

ICPS newsletter

New Zealand's success formula: high-quality policy analysis, strategic thinking, and focus on priorities

New Zealand's reforms have already become case-study material for manuals on economic development. During the last 15 years it was transformed from a practically socialist country into one with a liberal economy and possibly the most effective government in the world. How is state policy built in New Zealand? Can Ukraine use its accumulated experience of policy analysis? And how did New Zealand achieve such results in its development? ICPS director Vira Nanivska answered these questions after visiting this New Zealand this August at the invitation of the New Zealand Institute for Economic Research

Policy success depends on knowledge and skills

I was impressed that every citizen of New Zealand is aware of the importance of policy analysis. In this country, the policy process is a combination of knowledge and skills. Nobody thinks that reforms depend on a mystical political will, and people do not speak much about the political elite or leaders, i.e., there, the role of the personality is much smaller than in Ukraine. Though the role of the personality is important in policy (e.g., parliament), in the executive first place is given to the knowledge and skills necessary for providing high-quality recommendations for policy decisions, forecasting their consequences, and analysing their impact on all spheres of people's lives. New Zealand public servants are highly skilled policy analysts, meeting clearly standardised demands, including level of strategic thinking for skills, communication skills, subject knowledge, and teamwork ability (see table on page 2).

The most important function of the New Zealand government is to provide policy analysis and advice to politicians. That is

why every ministry dedicates many resources for improving policy analysis quality. I want to cite one document of the Public Service Commission expressing some concern about the quality of advice given to the government. According to the Minister of the Public Service, the main shortcomings of this sector are the following:

- the inability of public servants to define clearly the outcomes the government seeks to achieve, or to put forward sound policy solutions for the government's consideration;
- inadequate human resource capability in some departmental policy units;
- lack of attention to implementation issues;
- the counter-productive and debilitating consequences of departmental "patch-protection".

In New Zealand such analysis is not considered as an accusation. Everyone understands that these are real problems that need to be overcome. We can see from this how the democratic environment demands that the government think about its work quality.

Instead of providing services the government should be thinking about the future

Even in the early 1980s, New Zealand was practically a socialist state. Welfare, education, and health care services were provided only by the government, and the activity of the private sector was overly regulated. By the mid-1980s the country faced increasing inflation and a falling GDP. Recognizing the acute need to implement reforms, New Zealand sought IMF recommendations, began to implement them at once, and made significant progress. Public services were privatised, and once the government shed its the service delivery function, policy analysis and strategic development became its most important functions. New Zealand managed to build a model of a government which develops policy, and only monitors the process of service delivery.

In its development, Ukraine is following the same direction as New Zealand. We should learn, analyze, and use the experience of this country. The main thing in New Zealand is a serious, intellectual approach to its future. Policy analysis is an actual thinking process, not a technical procedure. If New Zealand had a shadow economy like Ukraine has, then everything would be focused only on the problem of the shadow economy; they would try to define and analyse its causes, and find ways of overcoming the phenomenon. Ukraine will not be able to reach a higher level of economic development

without understanding the core of its shadow economy. But this goal cannot be achieved if the government does not develop the function of thinking.

Only when priorities are determined will reforms be successful

David Caygill, Minister of Finance in the New Zealand government which started reforms in the mid-1980s, told me in all seriousness that every new government risks being swamped in routine work. To avoid this threat it is necessary to create a group of key civil servants who are able to fulfill their most important strategic function. They should have meetings every week to discuss the main issues. The determination and support of priorities cannot be shifted onto separate ministers—it should be a joint strategy.

The government should take into account that physically it is able to make only a limited number of decisions. If the government tries all the time to make decisions in different areas, solving "urgent" problems, then no really vital problem will be overcome. That is why all efforts should be concentrated on 2-3 key directions. When New Zealand started its reforms, the new government determined the following strategic priorities: reduction of the budget deficit, overcoming the problem of the state debt, and development of the private sector. Thus, minor tasks were postponed temporarily and it was openly stated "now we will work on these priorities." It is quite difficult to follow such an approach to reform, and it requires constant work with the public, but it is the only way to ensure success.

Additional information about the experience of state government in New Zealand can be found at the following Internet web-sites: www.dia.govt.nz and www.oag.govt.nz

Demand for public analysts in New Zealand

	Strategic Thinking	Thinking Skills
Analyst Band 1	<ul style="list-style-type: none"> understands political issues and trends and their impact on their work area has an awareness of the economic, political, social and cultural context in which the individual and the department operates 	<ul style="list-style-type: none"> uses various analytical techniques to identify several solutions or alternative approaches, and weighs the value of equivalent options analyses <u>within</u> frameworks demonstrates ability to pull together ideas and issues into a clear and coherent presentation uses a wide range of information sources (including professional research, network contacts, observation, computer databases, and personal interviews)
Analyst Band 2	<ul style="list-style-type: none"> has a clear focus on long-term goals initiates and develops valid long-term plans and policy initiatives anticipates potential threats and opportunities 	<ul style="list-style-type: none"> seeks to develop and apply new techniques to identify several solutions or alternative approaches, and encourages others to do so <u>develops</u> frameworks has excellent knowledge of intellectual and analytical frameworks is proactive in seeking out new or alternative sources of information is aware of a wide range of thinking tools
Analyst Band 3	<ul style="list-style-type: none"> quickly understands and addresses issues emerging from the influence of long-term economic, political, social, and cultural forces and the way they affect the future able to debate strategic issues effectively with other experts 	<ul style="list-style-type: none"> advises on the major implications of issues and proposes practical and realistic solutions with varied options analyses highly complex situations and multi-dimensional problems <u>identifies how</u> frameworks could be developed is sought out by others to view and critique important analysis and decisions is adept at using a wide range of thinking tools

Source: New Zealand Department of Internal Affairs

Next Week

Forecast for year 2000. ICPS's macroeconomic seminar on "Business Activity in 2000: is there any basis for optimism?" will be held on September 7. Reports will be presented by Ms. Tetiana Sytnyk, economist of ICPS's Quarterly Prediction project, and Ms. Oksana Kuziakiv, manager of the Business Opinion Review project.

Concerning invitations for ICPS seminars, please contact Larysa Romanenko. E-mail: LRomanenko@icps.kiev.ua tel. (380-44) 463-5967

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