# **New Zealand Report**

**Sustainable Governance Indicators 2024** 

Oliver Hellmann, Jennifer Curtin, Patrick Köllner (Coordinator)





SGI 2024 | 2 New Zealand Report

# **Executive Summary**

Like other OECD countries, New Zealand has been experiencing high inflation rates due in part to increased government spending during the COVID-19 pandemic, global supply chain disruptions, near-full employment and geopolitical conflicts. Although inflation levels in New Zealand have been somewhat lower than the OECD average (7.2% compared to 9.5% in 2022), the rising prices for goods and services have exacerbated existing social inequalities.

Lower-income groups have been particularly hard hit by inflation, as they tend to spend a greater share of their income on basic necessities such as food and housing. The annual food inflation rate peaked at 12.5% in June 2023, fueling a 165% increase in food bank demand compared to 2020. Upward pressure on rents has caused the public housing waitlist to balloon, with the recorded median time taken to find housing rising to nearly 300 days. Meanwhile, the number of households that have lived in emergency housing for more than two years doubled between 2022 and 2023. Additionally, mortgage rates increased significantly, leading to a rise in the number of homeowners spending 18% of their income on interest payments – twice as much as in 2021 (Edmonds 2023).

In March 2023, amidst the "cost of living" crisis and declining popularity figures, Prime Minister Chris Hipkins (who took over from Jacinda Ardern in January) decided to refocus on "bread and butter" policies and slashed the Labour-Green government's reform program. The targets of what the New Zealand news media described as a "policy bonfire" included many initiatives aimed at mitigating climate change, such as the clean car upgrade program, the Auckland light rail project and other investments in public transport.

However, this shift in policy priorities did not save the Labour-Green coalition from losing the general election in October. Instead, the election produced a parliamentary majority for a right-of-center coalition among the National Party, ACT and NZ First. Labour was the big loser of the election, dropping from 65 to 34 seats, while other parties increased their representation, including the Green Party (plus five seats) and Te Pāti Māori (plus four seats).

SGI 2024 | 3 New Zealand Report

The new government under Prime Minister Christopher Luxon has announced plans to address the ongoing "cost of living" crisis through tax cuts, credits and rebates. The National-led coalition intends to finance these tax policies primarily through public service cuts and new taxes. One proposed measure is a tax on commercial and industrial buildings.

Although Luxon supports climate change action in principle, his government has reversed several pro-environmental policies implemented by the Labour-Green coalition, including the Clean Car Discount and the ban on at-sea oil and gas exploration. Moreover, the new government has indicated plans to revisit the greenhouse gas emission targets set out in the Zero Carbon Act and possibly lower the targets for the agricultural sector, which contributes almost half of New Zealand's total greenhouse gas emissions (Wannan 2023).

The National-ACT-NZ First coalition has also criticized Labour's health policies, stating it will repeal the "future generations" smoking ban and abolish the Māori Health Authority (Te Aka Whai Ora), which was established in July 2022 to address disparities in health outcomes for the Māori population. The National Party's coalition partner, ACT, is also seeking to redefine the principles and role of the Treaty of Waitangi in ways that may undermine the partnership with and active protection of Māori.

# Key Challenges

New Zealand faces numerous policy challenges, many of which can be traced back to the neoliberal free-market thinking that has dominated policymaking since the 1980s. Under the Labour governments led by Jacinda Ardern (2017 – 2023) and Chris Hipkins (January – October 2023), efforts were made to ameliorate the worst excesses of market capitalism, arguably addressing some of these challenges. However, the change in government to the National Party risks undoing the progress made in recent years.

To begin with, Labour had some success in tackling the issue of child poverty, most importantly by significantly boosting working-age benefits and by passing the Child Poverty Reduction Act, which requires current and future governments to set three- and 10-year targets for reducing child poverty. While child poverty rates are still relatively high compared to other OECD countries, particularly among Māori and Pasifika children, a recent UNICEF report attests to New Zealand's "good progress."

SGI 2024 | 4 New Zealand Report

The Labour government achieved positive results in addressing the inequitable challenges that Māori face in the public healthcare sector. For example, it expanded telehealth services, prioritized Māori in the funding of diabetes drugs, and increased the number of Māori doctors. Labour also established the Māori Health Authority and legislated a world-leading law to ban smoking for future generations (19.9% of Māori smoke cigarettes daily compared to 7.2% of non-Māori).

These improvements are threatened by the right-of-center National-led coalition. Prime Minister Christoph Luxon has said that he aims to combat child poverty primarily through tax cuts. However, tax cuts do not channel benefits to the families who need them the most. Additionally, Luxon has announced plans to abolish the Māori Health Authority and lift the "future generations" smoking ban.

More fundamentally, Labour's successes in social welfare and public health suggest that government intervention can help correct market failures. Hence, to address its many policy challenges, New Zealand may need to shift away from the neoliberal principles that have underpinned policymaking for more than three decades – under both National and Labour governments – and embrace a renewed focus on the state's role in governance.

Government intervention could help address the problem of housing affordability, which has made it difficult for young people and low-income families to enter the property market, especially in cities like Auckland and Wellington. For years, various political groups and experts have called for a broad-based tax on capital gains from rental and second homes, arguing that this will help cool the overheated housing market.

New Zealand's environmental policy regime would benefit from more regulation. Perhaps most crucially, the Zero Carbon Act 2019 – a legally binding commitment to reduce New Zealand's greenhouse gas emissions to net zero by 2050 – needs to be revised to set more ambitious reduction targets for the agricultural sector. Other interventionist climate change policies and publicly funded projects implemented or debated under the Labour government also hold great promise in the fight against climate change, including the Clean Car Discount, the legal ban on oil and gas exploration, and the Auckland light rail project.

### **Democratic Government**

### I. Vertical Accountability

#### **Elections**

Free and Fair Political Competition Score: 9 New Zealand is widely considered to have a high degree of fairness and freedom in political competition among candidates and parties (e.g., Garnett et al. 2022).

Electoral registration procedures for candidates and political parties are designed to uphold transparency and fairness. The Electoral Act sets clear criteria and guidelines for registering political parties and candidates. Information regarding the registration process, requirements and deadlines is publicly available.

Political parties and candidates must maintain accurate financial records, disclose the nature and value of the donations received, and regularly publish their accounts. This requirement is governed by the Electoral Act 1993 and subsequent amendments, as well as the Electoral Finance Act 2007 and the Electoral Amendment Act 2010.

Under these laws, political parties and candidates must keep detailed records on their financial transactions, including on donations received and expenditures made. They are also required to disclose certain information about their donors, including the nature and value of donations above a certain threshold. Large donations must be disclosed publicly, and donors must be identified in financial reports. The Electoral Commission oversees and audits these financial reports to ensure compliance with the law. Failure to comply with reporting requirements can result in penalties or fines.

If a voter believes they have been unjustly excluded from registration or elections, they can appeal to the Electoral Commission, which oversees elections and maintains the electoral roll. The Electoral Commission has

SGI 2024 | 6 New Zealand Report

procedures to handle appeals and ensure voters are treated fairly and in accordance with the law.

Candidates and political parties generally have fair opportunities to access the media. Public broadcasters Radio New Zealand (RNZ) and Television New Zealand (TVNZ) are expected to provide fair and balanced coverage to all political parties. However, the media landscape is comparatively small, with privately owned newspapers and online news services, as well as privately owned radio stations, outperforming the reach and ratings of public media.

Public debates continue to focus on the fairness of elections, political donations and leaders' debates. For instance, the Independent Electoral Review, published in June 2023, recommended lowering the 5% threshold to 3.5% to make it easier for smaller parties to enter Parliament, among other points (Daalder 2023). With the arrival of a new government, it is unclear how many of these will be implemented. Additionally, ongoing discussions persist about whether and how to guarantee Māori political representation at the national and subnational levels (e.g., Trafford 2023).

Free and Fair Elections Score: 8 Voting rights are granted to all citizens and permanent residents aged 18 years and older. In national elections, individuals of Māori descent can choose whether to vote on the general electoral roll or the specific Māori roll. In 2020, voting rights were restored for prisoners serving less than three years.

Elections are conducted according to an established schedule. The prime minister has the authority to determine the date of the general election; however, it must be held within three years of the previous election unless special circumstances necessitate an earlier election or an extension of the term.

The Electoral Commission is an impartial and capable electoral management body operating independently from the government and political parties. The Commission's primary role is to administer parliamentary and local government elections as well as referendums, and to conduct voter education and outreach programs to inform citizens about the electoral process, voter registration and voting procedures.

Efforts are made to ensure that voting is accessible to all eligible citizens. Absentee and early voting are conducted in a manner that accommodates various voter needs. Advance voting locations are set up across the country, and voters can apply to vote via the post, which allows them to receive and return their ballot papers by mail. Information about advance voting, absentee voting procedures and eligibility criteria is readily available through the

SGI 2024 | 7 New Zealand Report

Electoral Commission's website, making it easy for voters to understand their options. However, turnout rates remain lower among non-English-speaking, Māori and Pacific ethnic communities compared to those who are ethnically European.

A report by the Auditor-General published in May 2024 revealed several counting errors, including double counting, in the 2023 general election. These errors were not substantial enough to nullify the results in any particular constituency or the election overall. However, the report's findings tarnished the previously unblemished record of election management in New Zealand. Part of the problems in 2023 were due to coordination issues and the fact that late voter registration had been allowed by the previous government – without, however, providing the Election Commission with sufficient funding to handle the additional workload (Controller and Auditor-General 2024; Edwards 2024).

#### **Quality of Parties and Candidates**

Socially Rooted Party System Score: 8

Generally speaking, political parties in New Zealand perform their democratic functions of social interest aggregation and articulation in an adequate fashion.

Parties seek to mobilize voters through programmatic platforms rather than particularistic appeals, and they can be distinguished based on their policy priorities. The party system is structured not only along a left-right economic policy divide, but also along a post-material cleavage that separates socially liberal parties from socially authoritarian parties (Ford 2021).

The mixed member proportional (MMP) electoral system is designed to represent diverse social interests more proportionately compared to some other electoral systems. Under MMP, coalition governments are common in New Zealand, meaning parties representing diverse social interests often have to collaborate in Parliament. Meanwhile, the Māori electoral roll and dedicated Māori electorates are intended to ensure that the Indigenous Māori community has political representation that acknowledges and addresses its specific cultural, social and political interests within the parliamentary system.

However, there are several challenges related to the aggregation and articulation of social interests.

As in other industrialized democracies, the programmatic manifestos of the two major parties have lost much of their distinctiveness. In particular, on the left-right economic spectrum, Labour has moved very close to the National Party since the 1980s (Aimer 2015).

SGI 2024 | 8 New Zealand Report

Moreover, in a manner similar to other democracies, political parties have seen a significant decline in grassroots membership. There is also an imbalance in organizational complexity: While the two major parties maintain a dense network of local branches, minor parties' organizations are more limited. With the exception of the Green Party, New Zealand's mainstream parliamentary parties tend to restrict participation by ordinary members in the selection of candidates for general elections (Miller 2015: 176-182).

Effective Cross-Party Cooperation Score: 8 The acceptance of liberal democratic values is widespread among the political parties that regularly win representation in Parliament, including Labour, the National Party and minor parties. While there may be differences in policy priorities among these parties, they operate within the framework of liberal democracy and accept its core principles and institutions.

New Zealand does not have a significant presence of anti-democratic actors at the mainstream level; there have only been isolated instances of small extremist groups or individuals expressing anti-democratic ideologies. The most infamous example dates back to 2019, when a far-right extremist fatally shot 51 people in two mosques in Christchurch.

New Zealand has also been spared by the wave of populism that has swept across developed democracies in the last two decades (Curtin and Vowles 2020). Although there have been instances where politicians such as David Seymour and Winston Peters, or political movements like Groundswell, have used populist rhetoric or tactics, the impacts of populism have been felt much less than in other countries.

Generally speaking, the political spectrum in New Zealand is not as deeply divided as in some other democratic systems. Ideological differences do exist among the major political parties, but the level of polarization is relatively low (Ford 2021; Miller 2015: 166-177). New Zealand has a tradition of consensus-oriented politics that fosters cooperation across party lines, despite ideological differences. However, some political commentators have warned that the three-party coalition that assumed power after the 2023 election – formed by National, ACT and NZ First – will, due to its policy differences and lack of conflict-management arrangements, have an unpredictable internal dynamic (Shaw 2023).

#### Access to Official Information

Transparent Government Score: 8 Access to government information is regulated by the Official Information Act (OIA) of 1982, which has been reviewed several times. There are restrictions regarding the protection of the public interest, for instance in cases having to do with national security or international relations, as well as for the preservation of personal privacy. Clear procedures exist for how queries are handled by public bodies, including a timeframe of 20 working days to respond. The Office of the Ombudsman reviews denials of access upon request. Following several precedent-setting decisions by the Ombudsman in recent years, access to official information is now far-reaching, including access to politically sensitive communications between political advisers and ministers as soon as these communications are made.

The latest Global Right to Information (RTI) rating awards New Zealand's OIA 94 points out of 150, putting it ahead of many other OECD countries, including Australia (87) and the United States (83). The RTI concludes that New Zealand's access-to-information regime "functions better in practice than its legal framework would suggest. The law's major problems include its limited scope (it does not apply to the legislature, the courts, or some bodies within the executive) and the fact that it allows information to be classified by other laws" (Global Right to Information 2020). In recent years, however, government agencies have quietly and proactively released material on their websites, albeit with redactions, to meet transparency requirements and reduce the number of OIAs received (PSC n.d).

The media continue to demand changes to the OIA. In particular, government agencies have been criticized for taking longer to respond to information requests than the OIA allows. The National Party committed to reviewing the OIA before the 2023 election (Traylen 2023), but only time will tell whether – and how – the new three-party government will follow up on this promise.

### II. Diagonal Accountability

#### Media Freedom and Pluralism

Free Media Score: 9 Media freedom is generally guaranteed and respected in New Zealand. In the 2023 World Press Freedom Index – published by Reporters Without Borders – New Zealand is ranked 13th, down two places compared to 2022 (Reporters Without Borders 2023).

SGI 2024 | 10 New Zealand Report

The news media is considered free from political pressure and intervention. This assessment also applies to the state-owned broadcast networks, Television New Zealand (TVNZ) and Radio New Zealand (RNZ). These outlets operate independently and contribute to the diversity of opinions and information available to the public.

While New Zealand has a legal framework that supports media freedom, certain legal considerations may impact the work of journalists, including defamation and privacy laws. Additionally, regulatory bodies such as the Broadcasting Standards Authority and the Press Council oversee media content to ensure it aligns with ethical and professional standards.

The government does not engage in widespread censorship of online content. It is worth noting, though, that after the 2019 Christchurch terrorist attack, the administration under Jacinda Ardern took steps to curb the spread of extremist and violent content on the internet – in particular, passing legislation to hold social media platforms accountable for the spread of extremist material (Roy 2019).

Journalists generally work in an environment free from violence and intimidation, although they increasingly face online harassment. The working conditions became tougher in early 2022 when, during protests against COVID-19 restrictions, journalists were subjected to violence, insults and death threats (Swift 2022).

Pluralism of Opinions Score: 6 Concerns about New Zealand's media pluralism, particularly due to high levels of media ownership concentration, have persisted for years (e.g., JMAD 2022; Reporters Without Borders 2023). In the TV segment, competition is mainly between Television New Zealand (TVNZ) - which, despite being publicly owned, operates on a commercial basis – and two international media giants, the U.S.-owned MediaWorks and Australian-owned Sky. Media pluralism faced further threats when MediaWorks sold its Three network, as well as the news and current affairs element under the Newshub banner, to U.S. media company Discovery in 2020. Despite the sale, the news and current affairs programming remained intact (Jennings 2021). In the commercial radio market, MediaWorks and New Zealand Media and Entertainment (NZME) dominate, while publicly owned and non-commercial Radio New Zealand serves as a third player with a loyal audience. In the newspaper and magazine publishing industry, a near-duopoly exists where the market is split between NZME and Stuff. NZME owns the leading daily newspaper, the New Zealand Herald, while Stuff controls the country's second- and third-highest circulation daily newspapers, The Dominion Post and The Press. Stuff, one of New

SGI 2024 | 11 New Zealand Report

Zealand's largest media companies, was sold by its parent company, Nine Entertainment, for \$1 to its chief executive, former journalist Sinead Boucher. This deal ended years of speculation about the company's ownership after lengthy attempts by NZME to buy the company were blocked by the Commerce Commission, which had received submissions from various concerned groups and networks in civil society. Several online media outlets provide alternative sources of news and information (e.g., The Spinoff, Newsroom and The Guardian New Zealand). These outlets have fewer readers than the major news outlets but offer critical and evidence-informed analyses that are often picked up by the main broadcasting actors noted above.

The problem of media pluralism was further exacerbated by the COVID-19 crisis, which cost approximately 700 jobs in the sector. For example, the New Zealand Herald laid off 200 staff in 2020, while magazine giant Bauer – publisher of The Listener and the Women's Weekly – was even forced to close down. The government announced a \$50 million aid package; however, this was met with widespread derision by the industry (in comparison, the racing industry received a \$72.5 million emergency support package) (Roy 2020).

In early 2023, the Labour administration under Chris Hipkins scrapped its plans to merge TVNZ and RNZ. This decision was welcomed by commercial media outlets, which had feared that the merger would have given the combined entity too much dominance. At the same time, the government announced that RNZ would receive an extra \$26 million a year, partly to develop a new digital platform (Pullar-Strecker 2023).

#### **Civil Society**

Free Civil Society Score: 10 Political rights such as the freedom of association and freedom of assembly are effectively safeguarded. While New Zealand does not have a single written constitution, these rights are protected through various laws, statutes and legal norms – most importantly, through the Bill of Rights Act 1990, which outlines fundamental rights and freedoms like the freedoms of expression and peaceful assembly, the freedom of association, and specific human rights legislation, such as the Human Rights Act 1993.

The WJP Rule of Law Index 2023 awards New Zealand a score of 0.84 (out of 1.00) on its "freedom of assembly and association" measure, ranking the country 15th in global comparison (World Justice Project 2023).

The government generally applies transparent and nondiscriminatory criteria when evaluating requests for permits to associate and assemble. If a permit

SGI 2024 | 12 New Zealand Report

request is denied or disputed, individuals or groups have the right to seek judicial review. This legal recourse allows for an independent assessment of whether the decision-making process was fair and aligned with legal standards.

In recent months and years, numerous individuals have been arrested and convicted for participating in violent demonstrations against the government's COVID-19 measures (Nichols and Harris 2023) and climate change protests (Dunseath 2023). However, these arrests have generally been in accordance with the law, and do not reveal any evidence of the systematic use of intimidation or harassment aimed at hindering citizens from exercising their political rights.

Effective Civil Society Organizations (Capital and Labor) Score: 7 When mapping the landscape of civil society organizations involved in capital and labor issues, one cannot help but note that political power is tilted in favor of business interests at the expense of organized labor (Nicholls 2021).

Historically, New Zealand had a strong trade union sector, because a union voice in politics was institutionally mandated under the Industrial Conciliation and Arbitration Act. However, the neoliberal market-oriented reforms of the 1980s and 1990s severely undercut the role of trade unions. Most importantly, the Employment Contracts Act 1991 deregulated labor markets and turned all collective contracts into individual contracts between an individual employee and their employer. As a result of these institutional reforms, trade union density dropped below 18% according to 2018 figures (OECD 2021). Today, the three largest trade unions all represent public sector workers: the Public Service Association, the NZ Nurses Organization and the New Zealand Educational Institute (New Zealand Companies Office 2022). The New Zealand Council of Trade Unions acts as the umbrella organization for around 40 affiliated unions. Only a few unions continue to be formally affiliated with the Labour Party, the largest being the Engineering, Printing and Manufacturing Union (EPMU) (Aimer 2015). In 2022, the Labour government under Ardern passed the Fair Pay Act, which would have strengthened trade unions by allowing sector-wide collective employment negotiations, but this was repealed after the 2023 election by the new National Party government.

The rise in business influence relative to organized labor can also be attributed to new patterns of business lobbying (Nicholls 2021). In 1986, a new lobby group known as the Business Roundtable was established. The group distinguished itself from previous business member-based organizations in that its primary goal was not to represent business owners in wage negotiations or other matters of employment relations but to advocate policy interests. In 2012, the Business Roundtable merged with the New Zealand Institute to form

SGI 2024 | 13 New Zealand Report

the New Zealand Initiative (NZI), which today operates more as a think tank than an interest group, mobilizing support for pro-market economic and social policies.

In short, the application of free-market imperatives meant that trade unions lost their political influence during the 1980s and 1990s, although their connection with the Labour Party means they have some influence when Labour is in government. Meanwhile, the retention and extension of the neoliberal policy regime – both under Labour and National governments – suggests that "it has been big business and financial lobbies that have gained insider status and influence in the political realm" (Grey 2015: 464). That said, there are a number of CSOs and the Human Rights Commission that champion issues of equal pay, pay transparency and the need to close the ethnic gender pay gap (Beehive 2023; HRC, 2021).

Effective Civil Society Organizations (Social Welfare) Score: 8 New Zealand follows the Westminster model of democracy, characterized by limited access points for veto players and the centralization of political decision-making power in the executive. Despite this institutional setup, civil society organizations have had considerable success influencing government policy in the field of social welfare through various means (Grey 2015; O'Brien 2015).

Interest groups have, through media campaigns and other communication strategies, been able to frame public debates on social welfare issues. For example, public support for the "26 for Babies" group, which ran a social media campaign and a range of mainstream media events, led to a 2014 budget announcement that the National-led government would increase paid parental leave from 14 to 18 weeks in 2016, despite earlier proclamations by National that it would veto a private member's bill on extending paid parental leave to 26 weeks.

Moreover, interest groups have shaped social welfare policy by publishing reports and research at both the agenda-setting and evaluation stages of the policy process. For instance, the Child Poverty Action Group (CPAG) has published evaluation reports showing the inequities caused by the Working for Families policy, which provides payments to "working" parents but not to parents receiving social welfare benefits. CPAG has also taken cases to the Human Rights Tribunal and the High Court to demonstrate that the government's policy was discriminatory under the law. The legal proceedings held the attention of the media for a number of years between 2002 and 2014. In 2017, Prime Minister Ardern appointed herself minister for child poverty, and the Child Poverty Reduction Act was passed in 2018. The act requires

SGI 2024 | 14 New Zealand Report

current and future governments to set three-year and 10-year targets for reducing child poverty.

Interest groups have also turned to international courts and supranational bodies to force policy change. In a recent example from 2022, civil society representatives formally asked the United Nations Committee on the Rights of Persons with Disabilities to put pressure on the New Zealand government to address a range of disability issues (Shivas 2022). Meanwhile, Māori groups have used the Waitangi Tribunal to coerce the government into passing welfare policies designed to reduce inequities experienced by Māori. As a result, various policies – such as the Public Health and Disability Act and the Children, Young Persons and Their Families Act – now reference the Treaty of Waitangi and include measures specific to improving welfare outcomes for Māori (Moore 2021).

Effective Civil Society Organizations (Environment) Score: 8 In New Zealand, public concerns about climate change and other environmental issues have grown considerably in recent years. One measure of this concern is the increasing support for environmental organizations. For example, both Greenpeace and Forest & Bird reported over \$9 million in donations in 2021 and 2022, respectively (Greenpeace Aotearoa 2021; Forest & Bird 2022).

There are differences among environmental organizations in terms of resources, funding, leadership and strategies. For example, larger, established organizations such as Greenpeace and Forest & Bird have comparatively formal structures that influence their governance and fundraising strategies. In contrast, organizations such as CANA and Save Happy Valley have more grassroots, devolved and informal structures. Additionally, some organizations, including Generation Zero and 350 Aotearoa, adopt hybrid approaches that combine both formal and informal structures. Some of these organizations, such as Greenpeace New Zealand and 350 Aotearoa, have links to global environmental movement actors (Kurian et al. 2022).

New Zealand's environmental movement has achieved significant successes over the years, leading to positive changes in policies and practices. For example, in the 1970s and 1980s, widespread public protests against nuclear testing and the entry of nuclear-powered or nuclear-armed ships led to the enactment of legislation declaring New Zealand a nuclear-free zone. More recently, environmental interest groups played a key role in getting the Zero Carbon Act enacted in 2019, which makes it mandatory for governments to take action on climate (Hayward 2022).

SGI 2024 | 15 New Zealand Report

Māori-led campaigns have also significantly influenced environmental politics. For Māori activists, the fight against climate change and ecological degradation is intertwined with long-standing struggles for decolonization and control over land and resources (Kurian et al. 2022). Similar to other environmentalist actors, Māori groups have taken direct protest action to achieve their objectives, such as the occupation of Ihumātao from 2016 to 2020. Additionally, they have utilized the Waitangi Tribunal to reach negotiated settlements with the government. Many of these settlements included cultural redress aimed at restoring Māori communities' relationships with the environment and prescribed the establishment of Māori-led institutions with environmental policy and decision-making functions, such as the Waikato River Authority and the Te Urewera Board (Wheen 2022).

However, Māori have also raised concerns and held protests in response to a number of climate change initiatives that were introduced. For example, Iwi leaders (Māori tribal leaders) were not consulted on the oil and gas ban, and there was considerable resistance to the government's policy to lock up "significant natural areas" on private land, including Māori land. In combination, these initiatives were seen as the government "grabbing" Indigenous resources and land (Harman 2021).

# III. Horizontal Accountability

#### **Independent Supervisory Bodies**

Effective Public Auditing Score: 10

New Zealand has an independent audit office known as the Office of the Auditor-General (OAG). The OAG operates independently from the government and is responsible for auditing the public sector, including government departments, local authorities, state-owned enterprises and other public entities.

The Office of the Auditor-General conducts various audits to ensure effective oversight of public entities. These include financial audits, performance audits, and compliance audits (Controller and Auditor-General n.d.).

A much-publicized intervention by the OAG in 2023 was the audit of the Labour government's handling of \$640 million in the Provincial Growth Fund (PGF). The OAG found that applications to the PGF were assessed "inconsistently" and that there was a lack of risk management functions. However, the OAG also stressed that it might take years before the economic,

SGI 2024 | 16 New Zealand Report

social, cultural or environmental impacts of any of the PGF-funded projects could be properly assessed (Cheng 2023).

Effective Data Protection Score: 8 The Office of the Privacy Commissioner serves as an independent authority responsible for overseeing and enforcing privacy laws, as well as holding government offices and other entities accountable for data protection and privacy issues.

The office has several key functions – most importantly, investigating complaints from individuals regarding privacy breaches, issuing compliance notices to entities that fail to comply with privacy laws, providing guidance to organizations and government agencies on complying with privacy laws, and educating the public about privacy-related matters.

The process of appointing the privacy commissioner is designed to uphold the commissioner's independence. The privacy commissioner is appointed by the governor-general, based on the recommendation of the minister of justice, following the criteria set out in the Privacy Act 2020.

The work of the Office of the Privacy Commissioner is regularly reported in the news media. For example, in 2023, the privacy commissioner publicly raised concerns about a significant increase in serious data breaches (1News 2023a) and weighed in on debates about the use of artificial intelligence by private and public entities (RNZ 2023). The privacy commissioner's investigation into the role of Latitude Financial in New Zealand's largest-ever data breach was also widely covered in the news (1News 2023b).

Māori have long criticized New Zealand's data protection regime, raising difficult questions about data sovereignty and arguing that "the rightful authority for Indigenous data is not with the state, but with Indigenous people." Some activists have demanded a Māori equivalent of the Office of the Privacy Commissioner (Mathias 2022). Additionally, the Royal Society of New Zealand has sought to increase awareness of issues of data sovereignty (RSNZ 2023). Independent Māori organizations Te Mana Raraunga (TMR 2023), the Māori Data Sovereignty Network and Ngā Toki Whakarururanga (NTW 2023), a by-Māori for Māori collective dedicated to advancing and protecting Māori interests – including with regard to data and digital and intellectual property – are also active in this space.

SGI 2024 | 17 New Zealand Report

#### Rule of Law

Effective Judicial Oversight Score: 8 The judiciary, including the Supreme Court, High Court, and specialized courts such as the Employment Court, the Environment Court and the Māori Land Court, has the authority to interpret laws. Judges have the autonomy to analyze statutes, common law principles and constitutional provisions to make decisions based on their interpretation of the law. Individuals and organizations have the right to access courts to challenge the legality of government actions or laws (Geddis 2015).

The Supreme Court has the authority to declare acts of Parliament inconsistent with the New Zealand Bill of Rights Act 1990 or other fundamental constitutional principles. However, it is essential to note that – as in other Commonwealth countries that follow the Westminster system of government – Parliament is sovereign and holds supreme legislative power. This means that the Supreme Court does not have the authority to invalidate legislation. Even if the Court declares a law inconsistent with the Bill of Rights Act, the law remains valid and enforceable unless Parliament decides to amend or repeal it. Parliament can choose whether or not to respond to a declaration of inconsistency made by the Supreme Court (Roycroft 2021).

Despite the principle of parliamentary sovereignty, governments typically comply with important Supreme Court decisions. A recent example is the Supreme Court's ruling that disenfranchizing prisoners was inconsistent with the Bill of Rights. This decision prompted the Labour administration under Jacinda Ardern to restore prisoners' voting rights ahead of the 2020 election (Davison 2019).

Ultimately, whether to follow up on Supreme Court decisions is a political choice. In late 2022, the Court ruled that the minimum voting age of 18 violates the age discrimination clause in the Bill of Rights. However, lowering the voting age to 16 would require 75% of legislators to vote in favor of the measure, which is very unlikely to happen (Rawhiti-Connell 2022).

The judiciary operates independently of political influence and is not subject to interference in its decision-making process. Supreme Court judges are appointed through a process that involves several steps: After interviews and assessments conducted by the Judicial Appointments Unit within the Ministry of Justice, a selection committee recommends one or more candidates to the attorney general. The attorney general then makes a recommendation to the governor-general for the formal appointment of the judge (Miller 2015: 31).

SGI 2024 | 18 New Zealand Report

Universal Civil Rights Score: 9 New Zealand has robust legal protections for civil rights, including the Bill of Rights Act 1990, which outlines fundamental rights and freedoms. State actors, including government bodies and agencies, are bound by these legal provisions. Individuals have the right to seek legal remedies through the courts if their civil rights are violated. Courts can issue remedies or orders to protect individuals' rights and hold authorities accountable for any infringements. The World Justice Project's 2022 Rule of Law Index ranks New Zealand at 10th place in the world with regard to its civil justice measure, which captures the extent to which the civil justice system is accessible and affordable as well as free of discrimination, corruption and improper influence by public officials (World Justice Project 2022).

New Zealand has made significant strides in implementing legislation that prohibits discrimination and promotes equal treatment. The Human Rights Act 1993 and the Employment Relations Act 2000, among others, protect individuals from discrimination in various areas, including employment, education, and the provision of goods and services.

State actors in New Zealand generally respect civil rights, but there are areas for improvement. For example, a report published by the Human Rights Measurement Initiative (HRMI) in June 2023 noted that Māori face a relatively high risk of civil rights violations such as arbitrary arrests (Dunseath 2023). Meanwhile, a 2020 Human Rights Commission report found that the LGBTQ+ community continues to suffer from discrimination (1News 2020).

Effective Corruption Prevention Score: 9 New Zealand's public sector is considered one of the least corrupt in the world. The 2022 Corruption Perceptions Index, published by Transparency International, ranks New Zealand joint second with Finland in terms of anti-corruption efforts (Transparency International 2022).

Several measures are in place to prevent public officeholders from abusing their positions for private interests. These measures include codes of conduct, conflict of interest rules, transparency mechanisms such as public declarations of assets, specific laws addressing bribery and corruption, and protections for whistleblowers who report misconduct or abuses of power.

There are also regulations and laws regarding party financing aimed at promoting transparency and preventing corruption. Not only are political parties required to disclose their sources of funding and donations, but political finance laws set limits on the amount of money individuals or organizations can donate to political parties.

SGI 2024 | 19 New Zealand Report

Independent oversight bodies, such as the Office of the Auditor-General and the Office of the Ombudsman, oversee government activities and investigate complaints related to potential abuses of power. The Electoral Commission has primary responsibility for overseeing compliance with party financing regulations.

However, while these regulations and enforcement capacities significantly promote accountability, the New Zealand political system is not entirely immune to potential loopholes or abuses. For example, concerns exist regarding the lack of transparency in the lobbying industry (Espiner 2023) and the so-called revolving door practices in which individuals shift between government positions and private sector jobs, and vice versa (Kuhner 2020). There are also ongoing concerns about party financing rules.

The Independent Electoral Review was established in 2022 and reported back in November 2023. It recommended that parties forgo access to unlimited donations revenue in exchange for greater state funding; it also proposed a cap on political donations and limiting donors solely to the population of registered voters. It remains to be seen how the new government will respond to this recommendation, which would likely reduce funding for the two major parties and the smaller libertarian right-wing party, but benefit other smaller parties (Independent Electoral Review 2023).

#### Legislature

Sufficient Legislative Resources Score: 7 Members of Parliament (MPs) have access to pooled personnel and sufficient resources to monitor government activities. For one, the Parliamentary Service provides support to MPs, including administrative, research and advisory services. However, given the small size of New Zealand's Parliament, these services are relatively limited compared to those in other democracies. Although MPs also participate in select committees, which have their own staff, legal advisers and resources to investigate executive actions, governments frequently call urgency motions to rush legislation through Parliament and bypass select committees (Martin 2015).

MPs also have access to party research budgets and party research units. However, the larger parties (National, Labour) are at a distinct advantage, as minor parties (ACT, Greens, Te Pāti Māori) command far fewer resources (Schnapp and Harfst 2005). Moreover, a proposal to create a parliamentary budget office to enable parliamentarians to engage more fully in budget and pre-budget scrutiny activities failed to gain traction, although calls for its introduction have remained a topic of conversation in the media (Transparency International 2023).

SGI 2024 | 20 New Zealand Report

Effective Legislative Oversight Score: 8 Legislative committees in New Zealand play a significant role in overseeing government activities. Each parliament establishes several "subject" select committees that correspond to specific areas of government activity (the 2023 – 2026 parliament has 12 subject select committees).

Select committees not only review proposed legislation, but also have the authority to conduct inquiries on specific issues or areas of concern. The Finance and Expenditure Committee scrutinizes the government's budget proposals, expenditure plans and financial reports.

Committees can formally request documents and information from government agencies or departments. They can also summon government officials or relevant individuals to testify and provide information related to their inquiries. The extent to which documents are provided in their entirety and within a reasonable time frame depends on several factors, such as the nature of the information and the volume of documents requested.

A fundamental issue is that New Zealand's Parliament – due to its relatively small size of 123 MPs during the current legislative period – is notoriously overworked. To manage the resulting legislative logjams, governments frequently resort to "urgency" motions that accelerate the usual processes, giving select committees less time to scrutinize legislation (Martin 2015). For instance, after the October 2023 election, the new National government invoked urgency to pass seven pieces of legislation in the six days it had left for lawmaking between Parliament restarting and the Christmas break (McConnell 2023). This problem is exacerbated by the three-year term currently in place.

Effective Legislative Investigations Score: 8 In New Zealand's Parliament, both "subject" and "specialist" committees have the capacity to investigate potentially illegal or unethical activities carried out by the executive branch. To perform this function, committees can summon government officials, experts or relevant individuals to provide testimony and produce documents related to the inquiry. Committees may suggest corrective actions to address any identified illegal or unethical activities; they cannot make binding legal judgments.

In 2023, Transport Minister Michael Wood and Education Minister Jan Tinetti were investigated by the Privileges Committee for not declaring shares in Auckland Airport (Neilson and Coughlan 2023) and for failing to correct a false statement in Parliament (Coughlan 2023), respectively. The former figure subsequently lost his cabinet role, and later lost his safe Labour seat in the 2023 election.

SGI 2024 | 21 New Zealand Report

Legislative Capacity for Guiding Policy Score: 8 Select committees actively engage in the legislative process and significantly contribute to the development and refinement of legislation by examining legislative proposals in detail. They also conduct consultations, seek public submissions and gather expert opinions.

The task areas of select committees usually align with the responsibilities of government ministries in related policy areas. Committees interact with relevant ministries and government agencies to gather information, seek explanations, and request documents related to their inquiries or the legislation under review. Committee chairs are generally allocated to reflect the proportionality of political parties in Parliament, following debates among a small number of MPs from different parties and invited submissions from interest groups and other stakeholders.

One area of concern is the size of New Zealand's Parliament, which is relatively small compared to other democracies with similar population counts, such as Denmark, Finland or Ireland. This small size is problematic because it means that MPs are stretched thinly across multiple committees, which in turn affects the ability of select committees to scrutinize proposed legislation (Boston et al. 2019: 71).

Despite the heavy workload, select committees have successfully changed draft legislation through their deliberations. One debated example was the "Three Waters" reform proposal by the previous Labour government, which aimed to consolidate responsibilities for drinking water, wastewater and stormwater into four regional entities. In November 2022, the government agreed to revise the bill based on recommendations made by the Finance and Expenditure Committee (RNZ 2022).

SGI 2024 | 22 New Zealand Report

# Governing with Foresight

#### I. Coordination

#### **Quality of Horizontal Coordination**

Effective Coordination Mechanisms of the GO/PMO Score: 8 In New Zealand, the Department of the Prime Minister and Cabinet (DPMC) plays a crucial role in ensuring that the prime minister and cabinet have access to the information and support necessary for effective decision-making and governance. The DPMC acts as a central hub for coordinating government policies and initiatives, maintaining the machinery of government, and supporting the overall functioning of the executive branch.

In 2023, the DPMC consisted of nine units: the National Security Group, Government House, the Policy Advisory Group, Strategy Governance and Engagement, the Cabinet Office, the Cyclone Recovery Unit, Child Wellbeing and Poverty Reduction, the COVID-19 RCOI Coordination Unit, and the Implementation Unit. The Policy Advisory Group currently consists of 32 staff members covering a broad spectrum of policy expertise (Department of the Prime Minister and Cabinet 2023). 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 DPMC typically engages in major policy initiatives or those with cross-cutting implications across various sectors. This involvement goes beyond legal and technical aspects to include broader programmatic elements, ensuring alignment with government priorities. Regular meetings between the DPMC and line ministries occur to different extents, depending on the demands deriving from policy developments, government priorities and specific initiatives. However, there is some concern that recent crisis management efforts by the DPMC have led to an increasing centralization of decision-making, which in turn risks becoming disconnected from external advice (Harman 2023).

SGI 2024 | 23 New Zealand Report

Effective Coordination Mechanisms within the Ministerial Bureaucracy Score: 8 There are several mechanisms and practices that contribute to fostering positive coordination across ministries to enhance policy coherence and effectiveness.

The primary formalized coordination mechanisms include interministerial working groups, which consist of representatives from various ministries and agencies and are established to address specific policy areas or projects; officials committees, which comprise senior officials from different ministries and are tasked with advising ministers on policy matters; and cabinet committees, which are formed to focus on specific policy areas, and include relevant ministers and senior officials. The Department of the Prime Minister and Cabinet (DPMC) also plays a central role in coordinating government policies, ensuring that policies align with the government's priorities and providing advice with the goal of improving policy coherence.

Various digital technologies and information systems facilitate collaboration, information-sharing and efficiency across ministries. Examples include shared digital platforms, intranets and online collaboration tools. In 2020, the portfolio of minister for the digital economy and communication was created. The government chief digital officer (GCDO) leads the development and improvement of digital infrastructure across the government. The GCDO is supported by the Digital Government Leadership Group, a partnership of stakeholders from various agencies aiming to create a coherent, all-of-government digital system. This group assists the GCDO and the government chief data steward (GCDS) in developing and improving the digital and data systems across the government, ensures alignment with the government ICT strategy, and reviews and informs the strategy (New Zealand Government n.d.). However, it remains unclear how effective the use of digital technologies is, particularly regarding interministerial coordination.

Formal pre-consultation procedures are designed to encourage the identification of synergies and opportunities among policies rather than solely emphasizing incompatibilities (negative coordination) with other policies. In particular, pre-consultation procedures require ministries preparing a policy proposal to consult not only other affected ministries, but also the Department of the Prime Minister and Cabinet, the Treasury, and the Public Service Commission. Early engagement with relevant ministries and other stakeholders allows for discussions of potential synergies and areas of alignment, encouraging proactive identification of opportunities for policy integration.

Over time, New Zealand has witnessed an increasing number of cross-agency initiatives coordinated by a single line agency but involving numerous others

SGI 2024 | 24 New Zealand Report

to address "wicked" problems. One of these is the Joint Venture on Family and Sexual Violence, housed within the Ministry of Justice, but coordinated across 10 agencies (MOJ 2022).

Complementary Informal Coordination Score: 8 Informal coordination mechanisms often complement formal interministerial coordination, contributing to the effectiveness of overall government operations. Informal coordination can take various forms, including ad hoc collaboration between ministries, bilateral meetings between high-ranking officials, and consultations between ministers from different coalition parties. The Cabinet Manual – the formal guidelines that govern procedures for government decision-making – explicitly promotes informal coordination by encouraging ministers and government agencies to seek informal advice from the Legislation Design and Advisory Committee during the early stages of the policy drafting process (Department of the Prime Minister and Cabinet 2023).

#### **Quality of Vertical Coordination**

Effectively Setting and Monitoring National (Minimum) Standards Score: 8 New Zealand is one of the most centralized jurisdictions in the OECD. More than 90% of government workers are employed by central government organizations, and almost all citizen-facing public services – including policing, fire services, education and health – are central government activities. Almost all local regulation is undertaken by an agent of the central government, with little locally initiated regulation. This high degree of government centralization makes it relatively easy to enforce national standards in the delivery of public services.

The delivery of public services sometimes involves a degree of decentralization. In such cases, the central government monitors compliance with minimum standards using performance indicators and frameworks.

For example, in 2010, Whānau Ora was launched to enable a family-centered approach to supporting Māori well-being and development. A framework of indicators, outcome measures and funding allocation criteria was created, and the second stage of implementation in 2014 involved establishing three regional-level commissioning agencies to foster closer connections between communities in need and funding decisions. A Whānau Ora Partnership Group, comprising six iwi (Māori tribe delegates) and six government representatives, was also established to provide strategic oversight. It continues as the preferred model for delivering self-determined services to Māori families (Whanau Ora, 2023).

SGI 2024 | 25 New Zealand Report

Another initiative involves the organization of the Ministry of Health, which sets national health policies and guidelines. Until mid-2022, district health boards (DHBs) had considerable autonomy in delivering healthcare services within their regions. Various indicators, such as waiting times for elective surgeries and patient satisfaction surveys, were used to assess the performance of DHBs.

Environmental services have also been partially devolved. While regulations and standards are set at the national level by agencies like the Ministry for the Environment, local councils implement these standards and regulations. Performance indicators in this area can include measures related to air and water quality or waste management.

The central government has mechanisms to address noncompliance with minimum standards, such as technical assistance or withholding funding. However, despite these mechanisms, the quality of public services can vary significantly between subnational units.

The Labour government under Ardern and Hipkins sought to centralize some public services. One notable example is the overhaul of the health system – which was seen as too complex and fragmented – and the merging of the 20 DHBs into Health New Zealand in July 2022. Under the new model, Health New Zealand will manage all health services, including hospital and specialist services and primary and community care (Martin 2022). Another example is the proposed Three Waters reform, which aimed to consolidate the ownership and management of drinking water, wastewater and stormwater services. The goal was to enhance the quality, reliability and safety of these services across New Zealand. However, the proposal sparked heated debates among stakeholders and was significantly revamped before the 2023 election. The provision of higher education offerings in the vocational sector was also in the process of being centralized under Labour.

There are ongoing discussions about improving public service delivery in Māori communities, which generally lag on socioeconomic measures such as education, health and housing. For instance, the Labour government established the Māori Health Authority (Te Aka Whai Ora) to address disparities in health outcomes for the Māori population. It also sought a cogovernance model between the Crown, Māori and local councils for the delivery of the Three Waters model. However, the new coalition government led by National has indicated that it will abolish both these initiatives (Hill 2023; RNZ 2023).

SGI 2024 | 26 New Zealand Report

Effective Multilevel Cooperation Score: 9 Because the government is highly centralized, effective collaboration between national policymakers and regional or local governments is less critical in New Zealand than in other democratic countries. In particular, New Zealand operates under a governance system that combines centralized policy direction and decentralized service delivery.

Nevertheless, formal coordination and consultation mechanisms are in place to facilitate engagement between subnational self-governments – such as local councils or regional authorities – and the central government regarding policy initiatives that directly affect them. Most importantly, Local Government New Zealand (LGNZ), the peak body representing local government interests, engages with the central government on behalf of local councils, advocating for their interests and participating in policy discussions. Moreover, during the development of legislation or policy reforms that affect local government, formal consultation processes allow subnational governments to submit feedback, concerns and suggestions.

There is also the National Iwi Chairs Forum, founded in 2005, which comprises the chairs of 71 iwi groups (M $\bar{a}$ ori tribes). The Forum facilitates the sharing of information among iwi leaders through meetings held four times a year throughout the country. Additionally, the National Party government under Prime Minister John Key regularly met with the Iwi Chairs Forum from 2008 – 2017, and the Labour government continued this process.

Moreover, in 1999, Helen Clark's government created the position of "minister assisting the prime minister on Auckland issues," which was upgraded to a standalone position in 2002. Auckland is New Zealand's largest city, with a population of around 1.5 million people. It contributes 38% of the nation's GDP and is home to many of the service industries that support the country's exporters and importers. The ministerial role lapsed under both the Key and Ardern governments between 2008 – 2022, but it was renewed under the Hipkins Labour government in 2023. The new National government reappointed a minister for Auckland in November 2023. This position is considered necessary to manage the various policy challenges facing the Auckland region post-COVID-19 (Auckland had longer and more lockdowns than the rest of the country), given its critical infrastructure issues and recent flooding.

### II. Consensus-Building

#### Recourse to Scientific Knowledge

Harnessing Scientific Knowledge Effectively Score: 8

Various institutional mechanisms exist that allow governments to harness scientific knowledge for policymaking purposes. Governments have established expert advisory groups comprising scientists, researchers and subject matter experts to provide insights and recommendations on specific policy areas. Additionally, government agencies regularly commission research, studies and data collection to inform policymaking, often collaborating with research institutions, universities and scientific organizations to gather relevant information. The prime minister also has access to the Office of the Prime Minister's Chief Science Adviser (PMCSA), which convenes the Chief Science Adviser Forum and provides advice on how science can inform policy design.

The transparency of the consultation process varies based on the nature of the consultation. For example, while reports produced by expert advisory groups are generally made publicly available, research studies commissioned by government agencies are published less frequently.

It is important to note that the government is not obligated to follow scientific advice. Frequently, governments choose to disregard expert recommendations – even those produced through formal institutional mechanisms, such as expert advisory groups. For instance, the Labour government under Ardern and Hipkins dismissed the idea of a capital gains tax, contrary to the recommendations of its own Tax Working Group (Coughlan 2023). Similarly, environmental policy has yet to reflect the recommendations made by the Climate Change Commission (Neilson 2023) – an outcome that seems even less probable under the conservative coalition government.

Another problem is that, because of New Zealand's comparatively small population, the pool of non-governmental experts is relatively small, limiting the range of perspectives that can be brought to the policymaking process. This outsourcing of analysis and advice has sometimes led to an overreliance on corporations rather than on independent research experts (Edwards 2023).

SGI 2024 | 28 New Zealand Report

#### Involvement of Civil Society in Policy Development

Effective Involvement of Civil Society Organizations (Capital and Labor) Score: 7 Capital and labor are involved in the policymaking process through general institutionalized mechanisms for consultation. Select committees and government departments often hold public consultations and hearings, and invite submissions from stakeholders on topics related to specific pieces of legislation. Furthermore, the government conducts regulatory impact assessments before implementing regulations or policies, which involves consultations to evaluate the potential effects on stakeholders and the public. The government may also set up working groups to address specific policy issues by bringing together representatives from relevant sectors. For example, the Labour government under Ardern established a working group comprising business and trade union representatives to draw up the framework for the Fair Pay Agreements bill (Cooke 2022a).

In addition, there are specific institutional mechanisms to facilitate the participation of trade unions and business organizations in policymaking, perhaps the most significant being the Future of Work Tripartite Forum, convened by the Ministry of Business Innovation and Employment (MBIE). The Employment Relations Authority (ERA) and MBIE also offer mediation and arbitration services, providing a neutral platform for negotiation and resolution between employers and employees.

The frequency of engagement between government officials and representatives from capital and labor varies based on the nature of ongoing discussions and the political orientation of the parties in power.

The government plays a significant role in moderating disputes between labor and capital, although the extent of success can depend on several factors, such as the complexity of the issues and the willingness of stakeholders to engage in resolution processes. The Fair Pay Agreements bill is an example of failed dispute moderation: BusinessNZ – New Zealand's largest employers' representative – began to boycott the consultation process in 2022, hoping for a change in government in 2023 (Cooke 2022b).

Effective Involvement of Civil Society Organizations (Social Welfare) Score: 7

While various institutional mechanisms exist to involve social welfare CSOs in the policymaking process, such as formal consultation processes, public submissions and working groups, it is ultimately up to the government to decide whether to utilize these mechanisms.

The Labour governments under Ardern and Hipkins (2017 - 2023) followed a policy agenda that prioritized social welfare and regularly engaged with

SGI 2024 | 29 New Zealand Report

relevant CSOs. For example, they worked through the Child Wellbeing and Poverty Reduction Group, set up within the Department of the Prime Minister and Cabinet in 2018, and the Mental Health and Wellbeing Commission, which was launched in 2021. Labour also established the Welfare Expert Advisory Group in 2018, which includes representatives from CSOs involved in social welfare.

The Ministry for Women also collaborates with the National Advisory Council on the Employment of Women, an independent advisory body established in 1967. This council regularly advises the minister for women on matters regarding women's employment and has done so since the Ministry's establishment in 1985.

Engagement in the policymaking process does not guarantee that governments will act on consultations with social welfare CSOs. One illustrative example is the Labour government failing to implement any of the 42 "urgent" recommendations put forward by the Welfare Expert Advisory Group in its 2019 Whakamana Tāngata: Restoring Dignity to Social Security report (Neilson 2023).

The new National-led coalition under Luxon has announced plans to roll back social welfare programs (Cheng 2023). Consequently, government engagement with social welfare CSOs in the policymaking process is expected to decrease significantly.

Effective Involvement of Civil Society Organizations (Environment) Score: 6 Environmental CSOs have historically achieved notable successes in shaping environmental policy. However, these successes were primarily achieved through legal means (e.g., by bringing claims before the Waitangi Tribunal) or through direct protest action and civil disobedience (Kurian et al. 2022). Formal institutional mechanisms designed to involve CSOs in the policymaking process – such as public consultations, submissions or working groups – have been less important avenues for influencing environmental policy outcomes.

Governments have employed institutional mechanisms to engage with CSOs on environmental policy. For example, the Labour-led coalition under Ardern actively involved environmental CSOs in developing and drafting the Zero Carbon Act. Passed in 2019, the Act sets a framework for New Zealand to transition to a low-emission, climate-resilient future.

Formal consultation mechanisms do not guarantee that input from civil society organizations (CSOs) will be adequately considered or implemented. For instance, during the drafting of the Zero Carbon Act, environmental CSOs like

SGI 2024 | 30 New Zealand Report

Greenpeace expressed concerns about setting softer reduction goals for dairy and agricultural gases such as methane. These concerns were ignored by the government (Morton 2018).

#### **Openness of Government**

Open Government Score: 8 New Zealand's government has a relatively strong commitment to transparency and regularly publishes data and information to empower citizens to hold the government accountable. Several initiatives contribute to this effort: open data portals maintained by various government departments, publication of reports and other information on official websites, and the Official Information Act (OIA), which enables citizens to request official information held by government agencies. Proactive release of materials via departmental websites has also increased, although sometimes with considerable redaction and without notification.

In the latest Open Government Index published by the World Justice Project, New Zealand is tied for second place out of 102 countries, trailing only Sweden (World Justice Project n.d.). However, New Zealand scores lower in the Open Data Barometer, released by the World Wide Web Foundation, where it shares seventh place. This ranking highlights that data availability is not consistent across government sectors and is particularly weak in the area of government spending (World Wide Web Foundation 2017).

New Zealand's position is also lower in the OECD OURdata Index on Open Government Data, where it is ranked 12th out of 32 countries. Nevertheless, New Zealand's score for ensuring public sector data availability and accessibility is still higher than the OECD average. Additionally, new processes are in place to ensure data sovereignty, increasing social license for data collection and supporting Indigenous data sovereignty. For Māori, data is seen as a taonga (sacred), something that cannot be shared without consultation and essential protections of knowledge for past, present and future generations.

The Labour-led coalition affirmed its commitment to the Open Government Partnership – a global initiative to improve government transparency – and sought to make data more accessible through its Fourth National Action Plan. However, a recent independent review notes that only three of the eight commitments made in the document "envision promising reforms" (Open Government Partnership 2023). There has also been new policy work within the Ministry of Foreign Affairs and Trade to support more openness and communication around the development of bi, multi and plurilateral trade agreement processes.

SGI 2024 | 31 New Zealand Report

### III. Sensemaking

#### **Preparedness**

Capacity for Strategic Foresight and Anticipatory Innovation Score: 8 New Zealand does not have a centralized unit solely dedicated to strategic foresight and anticipatory innovation at the national level. However, the Public Service Act of 2020 requires government departments, independently of ministers, to produce a long-term insights briefing (LTIB) at least once every three years. These LTIBs should explore future trends, risks and opportunities. They are expected to provide information and impartial analysis, as well as policy options for responding to risks and seizing opportunities.

In addition, other government organizations incorporate elements of strategic foresight and innovation in their work. The Productivity Commission conducts research and inquiry into topics related to New Zealand's productivity and economic performance, often considering future trends and scenarios. The Ministry of Business, Innovation and Employment (MBIE) oversees various programs and initiatives related to innovation, including science and innovation funding, and policies that encourage research and development. The Department of Internal Affairs plays a significant role in leading and supporting government initiatives related to open government, digital transformation and information management. The government chief digital officer is also tasked with driving digital transformation across government agencies.

Moreover, New Zealand has a network of chief science advisers, known as the Chief Science Adviser Forum, appointed to individual departments but forming part of a cohort that can work together on overall government priorities. Among other roles, they ensure that government departments, both individually and collectively, improve the evidence base underpinning their policy development and advice to ministers.

#### **Analytical Competence**

The New Zealand government places significant emphasis on conducting impact assessments to evaluate the potential effects of proposed legislation. While there is no specific legal requirement mandating regulatory impact assessments (RIAs) for all new legislation, policymaking frameworks strongly

Effective Regulatory Impact Assessment Score: 8 SGI 2024 | 32 New Zealand Report

encourage their use as a standard practice. Guidance for government departments and agencies is provided, in particular, by the Cabinet Manual (Department of the Prime Minister and the Cabinet 2020) and the Treasury's regulatory management guidelines (The Treasury 2017). These documents suggest that RIAs should be conducted for significant policy proposals to comprehensively assess their potential impacts.

The Treasury's RIA guidelines outline a structured process for conducting RIAs, emphasizing the need to analyze the economic, environmental, social and regulatory impacts of proposed policies or regulations. The guidelines also recommend involving stakeholders to gather empirical information, insights and perspectives on how proposed regulatory changes might affect them. Moreover, the Treasury guidelines state that the results of RIAs should be made available to the public.

A 2021 OECD report ranks New Zealand's RIA process above the OECD average, highlighting stakeholder consultation and the publication of impact assessments online as particular strengths. However, the report also notes that RIA practices would benefit from a more systematic approach to notifying stakeholders of upcoming opportunities to contribute to regulatory proposals (OECD 2021).

Assessing the direct impact of regulatory impact assessments on legislative changes is challenging, as these changes are not explicitly documented or systematically tracked. Although RIAs play a crucial role in the policymaking process, the extent to which they lead to legislative modifications may depend on various factors, such as whether RIAs are covered by major news outlets. For instance, the negative expert opinions expressed in the RIA of Labour's Three Waters proposal were widely reported in the media (e.g., Coughlan 2022), potentially contributing to negative public opinion and prompting the government to significantly revise its proposal. However, there have been instances of new policy programs being introduced without an RIA.

Effective Sustainability Checks Score: 7 New Zealand has adopted the United Nations' Sustainable Development Goals (SDGs) and integrated them into its policy framework. Although there is no single, comprehensive national strategy solely dedicated to sustainable development explicitly based on the SDGs, the government has aligned its policymaking with these goals and undertaken various initiatives to achieve them. For example, Statistics New Zealand has developed Indicators Aotearoa New Zealand – Ngā Tūtohu Aotearoa, a set of statistical indicators focusing on sustainable development and the need to report on the SDGs (Stats NZ 2019). Another example is the Living Standards Framework (LSF) developed by the

SGI 2024 | 33 New Zealand Report

Treasury, which is designed to prompt thinking about the sustainability implications of policy (Treasury 2022).

There is no legal requirement explicitly mandating sustainability checks as part of RIAs. Nevertheless, cabinet and Treasury guidelines strongly encourage the consideration of sustainability factors in the RIA process. In particular, these guidelines advocate for a "triple bottom line" approach, emphasizing the consideration of economic, social and environmental impacts.

In addition, broader legal frameworks often encourage government agencies to consider sustainability factors as an integral part of their regulatory impact assessments. For example, the Resource Management Act requires environmental considerations in planning and decision-making processes.

Effective Ex Post Evaluation Score: 6 There is no specific law mandating regular ex post evaluations. Nevertheless, principles and guidelines encourage and support the use of evaluations. For example, the Treasury's Better Public Services program, launched in 2012, emphasizes a results-focused approach to public service delivery and encourages agencies to use data and evidence to evaluate the effectiveness of their programs and policies (The Treasury 2015). Another example is the New Zealand Productivity Commission – an independent Crown entity – which often conducts inquiries and research into policy and regulatory issues, assessing their effectiveness and efficiency.

The OECD also notes that ex post evaluation is not mandatory and that there is no established methodology for conducting ex post evaluations, but it still considers New Zealand's ex post evaluation regime to be more robust than the OECD average (OECD 2015).

Assessing the extent to which the results of ex post evaluations lead to changes in existing legislation or inform the development of new legislation is very difficult. In theory, ex post evaluations can influence policy changes or the design of new policies in a number of ways – for example, by feeding into periodic policy reviews or RIAs for proposed new legislation.

# Sustainable Policymaking

## I. Economic Sustainability

#### Circular Economy

Circular Economy Policy Efforts and Commitment Score: 6 While New Zealand is actively exploring and developing strategies to transition toward a more circular economy, there is no single, comprehensive national strategy or roadmap with fully defined and binding goals for this transition.

Several notable initiatives aim to foster a more circular economy. For instance, in early 2023, the Labour-Green coalition announced a new recycling project that will prevent approximately 45,000 tons of carbon emissions by 2035. As Environment Minister David Parker said, the new recycling strategy "commits us to becoming a low-emissions, low-waste circular economy by 2050" (RNZ 2023). Simultaneously, the government took steps to integrate circular economy principles into public procurement – for example, by developing sustainable procurement guidelines encouraging public agencies to consider environmental and social impacts when purchasing goods and services (New Zealand Government Procurement n.d.).

While these efforts indicate a growing interest in and commitment to transitioning to a circular economy, the absence of a singular, fully articulated strategy is problematic. For example, the Labour-Green coalition committed to building new waste-to-energy plants, which have been criticized by environmental researchers for not creating incentives to reduce waste (Srinivasa 2023). Similarly, a 2022 report by the Sustainable Businesses Network argues that encouraging the growth of circular business models requires more fundamental reforms, as "current regulation, taxation and accounting practices don't provide the necessary carrots and sticks to support a circular economy" (RNZ 2022).

SGI 2024 | 35 New Zealand Report

#### Viable Critical Infrastructure

Policy Efforts and Commitment to a Resilient Critical Infrastructure Score: 6 New Zealand faces significant challenges related to infrastructure deficits in various sectors. The Treasury's 2022 Investment Statement estimates the combined infrastructure gap at \$210 billion over the next 30 years under current investment plans. Te Waihanga / New Zealand Infrastructure Commission, established in 2019, estimates that addressing current and future infrastructure requirements would require nearly doubling current spending – from 5.5% of gross domestic product (GDP) to 9.6% over a 30-year period – which would be the equivalent of \$31 billion annually to close the gap (RNZ 2022).

Concerns persist that climate change will exacerbate the infrastructure deficit, posing additional challenges to maintaining and upgrading infrastructure. For example, the Treasury calculated that Cyclone Gabrielle and the Auckland Anniversary weekend floods – which struck in early 2023 – caused damages ranging between \$9 billion and \$14.6 billion (Coughlan 2023). In addition, aging water infrastructure across New Zealand's three waters (i.e., waste, storm and drinking) also requires significant funding and rebuilding. The Labour government launched the Three Waters policy, but it proved highly controversial and became a contentious issue in the lead-up to the 2023 election. At the end of 2023, the new National government announced the repeal of the legislation (Beehive 2023).

There is also apprehension about New Zealand's susceptibility to cyberattacks. In May 2023, the Five Eyes intelligence network issued an alert warning that a group sponsored by the Chinese state had been targeting U.S. critical infrastructure and could direct their efforts to other Western democracies, including New Zealand (RNZ 2023).

In mid-2023, the New Zealand government published a discussion document, acknowledging that the country "is exposed to a wide range of hazards that ... can trigger infrastructure failures" as well as recognizing "a range of other threats, such as cyber attacks, espionage and terrorism, which can bring the delivery of crucial services to a halt" (New Zealand Government 2023).

In its 2023 budget, the Labour-Green coalition committed \$71 billion for new and existing infrastructure programs, an additional \$1 billion for a flood and cyclone recovery package, and \$6 billion for a National Resilience Plan. However, critics pointed out that the budget "doesn't make any bold leaps toward infrastructure resiliency" and mainly focuses on "repairing our existing infrastructure" (Shaw et al. 2023).

SGI 2024 | 36 New Zealand Report

The government led by Chris Hipkins also introduced the Emergency Management Bill. The bill establishes an amended legal framework that will replace the Civil Defense Emergency Management Act 2002. While the government argued that the bill aims to modernize resilience, critics point out that the new legal framework focuses more on managing the aftermath of disasters and improving civil defense operations rather than on disaster-proofing critical infrastructure (Pennington 2023).

During the 2023 election campaign, the National Party pledged to establish a new National Infrastructure Agency. This agency, tasked with finding private investors and managing the contracting for major infrastructure projects, would also introduce a "value capture" tax on properties benefiting from the completion of significant infrastructure projects (McConnell 2023).

#### **Decarbonized Energy System**

While New Zealand does not have a comprehensive roadmap detailing every step toward a fully decarbonized energy system by 2050, successive governments have outlined several strategies and actions contributing to this transition.

The Zero Carbon Act 2019 sets a legally binding commitment to reduce New Zealand's greenhouse gas emissions to net zero by 2050. The act establishes long-term emissions reduction targets and requires regular emissions budgets to achieve these goals. The government's Energy Strategy 2050 aims to reach net zero for long-lived gases by 2050, and sets the objective of generating 100% renewable electricity by 2030 (Ministry of Business, Innovation & Employment 2023). New Zealand has an Emissions Trading Scheme designed to put a price on carbon emissions, incentivizing emission reductions and providing economic signals for transitioning to low-carbon alternatives (Ministry for the Environment n.d.). The government also supports investments in clean energy technology research, development and deployment, including renewable energy projects and innovations in energy storage – for example, through the Government Investment in Decarbonizing Industry (GIDI) fund (RNZ 2023) or through the \$2 billion climate infrastructure fund with U.S. investment fund BlackRock, which was announced in August 2023 (New Zealand Government 2023).

A report published by the International Energy Agency (IEA) in 2023 commends New Zealand for setting ambitious decarbonization targets and highlights that – due to its vast renewable energy resources – the country is in a good position to cut emissions across the economy. However, the report also

Policy Efforts and Commitment to Achieving a Decarbonized Energy System by 2050 Score: 7 SGI 2024 | 37 New Zealand Report

notes that New Zealand has more work to do in setting clear pathways to meet its objectives (IEA 2023).

Moreover, the 2023 elections and the change in government from Labour to National have thrown the decarbonization targets into doubt. While new Prime Minister Christopher Luxon in principle supports the decarbonization of the economy and has announced several policy measures to achieve this objective – for example, shortening consent timeframes for renewable energy projects – the National-ACT-NZ First coalition agreement also contains several measures that would undermine decarbonization efforts, such as scrapping the Clean Car Discount and reversing the ban on at-sea oil and gas exploration (Wannan 2023).

# **Adaptive Labor Markets**

Policies Targeting an Adaptive Labor Market Score: 6 Labor market institutions generally support, rather than hinder, the transition to an adaptive labor market.

Most fundamentally, New Zealand's employment laws include provisions that allow flexibility in work arrangements, such as part-time work, temporary contracts and flexible hours. New Zealand also offers social safety nets and unemployment support systems to assist individuals during job transitions.

New Zealand does not have a nationwide short-time work scheme like those seen in other OECD countries. However, during economic downturns or crises, governments have implemented various temporary measures to support employment and businesses, such as wage subsidy schemes or tax relief schemes.

Government agencies collect labor market data to assess trends, skills gaps and employment needs, aiding in informed policy decisions and targeted interventions. The government has also initiated programs to upskill and reskill the workforce to meet the evolving demands of industries. For example, the Labour-Green budget in 2023 committed \$27 million to growing New Zealand's digital workforce and increasing women's participation in the technology sector.

Challenges persist in fully transitioning to an adaptive labor market. Despite efforts in education and training, many sectors of the New Zealand economy and public services suffer from a shortage of skilled workers. Examples include freight and logistics (New Zealand Herald 2023), manufacturing and engineering (Tilo 2022), and healthcare (Hewett 2023).

SGI 2024 | 38 New Zealand Report

It is likely that the mismatch between available skills and industry needs will persist under the recently elected National-led government. While the coalition under Luxon has announced a new visa policy to attract skilled tech workers, it has been criticized for its plans to scrap workforce development councils and de-establish Te Pūkenga, New Zealand's largest vocational education provider (Gerritsen 2023).

Policies Targeting an Inclusive Labor Market Score: 7 New Zealand's labor market institutions strive to facilitate the transition to an inclusive labor market.

There are legal frameworks in place to prevent workplace discrimination based on factors such as gender, ethnicity, age and disability. The government also invests in training and education programs focused on upskilling and reskilling to enhance employability. More specifically, targeted programs support groups facing employment barriers, such as Māori, Pasifika, people with disabilities and youth.

Despite these efforts, certain challenges persist in achieving full labor market inclusivity. Areas needing further attention include income inequality, disparities in access to quality education and higher unemployment rates among specific demographics. In particular, the labor market is not entirely inclusive for Māori and Pasifika. One indicator is that – compared to the average hourly pay rate of Pākehā (European NZer) men – Māori men earn 16.7% less, Pasifika men 22.9% less, Māori women 23.0% less and Pasifika women 24.0% less (RNZ 2022). One important reason for these pay gaps is that Māori and Pasifika workers are at least 10% less likely than other ethnicities to complete training or find work following the completion of their training (New Zealand Herald 2022).

Policies Targeting Labor Market Risks Score: 7 New Zealand's labor market institutions play an important role in mitigating labor market risks.

Employment laws and regulations protect workers' rights, such as minimum wage laws and health and safety regulations, and establish provisions for fair dismissals. Government agencies gather data that help policymakers anticipate labor market risks and take proactive measures.

New Zealand has social safety nets, including unemployment benefits and welfare support, that serve as a buffer during periods of unemployment or economic instability. Efforts have been made to broaden the coverage of such protection benefits to previously excluded worker categories, such as migrant workers (Harris 2020). The Labour-Green coalition had plans to introduce an

SGI 2024 | 39 New Zealand Report

income insurance scheme modeled on similar programs in Europe, but the plans were shelved in early 2023. Prime Minister Hipkins said there would need to be "significant improvement" in economic conditions before the scheme could be implemented (Taunton 2023).

While the government has made efforts to mitigate labor market risks, there are areas that require more policy work. In particular, more must be done to adapt regulations and support schemes to accommodate the growing prevalence of nonstandard forms of work, such as among gig economy workers (Pullar-Strecker 2023). There are also concerns that the newly elected National government will roll back the protection of workers' rights. For example, ACT – one of the three coalition parties – has signaled that it wants to change the Employment Relations Act to prevent courts from ruling that a person employed as a contractor could claim the rights of an employee (Stock 2023). Already in December 2023, the new government repealed the Fair Pay Act – legislation passed by Labour in 2022 that would have allowed sectorwide collective employment negotiations (McConnell 2023).

# Sustainable Taxation

Policies Targeting Adequate Tax Revenue Score: 8 New Zealand's government has been actively addressing potential disincentives within the tax system that might discourage individuals from seeking employment and companies from making investments. The most important measures intended to mitigate these disincentives include lower marginal tax rates for low- to middle-income earners as a means of incentivizing work; tax credits and deductions for businesses to encourage employment, investment, and innovation; and simplified tax rules to reduce compliance burdens.

New Zealand's tax administration, managed by the Inland Revenue Department (IRD), is generally considered to have sufficient administrative capacities to collect government-levied taxes. The IRD has invested in modern digital systems (e.g., O'Neill 2023) – which allow for easier and more efficient tax filing, payments and data management – and employs a risk-based approach to compliance. This approach focuses efforts on areas with higher risks of noncompliance, helping to optimize resources for maximum effectiveness (Inland Revenue 2023: 98).

New Zealand also has enforcement measures to address tax evasion, such as penalties for noncompliance and investigations into suspected cases. The IRD collaborates with other government agencies (e.g., the Serious Fraud Office) and international counterparts to gather information and address cross-border

SGI 2024 | 40 New Zealand Report

tax evasion. However, critics have pointed out that tax evasion investigations can suffer from a lack of resources (Wells 2023).

Policies Targeting Tax Equity Score: 6

Existing tax institutions and procedures are designed with considerations for equity, aiming to achieve fairness and balance in the tax system.

In August 2023, Parliament passed the Taxation Principles Reporting Bill, which establishes a statutory framework requiring the Commissioner of Inland Revenue to report annually on New Zealand's tax settings against a set of core principles, including horizontal and vertical equity. The bill has been criticized for providing only vague definitions of these core tax principles (Barrett 2023).

The concept of "horizontal equity" is defined as meaning "people with similar levels of income should pay similar amounts of tax." This definition is incompatible with the Income Tax Act because people with similar levels of income often do not pay similar levels of tax due to credits and deductions that help offset tax burdens for specific groups, such as families with children through the Working for Families tax credit package.

New Zealand's tax system generally aims to achieve vertical equity. However, despite various mechanisms intended to impose a greater tax burden on those with greater financial capacity, the tax system demonstrates weaknesses in accomplishing vertical equity and addressing societal inequality. Notably, compared to the OECD average, New Zealand relies heavily on personal income tax and a goods and services tax (GST) (OECD 2023). While GST is generally considered a regressive tax because it disproportionately affects lower-income individuals, New Zealand's personal "broad base, low rate" income tax also lacks progressivity. Furthermore, New Zealand does not have a comprehensive wealth tax or a capital gains tax, partly because the Labour government (2017 – 2023) ignored calls, including recommendations from its own Tax Working Group (Walls 2019), to introduce a capital gains tax. In 2020, a law change gave Inland Revenue the power to require the wealthiest families to submit their earnings information. A two-year investigation into high-wealth individuals (311 who generally have a net worth of more than \$50 million) concluded in 2023 and revealed that they pay less than half the amount of tax, across all forms of income, than do most other New Zealanders (RNZ 2023).

The Taxation Principles Reporting Bill 2023 does not address this problem, despite stating that "the tax system should be progressive. Tax is progressive if people with higher levels of economic income pay a higher proportion of that

SGI 2024 | 41 New Zealand Report

income in tax." Importantly, the bill provides governments with considerable scope to decide how to balance the core tax principles.

Policies Aimed at Minimizing Compliance Costs Score: 9 New Zealand has designed its tax institutions and procedures with an emphasis on simplicity and efficiency, aiming to minimize compliance and collection costs for both taxpayers and the government. Taxpayers whose tax is deducted from their wage, salary, benefit or scheduler payment automatically are not required to file an annual return, and any refund is automatically returned (IRD 2023a). Additionally, there are very few exemptions on New Zealand's Goods and Services Tax (IRD 2023b). Both of these mechanisms reduce the state's administrative burden.

Independent reviews often laud New Zealand for its transparent and easy-to-understand tax system. For example, the International Tax Competitiveness Index – published by the conservative Tax Foundation think tank – ranks New Zealand third in terms of "tax competitiveness," ahead of international financial centers such as Switzerland and Luxembourg (Tax Foundation 2023). In PwC's 2020 Paying Taxes Index, which measures how easy it is for companies to discharge their tax obligations in a given jurisdiction, New Zealand was placed ninth out of 189 territories, ahead of all other OECD member countries except Denmark and Ireland (PwC 2020). New Zealand was also ranked ninth on the "paying taxes" measure in the World Bank's Business Index (World Bank 2020).

Policies Aimed at Internalizing Negative and Positive Externalities Score: 7 Existing tax institutions and procedures aim to internalize both negative and positive externalities – at least to some extent.

Environmental taxes, such as levies for agricultural emissions, as well as tobacco and alcohol taxes, aim to internalize negative externalities by discouraging excessive consumption. Conversely, other tax policies provide subsidies or tax credits to incentivize behaviors that generate positive externalities. An example of this is the Clean Car Discount for low-emissions vehicles.

Tax policies aimed at internalizing negative and positive externalities were a key focus of the 2023 election campaign. The new National-ACT-NZ First coalition announced it will scrap the "future generations" smoking ban, instead directing revenue from tobacco taxes to fund the coalition's tax cuts (Corlett 2023). Additionally, the coalition axed Auckland's Regional Fuel Tax, which was introduced for 10 years to pay for the city's new rail infrastructure projects, and removed the Clean Car Discount. They argued that the latter scheme – which taxes high-emission vehicles to subsidize low-emission vehicles – was fiscally unfair (Trevett 2023).

SGI 2024 | 42 New Zealand Report

# Sustainable Budgeting

Sustainable Budgeting Policies Score: 8 New Zealand's budgetary institutions and procedures are generally designed to support aspects of sustainable budgeting.

To begin with, fiscal frameworks are in place to promote sustainability by projecting financial performance in the medium term (the Fiscal Strategy Model) and the long term (the Long-Term Fiscal Model) (Treasury 2023). Moreover, budgetary practices incorporate elements of performance-based budgeting, focusing on achieving outcomes and results rather than solely input-based allocations (OECD 2017). This approach aims to improve the efficiency and effectiveness of government spending. The budgetary processes are also relatively transparent, providing information on revenue sources, spending priorities and fiscal forecasts (International Budget Partnership 2021). This transparency contributes to greater accountability and public understanding of government finances. Finally, alongside its "well-being" budget approach – focusing both on current and intergenerational living standards - the Labour government introduced gender budgeting in 2023, whereby government agencies applied a gender analysis to their budget bids submitted to the Treasury. This meant New Zealand joined more than 20 other OECD countries that have built a focus on women and girls into the budget process (Curtin et al. 2023).

However, it is important to mention factors that may undermine sustainable budgeting. Budgeting procedures primarily emphasize financial metrics, overlooking nonfinancial indicators related to sustainability. Nonfiscal aspects of sustainability, such as environmental, social and intergenerational factors, have not been fully integrated into budgetary processes. This omission is evident in the criticism that environmental campaigners directed at the 2023 Labour-Green budget (Wannan 2023). Additionally, despite initial efforts to create an independent parliamentary budget office, this initiative has fallen off the agenda of major political parties (Crampton 2023).

Moreover, as in other countries, short-term political and economic pressures can influence budgetary decisions, potentially overshadowing longer-term sustainability considerations. For example, New Zealand's five-year debt forecast quadrupled when the government increased public spending in the 2020 budget to address the economic slump caused by the COVID-19 pandemic (Giovannetti 2020). Similarly, short-term financial relief measures announced after Cyclone Gabrielle in February 2023 pushed the level of net debt to \$1 billion above the forecast (Beckford 2023).

# Sustainability-oriented Research and Innovation

Research and Innovation Policy Score: 6 New Zealand has several research and innovation strategies, the most notable of which is the National Statement of Science Investment (NSSI). This document outlines the country's approach to investing in research, science and innovation. Additionally, there are sector-specific strategies and initiatives aimed at promoting research and innovation in key areas such as agriculture, health, technology and environmental sustainability.

The Ministry of Business, Innovation and Employment (MBIE) is the lead government agency responsible for implementing research and innovation strategies. A key function of MBIE is to facilitate collaboration and partnerships among government agencies, research institutions, industry and other stakeholders.

The government has demonstrated a commitment to using research and innovation as drivers for the transition to a sustainable economy and society. Two strategies that focus on leveraging research and innovation for sustainable development are particularly noteworthy.

First, the government has allocated funding and support for research and development (R&D) initiatives, aiming to foster innovation in areas such as clean energy (Stuff 2023), sustainable agriculture (Flaws 2020) and conservation (Green 2022). Second, policies have been enacted to promote technological advancements and innovation in key sectors, emphasizing sustainability goals. For example, the Labour-Green government has made efforts to support renewable energy technologies and the development of eco-friendly practices through its 2022 Emissions Reduction Plan (Gibson 2022).

However, it is important to place these strategies in the context of New Zealand's research and innovation regime, which has long been criticized for its ineffectiveness (OECD 2007). In the latest Bloomberg Innovation Index, which scores countries using seven criteria including R&I spending and the concentration of high-tech public companies, New Zealand ranked only 25th. This ranking followed a four-place drop in 2018, which saw New Zealand slip from 19th to 23rd place and then to 24th place in the subsequent Bloomberg Innovation Index (Jamrisko et al. 2021). Likewise, in the 2023 Global Innovation Index published by the World Intellectual Property Organization, New Zealand ranked only 27th. The report highlights relatively low levels of science and innovation investment as a particular weakness (World Intellectual Property Organization 2023).

# Stable Global Financial System

Global Financial Policies Score: 7 Like many other countries, New Zealand contributes to international discussions and initiatives aimed at guiding effective regulation and supervision of the international financial architecture – in particular, through multilateral forums such as the G20, IMF, World Bank and OECD. The country generally adheres to international regulatory standards and best practices, supporting efforts to enhance transparency, stability and accountability within the global financial system.

New Zealand has committed to international agreements to prevent and combat high-risk financial activities. Since 2016, New Zealand has been part of the OECD initiative that allows all participating tax jurisdictions to exchange information on the economic activities of multinational corporations. In 2017, New Zealand also joined the OECD Multilateral Convention to Implement Tax Treaty-Related Measures to Prevent Base Erosion and Profit-Shifting.

Successive governments have enacted various reforms to strengthen the international financial architecture. Most notably, New Zealand passed the Anti-Money Laundering and Counter Financing of Terrorism Act (AML/CFT) in 2013. Initially, this law applied only to banks and financial institutions. However, in 2018, the legislation was extended to include accountants, real estate agents, lawyers and conveyancers, aiming to prevent illegal funds from being laundered through property purchases.

In April 2021, the Paris-based Financial Action Task Force (FATF) – a global money laundering and terrorist financing watchdog – released a report on New Zealand, finding that the country had achieved notable results in tackling money laundering but highlighting the continued room for improvement. Key areas in need of further attention include supervision of the private sector, financial institutions, lawyers and accountants to enable detection and prevention of money laundering (Owen 2021).

In September 2021, New Zealand's Financial Market Authority (FMA) published its AML/CFT Monitoring report. The report showed that between 2018 and 2021, the Authority issued 27 private warnings and three public warnings, and initiated its first-ever court proceedings against a firm. This compares with just one public warning and 17 private actions between 2016 and 2018 (RNZ 2021).

SGI 2024 | 45 New Zealand Report

# II. Social Sustainability

# Sustainable Education System

Policies
Targeting Quality
Education
Score: 7

In New Zealand, policies and regulations aim to facilitate high-quality education and training.

Policies and regulations ensure the provision of necessary financial and human resources for the education system, even during economic crises or government transitions. Education is generally considered a priority area for government spending. For example, the 2023 budget allocated \$1.2 billion for new infrastructure, including 300 new classrooms, and \$1.2 billion to extend 20 hours of free early childhood education to two-year-olds (Schwanecke 2023). Continuity in funding – particularly core operational funding for schools – has been maintained during economic downturns. This is illustrated by the 2020 government budget during the COVID-19 pandemic, which not only guaranteed operational funds but also significantly expanded the school lunch program (from 8,000 to 200,000 students) and committed an additional \$1.6 billion to trades and apprenticeships (Te Bridie Witton 2020).

Second, institutions seek to facilitate the continuous monitoring of labor market demands, enabling the adaptation of education and training programs to provide relevant hands-on skills. Collaboration between government entities, educational institutions, industry representatives and other stakeholders is facilitated through the New Zealand Qualifications Authority, for example.

Third, frameworks within the education system are designed to attract and retain highly skilled educators – for example, by offering competitive salaries and benefits, providing professional development opportunities, and establishing clear career progression pathways. In addition, the Ministry of Education supports schools in recruiting overseas teachers.

How successful the government is in sustaining and enhancing the quality of education is a different question. For one, it should be noted that, across all levels from primary to tertiary education, New Zealand spends less annually per full-time equivalent student than the OECD average (,119 compared to \$12,647) (OECD 2023). In particular, the tertiary education sector has been suffering from underfunding in recent years, leading to significant job cuts and the closure of entire academic programs (Palmer 2023). Meanwhile, the latest

SGI 2024 | 46 New Zealand Report

PISA assessment revealed that a quarter of New Zealand students were in schools in which principals said they had inadequate or poorly qualified teaching staff (up from 16% in the previous round of testing in 2018) and nearly half were in schools that struggled to hire teachers (Gerritsen 2023). In 2023, teachers went on a nationwide strike over poor pay and working conditions (RNZ 2023).

Policies Targeting Equitable Access to Education Score: 6

New Zealand's education policy aims to facilitate equitable access to highquality education and training.

Early childhood education (ECE) received a significant financial boost in the 2023 budget when the Labour-Green coalition announced an extension of the 20-hours-free ECE scheme to include two-year-olds. The government estimated this will save families about \$133 a week, or nearly \$7,000 a year. Additionally, the government altered the scheme's conditions, requiring ECE centers to allow parents to enroll their children for only the free 20 hours rather than in larger blocks that forced families to pay for extra hours (Wiggins 2023). In 2018, the Labour-led administration under Ardern passed a policy making the first year of university education free. This policy resulted in a \$194-million decline in borrowing for fees through student loans between 2017 and 2018 (Gerritsen 2020).

The government also seeks to support and promote Māori education, recognizing the importance of cultural identity and language in providing equitable educational opportunities. For example, the 2023 budget committed \$225 million to Māori education initiatives, which according to estimates benefited 25,000 students in 325 Māori schools across the country (Wikaire-Lewis 2023).

Despite various policies and initiatives, New Zealand has one of the most unequal education systems in the industrialized world. According to UNICEF's 2018 Innocenti Report Card, which analyzes the gaps between the highest and lowest performing pupils in OECD countries, New Zealand ranks 33rd out of 38 in the area of educational equality across preschool, primary school and secondary school levels. The reading gap at age 10 between New Zealand's best and worst readers stands at 230 points, compared to 153 points for the Netherlands – the country with the smallest gap (UNICEF 2018). More recently, the 2022 PISA report showed declines in math and science performance, with Māori and Pasifika student performance falling faster than the average. Almost half (47%) of Māori students performed below the baseline PISA level in math in 2022, significantly higher than the 37% in 2018 (Cheng 2023).

SGI 2024 | 47 New Zealand Report

The inequality of the education system also reflects in other indicators. Perhaps most concerningly, Māori and Pasifika students are significantly less likely than Pākehā (New Zealanders of European descent) students to leave the education system with a degree. In the 2018 census, 80.6% of Māori and 83% of Pasifika 15- to 24-year-olds had at least a level 1 qualification or equivalent, compared with 85.8% of 15- to 24-year-olds nationally. Older age groups show an even larger difference, with 73% of Māori and 72.1% of Pasifika 45- to 54-year-olds having at least a level 1 qualification or equivalent, compared with 84.6% of 45- to 54-year-olds nationally (Stats NZ 2020).

# Sustainable Institutions Supporting Basic Human Needs

New Zealand has institutions and policies aimed at ensuring equal access to essential services and basic income support for those in need.

First, several measures are in place to facilitate access to housing support, including social housing programs that provide subsidized housing options for low-income individuals and families (e.g., Kāinga Ora), rental assistance programs, subsidies aimed at supporting individuals and families struggling with housing costs (e.g., Accommodation Supplement), and emergency housing. However, despite these efforts, housing affordability – particularly in urban areas – remains a significant challenge (e.g., Bell 2023), and the limited availability of social housing units has resulted in long waiting lists (Hu 2023). In December 2023, the government announced an independent review of Kāinga Ora due to concerns over the agency's operating deficit (RNZ 2023).

Second, various initiatives support vulnerable individuals and households with energy needs. These include financial assistance to low-income households to help cover energy costs and the Winter Energy Payment – a scheme available to anyone on social benefits, NZ Superannuation or the Veteran's Pension.

Third, the government has made efforts to improve the accessibility and affordability of public transport – in particular, through concessionary fares and discounted ticket options for certain groups, such as seniors, students and individuals with disabilities. Some regions also offer transport assistance programs catering to specific needs, such as community transport services for rural or isolated communities. Nevertheless, limited public transport options continue to negatively impact equitable access to transportation support, including in urban areas (Orsman 2022).

Fourth, the government has addressed affordability concerns related to digital infrastructure through several key initiatives. These include programs aimed at

Policies Targeting Equal Access to Essential Services and Basic Income Support Score: 7 SGI 2024 | 48 New Zealand Report

improving broadband access, especially in rural or remote areas; financial support for low-income individuals or families to access digital devices and internet services; and the establishment of community digital hubs in libraries and other public facilities. However, the COVID-19 pandemic and school closures revealed a persistent digital divide, with more than 13% of households still lacking internet access (Cook 2021).

Fifth, the government administers various social welfare programs aimed at providing basic income support for those in need – for example, Jobseeker Support, Sole Parent Support and Supported Living Payment for individuals with disabilities. The adequacy of these minimum income benefits – measured in terms of the income of jobless families relying on guaranteed minimum income benefits as a percentage of the median disposable income in the country – is slightly higher than the OECD average (OECD 2023).

However, the new National government has pledged to introduce more sanctions, including benefit suspensions and reductions, for unemployed beneficiaries who "persistently" do not meet benefit obligations – a plan that has been criticized by poverty campaign groups as ineffective and detrimental to people's well-being (Witton 2023). This is not an unusual outcome when the government shifts from the center-left to the center-right in New Zealand.

Policies Targeting Quality of Essential Services and Basic Income Support Score: 6 New Zealand's social welfare system includes various forms of support aimed at fulfilling basic human needs. These benefits programs assist individuals and families with income support, housing costs, energy costs, public transport costs and costs related to accessing digital infrastructure. The effectiveness of these benefits depends on several factors, such as regional differences in living costs and the resourcing of social services.

Generally, social spending in New Zealand – defined as comprising cash benefits, direct in-kind provision of goods and services, and tax breaks with social purposes – is slightly lower than the OECD average (20.8% of GDP compared to 21.1%) (OECD 2022). The new National-led coalition has announced that it will reduce social spending, though it is not yet clear by how much (RNZ 2023).

Evidence suggests that social policies and services are particularly ineffective in the area of housing. New Zealand has been grappling with a long-running housing crisis, and housing affordability is a significant concern, especially for renters. In 2022, one in four rental households spent more than 40% of their disposable income on housing costs (Stats NZ 2023). Upward pressure on house prices and rents has caused the public housing waitlist to balloon in recent years, with the recorded median time needed to find housing rising to

SGI 2024 | 49 New Zealand Report

nearly 300 days (Hu 2023). Meanwhile, the number of households living in emergency housing for more than two years doubled between 2022 and 2023 (Neilson 2023).

New Zealand continues to face a child poverty crisis. Though the situation has improved somewhat due to a combination of factors – including high employment and expansions to the social safety net under the Ardern government (Prickett 2023) – UNICEF's 2023 "Child Poverty in the Midst of Wealth" report, which compares child poverty rates in high-income and uppermiddle-income societies, still ranks New Zealand only 19th out of 39 countries. Moreover, the report notes that poverty rates are much higher among Māori and Pasifika children (20% and 24%, respectively) than among children of European descent (around 8%) (Gibson 2023). Newly elected Prime Minister Christopher Luxon has promised to lift a further 78,000 children out of poverty by 2028, but this has been criticized as unrealistic given National's plans to cut social spending (Cheng 2023).

# Sustainable Health System

Policies Targeting Health System Resilience Score: 7

New Zealand's health policies have aimed to facilitate resilience in the health system.

First, the country has invested in digital infrastructure and the collection of health data to monitor emerging threats and assess public health matters. In 2023, Te Whatu Ora – Health New Zealand commissioned the development of the National Data Platform (NDP), a single centralized platform for accessing health data that will unify information held by more than 28 health system entities (Ang 2023). New Zealand already operates HealthOne, a shared electronic database that allows general practitioners and other healthcare providers to access patient information. Regulations and frameworks are in place to govern health data privacy, security and consent, including the Health Information Privacy Code and the Health Act.

Second, policies and regulations aim to ensure the availability of health products and services, particularly during times of crisis or emergencies – most importantly, the National Health Emergency Plan and a centrally managed national reserve of critical supplies. Additionally, Health New Zealand may release more short-term plans to reduce pressure on the health system – for example, in the run-up to winter (Palmer 2023). Government agencies are also working to improve New Zealand's preparedness for pandemics (Crimp 2023). While the country did have a pandemic plan before COVID-19, this plan was geared only toward influenza.

SGI 2024 | 50 New Zealand Report

The government seeks to balance rising healthcare costs with quality care provision. Healthcare reforms, such as merging the 20 district health boards into Health New Zealand in July 2022, aim to improve the efficiency and cost-effectiveness of the healthcare system. Additionally, the government has employed health technology assessments to evaluate the value and cost-effectiveness of new medical technologies and treatments (Pharmac 2023). However, like other countries, New Zealand faces challenges related to rising healthcare costs due to an aging population and advancements in medical technology.

Furthermore, the new system established by the Labour government to support better Māori Health services and outcomes may be dismantled before it is fully implemented, due to the new government's commitment to returning to a single health system (Reti 2023).

Policies Targeting High-Quality Healthcare Score: 7 Health policy aims to facilitate the delivery of high-quality healthcare.

Policies are designed to foster preventive healthcare, encourage healthy lifestyles, and facilitate the early detection and treatment of health conditions. The government has invested in health promotion initiatives and screening programs, and access to primary healthcare providers allows for regular checkups and preventive care. However, despite these initiatives, New Zealand performs worse than the OECD average on many risk factor indicators, such as alcohol consumption and obesity (OECD 2023). New Zealand had a world-leading law to ban smoking for future generations, but this has been scrapped by the new National government to help pay for tax cuts (Corlett 2023).

New Zealand's commitment to universal healthcare ensures that all residents have access to essential healthcare services regardless of their ability to pay. Policies and regulations establish standards and guidelines for healthcare delivery, ensuring quality in treatment and care. In fact, New Zealand performs better than the OECD average on 71% of the OECD's "quality of care" indicators (OECD 2023). However, areas for improvement remain; for example, wait times for certain procedures or specialist consultations can be very long (RNZ 2023), and workforce shortages put a strain on the healthcare system (Hewett 2023).

Efforts are underway to enhance integration and coordination between different levels of care. Coordinated care pathways aim to ensure individuals receive appropriate care and are referred to specialized services when needed. Policies support the integration of telehealth and technology to improve access to care (Palmer 2023).

SGI 2024 | 51 New Zealand Report

Policies Targeting Equitable Access To Healthcare Score: 6 Despite New Zealand's commitment to universal healthcare and policies emphasizing the importance of primary healthcare services, disparities in access to healthcare among different population groups persist.

Māori and Pasifika populations continue to face significant challenges in accessing healthcare services, resulting in poorer health outcomes than among other segments of society. Life expectancy at birth is 73.0 years for Māori males, 77.1 years for Māori females, 74.5 years for Pasifika males and 78.7 years for Pasifika females – far below the national average of 79.5 years for males and 83.2 years for females (Walters 2018). Other indicators tell the same story. For example, Pasifika and Māori children have the highest hospitalization rates for some of the most preventable diseases and infections, including respiratory and rheumatic fever (Tokalau 2023). Additionally, Māori and Pasifika women are more likely to die of breast cancer than European New Zealanders (Kowhai 2022). Furthermore, 19.9% of Māori smoke cigarettes daily, compared to a smoking rate of 7.2% for non-Māori (RNZ 2022a).

The government has implemented several policies and initiatives to address these health inequities – for example, a new algorithm used in New Zealand hospitals that will push Māori and Pasifika patients higher on waiting lists for elective surgery (Lardies 2023), the Rheumatic Fever Roadmap 2023 – 2028 (Rovoi 2023), and programs to boost the number of Māori and Pasifika doctors (RNZ 2022b). The Labour-led government (2017 – 2023) also established the Māori Health Authority (Te Aka Whai Ora), intended to address disparities in health outcomes for the Māori population. However, the new coalition government led by National has signaled that it will abolish the authority (Hill 2023).

# **Gender Equality**

Policy Efforts and Commitment to Achieving Gender Equality Score: 8 New Zealand has demonstrated a commitment to gender equality across various domains. Although there is no standalone strategy document specifically labeled as a "gender equality strategy," the New Zealand government has implemented policies and initiatives across different sectors to promote gender equality and address gender disparities. These initiatives cover areas such as employment, education, health and violence prevention.

The Ministry for Women is the lead government agency responsible for implementing gender equality strategies and initiatives. Its functions include coordinating gender equality efforts across government agencies and working

SGI 2024 | 52 New Zealand Report

collaboratively with stakeholders to implement initiatives aimed at promoting gender equality.

First, New Zealand has laws and regulations aimed at preventing and addressing various forms of violence against women and girls, the most important being the Domestic Violence Act. The government also supports a network of services, including shelters, helplines, counseling and advocacy services, to assist victims of violence. Nevertheless, domestic violence remains a serious issue, with police attending a family harm episode every three minutes. Māori women are more likely to be affected by family and sexual violence than any other ethnicity; nearly 50% experience partner abuse in their lifetime (Rankin 2023).

Second, the government has demonstrated a commitment to promoting equal opportunities in the labor market and education. For instance, efforts focus on addressing gender disparities in STEM fields, gender pay gaps and the unequal sharing of caregiving responsibilities. Challenges persist, however. The gender pay gap continues to sit at 8.6% (Gabel 2023), and women remain underrepresented in certain sectors of the labor market (Armah 2022) – to name just two examples.

New Zealand has made strides in promoting women's participation and equal opportunities at various levels of decision-making in political, economic and public life. In 2022, female lawmakers became the majority in Parliament for the first time. In April 2023, the government cabinet reached gender equity for the first time in its history (McClure 2023). Additionally, more than half of senior leadership positions within the public service are held by women (Deguara 2020). At the same time, however, female leaders make up only 36.5% of directors across NZX-listed companies (NZX 2020).

# Strong Families

Family Policies Score: 6 New Zealand's family policy approach aims to support unpaid family care work. Several measures are in place to provide support, most importantly the Parental Leave and Employment Protection Act, legal entitlement to sick leave days (which can be used to care for sick children or other family members), government funding for early childhood education programs (children aged two to five years old are entitled to 20 hours of ECE per week), Working for Families tax credits, and family support payments such as Best Start.

New Zealand's family policy aims to support unpaid family care work, but ongoing efforts are needed to address gaps and expand support services. New SGI 2024 | 53 New Zealand Report

Zealand lags behind other developed countries in terms of paid parental leave and is among the few OECD countries that do not legislate for paid partner's leave (Tilo 2023). Additionally, dedicated paid leave for caregiving responsibilities could better support parents caring for sick children. Although the government subsidizes early childhood education (ECE), childcare costs can still be a significant expense for some families. New Zealand has some of the highest childcare costs in the Western world. A typical couple – both earning the average wage and with two children – spends around 23% of their income on childcare (Taunton 2022).

# Sustainable Pension System

Policies Aimed at Old-Age Poverty Prevention Score: 7 The state pension system, New Zealand Superannuation (NZ Super), plays a significant role in preventing poverty among senior citizens. Unlike some contribution-based pension systems, NZ Super is universal, providing the same pension amount regardless of an individual's employment history. This benefits those with interrupted employment or nonstandard work, as they can still receive the pension without meeting specific contribution criteria. NZ Super is linked to the average wage, ensuring that it keeps pace with changes in the cost of living.

The government also provides tax credits to incentivize individuals to contribute portions of their salary or wages to KiwiSaver – a voluntary scheme designed to build long-term savings. KiwiSaver funds are invested in various types of assets, depending on the member's chosen fund or scheme, and can generally be accessed upon retirement, purchasing a first home, or under certain financial hardship conditions.

For seniors who may require additional financial assistance, supplementary income support programs are available, such as the Accommodation Supplement. Seniors also have access to initiatives like the SuperGold Card, which provides discounts on healthcare services, public transport and other essentials.

New Zealand's pension regime is relatively efficient: Just 7.7% of those between 65 and 75 are considered to be living in poverty, compared to the OECD average of 11.6% – even though the figure rises to 15.2% for those 76 and older (16.2% across the OECD) (OECD 2021). Nevertheless, potential areas for improvement exist. In particular, the recent cost of living and rent spikes are eating into seniors' incomes – a situation that is especially difficult for pensioners who have no other incomes besides Super NZ (Hendry-Tennent 2023).

SGI 2024 | 54 New Zealand Report

Moreover, evidence suggests that women tend to have lower long-term savings available at retirement due to labor market breaks, unpaid care work and a tendency to be more conservative with investments. This phenomenon has become known as the gender pension gap (RNZ 2023).

Policies Targeting Intergenerational Equity Score: 7 The New Zealand Superannuation (NZ Super) has features that may influence individuals' decisions about retirement and continued work. NZ Super is typically available from age 65, encouraging people to consider retirement around that age. However, there is no official requirement to retire upon reaching this age, providing flexibility for those who wish to continue working. NZ Super also allows individuals to receive a partial pension while continuing to work. This option encourages phased retirement, enabling individuals to gradually reduce their work hours while supplementing their income with pension benefits.

The NZ Super operates on a "pay-as-you-go" model – that is, current contributions from working individuals fund the pensions for current retirees. This means an aging population with a decreasing ratio of working-age individuals to retirees poses challenges. With fewer workers contributing to the NZ Super for each retiree, sustainability might become a concern in the long term.

To address this concern, the OECD has recommended that New Zealand raise its superannuation age. The newly elected National government agrees with the OECD's recommendation and plans to increase the age of eligibility to 67 (Shepherd and Ensor 2023). However, a report by the Retirement Commission concludes that raising the age will likely disadvantage manual workers and groups with lower life expectancies – including Māori and Pasifika – and further entrench social inequality (Walton 2022).

# Sustainable Inclusion of Migrants

Integration Policy Score: 8

New Zealand has long been a prime destination for immigrants. The latest census (2018) shows that 27.4% of people counted were not born in New Zealand, up from 25.2% in 2013 (Stats NZ 2019).

New Zealand has implemented initiatives to facilitate the inclusion of migrants into society and the labor market. Immigration policies prioritize skilled migrants, offering pathways for those with skills needed in the labor market. Additionally, there are programs and services to assist migrants with settlement, language training and cultural integration. Policies that allow for

SGI 2024 | 55 New Zealand Report

family reunification further support migrants in establishing stable lives in New Zealand.

Empirical data suggest that these initiatives are effective: Immigrants are less likely to claim benefits, more likely to be employed, and their children have better educational outcomes than native-born New Zealanders. Moreover, there is relatively little ethnic or migrant clustering, and where concentrations do occur there is no indication of high rates of unemployment (Krupp and Hodder 2017). Surveys show that New Zealanders generally have a positive view of migrants and value the contribution they make to the economy and the cultural diversity they bring. For example, research commissioned by the Ministry of Business, Innovation and Employment in 2021 showed that 64% of New Zealanders felt positively toward migrants, the highest point measured since the first survey was conducted in 2011 (Ministry of Business, Innovation & Employment 2021).

However, certain hindrances to inclusion remain. For example, challenges exist with regard to the recognition and validation of foreign qualifications and work experience – though some qualification requirements have been lifted recently, such as in the hospitality industry (Sadler and Ewing 2022). Moreover, despite the generally welcoming attitude toward immigration, racism and discrimination against migrants can still be found in New Zealand – including in the areas of health, housing and employment (RNZ 2021).

# Effective Capacity-Building for Global Poverty Reduction

Management of Development Cooperation by Partner Country Score: 5 New Zealand's commitment to reducing poverty and supporting social protection in low- and middle-income countries has been lagging. While New Zealand allocates a portion of its budget to official development assistance (ODA), it does not spend anywhere near the 0.7% of gross national income (GNI) recommended by the United Nations. In fact, ODA has declined in recent years, from 0.29% of GNI in 2018 to 0.23% in 2022 (OECD 2022).

Given its geographical proximity and historical ties, New Zealand places significant emphasis on providing aid and development assistance to Pacific island countries. About 60% of New Zealand's foreign aid goes to the Pacific region (Neas 2022). It is important to highlight that ODA is driven, at least to some extent, by the political goal of countering China's growing influence in the Pacific (Steff 2018).

In addition to budgeted ODA, New Zealand has also delivered immediate humanitarian aid to its Pacific neighbors – for example, after the Tonga

SGI 2024 | 56 New Zealand Report

volcano eruption in January 2022 (Livingstone 2022) and in the wake of Cyclone Lola in Vanuatu in October 2023 (RNZ 2023).

# III. Environmental Sustainability

#### **Effective Climate Action**

Policy Efforts and Commitment to Achieving Climate Neutrality by 2050 Score: 6 New Zealand aims to achieve climate neutrality by 2050 and has set targets and strategies to work toward this goal. The key framework guiding this ambition is the Zero Carbon Act, which became law in November 2019.

The Zero Carbon Act establishes a framework for long-term emissions reduction, aiming for net zero emissions of long-lived greenhouse gases by 2050. It sets separate targets for biogenic methane emissions from agriculture and all other greenhouse gas emissions. Specifically, the act requires successive governments to set emissions budgets every five years and aim for greenhouse gas reduction targets that are consistent with limiting global warming to 1.5 degrees Celsius above pre-industrial levels.

The independent Climate Change Commission was established following the enactment of the Zero Carbon Act in 2019. The Commission monitors and reports on New Zealand's progress toward meeting climate targets, assessing the effectiveness of policies and actions taken to reduce emissions. Based on its monitoring and assessments, the Commission makes recommendations to the government, Parliament and relevant sectors on strategies and policies to achieve emissions reduction goals.

However, several policies and measures may undermine climate action efforts.

To begin with, the Zero Carbon Act itself has been criticized for not being legally enforceable and for setting separate targets for agriculture, which contributes 48% of New Zealand's total greenhouse gas emissions (McLachlan 2019). Moreover, the newly elected National government has announced that it will revisit the legislated emission targets in 2024 and possibly set even lower targets for the farming sector (Wannan 2023).

Other policy proposals made by the National-led coalition that may conflict with climate action goals include reversing the ban on at-sea oil and gas exploration, scrapping the Clean Car Discount, and promoting road infrastructure over alternative modes of transport. This underscores the lack of

SGI 2024 | 57 New Zealand Report

political consensus on the need for drastic, collective action and the lack of institutional capacity to ensure initiatives are legally binding beyond the political cycle.

Overall, New Zealand's strategies to mitigate climate change have received rather negative reviews from experts. The Climate Change Performance Index, for example, ranks New Zealand 34th out of 67 countries (Climate Change Performance Index 2023). Similarly, the Climate Action Tracker rates New Zealand's policies and actions as "highly insufficient," noting they are "not at all consistent" with limiting global warming to 1.5 degrees Celsius (Climate Action Tracker 2023).

#### **Effective Environmental Health Protection**

Policy Efforts and Commitment to Minimizing Environmental Health Risks Score: 7 The commitment of the New Zealand government to protecting the public from environmental health risks is reflected in various policies and regulations – for example, the Resource Management Act, the National Environmental Standards for Air Quality, and the Hazardous Substances and New Organisms Act. Government agencies such as the Ministry for the Environment and the Environmental Protection Authority enforce compliance with these environmental laws and regulations.

Existing policies can both support and potentially undermine efforts to protect environmental health. Notable examples of supportive policies include environmental protection laws such as the Resource Management Act and the Hazardous Substances and New Organisms Act, as well as clean air and water policies. At the same time, certain policies – particularly resource extraction and land use policies – may undermine environmental health protection efforts.

Despite these efforts, challenges persist – in particular, in relation to air pollution (e.g., Morton 2023), drinking water quality (e.g., RNZ 2023a), toxic landfill gases and leachate (e.g., RNZ 2023b), and the management of contaminated land (e.g., McMahon 2023). Moreover, there has been a lack of investment over time in sustainable infrastructure, as well as limited political will to support the management of environmental risks, including in the areas of water quality and land management.

SGI 2024 | 58 New Zealand Report

# **Effective Ecosystem and Biodiversity Preservation**

Policy Efforts and Commitment to Preserving Ecosystems and Protecting Biodiversity Score: 8 New Zealand's government demonstrates a commitment to preserving ecosystems and protecting biodiversity through various policies, initiatives and conservation efforts. The government has biodiversity strategies, such as the Biodiversity Action Plan, aimed at conserving native species, habitats and ecosystems. Laws and regulations – such as the Wildlife Act, the Conservation Act and the National Policy Statement for Freshwater Management – provide legal frameworks for protecting biodiversity, managing natural resources and preventing the spread of invasive species. Various government agencies – including the Department of Conservation, the Ministry for Primary Industries and the Ministry for the Environment – are tasked with implementing these strategies and frameworks, as well as monitoring and reporting progress.

The government's efforts extend to various aspects of ecosystem and biodiversity protection, including reforestation (e.g., the One Billion Trees program), marine and coastal ecosystems (e.g., marine protected areas), sustainable fisheries management practices, and the restoration of wetlands and riparian areas. Considerable work has also been undertaken toward eradicating Mycoplasma bovis (MPI 2023).

Despite these efforts, challenges continue to threaten ecosystems and biodiversity. One particularly troublesome issue is the contamination of rivers and lakes with agricultural runoff. For example, a 2023 study by the Ministry for the Environment declared 45% of New Zealand's entire river length to be "unswimmable" due to the risk of bacterial infection (Neilson 2023). Additionally, extensive floods throughout 2023 revealed the dangers associated with pine forest plantation slash being washed into rivers and seas, posing threats to animal and human health.

Although often considered a global leader in pest eradication (Corlett 2022), New Zealand struggles with invasive animal and plant species, many of which reduce biodiversity by outcompeting native species for resources (Macinnis-Ng and McIntosh 2021). Another challenge is how to incorporate Māori ecological knowledge – rooted in a distinct understanding of human-nature relationships – into resource management and conservation efforts (McAllister et al. 2023).

SGI 2024 | 59 New Zealand Report

#### **Effective Contributions to Global Environmental Protection**

Policy Efforts and Commitment to a Global Environmental Policy Score: 6 New Zealand has demonstrated its commitment to global environmental protection through various actions and policies. Notably, the country is a signatory to several international agreements aimed at environmental protection, including the Paris Agreement on climate change, the Convention on Biological Diversity, and agreements in other areas such as toxic chemicals (Stockholm Convention on Persistent Organic Pollutants), hazardous waste (Basel Convention) and natural resources (Noumea Convention).

As a Pacific nation, New Zealand has also advocated for the concerns of small island states in international forums, particularly regarding issues like climate change impacts and ocean conservation (e.g., Cardwell 2021). In addition, the EU-NZ Free Trade Agreement, signed in July 2023 and expected to come into force midway through 2024, is the first agreement to fully integrate the EU's new approach to trade and sustainable development. It includes a dedicated sustainable food systems chapter, a provision on trade and fossil fuel subsidies reform, and liberalizes green goods and services at entry (Council of EU 2023).

New Zealand's domestic and foreign policies often do not align with its international environmental commitments. Most notably, domestic policies are deemed "highly insufficient" for limiting global warming to 1.5 degrees Celsius as required under the Paris Agreement (Climate Action Tracker 2023). New Zealand is also regularly criticized by its Pacific neighbors for failing to follow up on climate change commitments – most recently in relation to the National government's decision to lift the ban on oil and gas exploration (Waatea News 2023). Additionally, New Zealand pledged only \$15 million to the second replenishment of the United Nations' Green Climate Fund in 2023, which is significantly less than other countries with similar population sizes, such as Denmark (2 million) or Ireland (million) (Thwaites 2023).

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# Address | Contact

# **Bertelsmann Stiftung**

Carl-Bertelsmann-Straße 256 33311 Gütersloh Germany Phone +49 5241 81-0

# **Dr. Christof Schiller**

Phone +49 30 275788-138 christof.schiller@bertelsmann-stiftung.de

# **Dr. Thorsten Hellmann**

Phone +49 5241 81-81236 thorsten.hellmann@bertelsmann-stiftung.de

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