerns about health disparities have been an ongoing concern, as noted by Organization for Economic Cooperation and Development (OECD) reports. Concerns about rising costs and a lack of productivity gains in the sector led to the establishment of a ministerial review group and a national health board in 2009, with the task of improving coordination between the ministry and district health boards and to advise on the allocation of budgets. Health reforms since 2009 have encompassed regional consolidation of hospitals and primary care organizations, increased use of benchmarking and greater decentralization.

Citation:

Families

Female participation in the labor market is comparatively high. However, women have been more affected by unemployment than men following the world financial crisis. At the same time, New Zealand’s fertility rate is one of the highest in the Organization for Economic Cooperation and Development (OECD) area. The government’s generous family policy has contributed to this, with a number of measures enacted over recent years. However, this should not mask the fact that the participation of women in arenas beyond the workplace, including politics (e.g., women make up less than a third of all Members of Parliament), is still well below that of men. Paid parental leave is funded by the government and covers loss of income for up to 14 weeks. A recent proposal in Parliament to increase the leave to 26 weeks was rejected by the government.

Despite the targeting of resources for low-income families and beneficiaries, child poverty levels remain high. If the poverty line is determined to be less
than 60% of the median household income, then some 285,000 children were considered to be in poverty in 2014. This has led to increased public criticism, for example, by UNICEF New Zealand. Community-based efforts to provide needy children with food in schools have been supported by businesses and government initiatives.

Citation:
S. Collins, Number of Kiwi kids in poverty jumps by 60,000, New Zealand Herald, 27 February 2014.

Pensions

New Zealand’s pension system is tax-based. It is relatively efficient, as it prevents poverty in old age with a relatively low level of public spending, measured as a percentage of GDP. The most recent innovation in this area is KiwiSaver, introduced in 2007, a publicly subsidized and private pension plan offered on a voluntary basis. KiwiSaver enjoys broad political support by both the government at the time of writing and the major opposition party. Although introduced by a Labour government, the National-led government has only implemented minor modifications. KiwiSaver is a popular option, and as of September 2014, more than 2,400,000 people had joined the program. In the longer term, however, demographic changes mean that more effort must be made to encourage private savings as part of a strategic plan to address public sector affordability issues and intergenerational equity challenges. The economic downturn and rising unemployment make it a difficult time to encourage further private saving, and yet intergenerational equity and affordability suggest the urgent need to further focus on reforms. The Organization for Economic Cooperation and Development (OECD) has suggested improving fiscal sustainability through the raising of the retirement age, while slowing the pace of growth in benefit payments, and through removing subsidies, especially to high-income members. So far, the government has resisted pressure from some economic and social forecasters, party leaders and media voices to gradually increase the age of pension eligibility from 65 to 67 years; indeed, prior to the 2014 election the Prime Minister threatened to resign rather than adopt a retirement age of 67 years as government policy. One proposal coming from a government support party,
United Future, was to encourage a higher retirement age by increasing the pension rate for those retiring at 70, while allowing retirees to take the pension at lower rates from the age of 60.

Citation:

Integration

Until the 1980s, New Zealand’s immigration policy operated under the overriding concern of preserving the nation’s identity as a primarily European, or British, nation. This has since changed. Today, New Zealand is a prime destination for immigrants (with 40,000 to 50,000 new immigrants annually) and the growing numbers of immigrants who become New Zealand citizens reflect the country’s willingness to encourage integration. Based on labor market and education system indicators, integration policy has been quite successful. According to the immigration minister, Michael Woodhouse, the amount of time it takes to get a work visa or a visitor visa has fallen by half, and the wait for a student visa has fallen by two-thirds from 2011 to 2012. This is reflected in the views of most immigrants who, despite socioeconomic difficulties, are satisfied with their situation (87% are satisfied or very satisfied according to a survey in 2012, compared to 75% in 2011 and 70% in 2009). The government expects that the Immigration Global Management System (IGMS) and the Global Service Delivery Model (GSDM) will improve matters yet further. To some degree, the overall good performance has to do with the fact that New Zealand employs a points-based selection system which helps to attract immigrants that are relatively self-sufficient financially and can be easily integrated in the labor market. Indeed, the Immigration Act 2009 for the first time clearly states that in New Zealand, skilled immigration is preferred. The appeals procedure has been streamlined and the decision to grant entry can now be based on “classified information” with regard to security matters or criminal conduct. Nevertheless, visa procedures are still complex and dealing with immigration bureaucracy can be tricky for applicants.

More problematic are the challenges for lesser-skilled immigrants, who experience difficulties in settling in New Zealand when they are unable to bring over other family members. Sustained economic growth during the global financial crisis, together with the Christchurch rebuild following the earthquakes of 2010 and 2011, have provided significant employment opportunities for migrant workers.
Safe Living

New Zealand internal security is the responsibility of the police. The NZSIS (Security Intelligence Service) and the Government Communications Security Bureau (GCSB) provide advisory services. Expenditures for public order and safety are relatively high and growing, as New Zealanders feel crime to be a salient issue. Recent crime statistics show a considerable decline in criminal offences – partly as a result of an aging society where age groups that statistically commit more crimes are shrinking in number, and partly as a consequence of increased expenditures for police, criminal justice and prison services.

Internal security threats are also addressed through a Combined Threat Assessment Group (CTAG) which involves staff seconded from NZSIS, the New Zealand Police, the New Zealand Defense Force, GCSB, New Zealand Customs Service and Maritime New Zealand. CTAG provides assessments on terrorist or criminal threats aimed to create physical harm to New Zealand citizens or affect New Zealand interests at home or overseas, based on all information sources from the New Zealand government.

Global Inequalities

New Zealand is highly committed to tackling global socioeconomic inequalities. Its aid program is managed by the Ministry of Foreign Affairs and Trade. It is coherent and efficient in prioritizing economic development (New Zealand is ranked fifth of 41 countries by the Center for Global Development on the quality of its development assistance), despite being criticized by some NGOs. Free access to global markets for developing countries is high on its
agenda. The government openly argues for its development program to be used for diplomatic and trade outcomes, and not solely development outcomes. Geographically, New Zealand focuses on countries in the Association of Southeast Asian Nations (ASEAN) and in the South Pacific, although significant funding is channeled through multilateral and international agencies.

Citation:
Aid Statistics – Donor Aid at a Glance: New Zealand:

III. Environmental Policies

Environment

The performance of New Zealand’s environmental policy is mixed, but improving. In the latest Environmental Performance Index of the Yale Center for Environmental Law and Policy (Yale University) and the Center for International Earth Science Information Network (CIESIN) (Columbia University) for 2014, the country ranked 16th out of 178, but this should not detract from the fact that it holds only an average overall position in the group of Organization for Economic Cooperation and Development (OECD) countries. Major environmental problems stem from New Zealand’s particular type of economy, with its strong reliance on agricultural production. Areas of concern include water usage and management and greenhouse gas emissions, with a number of government initiatives enacted during the period under review, such as a reformed Emissions Trading Scheme and a national policy for regulating freshwater management (an area which previously was nearly completely devolved to regional water boards). Deforestation, in contrast, is much less a concern, as logging in indigenous forests on public land has ceased and on privately owned land, can only be carried out with a permit (although several major forests will reach maturity in the next few years). Finally, biodiversity is an area in which all recent governments have been quite active. Due to New Zealand’s isolated location, its biodiversity is one of the most varied in the world, with a high percentage of vulnerable endemic species. Due to the public’s interest in and attention to environmental issues (made even more acute by disasters such as the grounding of container ship
Rena in October 2011) but also due to the Memorandum of Understanding the National-led minority government had with the Green Party until the elections in 2014, environmental policy has been a necessary part of the government’s agenda. On the other hand, the government’s critics accuse it of pandering to farmers, who are among National’s strongest supporters, and failing to take a strong stance in supporting international environmental agreements, such as the Kyoto Protocol. Organizationally, the most important development has been the establishment of the Environmental Protection Authority, which has begun work as a major regulator in managing nationally significant proposals under the Resource Management Act, regulating hazardous substances and new organisms, handling the administration of the New Zealand Emissions Trading Scheme, and managing the regulation of ozone-depleting substances and hazardous waste.

Citation:
Environmental Performance Index 2014 (Yale/Columbia: Yale University/Columbia University 2014).

Global Environmental Protection

New Zealand has a mixed record with respect to its contribution to the global environmental protection regime. Major issues in recent years have been climate change and biodiversity. After initially committing to the Kyoto protocol, a change of government resulted in the decision to withdraw from the treaty – the commitment of its nearest neighbor, Australia, notwithstanding. In announcing its decision, the government claimed the treaty was outdated and insufficiently comprehensive in its response to the contribution of developing countries to the problem of global warming. It undertook to make its own separate commitment by working toward reducing emissions by between 10% and 20% by 2020. However, the country will not be able to fulfill its Kyoto protocol target to get greenhouse gas emissions back to 1990 levels, if not for the off-setting effects of its forestry policies.

Citation:
Environmental Performance Index 2014 (Yale/Columbia: Yale University/Columbia University 2014).
Quality of Democracy

Electoral Processes

The registration procedure for political parties and individual candidates in New Zealand, as specified in the 1993 Electoral Act, is fair and transparent. Compliance is monitored by the independent and highly professional Electoral Commission. Following the Electoral (Administration) Amendment Act 2010, the tasks of the Electoral Commission and of the Chief Electoral Office have been combined within the Electoral Commission, which started work in October 2010. The aim has been to avoid the duplication of functions and to enhance efficiency. These changes however do not affect the fairness of the electoral process.

The Electoral Act specifies that registered political parties follow democratic procedures when selecting parliamentary candidates. Since the Act was passed, there has been only one formal challenge allening that proper procedures had not been followed. The resulting judicial challenge was unsuccessful.

Allocation of election broadcasting time and funds in New Zealand’s multiparty system are based on several criteria, including: share of the vote during the previous election; seats in Parliament; party membership; and results of opinion polls. The process is monitored by the independent Electoral Commission, and follows procedures laid down in the Electoral Act 1993 and the Broadcasting Act 1998. This ensures the fair coverage of different political positions, although the process has been criticized for favoring parties in decline and disadvantaging emerging parties that have yet to contest an election. Some earlier deficiencies that had to do with regulations that had not been adapted to the new realities of a mixed-member proportional electoral system were addressed in the Electoral Finance Act 2007. However, this led to new problems, stemming from controversies inter alia of how to deal with...
non-party actors’ campaign spending in favor or against political parties. In the end, the Electoral Finance Act was repealed in 2009. After a lengthy period of consultation and consensus-seeking, the Electoral (Finance Reform and Advance Voting) Amendment Act was passed. Nevertheless, funding of broadcast campaign by non-party actors is still debated as a controversial issue.

Media coverage of political issues is generally fair and balanced. Although in some previous elections televised debates included the leaders of all parliamentary parties, during the 2014 general election the main debates were restricted to the leaders of the two major parties, with the leaders of the small parties being invited to debate separately.

Citation:
Decision of the Electoral Commission on the allocation of time and money to eligible political parties for the broadcasting of election programmes for the 2014 General Election (Wellington: Electoral Commission 2014).

New Zealand’s electoral process is inclusive. The voting age was lowered from 21 to 20, and then again to 18 in 1974. A bill introduced to Parliament in 2007 called for a further reduction in the voting age to 16 years. Due to lack of public and parliamentary support, it was later withdrawn. Permanent residents of 12 months standing are given the right to vote in national elections. For those who move offshore, they remain eligible to vote, providing they return home every twelve months. Citizens who live elsewhere retain their eligibility for three years. While it is compulsory to register to vote, the act of voting is voluntary (despite facing a potential fine, a growing number of young voters choose not to register). Indigenous Maori may register to vote on either the Maori electoral roll or the general roll. There are seven designated Maori seats in the current legislature. Additional Maori representatives are elected on the general roll. Electoral boundaries are redistributed every five years. Beyond legal regulations, there are focused and ongoing activities, especially by the Electoral Commission, to increase political efficacy and turnout by ethnic minorities, those with disabilities, as well as young voters. In 2014 it announced plans to implement a phone dictation voting service for blind voters and those with physical disabilities that prevent them from marking their voting paper independently and in secret. Whereas electoral turnout in the postwar period tended to fluctuate between 85% and 91%, in 2014, turnout has increased for the first time since 2005, with some 78% of voters participating in the 2014 election. Registering for an election can be done electronically. Registered voters then receive an “easy vote” pack with further voting information.
Until recently, electoral finance laws were neither highly regulated nor tightly enforced. The Electoral Finance Act 2007 sought to reform party financing and election campaign financing in a comprehensive manner. However, the act was repealed in 2009 following a public and media backlash, some of which resulted from problems of legal definition. It was replaced by the Electoral (Finance Reform and Advance Voting) Amendment Act. Party financing and electoral campaign financing is monitored by the independent Electoral Commission. Registered parties have upper ceilings regarding election campaign financing (including by-elections). Upper limits for anonymous donations as well as donations from abroad are comparatively low. In 2012, a government minister, John Banks, was accused of breaching the Local Government Act 2002 by failing to disclose the sources of three substantial donations made to his 2010 Auckland mayoral campaign, sources which he declared as anonymous. In mid-2014 the Local Government Amendment Act came into force, which aims to bring local election laws into line with the provisions of the aforementioned Electoral Amendment Act.

Citation:

New Zealand belongs to a small group of countries (the others being Italy and Switzerland) where citizens have the right to propose a national referendum. In addition, referendums are regularly initiated and are an important part of domestic politics. However, these Citizens’ Initiated Referendums (CIRs) are legally non-binding.

CIRs were first introduced in 1993, the year the government held its own binding referendum on the reform of the electoral system. While a total of 46 CIR petitions have been launched to date, only five have come to a vote, with
other proposals either failing to meet the signature target (10% of registered voters within 12 months) or having lapsed.

All five referendums passed, but were subsequently rejected by the government in office at the time. Of these, the most controversial was the referendum seeking to overturn the provisions of the Crimes Amendment (anti-smacking) Act 2007. Although it attracted the support of some 87% of those participating in the referendum, it was rejected by the government.

Whereas CIR supporters contend that the “will of the majority” is being ignored, a general consensus exists among leaders of the major political parties that the non-binding provision in CIRs should be retained. Most CIRs are initiated by individuals or small groups. In marked contrast, a petition on the political agenda against the further privatization of state assets was sponsored by the Green, Labour and New Zealand First parties. While the petition exceeded the required number of signatures, it was overtaken by events, with the sale of shares in the first of the designated state assets taking place before the date of the referendum had been determined. From its perspective, the National-led government argued that its 47.3% share of the vote (compared with Labour’s 27.5%) gave it a mandate to proceed, especially since the government’s intentions had been declared well in advance of the election.

Citation:
Information by the Electoral Commission.

Access to Information

Freedom of the media is regulated by the Broadcasting Standards Authority. In addition, it is safeguarded by the New Zealand Press Council, an independent organization that hears complaints from consumers and publishes annual reports. Although international rankings by Freedom House and Reporters without Borders with regard to media freedom have repeatedly placed New Zealand at top positions, there is an ongoing discussion whether the current situation adequately deals with new media as well as traditional media outlets. In 2011, the New Zealand Law Commission proposed to establish a new independent regulator (the News Media Standards Authority) that would replace the current dual public-private regulatory regime. At the time of writing (October 2014), this recommendation had yet to be adopted by the government.
The Search and Surveillance Act 2012 forces journalists to answer questions by the police, to identify their sources and to hand over documents. It remains to be seen how the new legislation affects the independence of the media.

Citation:

Media Pluralism
Score: 4

New Zealand’s media market has been affected by major changes in the last few years. Private media companies are increasingly subject to influence by financial ownership. Both private and public companies are replacing content oriented at public interest with programs seeking high audience ratings. New Zealand’s media market is mostly dominated by foreign companies (mainly from Australia), although there are two public television stations (Maori TV, TVNZ) and one public radio station called Radio New Zealand that operates nationwide. Sky TV holds a monopoly with regard to pay TV. However, since 2012 Igloo, a joint venture between Sky Network Television and TVNZ, has made a small selection of pay TV channels available at low cost.

In September 2011, the New Zealand Press Association, New Zealand’s largest news agency, closed. It was replaced by three news services. Because all three are Australian-owned, New Zealand is now one of only a handful of countries that lack their own local news agency. It remains to be seen whether this is a “serious blow to media diversity,” as Freedom House has argued.

Bloggers have gained prominence as an alternative to traditional media offers. Some of them concern themselves with political affairs and reach high numbers of visitors.

Citation:
JMAD New Zealand Media Ownership Report 2013,

Access to Government Information
Score: 9

Access to government information is regulated by the Official Information Act 1982. It is based on the principle that all official information should be made available to the public, but that there are restrictions with regard to the protection of the public interest (for example, national security or international
relations) and the preservation of personal privacy. There are clear procedures in how queries are handled by public bodies, including a time frame of 20 working days. The Office of the Ombudsman reviews denials of access upon request. Decisions are binding, but there are no real sanctions for non-compliance. Following a number of precedent-setting decisions by the office in recent years, access to official information is now far-reaching, including politically sensitive communications between political advisers and ministers, as soon as this communication is held by the ministry. The Official Information Act has been reviewed several times. Proposals for reform have included a reduction of the time frame for dealing with requests for official information; and more resources for the Office of the Ombudsman, but these reforms have not yet been implemented. The office has instead concentrated on organizational restructuring to achieve more efficiency and effectiveness. This has to be viewed in light of the steep rise in the number of complaints the office has had to deal with in recent years (29% in 2012/2013). In 2012, a review of the Official Information Act by the New Zealand Law Commission resulted in several recommendations, including the appointment of a statutory officer to provide oversight of the legislation. The primary purpose behind such a role is to provide leadership in the training and education of officials, as well as to help publicize developments. The government has yet to act on these recommendations.

Citation:

New Zealand Law Commission,'The Public’s Right to Know: Review of the Official Information Legislation’ (R125, Wellington, July 2012)

Civil Rights and Political Liberties

Civil and human rights protection is based on the Bill of Rights Act 1990 and the Human Rights Act 1993, which defines the tasks of the Human Rights Commission. The commission actively promotes compliance with civil and human rights by public bodies and in society. Recent activities concern rights within the Treaty of Waitangi and a Human Rights Action Plan 2005 with regard to violence against women and children and maltreatment in prisons and mental institutions. These have led to various activities, such as the establishment of a high-level taskforce for action on sexual violence, under the chair of the secretary for justice, to advise the government. Amnesty International reports in its Annual Report 2012 that it has met with parliamentary members to discuss progress made with regard to social, economic and cultural rights (e.g., the Marine and Coastal Area (Takutai Moana) Act 2011). New Zealand signed the Optional Protocol to the U.N. Convention on the Rights of the Child on the sale of children, child
prostitution and child pornography in September 2011. Against this background, it is worrisome that more than 20% of children in New Zealand live below the poverty line, with children of Maori and Pacific Islander descent being particularly affected.

The powers of the Communications Security Bureau to conduct surveillance on New Zealanders has recently been the subject of scrutiny by civil rights, Internet and legal groups, including the New Zealand Law Society. The Government Communications Security Bureau (GCSB) and the Related Legislation Amendment Bill, which was debated in Parliament in 2013, extended the provisions under which the GCSB could investigate and gather information on residents and citizens. This bill amended the GCSB Act 2003, which stipulated that the GCSB’s role was to conduct foreign, not domestic, surveillance. Prior to and during the 2014 election campaign, the activities of the GCSB came under close scrutiny, especially after it was found to have acted illegally by monitoring the activities of a New Zealand resident, the German-born internet entrepreneur, Kim Dotcom. A review later revealed that a further 80 New Zealanders had been spied on by the agency, a finding that forced the prime minister to assure New Zealanders that there was no mass surveillance of their activities.

Citation:

Political Liberties
Score: 10

The Bill of Rights Act 1990 guarantees unlimited political rights to think, speak, assemble, organize and petition without interference. Those who believe that their rights have been infringed upon can file a suit before the High Court. In addition, the New Zealand Council of Civil Liberties is an active, non-governmental organization that promotes these liberties. Freedom House assesses the situation of political rights in New Zealand as excellent. Despite being widely accepted as an important feature of New Zealand’s constitutional arrangements, the provisions of the Bill of Rights are not supreme law; that is, they have never been entrenched. During 2012 and 2013, a constitutional advisory panel appointed by the government sought the public’s view on whether the Bill of Rights should be expanded to include additional rights and be entrenched but recommended that consultation on these issues should be carried on.

Anti-discrimination legislation is outlined in a number of acts, including the New Zealand Bill of Rights Act 1990, the Privacy Act 1993, and the Human Rights Amendment Act 2011 (establishing the position of a full-time disability rights commissioner within the Human Rights Commission). Even more important, the Human Rights Commission actively promotes anti-discrimination measures such as, in recent times, discrimination against Maori and women. Cases of discrimination are rare, but they do occur. Maori are disproportionately represented in the prison population, which may point to problems of discrimination as has been highlighted by the United Nations Human Rights Committee. A lasting problem is the extent to which the Treaty of Waitangi as the basis of the relationship between Maori and the state is embedded in the general legal order. The complexities of this problem have been highlighted in the controversy over the ownership of the country’s foreshore and seabed, with many Maori groups claiming that Maori have a rightful claim to the title, based on the Treaty of Waitangi.

Citation:

Rule of Law

Although New Zealand, following the British tradition, does not have a codified constitution but instead a mix of conventions, statute law (Constitution Act 1986, Bill of Rights Act 1990, Electoral Act 1993 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 Ombudsman, strengthen accountability. In a report published in 2013, the Constitutional Advisory Panel found that although there is no broad support for a codified constitution, there is considerable support for entrenching elements of it.

Citation:

New Zealand does not have a constitutional court with concrete or abstract judicial review. While it is the role of the judiciary to interpret the laws and challenge the authority of the executive in the event that it exceeds its powers
granted by Parliament, parliamentary decisions cannot be declared unconstitutional. The courts may, however, ask the House of Representatives to clarify clauses. There is an extended and professional hierarchical judicial system with the possibility of appeals. Since 2003, the highest court is the Supreme Court, taking the place of the Judicial Committee of the Privy Council in London that had in the past heard appeals from New Zealand. A specific aspect is the Maori Land Court, which hears cases relating to Maori land (about 5% of the total area of the country). Equally important is a strong culture of respect for the legal system.

Citation:

Although judicial appointments are made by the executive, it is a strong constitutional convention in New Zealand that, in deciding who is to be appointed, the attorney general acts independently of political party considerations. Judges are appointed according to their qualifications, personal qualities and relevant experience. The convention is that the attorney general mentions appointments at Cabinet meetings after they have been determined. The appointments are not discussed or approved by the Cabinet. The appointment process followed by the attorney general is not formally regulated. There have been discussions of how to widen the search for potential candidates beyond the conventional career paths, but not with regard to a formal appointment procedure, as there is a widespread belief that the system has worked exceptionally well. In practice a number of people are consulted before appointments are made, including not only the opposition justice spokesperson but also civic society groups. In 2012, a review by the New Zealand Law Commission recommended that greater transparency and accountability be given to the appointments process through the publication by the chief justice of an annual report and the publication by the attorney general of an explanation as to the process by which members of the judiciary are appointed and the qualifications they are expected to hold. The government indicated that it was its intention to adopt a number of the Law Commission’s recommendations but has not, as of February 2015, implemented reforms along these lines.

Citation:
Paul Bellamy and John Henderson, Democracy in New Zealand (Christchurch: MacMillan Brown Centre for Pacific Studies, 2002).

New Zealand is one of the least corrupt countries in the world. Prevention of corruption is strongly safeguarded by such independent institutions as the auditor general and the Office of the Ombudsman. In addition, New Zealand
has ratified all relevant international anti-bribery conventions of the Organization for Economic Cooperation and Development (OECD) and the United Nations. All available indices confirm that New Zealand scores particularly high regarding corruption prevention, including in the private sector.

Citation:
Governance

I. Executive Capacity

Strategic Capacity

The core executive in New Zealand is shaped according to new public management approaches and methods. Most importantly, contracts are negotiated between ministers and chief executives in a large number of departments and ministries. With a large number of government departments and 28 ministers, most of them responsible for a number of portfolios, taking a whole-of-government approach to policy development can be complex and time-consuming. Recent governments have reacted to concerns about fragmentation by recentralizing the steering capacity of the core executive. The most important government departments involved in strategic planning and policy formation are the central agencies of the Department of the Prime Minister and Cabinet (DPMC), the State Services Commission (SSC) and the Treasury. All contracts (performance agreements and departmental statements of intent) support a cooperative and whole-of-government policy approach, though evaluation of the performance assessment of chief executives has a strong focus on departmental achievements. The National Party-led government in the review period decided to seek substantial efficiency reforms without a major reorganization of public sector departments and ministries. This has led to various initiatives, such as greater rationalization and coordination with respect to back-office functions (such as IT, payroll and procurement) with a view to achieving savings which can be shifted to delivering frontline services. Since chief executives are on contract and employ staff, these changes can only occur with their support and cannot be imposed on individual departments.

Developing strategies to enhance public sector performance management has been progressing for some time. Since the government has imposed a cap on the size of the state sector, these measures are aimed at securing greater efficiency, effectiveness and performance across the sector. The most recent
initiative is the Better Public Services (BPS) program which aims at building efficient and effective public services by emphasizing outputs, strengthening leadership across the system and providing better services and greater value for money.

There is only a moderate strategic planning capacity that the prime minister can make use of (a policy advisory group) vis-à-vis ministers and increasingly ad hoc groups, often including some outside expertise, to complement policy advisory work of government agencies.

The relevance, in terms of frequency and intensity of policy advice, of external academic experts on governmental policymaking depends on the subject area. Non-governmental academics with technical expertise can have a significant role in policy areas such as health, energy, social policy and tertiary education. In general, the importance of scholarly advice is increasing.

The policy advisory group in the Department of Prime Minister and Cabinet (DPMC) currently consists of 14 staff who cover a broad spectrum of policy expertise. They are in constant contact with the prime minister and provide advice on all Cabinet and Cabinet committee papers. They also engage in coordinating interministerial cooperation. The policy advisory group provides direct support to the prime minister on specifically commissioned initiatives, such as the prime minister’s “Tackling Methamphetamine” Action Plan.
The key policy adviser in the Department of Prime Minister and Cabinet (DPMC) plays an influential role in policy processes and regularly intervenes to “pull” Cabinet papers that are deemed to be inadequate in some way.

Citation:
Confidential information by a policy adviser in the DPMC.

If line ministries prepare a policy proposal, they are obliged to consult other ministries that are affected as well as the coordinating units, the Department of Prime Minister and Cabinet (DPMC), the Treasury and the State Services Commission. There are clear guidelines which not only de jure but also de facto govern the coordination of policy formulation in the core executive.

Citation:

There are clear guidelines for policy formulation in the New Zealand core executive. All policy proposals are reviewed in cabinet committees. Full 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. In quantitative terms, from 1 July 2012 to 30 June 2013, the full Cabinet met 43 times, with on average 17 items on their agenda per meeting, while cabinet committees met 192 times, with on average six items on their agenda per meeting. A revised cabinet committee structure was implemented in October 2014 following the formation of the government after the 2014 general election. This resulted in the disestablishment of one cabinet committee, reducing the overall number from 11 to 10.

Citation:
Annual Report for the Year Ended 2013 (Wellington: Department of the Prime Minister and Cabinet 2013).

The cabinet process is overseen by the cabinet office on the basis of clear guidelines. Departmental chief executives typically meet with ministers prior to cabinet meetings to discuss the agenda and clarify matters. The amount and effectiveness of policy proposal coordination varies a great deal depending on the policy field. However, there is clearly coordination in the preparation of cabinet papers and demanding processes specified in cabinet office circulars. That, beginning in 2009, new senior officials’ committees were established to support cabinet committee chairs points to earlier weaknesses that needed to be overcome with a new instrument for coordination.
Informal Coordination Score: 9

In addition to formal coordination, there are a number of informal channels between coalition partners, government and legislative support parties, and ministers and their parliamentary parties. However, the Cabinet manual seeks to at least formally clarify which procedures should be used as a guideline in case of informal coordination. For instance, Cabinet Office Circular CO (12) 3 “National-led Administration: Consultation and Operating Arrangements” defines the relationship between government ministers and ministers from parties that are officially not part of the government: “Support-party ministers are not members of Cabinet. From time to time, support party ministers and other ministers outside Cabinet may seek the prime minister’s agreement to attend Cabinet when significant matters within their portfolios are being addressed.”

Evidence-based Instruments

Following its restrictive policy regarding regulation, the National Party-led government introduced a guideline in late 2009 with the effect that regulatory impact assessments (RIAs) are systematically undertaken for any policy activity involving options that may result in a paper being submitted to the Cabinet and, accordingly, may lead to draft legislation. This aims at restricting new regulations to those that the government sees as necessary, sensible and robust and to avoid regulations which are ineffective and costly.

The Treasury’s Regulatory Impact Analysis Handbook offers comprehensive guidance with regard to consultation within government as well with stakeholders, to transparency, and to quality evaluation. The major instrument for consultation and transparency is the Regulatory Impact Statement (RIS). Independent quality assurance is to be obtained either by a unit located within the Treasury or through a suitable internal review process. A quality assurance statement is to be provided in the cabinet paper.
Without using the term “sustainability,” the regulatory impact assessment (RIA) process includes major aspects of the underlying idea of this concept. Part of quality assurance monitoring is to check whether all substantive economic, social and environmental impacts have been identified (and quantified where feasible). In addition, it is an integral part of RIAs to plan for reviews of regulatory instruments that consider the following issues: Is there still a problem (and is it the one originally identified)? Are objectives being met? Are the impacts as expected? Are there any unforeseen problems? Are there any indirect effects that were not anticipated? Is intervention still required? Is the current intervention still the most appropriate, or would another measure be more suitable?

Societal Consultation

New Zealand has a strong tradition of broad policy consultation with interest groups and with its citizens. The need for consultation has been enhanced recently by two developments. One is the change to a multiparty system and the formation of minority governments, which require the support of smaller parties to be able to pass legislation. The other relates to a greater diversity and sophistication of voters, with political views that are more difficult to predict and no longer fit in a simple “left” and “right” mold. While it may be the case that the ideologies of some parties may make them more compatible than others, under a mixed-member proportional (MMP) system it is not always easy to predict where a minor party will sit on a particular issue. Local governments in particular have a tradition of consulting with their citizens and communities, and consultation is mandated in many cases under the Local Government Act 2002. Consultation is also commonly used by central government agencies with respect to new policy initiatives. When a consultation has taken place, the details of consultations, internal and external, need to be set out in regulatory impact statements. While select committees hold hearings on proposed legislation once it has been introduced in Parliament, giving individuals and organizations the opportunity to make written or oral submissions, the incidence of by-passing select committees by introducing bills under urgency is growing. In 2014, for example, the government allowed a mere three days of public submissions as part of a review of New Zealand’s anti-terrorism laws. In addition to the
aforementioned tools for measuring public opinion, both the government and organizations that are likely to be affected by policy outcomes make increasing use of opinion polls, media and online comment, and focus groups.

Citation:

Policy Communication

The coherence of government communication strongly depends on the topic under consideration. All recent governments have been of the minority type, which has increased the chances of conflict between the governing party and its small support partners. This may include disagreement over what constitutes an electoral mandate, as well as accusations of broken promises when sacrifices have to be made during the course of the post-election negotiating process. Successive minority governments have freely acknowledged that tension is part and parcel of the governing process under a mixed-member proportional (MMP) system, with an “agree to disagree” clause being all that may separate the government from instability and collapse. That said, MMP governments have been remarkably stable, with only one early election (2002) since the advent of the proportional electoral system in 1996.

Citation:

Implementation

Throughout the review period, National-led governments held minority status, although the current one, with 47 % of the vote and 60 out of 121 seats, has come closer to majority status than any other under MMP (indeed, the last time a party gained over 50 % of the vote was in 1951). Minority status implies that the government has to anticipate the policy preferences of other parties in Parliament and needs to seek legislative support on an issue-by-issue basis. Nevertheless, minority-coalition governments have been relatively successful in implementing their agendas. The current National minority government continues to focus on building a more competitive and stronger economy; responsively managing the government’s finances and ensuring a budgetary surplus; building better public services on which all New
Zealanders rely; and rebuilding the Christchurch and Canterbury economy as priorities for the mid-term.

Although it is too early to comment definitively, the government is making progress toward these objectives.

Citation:
Statement of Intent 2012-2016 (Wellington: Department of the Prime Minister and Cabinet 2012).

There is a strong tradition of collective responsibility of the Cabinet. Ministers are allowed to disagree over policy initiatives, even in public, but once a decision has been made in Cabinet they have to follow the collective will. The Cabinet Manual 2008 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). In reality, however, whereas the National cabinet is chosen by the prime minister, Labour’s is subject to an election by all of its MPs. Naturally, in coalition governments or minority governments with support agreements with other parties, the prime minister’s power over the personnel of another party is restricted. Collective responsibility is strengthened by an extensive list of coalition management instruments based on a comprehensive coalition agreement with regard to the legislative agenda but also procedures to ensure coalition discipline. The current National-led minority government can build on the experience of earlier minority governments on how to ensure ministerial compliance. In its Cabinet Office Circular CO (12) 3 “National-led Administration: Consultation and Operating Arrangements,” the government at the time of writing has specified the nature of its agreements with support parties that receive ministerial appointments outside of cabinet. While such ministers may disagree with government policy if it lies outside their ministerial responsibility, on issues within their portfolio they are bound by collective responsibility.

Citation:
Cabinet Office Circular CO (12) 3 (Wellington: Cabinet Office 2012).

Following from the experience of fragmented policymaking in vertically integrated networks and, consequently, coordination problems, all recent governments have strengthened the steering capacity of the core executive. All contracts between Cabinet and line ministries and ministers and chief executives are based on a whole-government policy approach. The National Party-led government has introduced a performance improvement framework which is intended to strengthen a central agency approach to assessing, supporting, informing and focusing performance across state services.
The monitoring of executive agencies is based on the same procedures as with regard to line ministries.

New Zealand is highly centralized, and local government structures are lean and generally uniform. Local government raises only about 5% of total government tax revenues. However, local autonomy in setting tax rates and bases is greater than in any other Organization for Economic Cooperation and Development (OECD) country. The main source of local tax revenues is the so-called rates, which are taxes on the holding of real estate. Local governments have at the time of writing full discretion to set 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, in particular transportation as well as road construction and maintenance. The National-led government has reformed the Local Government Act with the aim of limiting local services more to their core tasks to keep costs under control.

There is a clear legal framework for local government autonomy, consisting of the Local Government Act 2002, the Local Electoral Act 2001 and the Local Government (Rating) Act 2002. In addition, the comprehensive reform program, “Better Local Government,” was put into action during the review period, culminating in the Local Government Act 2002 Amendment Act 2014. The Amendment Act became law in August 2014. According to the Department of Internal Affairs, the act includes, among others things, changes in regard to what development contributions can be used for; encourages more collaboration and shared services between local authorities; introduces new requirements for infrastructure strategies and asset management planning; allows elected members to use technology to participate in council meetings, rather than attending in person; requires local councils to disclose information about their rating bases in long-term plans, annual plans and annual reports; and requires them to disclose risk management arrangements for physical...
assets in annual reports. In addition, the act includes provisions that enable the Local Government Commission to establish local boards as part of new unitary authorities, and in existing unitary authorities. There is no de facto infringement of this scope. Local governments do not enjoy constitutional status, as they are creatures of statute. As noted already, local governments in New Zealand are unusual in terms of their relatively narrow task profile and their inability to tap into other commonly used sources of subnational revenue, such as sales and/or income taxes. Local governments therefore raise a relatively large proportion of revenue from rates and charges; and given concerns about rating levels, they are fiscally constrained from expanding their roles and functions.

Citation:

It is not central government as such but a dense network of agencies that are involved with the development and monitoring of local government: the Minister of Local Government, the Department of Internal Affairs, the Local Government Commission, Local Government New Zealand (representing local councils on the national level), the Office of the Controller and Auditor General, the Office of the Ombudsman and the Parliamentary Commissioner for the Environment. Their roles range from strategic development and policy, regulation and monitoring, to handling complaints about the activities and operation of local government. At the end of 2013 a comprehensive reform program, “Better Local Government,” was introduced whose provisions are part of the Local Government Act 2002 Amendment Act 2014. These reforms are intended to bring about even more national scrutiny of local government.

Adaptability

New Zealand has ample experience in drastically restructuring its public sector and reforming policymaking to adapt to new challenges. Major reforms were accomplished from the mid-1980s to the mid-1990s. However, this was done under a majoritarian regime, based on a first-past-the-post electoral system. Part of the reform package involved the change to a proportional electoral system, a move that was not initiated by the governing elite but rather the voting public. Today, given the existence of a multiparty system and minority government, radical reform is much more difficult to achieve. In retrospect, institutional reforms delivered somewhat less than was anticipated and have at times been disruptive. The government at the time of writing is concerned with
driving efficiency and performance improvements into the system, and has decided to do this with relatively limited emphasis on a major restructuring of government agencies.

Given the isolated geopolitical position of New Zealand, the country participates proactively in many international organizations and in the international coordination of joint reform initiatives. Major areas include issues regarding the Antarctic region, disarmament and proliferation, environmental protection and human rights. New Zealand is a member of the Asia-Pacific Economic Cooperation (APEC) forum, the Commonwealth, the Organization for Economic Cooperation and Development (OECD), the United Nations and the World Trade Organization. Free trade is a central preoccupation within foreign relations, especially in the Asian region. Having signed the Association of Southeast Asian Nations (ASEAN)-Australia-New Zealand agreement and a bilateral agreement with Malaysia in recent years, current efforts are directed at deepening its “comprehensive strategic partnership” with China and continuing negotiations with India, Korea and Russia. New Zealand successfully ran for membership in the United Nations Security Council for the term 2015 – 2016.

Citation:

Organizational Reform

Following from the change to a proportional electoral system in 1996, institutional arrangements in the core executive as well as executive-legislative relations and democratic decision-making have been regularly and effectively monitored. Although the first government under the new electoral system was a majority coalition, subsequent governments have lacked a parliamentary majority. Rather than assembling a formal coalition, the present National-led government followed the example of its immediate predecessor, the Labour-led government of Helen Clark, by keeping its support parties at arm’s length from the Cabinet. All 20 Cabinet seats are held by National Party members. Two of the three support parties (United Future and the Maori Party) have been given ministerial portfolios outside of Cabinet, but within the larger executive. The solitary Act MP, a newcomer to Parliament, has been given the title of Under-Secretary. While each party is committed to providing the government with confidence and supply, it is free to oppose the government on all policy matters that lie outside its portfolio responsibilities. This governing arrangement has the dual benefit of limiting the influence of the small support parties while providing them with the ability to retain their separate political and electoral identity.
One area of particular interest is the performance of the reformed electoral system. The Electoral Commission regularly commissions surveys to ascertain satisfaction with the way elections are organized, what the barriers to voting are and how to address these barriers. In the context of the general election in 2011, a referendum was held on whether to retain or replace the electoral system. A majority of 56% opted to keep the mixed-member proportional (MMP) system.

Citation:

Major adaptations to the multiparty system and coalition government occurred in the mid- to late 1990s. An effective framework is in place with the Cabinet Manual, which has begun to attract more and more interest from other jurisdictions. Cabinet office circulars are used for minor changes. Particularly after the change of government in 2008, a number of such modifications were made.

Citation:

II. Executive Accountability

Citizens’ Participatory Competence

The most recent comparative data set which includes information on New Zealand policy knowledge is the International Social Survey Program. In the 2004 edition, New Zealand respondents overwhelmingly (69%) felt that they had a good or very good understanding of important political issues. Only about 13% of respondents said that most people are better informed about government and politics. The 2007 edition of the survey however did not include this question. Regarding the question, “How interested would you say you personally are in politics?” there was a slight decline of political interest in New Zealand between 2004 and 2007. According to survey data from the
New Zealand Election Study of 2011, approximately two-thirds of respondents expressed satisfaction with the state of their democracy.

While levels of party membership and voter turnout have been in sharp decline – voter turnout dropping from the 80s and low 90s percentiles for much of the postwar period to 74% in 2011 with a minor increase in 2014 to 78% – there is evidence to suggest that levels of political knowledge and engagement are not as worryingly low as figures might suggest. This said, participation rates among the young suggest that generational disaffection during the review period is at an all-time high.

Citation:

Legislative Actors’ Resources

While New Zealand parliamentary members (MPs) are not generously equipped with financial or personnel resources to monitor government activity, they do have access to party research units. Other personnel available to individual MPs include an executive assistant (in Parliament) and electorate staff, with constituency members being more generously funded than those on the party lists.

Citation:

The Cabinet Manual defines the right of committees to ask for government documents. All documents have to be delivered in full and within an appropriate time. There are limitations with regard to classified documents.

Citation:

It is common practice that ministers follow invitations to visit select committee meetings, but occasionally they refuse to do so. This follows a guideline that committees can request but not require that a minister appear
before them. Only the House of Representatives itself can compel members to attend a committee if they do not do so voluntarily.

Citation:
Officials and Select Committees – Guidelines (Wellington: States Services Commission 2007).

Select committees may summon experts. The only restriction is with regard to public servants who need the approval of their minister to attend committee meetings

Citation:
Officials and Select Committees – Guidelines (Wellington: States Services Commission 2007).

The New Zealand House of Representatives is far too small to establish as many select committees as would be necessary to fully correspond to the number of ministries. At the time of writing there are some 13 select committees, which have to face 59 portfolios, led by 21 Cabinet ministers, five ministers outside Cabinet, two support party ministers, and one parliamentary under-secretary from a support party. On average, select committees have 9 members, with numbers fluctuating between 7 and 12.

Citation:

The controller and auditor general is appointed by the governor general on the advice of Parliament and is fully accountable to it. The Office of the Auditor General consists of the following departments: Accounting and Auditing Policy, Legal Group, Local Government, Parliamentary Group, Performance Audit Group and Research and Development. Its scope of functions relates not only to central government but also to local government. The legal basis is the Public Audit Act 2001.

Citation:
All about the Controller and Auditor-General (Wellington: Office of the Auditor-General 2012).

New Zealand was the fourth country in the world to establish an Office of the Ombudsman (in 1962). The office is highly effective in terms of formally or informally resolving complaints. In 2012 - 2013, more than 13,000 complaints were handled. Organizational reform has been under discussion for a number of years because of an ever-increasing caseload. In addition, there is an even older tradition of dealing with petitions in Parliament.

Citation:
Media

Not all television and radio stations produce high-quality information programs, but both Television New Zealand (TVNZ) and Radio New Zealand provide a regular evaluation of government decisions. TVNZ’s TVOne has three news programs per day, each lasting between 30 minutes to one hour, as well as a lighthearted daily current affairs magazine-style program. It also has an hour-long current affairs program, “Q and A,” which screens once a week and focuses on domestic politics. TVNZ 7, a station established in March 2008, offers a range of programming, 30% of which focuses on news programs that offer background information. Although the channel attracted a small but loyal audience, it has since been closed. A second television network, TV3, offers a similar news and current affairs schedule to that of TVNZ. Radio New Zealand has four extensive news features per day in addition to hourly news programs. Newspapers provide information and analysis on government decisions and policy issues – although many articles report government statements verbatim and such stories tend to be relegated to the inner pages – with law and order and celebrity stories dominating the headlines.

Citation:

Parties and Interest Associations

During the review period, there are three political parties that were supported by more than 10% of voters in the last general election. The Labour Party and the National Party are traditionally the largest parties, the Green Party was, again, able to achieve a share of the vote above 10%. The next-largest party, New Zealand First, polled 8.7%.

The organizational structure of the Labour Party is complex, as it mainly consists of affiliated members (for example, a (decreasing) number of trade unions). Although the party refuses to disclose membership numbers, it is thought to have a current membership of around 7,000. Decisions with regard to personnel and policy are therefore not restricted to individual party members. However, at the same time, the Labour Party uses a system of delegates. The selection process for candidates for parliamentary seats is based on a heavily formalized moderating procedure that takes criteria such as ethnic
background, gender and region into regard. Following pressure from grassroots members to have a say in the selection of the party leader, in 2011 the party took away the party caucus’s sole responsibility for choosing a party leader, replacing it with a combination of party membership (40%), the parliamentary caucus (40%) and the affiliated trade unions (20%).

The National Party considerably increased the central leadership’s influence in an organizational reform in 2003. The newly created National Management Board, including the parliamentary leader, plays an especially influential role in pre-selecting parliamentary candidates for electorate seats (to a so-called Candidate’s Club), although these are still required to compete with other nominees, using the existing decentralized electorate selection process. The selection of candidates for list seats has equally been centralized at the expense of regional party organizations. The party leader is chosen by the members of the parliamentary caucus.

The Green Party’s organizational structure is much more decentralized when compared with those of the traditional larger parties. Decisions on policy and the selection of parliamentary candidates are made by the party membership, with less control from the parliamentary caucus.

Citation:
Candidate Selection and List Ranking Procedures 2014 (Wellington: Green Party of Aotearoa New Zealand 2014)

There are few well-organized and well-staffed interest groups in New Zealand. The largest and most prominent are the New Zealand Council of Trade Unions, Federated Farmers, the Chambers of Commerce, and Business New Zealand. All are involved in policy formation and dissemination, and all seek to influence government policy. However, there is an underlying asymmetry. Business interests additionally rely on the work of the New Zealand Business Roundtable, an organization of chief executives of major business firms, which in 2012 merged with the New Zealand Institute to form the New Zealand Initiative, a new libertarian think-tank to lobby for pro-market economic and social policies.

Citation:
There is a rich tradition of consulting societal groups. The amount of consultation of groups and individuals and the way their proposals have been dealt with is reported in regulatory impact statements. In several cases, recent regulatory impact statements claim that consultation has had a substantive impact. Still, the size and shortage of resources prevent some interest associations from developing specialist policy know-how that would have a lasting impact in consultations.

Citation:
Regulatory Impact Statement Information Release