

The Treasury

Strategic Discussion: Update on the Economic Strategy Information Release

March 2021

This document has been proactively released by **Minister of Finance (Hon Grant Robertson)** on the Treasury website at

<https://treasury.govt.nz/publications/information-release/finance-portfolio-cabinet-material>

Cabinet Document Details

Title: **Cabinet Paper: DEV-19-SUB-0181: DEV Strategic Discussion: Update on the Economic Strategy**

Date: **20 June 2019**

Creator: Office of the Minister of Finance

Copyright and Licensing

Cabinet material and advice to Ministers from the Treasury and other public service departments are © **Crown copyright** but are licensed for re-use under **Creative Commons Attribution 4.0 International (CC BY 4.0)** [<https://creativecommons.org/licenses/by/4.0/>].

For material created by other parties, copyright is held by them and they must be consulted on the licensing terms that they apply to their material.

Accessibility

The Treasury can provide an alternate HTML version of this material if requested. Please cite this document's title or PDF file name when you email a request to information@treasury.govt.nz.

Office of the Minister of Finance

Chair, Cabinet Economic Development Committee

Update on the Economic Strategy

Proposal

1. This paper provides a revised Economic Strategy framework and outline for the Economic Strategy document for discussion at the Cabinet Economic Development Committee (DEV) on 26 June 2019.

Background

2. The Minister for Economic Development and I have updated the Economic Strategy framework we presented to the DEV Strategic Sub Committee on 22 May 2019 [DEV-19-MIN-0107]. At that meeting we heard that the framework should be revised to:
 - a. better reflect this Government's vision and approach;
 - b. clarify how cross-cutting work like housing and education would fit across the six policy focus areas; and
 - c. make the Economic Strategy's causal logic clearer.
3. The Minister for Economic Development is also launching our Industry Policy on 2 July 2019. The Industry Policy report signals the six policy focus areas the Government is using to shape and organise its work.

Finalising our Economic Strategy Framework

4. We have addressed the feedback received and the framework now includes seven 'key economic shifts' and maps some of the Government's policy initiatives against the policy focus areas we discussed last time.
5. The seven key economic shifts aim to illustrate and organise our focus around tangible changes in the economy we want to drive, in order to achieve the CPC-agreed priorities and ultimately our vision of a productive, sustainable, and inclusive economy.

6. An outline of the Economic Strategy document (to be launched in August 2019) is attached at Annex One. The updated Economic Strategy framework A3 is attached at Annex Two.
7. I propose we discuss these items, particularly:
 - a. the policy focus areas;
 - b. the inclusion of key economic shifts; and
 - c. consulting key economic stakeholders.

Testing the Framework with key stakeholders

8. Over the next few weeks officials will test the framework with economic stakeholder groups, including:
 - a. Late June – the Economic Strategy Leadership Group (public sector chief executives) and the Māori Economic Development Advisory Board; and
 - b. Early July – the Prime Minister’s Business Advisory Council, the Tripartite Future of Work Forum, and the Small Business Council.

Shaping our Economic Strategy document

9. A draft outline of the Economic Strategy document is attached at Annex One for your review.
10. I intend to return to DEV with a draft product for consultation in late July 2019, and with a view to seeking agreement to launch it in late August or early September 2019.

Consultation

11. The Ministry of Business, Innovation, and Employment and the Treasury have jointly developed this work.

Financial Implications

12. There are no financial implications arising from this paper.

Regulatory Impact Analysis

13. A regulatory impact analysis is not required.

Proactive Release

14. This paper will be withheld in full until the Economic Strategy Document is launched in August or September 2019. I will consider proactive release at that time.

Recommendations

The Minister of Finance recommends that the committee:

1. **Discuss** the attached Economic Strategy Framework and outline for the Economic Strategy Document, particularly noting:
 - a. the policy focus areas; and
 - b. the key economic shifts.
2. **Note** that the Minister of Finance and Minister for Economic Development intend to begin targeted stakeholder consultation on this strategy.

Authorised for lodgement

Hon Grant Robertson

Minister of Finance

Annex One: Draft Outline for Economic Strategy Product

Title – Our Economic Strategy – to build a productive, sustainable and inclusive economy to improve the living standards and wellbeing of all New Zealanders

Ministerial forewords from the Ministers of Finance and Economic Development

Section 1 – Set out the context and the Government’s view on current and future economic opportunities and challenges

- Briefly outline the Government’s progress
- Briefly articulate the key intergenerational challenges around productivity, sustainability and inclusiveness drawing on diagnostic in the September DEV paper on Economic Strategy
- Briefly outline some key drivers of change and the international context (e.g. technology, demographics, climate change, monetary conditions, protectionism)

Section 2 – Outline the Government’s vision for the economy and how it will measure success

- **Our Vision:** Build a productive, sustainable and inclusive economy:
- **Outcomes:** Outline the key economic outcomes from CPC / Our Plan
- **Key economic shifts:** Necessary to achieve the CPC outcomes e.g.
 - Catalysing productivity growth through innovation
 - Shifting to productive and sustainable land use
 - Creating a sustainable and affordable energy system
 - Transforming the housing market to ensure everyone has a warm, dry home
 - Achieving a step-change in the Māori and Pacific economies
 - Revitalising and growing regional economies
 - Creating an adaptable, high-skilled workforce with access to lifelong learning
- **Measuring success**
 - Expected / desired impacts – largely directional rather than targets
 - Suite of proposed indicators for demonstrating medium term success

Section 3 – Outline the Government’s approach for delivering the strategy

- **Briefly outline the principles for how we will work** – ways of working / how the work programmes below will be developed and delivered:
 - A more active and capable role for government (defining this Government’s view of the role of Govt) supporting people and places, and transforming sectors.
 - Deep and enduring partnerships and engagement to ensure economic policy is well informed, fit-for-purpose, and enduring (complementary to the more active role for government described above). When we work together in partnership

Treasury:4125298v1

Annex one to Cab paper: Update on Economic Strategy

effectively New Zealand's economy will flourish, and New Zealanders wellbeing will improve.

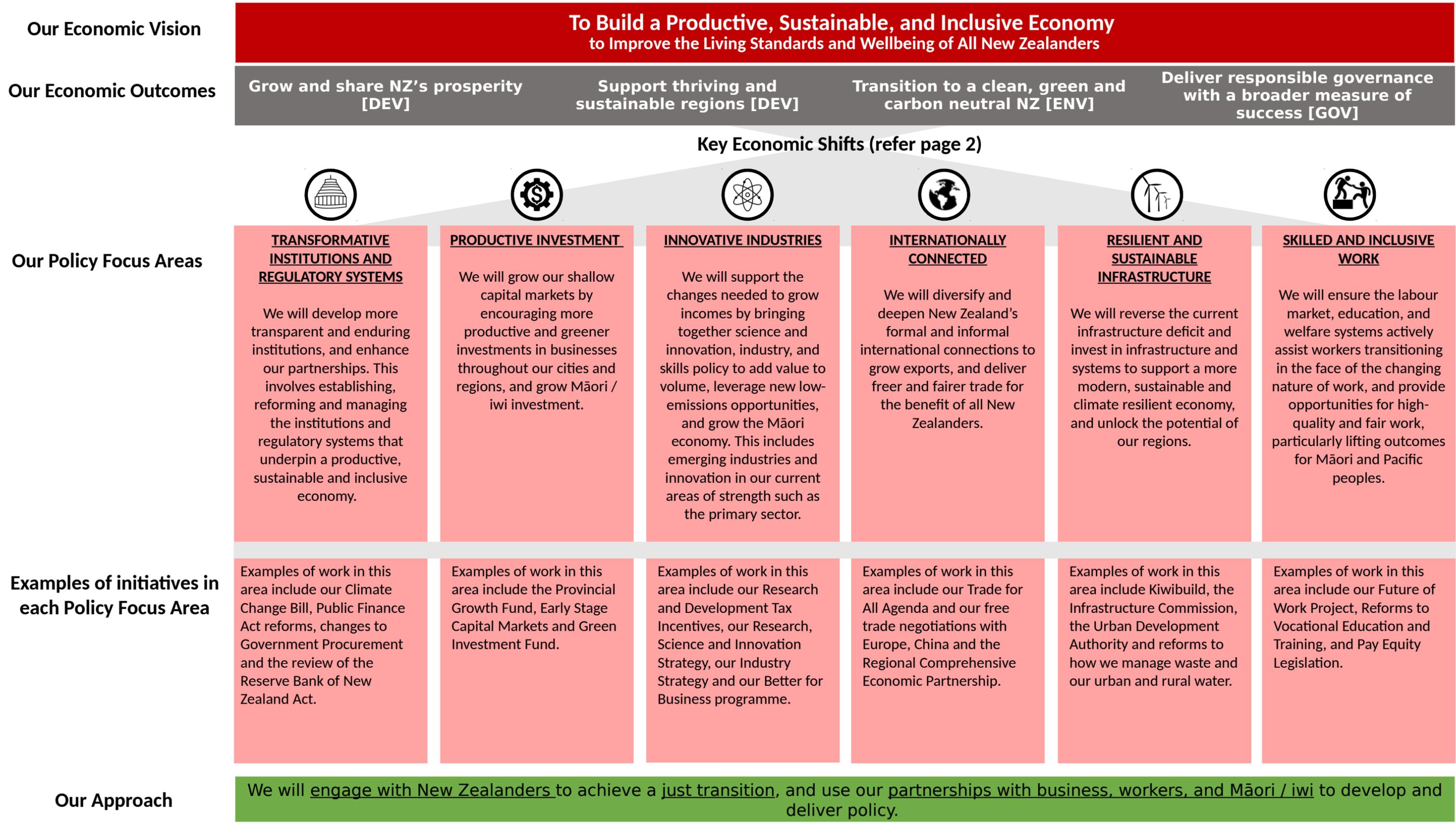
- Focusing on ensuring just transitions for our people, places and sectors (Climate change and FoW particularly).

Section 4 – Outline the Government's work programme to achieve the vision

- Organised around six policy focus areas for delivering the key economic shifts:
 - Transformative Institutions and Regulatory Systems
 - Productive Investment
 - Resilient and Sustainable Infrastructure
 - Skilled and Inclusive Work
 - Innovative Industries
 - Internationally Connected
- **Each section would:**
 - Explain the area (scope, expected contributions / function for delivering the strategic objectives - people, places and firms).
 - Outline the priority initiatives within the policy area (e.g. R&D Tax Incentive, Industry Policy, Provincial Growth Fund, Reform of Vocational Education etc).
 - Show how we need to work across the themes to achieve the key economic shifts.

Section 5 – Implementation

- Possibly a high-level pipeline graphic for what is next (Policies announced – implementation dates etc).
- We will refresh this strategy from time-to-time. Though the overarching vision will endure.
- As policy development and delivery progresses – we will continue to engage in our partnership forums (e.g. Just transition summits, Tripartite Future of Work Forum, the PM Business Advisory Council).



		Policy Focus Areas					
		Transformative Institutions and Regulatory Systems	Productive Investment	Innovative Industries	Internationally Connected	Resilient and Sustainable Infrastructure	Skilled and Inclusive Work
Key Economic Shifts	Catalysing productivity growth through innovation	<ul style="list-style-type: none"> Social partnership institutions (Future of Work Forum, PM BAC, etc.) Industry Transformation partnerships 	<ul style="list-style-type: none"> Early stage capital market development Industry transformation plans Green Investment Fund 	<ul style="list-style-type: none"> Industry Transformation Plans R,S & I Strategy Budget 2019 (157 million over 4 years) R&D Tax Credit Sustainable Food & Fibre Futures Space Strategy 	<ul style="list-style-type: none"> NZTE International Growth Fund Innovative partnerships programme Free Trade Agenda 	<ul style="list-style-type: none"> Government Policy Statement on Land Transport 	<ul style="list-style-type: none"> Just Transitions Work Programme Industry Mapping
	Productive and sustainable land use	<ul style="list-style-type: none"> ETS reform Climate Change Commission RMA reform Essential Freshwater programme Biosecurity 	<ul style="list-style-type: none"> Sustainable Land Use Budget 19 Package Green Investment Fund Provincial Growth Fund One Billion Trees 	<ul style="list-style-type: none"> Sustainable Food & Fibre Futures Industry Transformation Plans 	<ul style="list-style-type: none"> Innovative Partnerships (Future Foods platform) 	<ul style="list-style-type: none"> PGF (Waste infrastructure) 	<ul style="list-style-type: none"> Just Transitions Work Programme
	Sustainable and affordable energy	<ul style="list-style-type: none"> Renewable Electricity Targets ETS reform Climate Change Commission Low Emissions Vehicles Transport Package Electricity Price Review response 	<ul style="list-style-type: none"> Warmer Kiwi Homes investments Green Investment Fund 	<ul style="list-style-type: none"> National New Energy Development Centre Advanced Energy Technology Science platform (Budget 19) 	<ul style="list-style-type: none"> Innovative partnerships (Sustainable Energy and Advanced Aviation Platforms) 	<ul style="list-style-type: none"> Low Emissions transport infrastructure NZ Infrastructure Commission 	<ul style="list-style-type: none"> Just Transitions Work Programme
	Transforming the housing market to ensure everyone has a warm, dry home	<ul style="list-style-type: none"> Urban Growth Agenda Healthy Homes Act and Standards Building System Reform RMA Reform 	<ul style="list-style-type: none"> Warmer Kiwi Homes investments Urban Growth Agenda 	<ul style="list-style-type: none"> R,S & I Strategy 		<ul style="list-style-type: none"> Kiwibuild 	<ul style="list-style-type: none"> Construction Skills Plan
	Achieving a step-change in the Māori and Pacific Economies	<ul style="list-style-type: none"> Budget 2019 \$11 million for Pacific Business Trust Māori Economic Development Advisory Board 	<ul style="list-style-type: none"> He Kai Kei Aku Ringa PGF Whenua Māori fund Support to Whenua Māori 		<ul style="list-style-type: none"> Trade for All NZTE F700 Programme 	<ul style="list-style-type: none"> Provincial Growth Fund 	<ul style="list-style-type: none"> Mana in Mahi He Poutama Rangatahi He Kai Kei Aku Ringa PGF investments through Te Ara Mahi, and Pacific Employment Support Services
	Revitalising and growing regional economies	<ul style="list-style-type: none"> Establishing the Provincial Development Unit Establishing Te Uru Rākau 	<ul style="list-style-type: none"> Provincial Growth Fund 	<ul style="list-style-type: none"> Industry transformation plans Provincial Growth Fund 	<ul style="list-style-type: none"> New Zealand-Aotearoa Government Tourism Strategy 	<ul style="list-style-type: none"> PGF (Infrastructure) Climate adaptation / resilience strategy Accelerated Rural Broadband rollout NZ Infrastructure Commission 	<ul style="list-style-type: none"> Provincial Growth Fund Review of Vocational Education and Training
	Creating an adaptable, high-skilled workforce with lifelong learning	<ul style="list-style-type: none"> Social partnership institutions Education System Transformation (Tomorrow's Schools) Review of Vocational Education and Training 	<ul style="list-style-type: none"> Industry Mapping 	<ul style="list-style-type: none"> Industry Mapping Micro-credentials 		<ul style="list-style-type: none"> Comprehensive Reform of School Property 	<ul style="list-style-type: none"> Review of Vocational Education and Training Industry transformation plans Career Service Systems Education Workforce Strategy Minimum wage increases Fair Pay Agreements Fees Free Study