

Budget Responsibility Rules

The Labour Party and the Green Party agree to abide by these Budget Responsibility Rules in government after the 2017 election. These rules are designed to be read together and not in isolation.

In government, we will judge the success of our policies by improvements in the living standards of New Zealanders, improvements in key environmental indicators, and improvements in the economy. Achieving this will *require strong, stable government, effective fiscal management, and evidence-based policy.*

1 THE GOVERNMENT WILL DELIVER A SUSTAINABLE OPERATING SURPLUS ACROSS AN ECONOMIC CYCLE.

An OBEGAL surplus indicates the Government is financially disciplined and building resilience to withstand and adapt to unforeseen events. We expect to be in surplus every year unless there is a significant natural event or a major economic shock or crisis. Our surpluses will exist once our policy objectives have been met, and we will not artificially generate surpluses by underfunding key public services.

2 THE GOVERNMENT WILL REDUCE THE LEVEL OF NET CORE CROWN DEBT TO 20% OF GDP WITHIN FIVE YEARS OF TAKING OFFICE.

To give future generations more options, reducing government debt has to be a priority. By setting a target, provided that economic conditions allow, we will be able to make responsible debt reductions and invest in housing and infrastructure that strengthen our country and prepare us for future challenges.

3 THE GOVERNMENT WILL PRIORITISE INVESTMENTS TO ADDRESS THE LONG TERM FINANCIAL AND SUSTAINABILITY CHALLENGES FACING NEW ZEALAND.

The Government will prioritise responsible investments that enhance the long term wellbeing of New Zealanders - such as restarting contributions to the Super Fund. In addition we will invest in infrastructure to support our growing population, and reduce the long term fiscal and economic risks of climate change.

4 THE GOVERNMENT WILL TAKE A PRUDENT APPROACH TO ENSURE EXPENDITURE IS PHASED, CONTROLLED AND DIRECTED TO MAXIMISE ITS BENEFITS. THE GOVERNMENT WILL MAINTAIN ITS EXPENDITURE TO WITHIN THE RECENT HISTORICAL RANGE OF SPENDING TO GDP RATIO.

During the global financial crisis, Core Crown spending rose to 34% of GDP. However, for the last 20 years, Core Crown spending has been around 30% of GDP and we will manage our expenditure carefully to continue this trend.

5 THE GOVERNMENT WILL ENSURE A PROGRESSIVE TAXATION SYSTEM THAT IS FAIR, BALANCED, AND PROMOTES THE LONG TERM SUSTAINABILITY AND PRODUCTIVITY OF THE ECONOMY.

Taxation is an important tool for rebalancing the economy and setting our country on a path to an environmentally and economically sustainable future. The Government will establish a group of independent experts to advise on how best to achieve this.

THE GOVERNMENT WILL ESTABLISH AN INDEPENDENT BODY TO MAKE SURE THE RULES ARE BEING ADHERED TO.

Why have we developed the Budget Responsibility Rules?

- Fiscal policy is not an end in itself — it is a path to good economic management that improves the lives of New Zealanders, ensures we live within our means, strengthens the social fabric of our country, and makes sure we get the most efficient use of our resources.
- For New Zealanders to have enduring quality of life, prosperity, and security, governments need to manage revenue and spending decisions carefully. Good fiscal management is a core part of what it means to be a good government.

Measuring our success in government

- The credibility of our Budget Responsibility Rules requires a mechanism that makes the Government accountable. Independent oversight will provide the public with confidence that the Government is sticking to the rules.
- We will establish a body independent of Ministers of the Crown who will be responsible for determining if these rules are being met. The body will also have oversight of government economic and fiscal forecasts, shall provide an independent assessment of government forecasts to the public, and will cost policies of opposition parties.
- We expect to be held to account by the people of New Zealand. That is why it is important to have clear indicators of success, and independent oversight.
- In government, we will develop a comprehensive set of measurements to assess our progress and policies, across a range of social, environmental and economic indicators.
- We will report on our successes at the Budget and Half Year Economic and Fiscal Updates.

