GOOD GOVERNANCE IN NEW ZEALAND: TRANSPARENCY AND ACCOUNTABILITY MECHANISMS

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OUTLINE

● Outline of reforms in New Zealand 1984-1999
● Accountability
● Transparency
● Weaknesses and criticisms
● What will change and what will not change
● Conclusion
REFORM: WHY?

- Forced by an economic crisis in 1984
- Wide dissatisfaction with New Zealand’s performance
- A vision shared by a core, committed group of officials and Ministers
- A new government
- Goal was greater efficiency
REFORM: HOW?

- expose economy to market forces and reduce government control — deregulation, unilateral trade liberalisation
- achieve budget surplus, reduce govt spending and taxes as percent of GDP
- maintain price stability
- limit State to what private sector can’t do well; corporatise then privatise commercial activities
- create efficient core state sector
- separate policy advice, regulation and service delivery; introduce contestability of services
- Separate funder and provider
REFORM: HOW?: NEW LAWS

- State Sector Act 1988
- Public Finance Act 1989
- Fiscal Responsibility Act 1994

- An many, many others…..
ACCOUNTABILITY

- Government sets Strategic Results Areas
- Ministers specify performance requirements of CEOs, and agree on the Key Result Areas which each department will contribute to the SRAs
- Ministers specify in the “purchase agreement” the outputs — quantity, quality, cost
- Ministers have both a purchase and an ownership interest in their departments
ACCOUNTABILITY (2)

- CEOs accountable for results, not inputs.
- Report quarterly to the minister responsible
- Managerial autonomy given in return for accountability
- But extensive accountability for internal systems, eg cash management, personnel policies
ACCOUNTABILITY (3)

● STATE SECTOR CONTROL AGENCIES NO LONGER MAINTAIN CENTRAL AUTHORITY

● Changed to an advisory, auditing, standard-setting role

● SSC (=OCSC) employs CEOs; sets and audits public service wide standards, eg EEO policies.

● CCMAU (Crown Company monitoring and Advisory Unit) advises the shareholding ministers on performance, strategy, risks, appointments to boards, accountability issues.
TRANSPARENCY

- Reserve Bank inflation targeting regime
- FISCAL RESPONSIBILITY ACT forces full disclosure by Government to Treasury and by Treasury to the people of the cost of all policies, and any contingent risks
- Encourages long term planning
- Obliges Govt to run budget surplus
- Restricts political interventions
TRANSPARENCY (2)

- GAAP reporting by
  - 39 Departments
  - State Owned Enterprises
  - Crown Entities.
- Greater visibility of crown entities eg school boards
- *An Example: Defence* (see separate *handout*)
OTHER MECHANISMS

- OMBUDSMAN
- CONTROLLER AND AUDITOR GENERAL
- COURTS
- OFFICIAL INFORMATION ACT
- CIVIL SOCIETY
- NGOS
- MEDIA
- PUBLIC AWARENESS
WEAKNESSES and CRITICISMS

- Weakening of ethical standards
- Public perception of excesses of the state sector (crown entities)
- Corporate excesses of 1987 discredit the private sector model
- Some opinion rejects all the reforms as “new Right” ideology
- Managerialism excesses eg Minister of Food, Fiber, Biosecurity and Border Control “Crown Health Enterprises”
WEAKNESSES and CRITICISMS (2)

- Accountability mechanisms create high transaction costs, they are cumbersome, eg 30 page performance agreements with CEOs.
- One set of bureaucratic procedures has replaced another one.
- Perception that sanctions for non-performance are ineffective.
WEAKNESSES and CRITICISMS (3)

- Autonomy disregards the collective interest
- Erects boundaries between departments
- Does not encourage cooperation
- Several interventions to check this, the latest in mid 1999 on external relations
WHAT WILL CHANGE

• Return of some responsibility to the core public sector
• More political control especially of sensitive areas
• More emphasis on collective interest
  • Where the market mechanism has not delivered effective competition eg telecommunications
  • Or where the model has not delivered to the public’s satisfaction — eg health.
WHAT WILL NOT CHANGE

- FRA provisions
- GAAP accounting and reporting
- Strategic approach by governments — no return to the three year boom and bust cycle
- Changed culture in the core public service - more performance, service-focused
- Core contractual system will remain
CONCLUSION

- Relatively simple mechanisms can promote good governance.
- The New Zealand contractual model improves governance, but makes heavy demands on human capital.
- Public expectations of political accountability are likely to stay high.
- Politically sensitive areas will remain difficult to manage well whatever the governance arrangements.
- On corruption, the effect in NZ is mixed: loss of opportunity partly offset by loss of ethic.