Government at a Glance 2009
Country Note: NEW ZEALAND

CONTEXT

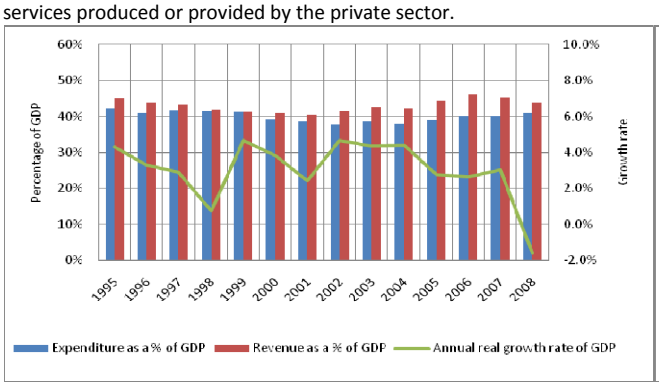
LEGISLATURE: **Bicameral**
- Upper house: none
- Lower house: elected using Semi-Proportional Representation

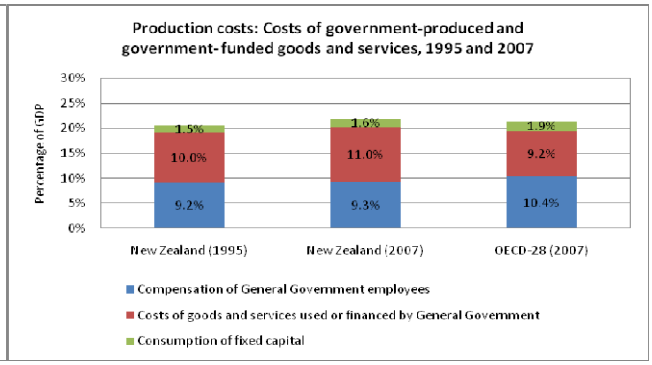
SYSTEM OF GOVERNMENT: **Parliamentary**
- No. of ministries: 35 (2008)
- No. of ministers: 20 (2008)

STATE STRUCTURE: **Unitary**

REVENUES AND EXPENDITURES

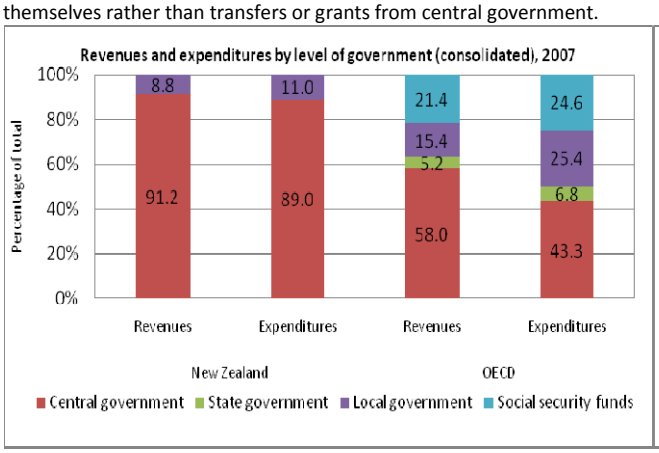
Revenues and expenditures have hovered around 40% of GDP over the past decade. New Zealand was hit by the fiscal crisis in 2008 and the recession, combined with current policy settings, ends 14 years of continuous surpluses. Fiscal policy is injecting stimulus of some 5% of GDP during 2008-10. In December 2008 the Treasury projected, based on unchanged policies, a period of structural deficits, with gross debt rising to 57% of GDP by 2023. The new government has stated that such debt levels would be imprudent and made decisions in the 2009 Budget that bring net debt back so that it peaks below 40% of GDP and reaches 30% of GDP no later than the early 2020s. These decisions include delaying tax reductions, temporarily suspending required contributions to the NZS fund and controlling expenditures by reducing operating allowances. Production costs of goods and services funded by government as a share of GDP increased slightly from 1995 to 2007, driven by increases in the cost of public goods and services produced or provided by the private sector.

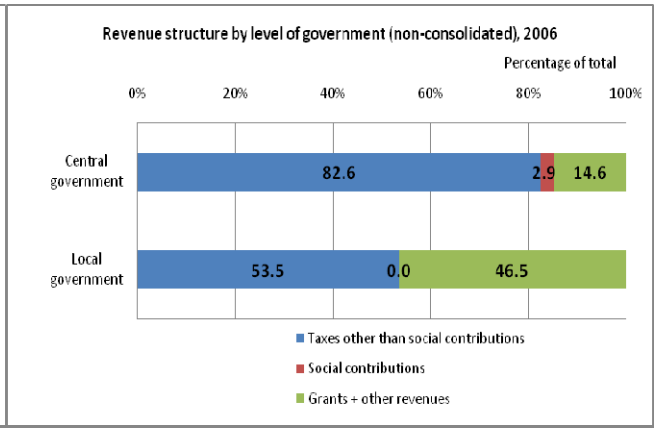




Source: OECD National Accounts and Economic Outlook. [Revenues] [Expenditures] [Production costs]

Compared to other OECD countries, the New Zealand government is very centralised. Virtually all revenues and expenditures are at the central level. Despite having a minimal role compared to central government, most of local government expenditures are based on tax revenues that they collect themselves rather than transfers or grants from central government.





Source: OECD National Accounts [Revenues] [Expenditures]

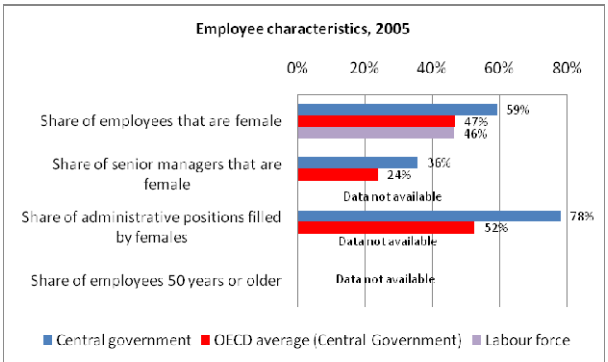
The structure of general government expenditures in New Zealand is similar to the OECD average, with a slightly higher proportion of resources devoted to education balanced by a lower share of resources spent on social protection. In addition to security services (such as defence and public safety), the central government is responsible for providing most social programmes, including: education, health and social protection. Local governments are mainly responsible for community-based services, such as recreation, housing and community amenities, environmental protection, and economic affairs (including infrastructure projects).

Expenditure structure by function of government (non-consolidated), 2006 *Share of total*	**New Zealand (2005)** Central government	Local government	General government	**OECD-26 (2006)** General government
General public services	12.0%	24.5%	13.3%	13.8%
Defence	2.8%	0.5%	2.5%	3.4%
Public order and safety	5.4%	0.0%	4.9%	3.8%
Economic affairs	8.3%	28.6%	10.5%	10.6%
Environment protection	1.1%	22.0%	3.3%	1.7%
Housing and community amenities	1.1%	7.5%	1.8%	2%
Health	18.5%	0.0%	16.6%	15.1%
Recreation, culture and religion	1.6%	13.3%	2.8%	2.6%
Education	20.8%	0.0%	18.6%	12.9%
Social protection	28.4%	3.6%	25.8%	34.2%

Source: OECD National Accounts [General government] [Central, state and local]

***Government at a Glance 2009* is a new, OECD biennial publication that provides indicators on over 30 elements underlying government performance.** *Released 22 October 2009.* ISBN 978-92-64-06164- 4 © OECD 2009. Available at www.oecd.org/gov/indicators/govataglance.

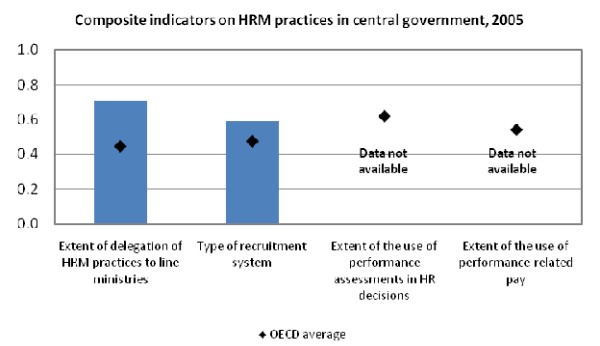
GOVERNMENT EMPLOYMENT



Females represent a larger proportion of the central government workforce than the general labour force. Almost 60% of central government staff is female, much higher than the OECD average of 47%. Within central government, women occupy more than three-quarters of the administrative positions, well above the OECD average. At the same time around 35% of senior managerial posts are filled by women, the third highest among OECD countries.

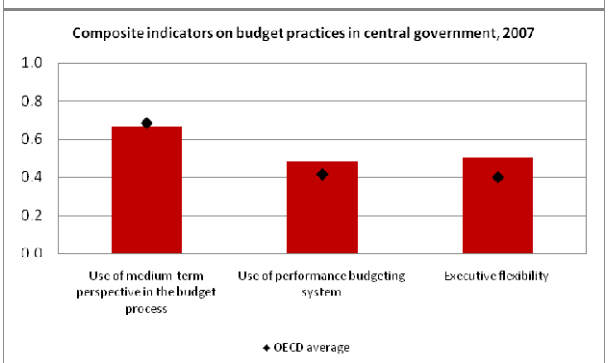
Source: OECD Strategic HRM Survey and Labour Force Survey
[Female participation] [Ageing]

COMPOSITE INDICATORS: PUBLIC MANAGEMENT PRACTICES



In the New Zealand central government, HRM practices are highly delegated to line ministries and line managers. In this regard, New Zealand is a leader among the OECD member countries. The central government also operates a position-based recruitment system where most positions are open to both internal and external candidates and applicants apply directly to a specific post.

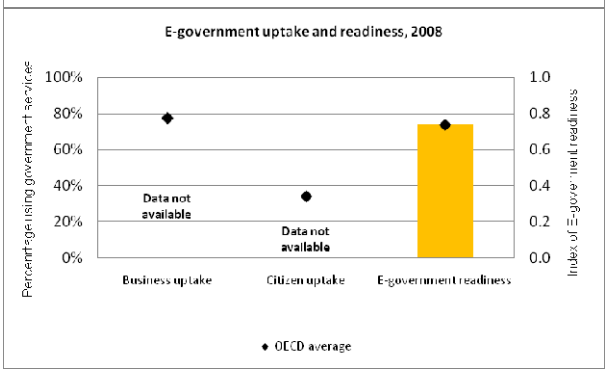
Source: OECD Strategic HRM Survey
[Delegation] [Recruitment] [Performance management]



New Zealand has developed a fairly comprehensive medium-term expenditure framework that is based on expenditure estimates that extend three years into the future and targets/ceilings for spending. New Zealand has a slightly more developed performance budgeting system than other OECD countries. Performance against targets is made available to the public and the legislature, and is used by the executive when developing its budget for a handful of agencies. In addition, the executive has more flexibility to adjust budgeted resources in New Zealand than in other countries. While line ministries can reallocate funds across line items and carry-over unused appropriation, these actions require the approval of the Finance Minister.

Source: OECD International Budget Practices and Procedures Database.
[Medium-term] [Performance budgeting] [Executive flexibility]
OECD Journal on Budgeting: www.oecd.org/gov/budget/journal

E-GOVERNMENT



Overall, New Zealand exhibits a high-degree of e-government readiness characterised by a well-educated populace and a high number of services available online. However, broadband penetration remains low when compared to other OECD countries, which may limit citizen's access to and use of e-government services.

Source: United Nations E-Government Readiness Knowledge Base, Eurostat.
[Readiness] [Uptake]
[OECD E-Government Publications]

INTEGRITY

Types of information central government decision makers are required to disclose and level of transparency, 2009

Requirements for disclosure	Prime Minister	Minister	Lower House Legislators
Assets and liabilities	DP	DP	DP
Loans	DP	DP	DP
Sources and level of income	DP	DP	DP
Outside positions	DP	DP	DP
Gifts	DP	DP	DP
Previous employment	ND	ND	ND

D= Disclosed; DP= Disclosed and publicly available; ND= Not disclosed; NA= Not applicable.

New Zealand is characterised as having implemented a high level of transparency regarding potential conflicts of interest for central government decision makers. Legislators are required to declare if they have sources of income other than their government salary, where that income is derived from other employment (*e.g.* radio show host) or as a payment for activities (*e.g.* book royalties or speaking fees). They are not required to declare the amount of their income, or to make any declaration of income from certain other sources (*e.g.* investments).

Source: OECD Survey on Integrity
[Disclosures]

REGULATORY MANAGEMENT

Requirements for Regulatory Impact Analysis (RIA) processes used by central governments

	2005	2008
Quality reviewed by body external to Ministry preparing rules	Yes	Yes
Required for draft primary laws	Always	Always
Required for draft subordinate regulations	Always	Always
Required to quantify costs	Only for major regulation	Only for major regulation
Required to quantify benefits	Only for major regulation	Only for major regulation
Required to publicly release results	No	Always

Extent of programs for reducing administrative burdens at the central level of government

	1998	2005	2008
Explicit programme exists	Yes	Yes	Yes
Includes quantitative targets	No	No	No

The 2005 and 2008 surveys of Indicators of Systems of Regulatory Management examined the extent of governance practices designed to improve the quality of regulation in OECD countries. Among the most important practices are: the use of regulatory impact analysis (RIA) to assess the cost and benefits of new regulation and the institutional oversight of the quality of regulations; and the design of programs to reduce the costs of administrative activities on business and citizens.

In New Zealand, RIA (RIS) requirements apply to all policy proposals submitted to cabinet that are intended to result in government Bills or statutory regulations. Completed RIS are required to be published on the internet and, for changes to primary legislation, attached to the Bill. New Zealand has taken a sectoral approach to administrative burden reduction, examining the areas where improvements could be made to how regulation is administered in the sectors of hospitality, retail, wine and horticulture. In August 2009, the government issued a new policy statement making accountability for the quality of regulation a priority for government agencies.

Source: OECD Survey on Regulatory Management.

[RIA] [Administrative simplification]

Regulatory Management Indicators: www.oecd.org/regreform/indicators

EU 15 reviews on Regulatory Reform: www.oecd.org/gov/regref/eu15

Background reports on Regulatory Reform: www.oecd.org/regreform/backgroundreports

DEFINITIONS AND METHODOLOGY

Production costs are a subset of total government expenditures, excluding government investment (other than depreciation costs), interest paid on government debt and payments made to citizens and others not in exchange for the production of goods and services (such as subsidies or social benefits). Production costs include compensation costs of general government employees, the costs of goods and services produced by private entities funded by government (intermediate consumption and social transfers in kind via market producers), and the consumption of fixed capital (indicating the level of depreciation of capital).

Structure of government expenditures: Data on expenditures are disaggregated according to the Classification of the Functions of Government (COFOG), which divides government spending into 10 functions. More information about the types of expenditures included in each function can be found in Annex B of *Government at a Glance 2009*.

Employment characteristics: The OECD averages refer to the following number of countries:

- Share of employees that are female: OECD-23
- Share of senior managers that are female: OECD-22
- Share of administrative positions filled by females: OECD-17
- Share of employees 50 years or older: OECD-25

HRM Composites: The indexes range between 0 (low level) and 1 (high level). Details about the theoretical framework, construction, variables and weighting for each composite are available at: www.oecd.org/gov/indicators/govataglance.

- **Delegation index** gathers data on the delegation of determining the number and types of posts needed in an organization, compensation levels, position classification, recruitment and dismissals, and conditions of employment. This index summarises the relative level of authority provided to line ministries to make HRM decisions. It does not evaluate how well line ministries are using this authority.
- **Type of recruitment system index i**ncludes policies for becoming a civil servant in general (*e.g.* competitive examination or direct application) and for recruiting senior civil servants, and systems for appointing entry-level positions and for allocating posts across departments. This index describes a spectrum of recruitment systems in place in OECD member countries. Countries scoring closer to 0 have career-based systems whereas countries scoring closer to 1 have more position-based systems. The index does not evaluate the performance of difference systems.
- The **performance assessment index** indicates the extent to which it is used in career advancement, remuneration and contract renewal decisions, based on the views of survey respondents. This index provides information on the formal use of performance assessments in central government, but does not provide any information on its implementation or the quality of work performed by public servants.
- The **performance-related pay index** looks at the range of employees to whom PRP applies and the maximum proportion of base pay that PRP may represent. This index provides information on the formal use of performance related pay in central government, but does not provide any information on its implementation or the quality of work performed by public servants.

Budget Composites: The indexes range between 0 (low level) and 1 (high level). Details about the theoretical framework, construction, variables and weighting for each composite are available at: www.oecd.org/gov/indicators/govataglance.

- The **medium term budget perspective index** contains information on whether countries develop and present multi-year expenditure estimates in the annual budget, the number of years the estimate covers, how often estimates are updated; and whether there are multi-year targets or ceilings and how often these are revised. This index measures the extent to which countries have developed a medium-term perspective in their budget process. However, it does not evaluate whether this perspective has been effective at achieving budget outcomes such as fiscal discipline and allocative efficiency.
- The **performance budgeting index** contains information on what type of performance information is developed; the processes for setting goals and targets; the process for monitoring and reporting on results; and if and how performance information is used in budget negotiations and decision making processes by key actors including the central budget authority, the line ministries and politicians. This index examines the degree to which OECD member countries have put a performance budgeting system in place. However, it does not measure how successfully these systems operate in practice.
- The **executive flexibility index** contains the following variables: the extent to which lump sum appropriations are used; the number of line items in the budget; agencies' ability to carry-over unused budget allocations between years, borrow against future appropriations, reallocate between line items and keep efficiency gains; and constraints on the executive's ability to increase spending during budget execution. This index looks at the different levels of flexibility provided to the executive during budget execution. However, it does not measure whether this flexibility is used effectively or appropriately.

E-Government:

- The **UN e-government readiness index** ranges between 0 (low level) and 1 (high level). It measures the capacity of governments to implement and develop e-government services. Developed within the framework of the UN global e-government survey, the indicator consists of three sub-indices: (1) the web measure index, (2) the telecommunication infrastructure index and (3) the human capital index. The web measure index ranks countries based on the coverage, sophistication and availability of e-services and e-products. The index categorizes countries as having either an emerging, enhanced, interactive, transactional, or networked e-government presence. The telecommunication infrastructure index is a weighted average of 5 measures of ICT infrastructure capacity: PCs/100 persons, Internet users/100 persons, Telephone lines/100 persons, Broad-banding/100 persons and Mobile phones/100 persons. The human capital index is a weighted average of the adult literacy rate (two-thirds weight) and the combined primary, secondary and tertiary gross enrolment ratio (one-thirds weight).
- The e-government take-up by citizens indicator measures the percentage of individuals (aged 16-74) who used the Internet to interact with public authorities in the 3 months preceding the survey. Data are collected through Eurostat's annual Community Survey on ICT Usage in Households and by Individuals, and are only available for European countries.
- The e-government take-up by businesses indicator measures the percentage of enterprises using the Internet to interact with public authorities. Only businesses with 10 or more employees are included. Data are collected by national statistical offices based on Eurostat's annual Model Survey on ICT Usage and E-commerce in Businesses.