New Zealand’s Public Financial Management Reforms
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This case has been proposed and commissioned by Philipp Weckherlin, to showcase best practices in policy making from around the world.

IN BRIEF: Facing increasing fiscal pressures, soaring interest rates and a falling dollar, New Zealand introduced ground-breaking reforms to its entire public sector management in a wave of far-reaching economic and public sector transformation in the 1980s and early 1990s. One critical component was the financial management reforms, which had the aim of improving public sector performance through establishing effective accountability arrangements including clear specification of outputs, contractual agreements, and the disaggregation of government departments into smaller, more sharply business-oriented agencies. New Zealand’s government departments could no longer be the organisational cocoons many once were.

The financial management reforms transformed the government’s fiscal performance at an unexpected speed and eased fiscal pressures through transparent accounting and by reducing public sector bills. New Zealand was thus able to escape a financial as well as a political crisis and reach triple-A rating within four years.[1]

THE CHALLENGE

A fiscal crisis in 1984, involving a stagnant economy, high national debt (40% of GDP in 1984), 20 percent devaluation and an exchange rate crisis led to a search for ways to reduce public spending. New Zealand’s economic position was in a parlous state, and it was about to default on its international debt, which caused a constitutional crisis immediately after the 1984 elections. New Zealand’s creditworthiness was rated AA by Moody’s in 1984.

The overall size and perceived inefficiency of the public sector was a concern for the incoming government, which was prepared to take immediate action to address the multiplicity of major problems it had identified.[2] The isolation of departments and ministries was seen to have resulted in inefficiencies, duplication, and a lack of policy coordination. An attempt by ministers in 1985 and 1986 to scrutinise spending highlighted the poor information base for decision-making as well as the perverse incentives for government heads of department.
Criticisms of the prevailing arrangements included concern that the input-based information system was ineffective for decision-making, and that incentives encouraged managers to protect and expand resources as well as spending.

Ministers were also finding the bureaucracy unresponsive, and there were concerns about the quality of policy advice. As Ian Ball, a senior Treasury official at the time and one of the main trailblazers and managers of the public financial management system reform, said: “I could never understand why governments could get away with such poor quality [financial] information when there was no technical reason that they couldn’t have [better data]. It was just that the government was structured in a way that didn’t require [good financial management]. Nobody was under that kind of pressure.”[3]

Overall, the New Zealand government was an inefficient and sometimes ineffective supplier of many goods and services that Cabinet Ministers considered to be provided more efficiently by the private sector, such as telecommunications, railways, airline services, construction, farming, and forestry.

**THE INITIATIVE**

Fiscal problems were the stimulus for the reform of New Zealand’s financial management sector. These systems provided the government with tools that focused resources on its policy and service delivery priorities, and ensured that public servants used taxpayers’ money appropriately. [4]

The comprehensive reforms modernised the public system in New Zealand to focus on policy outcomes instead of costs and headcount, a system that is now known as ‘New Public Management’.[5]

The reforms were introduced by the fourth Labour Government (1984-90), led by Prime Minister David Lange. These reforms, which were given legislative backing via the Public Finance Act 1989, aimed to:

- Help the government of the day translate its strategy into action
- Focus spending on the government’s desired outcomes
- Promote informed decision-making and accountability
- Identify and actively manage fiscal and non-fiscal risks
- Encourage a responsive, prudent, efficient, and effective state sector.

The State Sector Act of 1988 was also important in these reforms as it was the vehicle that changed the employment arrangements and the two acts (1988 and 1989) in many ways worked together. For example, Chief Executives were given the powers to employ the resources necessary to implement quickly the reforms mandated by the Public Finance Act of 1989. They could bring in resources whether from accounting firms or as staff in ways they previous to the State Sector Act of 1988 would not have been possible.
New Zealand’s financial management reforms had four main features as regards the public financial management system:

1. Adopting accrual accounting, budgeting and appropriations (previously, the New Zealand government had operated a conventional cash-based, centralised, government accounting system, within a fund-based accounts structure)

2. Introducing a capital charge and a decentralised authority to buy and sell assets

3. Introducing output-based management and budgeting

4. Devolving financial decision-making and increasing accountability.

The difference between the New Zealand approach and other countries’ systems at the time was that they followed “Good Corporate Governance Practice” for their own affairs. Before the reform, the government owned much of the economic infrastructure in New Zealand, including banks, postal and telecommunications services, a steel mill, a shipping company, production forests, and electric power plants. Most of these activities were being run by departments that also had policy advice functions; nearly all ran at a loss and required taxpayer support. To reform the provision of these services, the government decided to "corporatise" these activities.

Corporatisation involved forming government-owned enterprises with clear commercial objectives, managerial flexibility, and authority over decisions. Performance monitoring was introduced, meaning that these “state-owned enterprises” (SOEs) had proper accounting in place, were very transparent, managed the principal agent problem between all the parties involved, and – above all – they managed state assets and debt in a responsible and sustainable way, and had state-of-the-art accounting and auditing systems in place.[4]

Lastly it is important to note that the state-owned enterprises (SOE) reform process preceded the financial management reforms. The creation of state-owned enterprises, enacted through the State Owned Enterprises Act 1986, was followed by environmental and conservation restructuring in 1986–87, and then the creation of Ministry of Research, Science and Technology in 1989 followed by the establishment of Crown research institutes. Agencies established in the 1990s included the Department of the Prime Minister and Cabinet (through the merger of the Cabinet Office and the Prime Minister’s Department) and the Ministry of Maori Development, TePuni Kōkiri (formed from the Department of Maori Affairs and the Iwi Transition Agency). In the social sector, changes commenced in 1989, starting with the restructuring of the education sector and proceeding through housing, justice and social welfare in the 1990s. The last department to be established was the Department of Child, Youth and Family Services in October 1999.[2]

THE PUBLIC IMPACT

During consideration of the Public Finance Bill in 1989, the controller and auditor general advised parliament that the legislation “will give effect to the most fundamental changes to financial management practices seen in New Zealand’s history. These reforms are enormous, ambitious, and, in large part, unprecedented anywhere in the world”. [1] And their fiscal impact was indeed dramatic.
The government moved in less than four years from a severe fiscal crisis to attaining a positive net worth and triple-A rating. Since the reforms the government has been operating with surplus – government net worth has increased every year since 1999, except one year when the government took on new liabilities and the four years following the financial crisis, during which there were also major earthquakes which did huge damage to NZ’s second city. New Zealand’s net worth was in 2008 NZ $105 bn, rising to NZ $116 bn in 2017 – 38% of GDP. This trend of rising surplus is contrary to the trend in other countries, such as Australia, Canada, the US and the UK, which all have negative net worth and all have seen their net worth decline since the financial crisis - in the case of the US and the UK, markedly so. [6] There was also dramatic reductions in inflation after the reforms and GDP growth averaged nearly 5% over 1993-1995. [7] Currently the economy continues to grow with OECD projections of economic growth around 3% for 2018. [17]

According to Ian Ball, the greatest impact of the public financial management reforms was “how radically the reforms changed the way the New Zealand government operated.” The transformation in only two years from a cash based system, which was common practice in most governments at the time, to an accrual based system radically changed the basis of the whole system. [11] The ground-breaking modernization of New Zealand’s public sector attracted international interest with Treasury receiving weekly visits from overseas groups. [5] Ball also argues that as a result of the reform the New Zealand government “built up a buffer against economic or other shocks. But it’s done that consistently now over these past 25 years.” [11]

As a result of these reforms, New Zealand has come to hold a special place in the recent history of public sector reform. In three major pieces of legislation in the 1980s, it implemented a particularly radical version of what became known as the “new public management” (NPM), and indeed provided an archetype of that movement.[8]

These reforms also meant that New Zealand was the first country in the world to provide a comprehensive annual report for investors to allow them to decide whether to invest and serves as a role model for an institutional investor. In 1991, the government began publishing “whole of government” accounts. The first set of statements were published for the six months ending 31st December 1991 and these statements became annual accounts in June 1992. This focus on transparent accounting has paid off.

For decades, the country has been ranked among the top three least corrupt nations by Transparency International. It ran a budget surplus every year from 1994 to 2008 and the exchange rate jumped 15% over 1993 to 1995, likely reflecting in part investor confidence in New Zealand’s prospects. [7] Ball argues that such good accounting matters, because it leaves less space for corruption, whilst the transparency that come with it puts pressure on the government to manage its finances tightly.[3]

The reforms also achieved huge efficiency gains. Government expenditure as a percentage of GDP fell from about 38 percent in 1987 to 35 percent in 1996/97. Overall efficiency gains in the departments and ministries have been noted in a recent OECD report:
"The core public sector has been reduced substantially in terms of both its share of expenditures and employment. Given that higher levels of outputs have been produced with lower levels of inputs, productivity has increased, costs have come under better control due to accounting changes and many departments have attained departmental surpluses."[9]

Lastly, the reforms also had impact in focusing on changing the conditions of the employees who deliver government services, with the aim of creating greater flexibility to appoint on merit and to reward performance. Many government employees were moved to executive agencies and state-owned enterprises in an effort to promote efficiency. In consequence, they had wages that compared to the private sector, but much less job security than they had before. There was also a downsizing in the corporatised and privatised functions within the government.[4] Staff numbers decreased from 85,738 in 1984 to 31,810 as of 31 December 1996 (including 14,244 staff employed in Crown Entities), while the public sector’s share of total employment fell from 27 percent in 1987 to 20 percent in 1994.[10]

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This case study is part of our policymaker interview series. For the series, we talked to policymakers and key protagonists from across the world about their policies, policy-making and life in government. The interviewed protagonist for this case study was Ian Ball, former senior New Zealand Treasury official.
WHAT DID AND DIDN’T WORK
All cases in our Public Impact Observatory have been evaluated for performance against the elements of our Public Impact Fundamentals.

Legitimacy
Stakeholder Engagement  
The financial management reforms were designed and implemented by an elite inside group of politicians and central agencies. As Ian Ball stated in interview, “it was certainly a top-down reform, there’s no question of that” [11]. Spearheading the design of the financial sector policies was Roger Douglas, the minister of finance in the fourth Labour government of 1984-90. He prepared a caucus paper which outlined the restructuring of the financial sector. While the paper polarised opinion in the Labour Party because of the fundamental and radical economic change it was proposing, many Treasury officials, as well as ministers and civil servants considered that reforming the New Zealand financial management system was a necessity.

Many members of the Labour party were sceptical about Douglas’ concrete proposal for economic restructuring laid out in the paper. The party’s Policy Council, in particular, was split, with one side in favour of the proposed restructuring and the other pushing for less radical reforms. Their deputy leader, Geoffrey Palmer, eventually drafted a compromise which eased tensions between the two wings of the Labour Party. Despite this compromise, the reforms were still viewed as radical, and some stakeholders were unsure about their merits.

However the key elements of Douglas’s revised reforms, which ultimately led to a restructuring of the public sector, were implemented straight after the Labour party won the election. This timing was crucial to overcome potential stakeholder opposition, as the Treasury could push this policy through in a top-down fashion. “Through its control of the purse and its intellectual leadership, Treasury had a dominant voice in the reform process.”
Ministers in the government were other key stakeholders in implementing these reforms, as they would never have got off the ground without their support. Despite not being involved in the design of these reforms, ministers did seem generally supportive of the reforms as it enabled them to have greater visibility into what their department were producing. Ian Ball argued that “these reforms enabled ministers to get a much clearer sight of what services departments were producing, enabling them to reprioritise in favour of services that better achieved outcomes sought by the Government” [11]. Ministers had also been requesting similar changes for years, in order to gain greater control over their departments and have more accountability mechanisms for civil servants. Furthermore, in the early period after implementation when ministers were looking for efficiency savings, they saw the benefits in their ability to make more informed budgetary decisions, so that reinforced their support.[11]

The engagement and support of civil servants was more mixed however. Civil servants were not widely consulted about the design or implementation of the reforms.[4] There did also see more resistance from civil servants around the new requirement to specify outputs rather than outcomes. Ball suspects that this was because outputs were easier to hold people directly accountable for and thus civil servants were sometimes reluctant to specify them: “they weren’t quite so keen on the accountability bit as the freedom to manage bit, and some of them were quite reluctant to specify what services they actually produced.”[11]

However Ball did note that a lot of civil servants saw the benefits in terms of efficiency of the reforms, something that many had been requesting change in for a long time: “part of the reason I think there wasn’t so much resistance from public servants is that they had wanted for a long time some of the reform elements that they got here.”[11] Ian Ball also noted that the speed of the financial system transformation, which was implemented across departments in only 18 months, wouldn’t have been possible unless civil servants across departments were in favour of the reforms – indicating some more evidence of their backing. [11]

**Political Commitment**

There was very significant political commitment behind these financial management reforms. A strong message of support came from the Labour government that designed them, the senior officials and ministers in charge of implementation, and the other political parties who could have undermined the legitimacy of the reforms if they had opposed them.

When the Labour government came to power in 1984, it showed huge amounts of determination to make radical changes in economic management and government policy. During nine years in opposition, the party had become convinced that government intervention was the root cause of the economy’s poor performance and that deregulation was essential for New Zealand to compete in world markets.
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The theoretical basis for the reforms was set out by the New Zealand Treasury in its 1987 briefing papers to the incoming government. Not only did the government of the day adhere closely to the recipe prescribed by the Treasury, the Treasury itself continued to push for the application of these concepts well into the 1990s.[12] The Treasury, with its intellectual and political power and high capacity, became a powerful and competent reform agency. The politicians, supported by these central agencies, were able to have an impact on a simple and relatively small government and a tractable public administration.[4] This was also significantly helped by the support of the ministers, without whom these reform would not have got off the ground, as described in stakeholder engagement.

The rapid staging of these reforms was also supported by New Zealand’s very individual political foundation, and its political system gave the government considerable scope for implementing unprecedented reforms. The electoral system at the time favoured government stability with almost always one party having the majority of seats in Parliament, coalition governments being a rarity and few governments serving less than their full term. The reforms were accepted by successive governments from different parties because their success was visible in the economy as a whole soon after implementation. By doing so, politicians were able to build on their success in deregulating the market economy before they came to grips with the more contentious changes in the state sector.

Even the 1999 Labour/Alliance government – which had distanced itself from the reforming Labour governments of the 1980s – confirmed that it would retain the legislative cornerstones of the reform, although it made changes to employment relations legislation to strengthen the role of trade unions.

The results of a comprehensive review, undertaken on behalf of the national government and published in late 1991, revealed overwhelming support for the new policy framework among senior officials and ministers.[13]

Public Confidence

Fair

Even though New Zealand was about to face a major financial crisis, there had been no great pressure for change from citizens – quite the opposite. Because the staging of the reforms happened so fast, many people were worried about the imminent changes, and they were therefore not very confident in the national institutions bringing about those changes. This was amplified by a lack of trust in public institutions in general, especially after a new government was elected in 1984. [1]

According to Ball however, there wasn’t much public awareness about the public financial management reform, which was adjustments to the “internal machinery of government.”[11]. To him, the public seemed were more concerned about privatization and corporatization, as the financial management reforms came at the end of significant changes to other segments of the economy that affected them more.
He also argued that to an extent, because of the far-reaching nature of the reforms that had happened preceding these, the public wouldn’t have been sympathetic if the government had not considered reforms within its own walls too: “people really didn’t think that public servants should be immune from reform, given that pretty much everybody else had been subject to it.” [11]

Regarding those working in the public sector however, the reforms did have significant direct impact. Many of those previously employed in the public sector were moved to executive agencies and state-owned enterprises, and there was a significant reduction in public sector employment between 1984 and 1996. In consequence, industrial relations became more difficult. Labour unions were very weak during the time of reforms and thus New Zealand institutions were not fully able to deal with such large layoffs in an appropriate way.[1]

A notable contrast between the New Zealand system and most other versions of the NPM was New Zealand’s comparative lack of interest in becoming more directly accountable to the citizens who used public services. One of the reforms’ key objectives was certainly to improve these services, but the mechanisms chosen did not involve giving ordinary members of the public a greater right to complain about them. Nor did they encourage frontline bureaucrats to answer directly to those whose services they provided.[14] That said, the World Bank concluded that the reforms had resulted in an improvement in the efficiency of core public services, which generated a greater public confidence in the public administration. [4]

**Policy**

**Clear Objectives**

The root causes of government inefficiency and ineffectiveness before the reforms were perceived to be twofold: a failure to specify the government agencies’ objectives, and confusion over roles between politicians and public servants and within public agencies. [8] Part of the objectives was also in managing public net worth by increasing transparency through publishing government activities.

Hence, while reforming public financial management, the government’s fiscal objectives were stated very clearly in the Fiscal Responsibility Act 1994 and later incorporated to the Public Finance Act 1989:

1. The government must run operating surpluses until debt falls to sustainable levels
2. Once sustainable debt levels have been reached the government must run zero operating balances over time
3. The net worth of the government must be sufficient to buffer adverse circumstances over time
4. The government must manage fiscal risks prudently
5. There must be predictability and stability in tax rates over time.
Evidence: Good

These reforms were like nothing any other country had fully implemented. Ian Ball notes the trailblazing nature of these reforms – “it was new, undiscovered ground that we were treading.”[11] That said, the reforms were informed by trends in other countries and carefully adapted to the New Zealand context. Considering the government’s bold objectives and conceptual basis and its reliance on statutes and speed of implementation, the reforms placed an emphasis on managerial discretion and accountability. This approach resembles reforms introduced in Australia, the United Kingdom, Sweden, and several other OECD countries, which served as an inspiration during the policy design phase. However it should be noted that the government did not run pilots to test the proposed policy changes within the New Zealand government itself.

Another factor to be considered was that senior Treasury managers had been purposely “underemployed” under Finance Minister Robert Muldoon in order to observe overseas trends such as “rolling back the state” in Thatcher’s Britain and the advent of managerialism in the United States. The Treasury’s briefings to incoming governments – Economic Management (1984) and Government Management (1987) – provided the blueprint for the reforms which subsequently took place in New Zealand. Looking closer at New Zealand’s progress, however, it becomes evident that it has ventured far beyond what has been tried elsewhere.[1]

Feasibility: Good

Initially, according to Ian Ball, “if you asked us how feasible was this [reform] before we did it, I’d say it probably had a 20% chance of success. But in fact it worked, in part because departments received a lot of support from the treasury which made it feasible.”[11] The Treasury did seem to play a large role in making these reforms feasible for departments. A whole team was created within the Treasury to help departments acquire the capacity and skills to develop their systems and specify their outputs as required – “we had a group of trained people who were basically spending all their time trying to negotiate what the outputs were of the different departments, but also helping them to develop systems for measuring and reporting on their outputs.”[11] The Treasury also had, in the decade preceding the reforms, invested heavily in staff training and in the advanced education of some of its future leaders. This capacity building meant that officials acquired new ideas about how the economy and public institutions should be managed, and enabled them to create this support network for departments when these reforms were implemented. [1]
Legislation did also support the reforms’ feasibility. With the passage of the State Sector Act in 1988, all permanent department heads became CEOs contracted for fixed terms. Within about 18 months of the enactment of the Public Finance Act in 1989, all departments had shifted from cash accounting and budgeting to an accrual basis. Legislation for the 1989 Act was passed quickly through parliament. The transition to output-based appropriations also began during this period, and departments started preparing audited financial statements that complied with generally accepted accounting practice.[1]

The reform schedule also increased the feasibility of the financial management reforms’ success. The financial management reforms were determined by fiscal aims and were directed to the areas of greatest gain. As the reforms provided managers with the freedom to manage in return for accountabilities under the Public Finance Act, the timing of the employment and finance reforms that came before was important to ensure feasible implementation. State sector reforms followed the corporatisation of state-owned enterprises, and only when the sector was modernised in 1988 did public finance and accountability reforms follow in 1989.

Some minor problems have remained however. Little attention was paid to the arrangements for the Crown Entities, while the focus was directed at attending to higher priority fiscal matters.

Difficulties have emerged over time, including problems with the manner in which ministers interacted with these organisations, a lack of clarity over their degree of autonomy, some financial issues, concerns over the expenditure of some entities, and poor use of the formal accountability documents.

**Action**

**Management**  

All the principles that were set out at the start of the reform process can be found in all elements of the reforms, but the developments in management mechanisms and managing accountability were perhaps the most dramatic.

Tight managerial processes were put in place in these reforms to ensure results. For instance, Cabinet, on the recommendation of the state services commissioner, appoints CEOs. The state services commissioner then manages employment conditions and performance reviews, and – under the State Sector Act – undertakes performance management of CEOs on behalf of ministries and departments. Extensive use was made of management consultants and other external experts for specialist advice on areas such as privatisation and restructuring. The key tool for this, however, has been the CEO’s performance agreement with the minister, monitored by the commissioner. The commissioner coordinates feedback from ministers, central agencies, self-reports from CEOs, and other information in the annual assessments of the CEOs of departments and ministries.[4]
In other parts of the civil service too, there has been a move to performance-based pay as a way to improve management capabilities. There is also an increased ability to appoint new people, due to shorter contract terms. However, there are still problems in attracting a large body of high-calibre candidates for these positions, as they are not as attractive as private sector positions to many prospective employees. A main concern is the lack of attention paid to developing talent in senior management within the public sector. Crown Entity sectors appear to be able to attract well-qualified candidates, however, as the pay is on average higher.

Regarding policy responsiveness, ministers have generally expressed satisfaction with the new public management arrangements to do so.[4]

**Measurement**

To ensure the sustainable public impact of the state’s finance management reforms, the New Zealand government used a comprehensive measurement approach that included developing a measurement framework, conducting an encompassing study within the public sector six years into the implementation process, and constantly collecting performance data.

To inform the implementation process over time, the State Services Commission and the Treasury jointly commissioned an independent study during the implementation of the financial sector reforms. Their goal was to examine whether further improvement should be made to the management of the state sector.

In particular, they wanted an overall assessment of the extent to which public and political confidence in the public administration arrangements was justified, and they were seeking to identify the key issues that should be given attention in subsequent years.[1]

The study’s authors visited New Zealand twice in 1995 to interview numerous officials and observers, as well as a number of ministers and members of parliament. They considered the financial systems in the departments and ministries to be sound. They found that significant gains had been made in accountability at the level of the whole of government and individually in each government agency. However, they identified opportunities for further gains by making information more relevant to citizens.

An Audit Office report in 1997/98 indicated general satisfaction with the financial and service performance information and with the control systems. Departments prepare monthly financial reports, quarterly performance reports on their purchase agreements, half yearly reports on the chief executive’s performance agreement, and an annual report on financial results and outputs. All 44 departments received unqualified audit reports; meaning these reports and statements generally have been reliable and timely. Reviews by consulting firms recorded satisfactory results for the quality of monthly financial reporting, purchasing practices, cash management, control policies for physical assets, and accuracy of output class descriptions, although there were concerns about information at a lower level, including costing information for management purposes.[1]
When assessing the success of the reforms Ian Ball stressed the challenge of making the new system work. Alongside the challenge of implementing output specification, explained in Stakeholder Engagement, the instrumental transformation of department accounting systems was fundamental to measuring the performance of the department from an operating perspective. Records of government assets and liabilities at the time did not meet the new standards of the Audit Office and new department accounting systems were implemented to enable a clean audit opinion. Specifically, the reforms required departments to put in place their own, accrual based systems when previously the Treasury has run a cash based accounting system. Once the new systems were in place and operating reliably, it was possible to assess the financial performance of departments and, overall, whether the government was improving its net worth position. The government’s fiscal resilience, measured in terms of net worth position, improved consistently after the reform and has been successfully sustained over the decades since.[11]

**Alignment**

The overall size and perceived inefficiency of the public sector was a concern for the incoming government, which was prepared to take immediate action to address the multiplicity of major problems identified. Cabinet ministers in the fourth Labour government, when interviewed, attested to the “seriousness of the situation” they encountered and argued that the actions subsequently taken were essential at that time.[2]

This shows there was strong alignment about the need for these reforms. Ian Ball also commented on ministers’ alignment to these reforms: “Ministers saw the opportunity to make better decisions on what services departments were, and should be, producing. When seeking to reduce budgets in the early years, ministers could prioritize expenditure much better.” [11]

Regarding the alignment of public servants within or leading the departments, Ball also commented on the opportunity many saw with these reforms: “I think they [managers in departments] quite early on saw that this gave them an opportunity to really manage their own departments - what managers like doing. I don’t think they saw that as a hardship, I think they saw that as an opportunity.” [11]

The alignment of public servants was further helped by the Treasury’s support model - as stated in the Management section, the Treasury had a dedicated team negotiating what the outputs of each department would be to ease potential issues. Ball argues it was because of sustained effort and support from the Treasury to help departments in the transition that overcame these potential issues: “They [departments] had conventionally seen treasury as the opposition. And the idea that we’re from Treasury and we’re here to help you was not something they necessarily accepted initially. But in fact what we found was very quickly that they came to understand that we were really, really trying to make this system work for them and for us.” [11]
However, efficiency did come at a cost for a number of government employees. Some managers complained about the sinking lid on operating budgets, with no adjustment for inflation and across-the-board cuts. Others complained about having to work harder in a more competitive and less stable environment without sufficient resources to accomplish all that was expected of them. They felt that the government was indifferent to rising workloads and that doing more was not compensated for in the budget. One widely heard complaint was that, despite cost and performance data, budget levels were still set arbitrarily without genuine analysis of what it takes to complete assigned tasks. Quite a few officials, especially those in small departments, commented on the burden of complying with the burgeoning information and reporting demands of central agencies and parliamentary committees.[1]

Getting the alignment right is a continuing task for public management in New Zealand. A number of discussions were conducted by the Centre for Corporate Change – an Auckland-based think tank – with more than 100 CEOs, senior managers, and informed observers, as well as with a small number of ministers and members of parliament, to assess the reforms’ impact. These revealed broad agreement that the reforms had improved the efficiency and quality of public services by encouraging managerial initiative and rewarding success. Managers now have:

- A much clearer understanding of their role and responsibilities
- More timely and complete data about the cost of doing business and what they are accomplishing with public funds
- Greater awareness of the needs and interests of clients and customers
- Expanded opportunity to change operating procedures, the use of resources, and working conditions.[1]
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