

# New Zealand

## Structuring budget to enable longer-term planning



**TYPE OF TOOL**  
*Methodology/  
Guidelines/  
Requirements*



**MAIN SECTOR**  
*All sectors*



**INFRASTRUCTURE GOVERNANCE PILLARS**  
*Fiscal sustainability, affordability and  
value for money*

### In a nutshell



**OBJECTIVE:** New Zealand has reformed its capital expenditure allocation to be on a rolling four-yearly basis to take a longer-term view of capital commitments.



**Agency in charge**  
**New Zealand Treasury**



**Levels of government**  
**National**



**Year of implementation**  
**2019**



**Current status**  
**Fully operational**

### Overview

An infrastructure governance framework should protect fiscal sustainability, affordability and value for money through a number of criteria including ensuring that the overall infrastructure investment envelope is sustainable in the medium and long-term, considering the overall debt level and policy objectives, measuring, disclosing and monitoring multi-year spending commitments, including off-balance sheet commitments and contingent liabilities resulting from infrastructure projects. In New Zealand, capital expenditure on public investment in the budget is comprised of two components: an allocation of funds that the government uses to progress priority investments; and investment that occurs from depreciating assets that are already in use.

As with other OECD countries, New Zealand's requirements for public investment extend beyond the annual budget cycle. In 2019, the capital expenditure allocation in the budget was set on a rolling four-year basis, which aligns with the medium-term expenditure framework. The multi-year allocation for capital expenditure provides flexibility to meet medium-term investment objectives while ensuring the near-term fiscal strategy can be achieved. It improves the ability to take a longer-term view of capital commitments and also increases transparency, by tracking and reporting more clearly the cash impact of initiatives over time. As such, the government can draw on the allocation and manage the impacts on budget spending in any given year.

New Zealand's capital management approach has applied public-private partnerships selectively. They remain a vehicle for public investment, but they rely on the ability to articulate and value the risk of a public investment during each stage of the investment cycle, specifically from design to construction through to the operation of the asset.

#### REFERENCES:

- New Zealand Treasury, *Guide to New Zealand Budgeting Practices*, <https://www.budget.govt.nz/budget/guide/budgeting-practices/budget-allowances.htm>