Role of public sector performance in economic growth

Andrew Kibblewhite, Deputy Chief Executive
1 April 2011

The Public Service is high quality

World Bank Governance Indicator - Rule of Law

Source: World Bank - Worldwide governance indicators
Government has a role in lifting savings...

Savings overview - % of GDP, 2008

Source: OECD, IMF, Treasury

….and rebalancing economic growth…

Quarterly data

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...but don’t balance the books by taxing more

Optimal level for economic growth

Economic growth

Too small

Too big

Productive expenditure - % of GDP

Government expenditure is now growing again...

Government expenditure – all levels

% of GDP

Source: OECD Economic Outlook

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...driven by central government spending

![Graph showing government spending as a percentage of GDP over time]

Source: Treasury Long term fiscal time series.

Note: 4 year Moving average time series, Multiple series

But how it is financed matters...

![Graph showing government tax revenue by source as a percentage of GDP]

Reference year: 2007

Source: OECD Stat - Revenue Statistics

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…as we compete for mobile capital


What we spend it on matters...

Government expenditure – All levels
... how focused and effective it is...

Average cost of social services received by Households

Source: Statistics New Zealand Household Expenditure Survey and administrative data. Fiscal incidence calculations have been made by Treasury ($2007).

...and its efficiency

Wastefulness of spending – Higher is better

Source: World Economic Forum - Global Competitiveness report 2010-11

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Past growth can’t be sustained

Key focus areas

Ensure:

- State Sector Interventions are effective and efficient
- We get the most from our assets
- State Sector institutions are of a high quality and support good stewardship
Better government interventions...

Trends in main benefit types as proportion of working age population

Proportion of working age population

0% 1% 2% 3% 4% 5% 6% 7% 8% 9% 10%


Domestic Purposes Benefit
Unemployment Benefit
Invalids & Sickness Benefit

Source: Ministry of Social Development, Statistics New Zealand

...and release savings through greater efficiency

Cumulative savings through greater efficiencies

$ Million

ICT Property HR Finance Corporate Services

Source: Better Administration and Support Services (BASS) Benchmark report FY 08/09 & 09/10

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Better use of our assets...

...including a transparent investment strategy
Better run government – focusing efforts...

Structure of Government and Number of Ministries

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<th>Centralised Government with many agencies</th>
<th>Decentralised Government with few agencies</th>
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Degree of Centralisation

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...and strengthening agencies

Organisational management ratings - Tranche 1 & 2

- Improving Delivery
- Strategy & Role
- Working with Others
- Internal Leadership
- Finance & Resources

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Conclusions

• State sector performance matters for economic growth:
  – right things / in the right way / at the least cost
  – size and composition matter

• More to do to:
  – bring a longer-term and outcome focus
  – enable more contestability
  – ensure interventions are delivering on priorities
  – better run government

Questions?