# From plans to projects

## An assessment of how central government plans, funds, and manages infrastructure

# New Zealand Infrastructure Commission / Te Waihanga

The New Zealand Infrastructure Commission, Te Waihanga, seeks to transform infrastructure for all New Zealanders. By doing so our goal is to lift the economic performance of Aotearoa and improve the wellbeing of all New Zealanders.

We are an autonomous Crown entity, listed under the Crown Entities Act 2004, with an independent board. We were established by the New Zealand Infrastructure Commission/Te Waihanga Act 2019 on 25 September 2019.

Information on the Commission is available at www.tewaihanga.govt.nz/

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## Disclaimer



## Contact

**Peter Nunns**
General Manager, Strategy
**Email:** peter.nunns@tewaihanga.govt.nz
**Website:** tewaihanga.govt.nz
**Linkedin:** tewaihanga

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We acknowledge the work of the International Monetary Fund (IMF) in developing and maintaining the Public Investment Management Assessment (PIMA) framework. This 'self-assessment' was developed by the Infrastructure Commission and does not represent an official IMF PIMA report. Although the Commission was guided by the IMF PIMA Handbook in undertaking this assessment, in some places we have reinterpreted or adapted elements of the framework to fit the New Zealand context and to align with the objectives of the National Infrastructure Plan. We thank IMF staff for their advice on interpretation of the PIMA framework.

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- Ministry of Justice
- National Emergency Management Agency
- New Zealand Defence Force
- New Zealand Government Procurement
- New Zealand Transport Agency
- Office of the Auditor-General
- Stats NZ
- The Treasury

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# Executive summary

## We need to invest well before we can invest more

Infrastructure plays a key role in New Zealand's wellbeing and economic prosperity. We depend upon schools, hospitals, roads, electricity lines, water pipes and mobile networks to educate us, keep us healthy, get us around, power our homes, serve us with drinking water and connect us to the world.

New Zealand spends a large share of its national income on public capital investment, relative to other high-income countries. In fact, from 2010 to 2019, we invested a larger share of GDP in public infrastructure than any other OECD country.

However, the quality of New Zealand's infrastructure is lower than expected given what we spend on it. We estimate that New Zealand has comparatively low investment efficiency relative to other OECD countries (**Figure 1**). This means that we do not get best value for what we are spending. This could be because we do not choose the highest value projects, because we do not build infrastructure cost-effectively, or because we do not keep our assets in good condition.

**Figure 1: Estimated efficiency scores for public infrastructure investment in OECD countries (2019)**


*Source: New Zealand Infrastructure Commission, Te Waihanga. (2021). Investment gap or efficiency gap?*

## Central government plays a key role in infrastructure investment

Central government agencies are responsible for almost half of New Zealand's existing infrastructure assets and a similar share of our overall infrastructure investment. Central government contributes most of our investment in the land transport, education, health, justice and defence sectors. Government-owned commercial entities also play important roles in other sectors, such as electricity.

## We review our public investment management against an international framework

We examine the performance of central government investment and asset management against the International Monetary Fund (IMF)'s best practice framework. This helps us understand how our public investment management system supports central government agencies to plan, select, invest in, deliver, and manage infrastructure assets efficiently and effectively.

The IMF's *Public Investment Management Assessment* (PIMA) framework was published in 2015 and has been widely used for country reviews, including in OECD economies such as the United Kingdom, Republic of Ireland, Poland, and Estonia.[1] It assesses policy design and effectiveness of 15 'pillars' that span the planning, allocation, and implementation stages of the infrastructure investment lifecycle (**Figure 2**). We undertake a self-assessment based on the PIMA Handbook.

**Figure 2: Summary of the IMF's PIMA framework**

| Lifecycle stage | | |
|---|---|---|
| **Planning**<br>Ensuring public investment is fiscally sustainable and effectively coordinated | **Allocation**<br>Ensuring public investment is directed to the highest-value projects and programmes | **Implementation**<br>Ensuring projects are fully funded, transparently monitored, and effectively managed |
| **Pillars** | | |
| 1. Fiscal targets and rules<br>2. National and sectoral planning<br>3. Coordination between entities<br>4. Project appraisal<br>5. Infrastructure financing | 6. Multi-year budgeting<br>7. Budget comprehensiveness and unity<br>8. Budgeting for investment<br>9. Maintenance<br>10. Project selection | 11. Procurement<br>12. Availability of funding<br>13. Portfolio oversight<br>14. Project management<br>15. Monitoring of assets |

*Source: Adapted from IMF PIMA Handbook.*

## How good are we at planning infrastructure investment?

Efficient public investment requires robust planning processes. Investment planning should ensure that public investment is fiscally sustainable and effectively coordinated over time, across sectors, and across levels of government. It should ensure that project proposals are robustly analysed prior to investment decisions. And it should ensure that all possible financing and delivery modes are considered in the planning process.

### Our overall fiscal framework is reasonable

Our analysis highlights two key areas of good performance. These lay a strong foundation for fiscally sustainable and well-coordinated infrastructure investment. These areas are:

- Fiscal targets and rules: Successive Governments have applied the fiscal sustainability principles in the Public Finance Act 1989, and central government debt-to-GDP ratios have generally met fiscal sustainability targets. These can help ensure that we have long-term certainty about fiscally sustainable public investment.
- Project appraisal *(in relation to policy design only, not effectiveness)*: The Treasury publishes best-practice guidance on business case development and cost benefit analysis for new capital investment. If consistently applied, these can help to ensure we get best value from new public investment.

But our analysis also identifies three key areas where we can improve. Left unaddressed, these will make it more difficult to plan infrastructure investment in a fiscally sustainable and well-coordinated way.

### Agencies take inconsistent approaches to long-term investment planning

[1] International Monetary Fund. (2025). IMF's Role in Infrastructure Governance.

Central government agencies are generally not required to develop and publish detailed, prioritised, multi-year investment plans. Instead, agencies must provide Treasury with their ten-year investment intentions – unconstrained, unfunded plans that often exceed the level of funding that is likely to be available.

Central government does not follow the same long-term planning practices that it requires for local government (**Table 1**). Councils are required to develop ten-year Long-Term Plans detailing the level of capital expenditure they have budgeted for different needs, including additional demand and asset replacement.

**Table 1: Capital investment planning requirements in local versus central government**

| Are they legally required to: | Local councils | Government agencies |
|---|---|---|
| ...forecast investment over at least ten years? | Yes | No |
| ...forecast investment by infrastructure sector? | Yes | No |
| ...forecast investment for meeting additional demand? | Yes | No |
| ...forecast investment for improving service levels? | Yes | No |
| ...forecast investment for replacing existing assets? | Yes | No |

*Source: Infrastructure Commission analysis.*

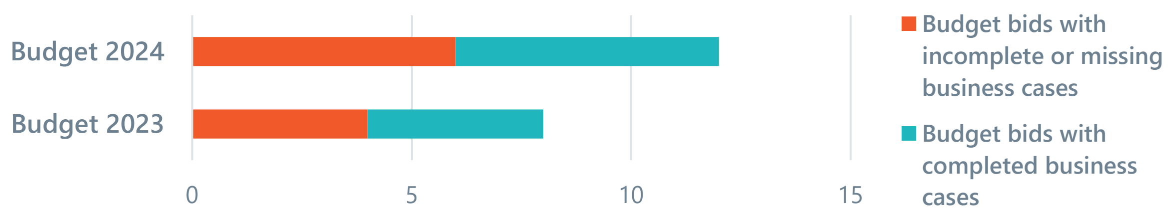
While some agencies have chosen to develop multi-year investment plans, there are no common requirements, standards, or scenarios for these plans. There is also no firm link between the projects set out in investment plans and the projects that are selected and funded.

## The government doesn't always fully assess projects before funding them

Central government sometimes makes investment decisions without fully assessing a project's costs and benefits. Despite explicit and binding requirements set out in a Cabinet Office Circular on investment management, agencies do not always produce robust business cases for all investment proposals.

In recent years, half of the Budget bids reviewed by the government's Investment Panel have had either missing or inadequate business cases (**Figure 3**). And only a small minority of investment proposals reviewed by the Budget Investment Panel came with robust cost-benefit analyses. This makes it harder to target investment towards the areas of highest need.

**Figure 3: Proportion of Budget bids reviewed by the government's Investment Panel found to have completed business cases, 2023 and 2024**




*Source: Infrastructure Commission. (2024). Annual Report.*

## Central and local government planning is not well coordinated

Some existing policies support coordination of investment planning between central and local government, but they are implemented inconsistently. This is often due to a disconnect between funding and planning decisions made under different legislation. A further issue is a lack of spatial planning processes that can improve the coordination of infrastructure and land use planning.

## How good are we at allocating funding to the highest-value investments?

Allocating public investment to the highest-value projects and programmes requires comprehensive and stringent budgeting practices. There should be consistent medium-term budgets and the full cost of all public investment should be included in the budget. Project selection processes should ensure that the right projects are chosen, and funding for maintenance and renewal of assets should be set based on robust methodologies.

We have mixed or poor performance in most of the IMF's Allocation pillars, but there are some areas of good performance.

### The annual Budget is comprehensive and backed by a robust legislative framework

Our analysis highlights two key areas of good performance. These ensure that funding is available to complete well-scoped projects following an investment decision and that all planned spending is tracked in budget documents. These areas are:

- Budget comprehensiveness and unity: While we do not fully comply with all PIMA criteria, due to some land transport investment being funded outside Budget appropriations, we achieve the core intent of this pillar. The Budget and NLTP comprehensively account for capital spending and are subject to longstanding legislative controls.
- Budgeting for investment: Appropriations protect funding from being diverted to other activities without legislative authorisation. The government appears to appropriate enough funding needed to ensure continuity of project delivery.

Our analysis also identifies three key areas where we can improve. Left unaddressed, these will make it more difficult to allocate public investment to the highest-value projects and programmes, leading to cost overruns on new projects and declining asset condition.

### The annual Budget cycle gives agencies limited certainty about future funding

Budgets are typically set on an annual basis, making it hard for agencies to plan ahead for multi-year investment programmes.

While the Public Finance Act enables the use of multi-year appropriations, these are generally used to fund the delivery of specific initiatives, rather than to fund an agency's overarching multi-year investment plan. In practice, multi-year appropriations do not currently provide effective multi-year budgeting.

As a result, agencies are incentivised to take a short-term view on funding and investment, focusing on what funding they can obtain on a year-to-year basis. This makes it challenging for agencies to establish efficient multi-year supply and procurement arrangements, strategically develop a more competitive supplier market, and smooth out their pipeline of work.

And it means that Ministers may be asked to approve investment proposals one-by-one, in isolation from their wider investment portfolios, and which may have unclear links to long-term plans.

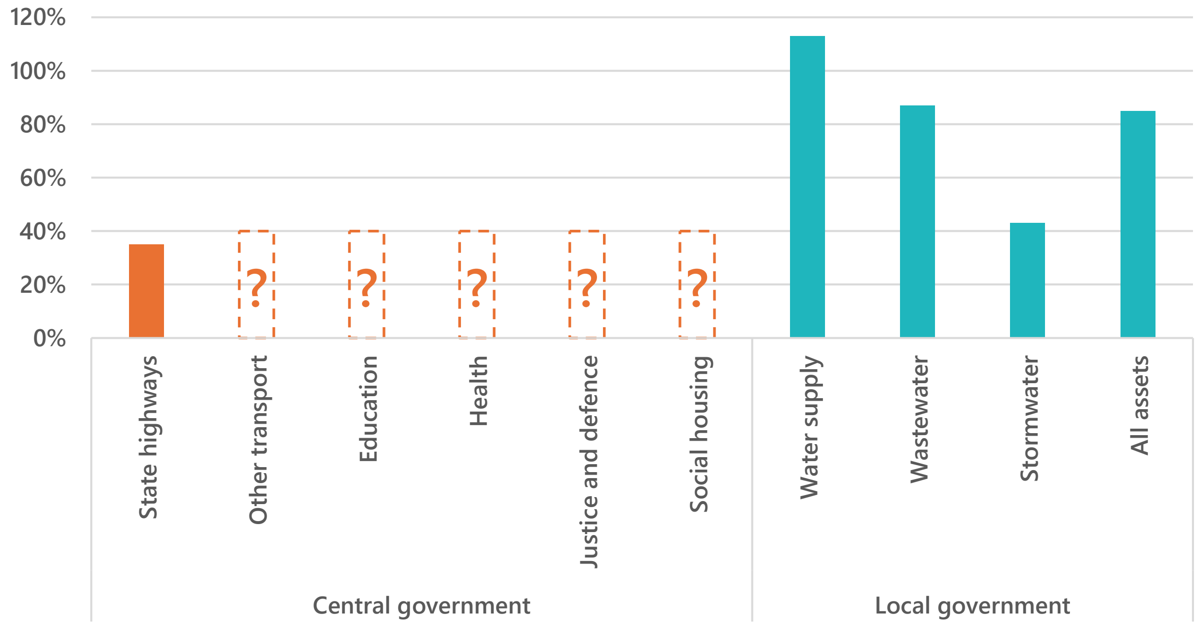
## We don’t know if we spend enough to maintain and renew existing infrastructure

Central government agencies are not required to follow a standard methodology for determining their maintenance and renewal needs. There is currently no central reporting process or requirement to identify funding gaps between depreciation and asset renewal requirements for government agencies.

We cannot determine how much most government agencies are spending on maintenance based on published financial information. For agencies that depend on Crown funding, maintenance spending is generally funded through baselines, which cannot be disaggregated into different projects or activity classes. Agencies are not required to report actual spending on maintenance, renewals, and enhancements, which would enable comparisons to be made between agencies and over time.

The best available evidence we have points to significant underfunding of both maintenance and renewals across both central and local government infrastructure. For instance, in 2024, renewal spending on state highways was equal to around 35% of reported depreciation (**Figure 4**), although operating spending for pavement maintenance would push up this ratio.[2] But in most sectors agencies do not publish the information that we would need to estimate the deficit.

**Figure 4: Renewal to depreciation ratios for publicly owned infrastructure sectors**




*Source: Infrastructure Commission analysis based on data from NZTA (2024) and the Office of the Auditor-General (2024). The figure provided for state highways shows spending in 2023/24. The figures for local government show spending forecasts for 2024-34 taken from councils’ Long-Term Plans.*

## Decision-makers lack quality information when choosing projects to invest in

The quality of information and advice on new capital investments is often poor. Without high-quality business cases and rigorous economic appraisal, it’s difficult for Ministers to make evidence-based decisions about which projects should be built. It also means that officials must find other ways to determine which investment proposals they will recommend to Ministers.

Treasury advice on Budget investment proposals is based, in part, on scoring funding bids against an evaluation framework that looks at how investment proposal aligns with best practices for infrastructure

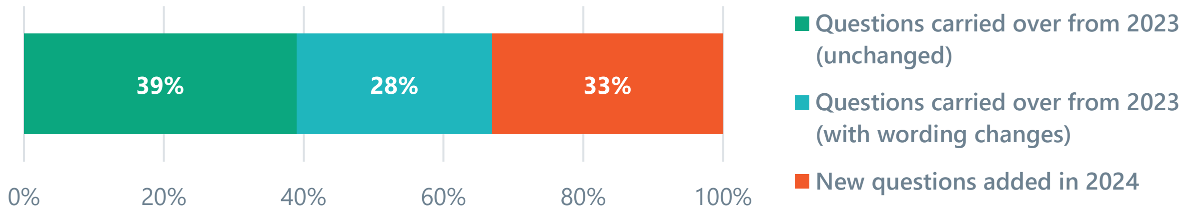
[2] New Zealand Transport Agency, Te Waihanga. (2024). Build or maintain?

project planning and current Government priorities. This evaluation framework is largely rewritten from year to year (**Figure 5**), and it is not published in advance of the Budget process.

Because the selection criteria change so much, a project recommended for funding one year may not have been recommended the previous year. While it's reasonable for government policy priorities to change over time, it's less clear why we need to change our approach to assessing issues such as commercial risk management every year. Frequent changes to selection criteria also make it difficult for agencies to put together Budget funding submissions that provide all the expected information.

This also makes it difficult to determine if spending is consistently being prioritised to the highest-value areas.

**Figure 5: Origin of questions included the 2024 Budget evaluation framework**




*Source: Infrastructure Commission analysis.*

## How good are we at implementing and maintaining our investments?

Timely and cost-effective infrastructure delivery requires projects to be fully funded, transparently monitored, and effectively managed throughout their life. Procurement practices should be transparent and encourage competition, and funds should be made available to ensure timely capital budget execution. Project management and portfolio monitoring should enable implementation challenges to be identified and resolved and support continuous improvement. Capital assets should be transparently and efficiently managed.

We have mixed performance in most of the IMF's Implementation pillars, with some areas of good performance and several key areas for improvement.

### The government manages its cash flows and pays its suppliers promptly

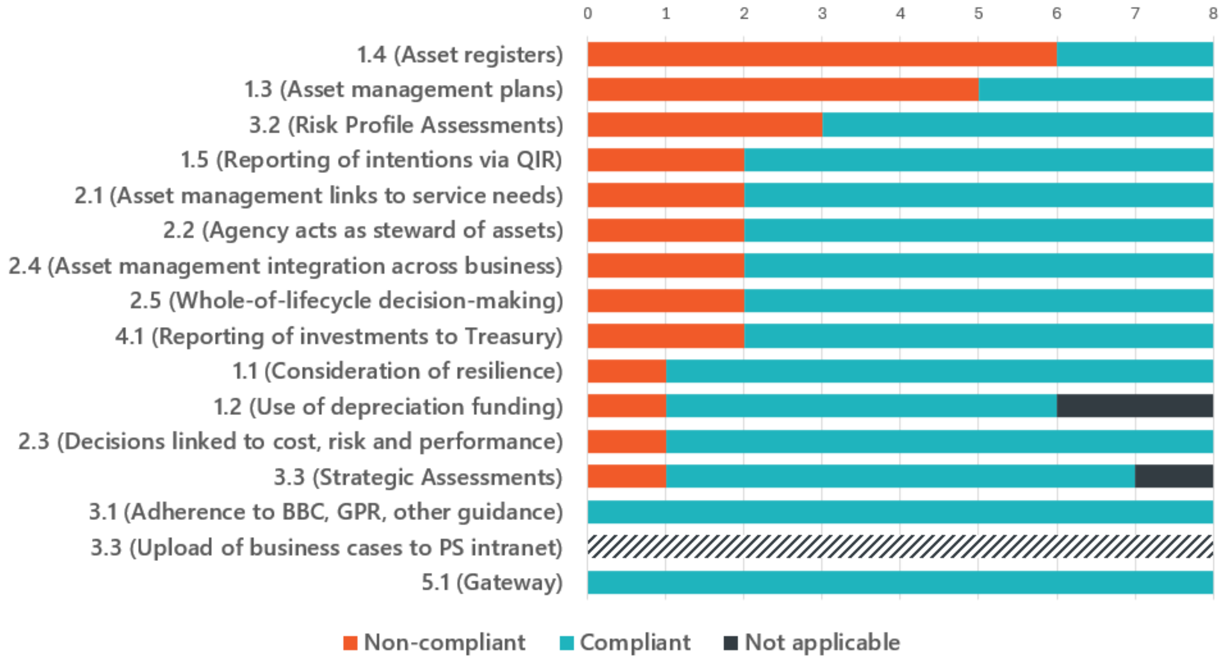
Our analysis highlights availability of funding as a key area of good performance. When money is appropriated for projects, it is made available in practice. Central government does not face any cash flow or financing issues that would prevent investment from proceeding once it has been budgeted. This ensures that money is available to complete well-scoped projects following an investment decision. And government agencies appear to be paying their own suppliers promptly.

### Many central government agencies do not know their assets

A Cabinet Office Circular on investment management requires agencies to comply with basic requirements to maintain asset registers for service-critical assets and develop asset management plans. However, many agencies self-report that they do not achieve these rudimentary requirements.

In June 2024, six out of eight capital-intensive agencies self-reported that they do not currently have asset registers that meet these requirements (**Figure 6**). Five said that they do not have asset management plans that inform strategic, tactical, and operational choices.

**Figure 6: Capital-intensive agencies' self-reported compliance with Cabinet Office Circular requirements**




*Source: Infrastructure Commission analysis of Treasury's June 2024 Quarterly Investment Reporting data. 'Capital-intensive agencies' include Health New Zealand, the New Zealand Defence Force (NZDF), NZDF-Ministry of Defence (for Defence Capability), Department of Corrections, New Zealand Transport Agency, Kāinga Ora, Ministry of Education, and the Ministry of Justice. We have excluded requirement 3.3 from our analysis due to technical issues with the Public Service Intranet over the reporting period.*

Inadequate asset data and asset management planning makes it harder to spend money where it's needed at the right time. It also makes it harder to monitor assets to ensure that they are in good condition, appropriately sized to meet demand, and resilient to natural hazard events and other risks.

## There are gaps in project leadership and monitoring capability

Project leadership capabilities are variable across government, and agencies' monitoring and assurance frameworks are often insufficient to enable leaders (and Ministers) to manage their investments and intervene in troubled projects effectively. These can affect the likelihood of successful delivery after projects have been planned and funded.

Agencies are required to report project information to the Treasury and go through Gateway assurance reviews. However, the quality of project information submitted by agencies is variable. And the Gateway review framework is not designed to provide Ministers with assurance about the likelihood of public investment being delivered on-budget, on-time and on-benefits. Gaps in investment reporting and assurance make it difficult for Ministers to manage their investment portfolios effectively.

Inconsistent information across the Planning, Allocation and Implementation stages also makes it challenging to monitor and track infrastructure projects. At present, it isn't possible to link investment projects to funding appropriations. Although some major projects – such as City Rail Link and New Dunedin Hospital – have their own appropriations, most projects do not. An appropriation may fund several projects, and a project may be funded from several appropriations. This makes it hard to trace the flow of money from the Budget to the shovel.

# Contents

# Introduction

## We need to invest well before we can invest more

**Infrastructure plays a key role in New Zealand's wellbeing and economic prosperity.** We depend on schools, hospitals, roads, electricity lines, water pipes and mobile networks to educate us, keep us healthy, get us around, power our homes, serve us with drinking water and connect us to the world.

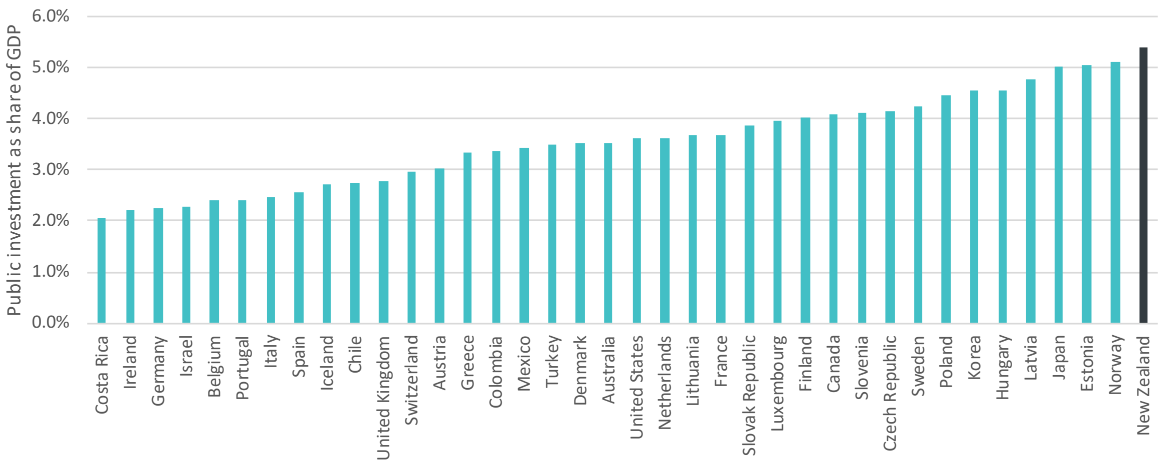
**To continue to enjoy these benefits, we need to keep investing in infrastructure.** Over the next generation, we will continue to build new or improved infrastructure in response to growing or changing demands and renew and replace existing infrastructure as it wears out or becomes obsolete.

### Investment efficiency is a key challenge for New Zealand

**More spending does not always lead to better infrastructure outcomes.** The quality of investment and asset management planning and delivery matters. If assets are not managed appropriately and new investments are not delivered efficiently, then we may lose service or face pressure to spend more than we need to meet our needs.

**New Zealand spends a large share of its national income on public capital investment**, relative to other high-income countries. In fact, from 2010 to 2019, we invested a larger share of GDP in public infrastructure than any other OECD country (**Figure 7**).

Figure 7: Public capital investment as a share of GDP in OECD countries, 2010-2019




*Source: New Zealand Infrastructure Commission, Te Waihanga. (2021). Investment gap or efficiency gap?*

**However, the quality of New Zealand's infrastructure is lower than expected given what we spend on it.** We estimate that New Zealand has comparatively low investment efficiency relative to other OECD countries (**Figure 8**). This means that we do not get best value for what we are spending. This could be because we do not choose the highest value projects, because we do not build infrastructure cost-effectively, or because we do not keep our assets in good condition.

Figure 8: Estimated efficiency scores for public infrastructure investment in OECD countries (2019)


*Source: New Zealand Infrastructure Commission, Te Waihanga. (2021). Investment gap or efficiency gap?*

Other evidence supports the idea that we face challenges with investment efficiency, especially for public investment.

**Investment decisions are not always based on robust evidence**. In the 2023 and 2024 Budget rounds, half of the new initiatives seeking Budget funding did not have completed business cases.[3] International evidence shows that insufficient planning prior to an investment decision contributes to subsequent cost overruns and delivery delays.[4]

**It is costly to build complex public infrastructure projects in New Zealand**, relative to other high-income countries.[5] Cost overruns and delays are common: In June 2024, the Treasury reported that central government agencies were reporting $2.1 billion in cost pressures on investments in delivery, and that over half of projects are experiencing delays.[6]

**Maintenance and renewal spending may not be sufficient** to ensure that central government agencies can keep providing required infrastructure. For instance, state highway pavement quality has deteriorated since the early 2010s, due to low spending on pavement renewals.[7] Less data is available for other types of central government infrastructure, although there is evidence of declining asset condition in areas like hospitals.[8]

## Many factors affect investment efficiency

**Building and maintaining infrastructure is complex.** Many things need to go right to ensure that we get the best value from what we are spending.

**We have previously reviewed many factors that affect investment efficiency.** These include the quality of asset management planning,[9] how easy it is to consent infrastructure projects through

[3] New Zealand Infrastructure Commission, Te Waihanga. (2024). Annual Report Pūrongo ā-Tau.
[4] Grattan Institute. (2020). The rise of megaprojects: Counting the costs.
[5] New Zealand Infrastructure Commission, Te Waihanga. (2022). The lay of the land: Benchmarking New Zealand's infrastructure delivery costs.
[6] The Treasury. (2024). Quarterly Investment Report for quarter ending June 2024.
[7] New Zealand Infrastructure Commission, Te Waihanga. (2024). Build or maintain?
[8] NZIER. (2023). Building a healthy future.
[9] New Zealand Infrastructure Commission, Te Waihanga. (2024). Taking care of tomorrow today: Asset management state of play.

resource management legislation,[10] how proactively we protect land for future infrastructure projects,[11] how productive the infrastructure construction sector is,[12] whether we have a capable and right-sized infrastructure workforce,[13] how infrastructure providers procure work from the market,[14] and how well we use pricing to optimise the use of infrastructure.[15]

However, one big, cross-cutting factor is how infrastructure providers decide how much to invest, what to invest in, and how to manage their assets.

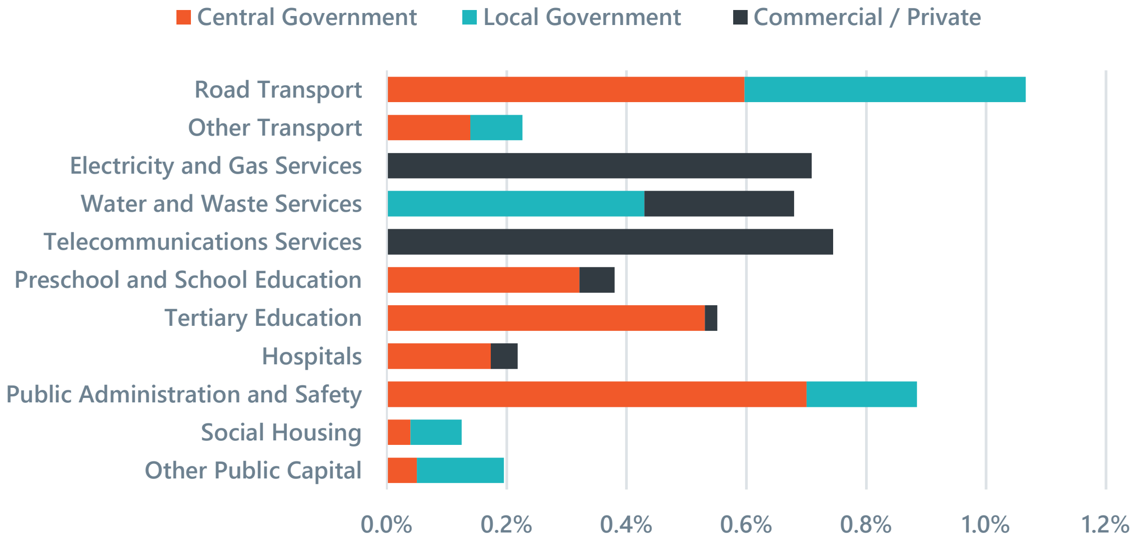
## Central government plays a key role in infrastructure investment

**The infrastructure sector is complex.** Infrastructure is owned and provided by many different organisations, across central government, local government, and the commercial sector. We rely on these organisations to maintain infrastructure assets that already exist, so that we can continue to get the services we need, and to invest in new infrastructure where and when it is demanded.

**Central government sets the 'rules of the game'** that local government and commercial entities play by. These include establishing oversight and accountability arrangements for local government and commercial entities, for instance by tasking the Commerce Commission with regulating infrastructure providers like electricity distribution businesses or council water service entities, and writing resource management legislation and health and safety regulations that all infrastructure providers must comply with.

**Central government also plays a key role in infrastructure investment.** Central government agencies are responsible for almost half of New Zealand's existing infrastructure assets and a similar share of our overall infrastructure investment. Central government contributes most of its investment in the education, health, justice, defence and land transport sectors (**Figure 9**). Government-owned commercial entities also play important roles in other sectors, such as electricity.

**Figure 9: Average annual capital investment as a share of GDP, by infrastructure sector, 2013-2022**




*Source: Infrastructure Commission analysis of Stats NZ data. Note: * Social housing GFKF data not available for the years 2020-2022.*

[10] Sapere. (2021). The cost of consenting infrastructure projects in New Zealand.
[11] New Zealand Infrastructure Commission. (2023). Protecting land for infrastructure: How to make good decisions when we aren't certain about the future.
[12] New Zealand Infrastructure Commission, Te Waihanga. (2022). Economic performance of the NZ construction sector.
[13] New Zealand Infrastructure Commission, Te Waihanga. (2023). Who's working in infrastructure? A baseline report.
[14] New Zealand Infrastructure Commission, Te Waihanga. (2025). Delivering better value and better outcomes.
[15] New Zealand Infrastructure Commission, Te Waihanga. (2024). Network infrastructure pricing study.

## Central government decision-making is guided by the Public Finance System

**Investment decision-making is different in different sectors.** This is because central government, local government, and commercial entities all have different governance and oversight, under different legislative frameworks.

**New Zealand's Public Finance System guides central government infrastructure providers' investment and asset management choices.** This is the system that defines how central government sets its fiscal strategy and makes infrastructure investment decisions; how agencies plan, invest in and manage infrastructure assets; and how transparency of public spending is provided. It is established under the Public Finance Act 1989 and applies to all core Crown agencies.

**The Investment Management System is a component of the Public Finance System.** It is particularly relevant to infrastructure investment and asset management. It is New Zealand's system of management of investments in physical and intangible assets by government departments, Crown entities and schedule 4a companies defined under the Public Finance Act 1989. Key requirements are set out in a Cabinet Office Circular on investment management, entitled *CO (23) 9: Investment Management and Asset Performance in Departments and Other Entities*.[16] Appendix A summarises previous versions of this Circular.

**Different processes apply to government investment in land transport.** The New Zealand Transport Agency (NZTA) invests in the operation, maintenance, renewal and improvement of land transport infrastructure. This investment is primarily funded by revenues from Road User Charges (RUC) and Fuel Excise Duty (FED) that have been hypothecated into the National Land Transport Fund (NLTF). In simple terms, this means that all revenue collected from sources like FED, RUC, vehicle registration fees and state highway property sales is strictly allocated for land transport projects. NZTA is required to allocate funding from the NLTF within the spending ranges for different activity classes set out in the Government Policy Statement on land transport.

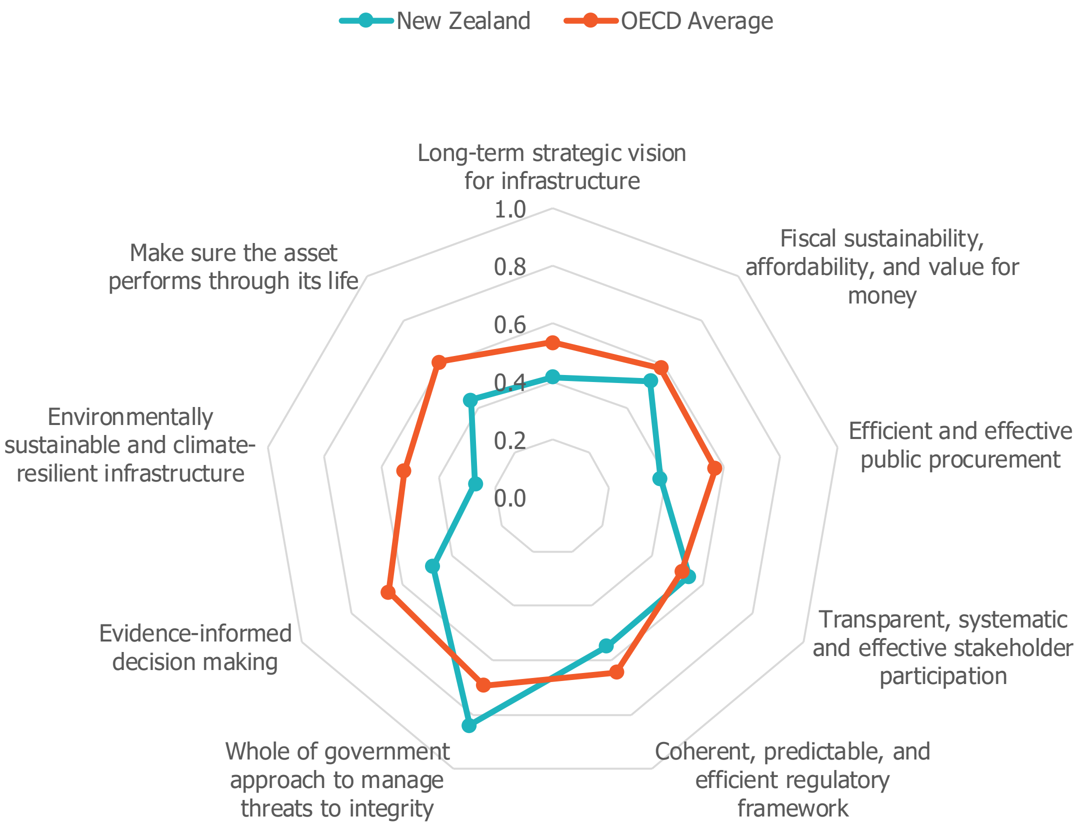
## International comparisons suggest we can lift our game

**The OECD's *Indicators on the Governance of Infrastructure* suggest that we lag in some key areas.**[17] Relative to other high-income countries, we score poorly in areas like our long-term strategic vision for infrastructure, efficient and effective public procurement, evidence-informed decision-making, sustainable and climate-resilient infrastructure, and asset management (**Figure 10**).

**Further work is needed** to understand the underlying causes of the challenges facing central government infrastructure planning and delivery.

[16] Cabinet Office. (2023). CO (23) 9: Investment Management and Asset Performance in Departments and Other Entities.
[17] Organisation for Economic Cooperation and Development. (2023). Infrastructure Toolkit.

**Figure 10: OECD Indicators on the Governance of Infrastructure, New Zealand versus OECD average**




*Source: Infrastructure Commission analysis of OECD (2023) Infrastructure Toolkit.*

## We assess our public investment management against best practices

**We examine the performance of central government investment and asset management** against best practice principles. This research is intended to help us understand how our public investment management system supports central government agencies to plan, select, invest in, deliver and manage infrastructure assets efficiently and effectively.

**We undertake a self-assessment of the design and effectiveness of key policy settings** using the *Public Investment Management Assessment* (PIMA) framework developed by the International Monetary Fund (IMF) in 2015.[18]

**PIMA is a standardised, best-practice framework** for reviewing public investment management systems, like New Zealand's Public Finance System and Investment Management System. It is broken down into 15 'pillars' that span the planning, allocation, and implementation stages of the infrastructure investment lifecycle (**Figure 11**). For each pillar, PIMA poses three assessment questions, with policy and institutional settings scored based on policy design (whether appropriate policies are in place) and effectiveness (how well these policies are implemented in practice).

**PIMA has been widely adopted in recent years.** It was originally designed for use in developing countries that receive loans from the IMF, but the IMF has since published PIMA reports on policy and institutional settings in OECD economies such as the United Kingdom, Republic of Ireland, Poland, and Estonia. In addition, detailed technical guidance is published so countries can undertake self-assessments.

[18] International Monetary Fund. (2025). IMF's Role in Infrastructure Governance.

Figure 11: Summary of the IMF's PIMA framework

| Lifecycle stage | | |
|---|---|---|
| **Planning**<br>Ensuring public investment is fiscally sustainable and effectively coordinated | **Allocation**<br>Ensuring public investment is directed to the highest-value projects and programmes | **Implementation**<br>Ensuring projects are fully funded, transparently monitored, and effectively managed |
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*Source: Adapted from IMF PIMA Handbook*

**We focus mainly on the Budget process and the Investment Management System.** For most government agencies, Crown appropriations are the primary source of funding for infrastructure projects. We therefore focus mainly on the design and effectiveness of the Public Finance System, including the Investment Management System. However, we also examine the performance of other institutional settings governing investment outside the Budget process, notably in the land transport sector.

## Why we used the PIMA framework

**We considered a range of alternative frameworks** for assessing public investment management systems before selecting the PIMA framework for this review.

1. A 2023 stocktake by the Public Expenditure and Financial Accountability (PEFA) Secretariat identified 64 frameworks for assessing various aspects of public financial management, but very few of these focused specifically on public investment management.[19] Since then, several additional assessment frameworks and benchmarking indices have been developed, including the Institution of Civil Engineers' *Enabling Better Infrastructure* framework and the OECD's *Indicators on the Governance of Infrastructure*.

**PIMA is well suited for a robust assessment** of New Zealand's public investment management system. This is because it is:

- **Structured:** PIMA breaks down the central government investment system into fifteen discrete components, providing a structured framework for assessing the design and effectiveness of the

[19] PEFA Secretariat. (2023). 2022 Stocktaking of Public Financial Management Diagnostic Tools.
Frameworks that were relevant for public investment management included the IMF's *Public Investment Management Assessment*; the World Bank's *Infrastructure Governance Assessment Framework*, its *Diagnostic Framework for Public Investment Management*, and its *Country Policy and Institutional Assessment*; G20's *Principles for Quality Infrastructure Investment*; and PEFA's *Public Expenditure and Financial Accountability*.

system, and enabling connections to be made between areas for improvement across pillars of the public investment management system.

- **Comprehensive:** PIMA encompasses the investment planning, allocation and implementation stages, prompting us to consider the performance of central government investment management from start to finish. Unlike most other frameworks we reviewed, the lifecycle stages and pillars included in the PIMA framework cover all the key stages in New Zealand's Investment Management System (see Appendix B).
- **Comparable:** PIMA reviews have been carried out in over 100 countries,[20] and the IMF has published reports assessing policy and institutional settings in several OECD economies, including the United Kingdom, Ireland, Poland, Estonia and more. An established PIMA literature provides useful case studies on lessons learned overseas.
- **Policy relevant:** Unlike other frameworks for analysing public investment management, PIMA is specifically designed to assess policy settings and identify areas for improvement to better align with international best practice.

## How we applied the PIMA framework

**We undertook a self-assessment guided by the PIMA framework.** While we have used the official PIMA Handbook to help us develop this assessment and report our findings, we have not attempted to produce a definitive application of the PIMA methodology, and our 'initial self-assessment' does not constitute an official IMF PIMA report.

**Where appropriate, we have adjusted terminology and definitions to better reflect the New Zealand context.** For example, where PIMA source materials use the term 'subnational government', our report instead uses 'local government', as New Zealand does not have provincial or state governments. Similarly, where the IMF's indicative scoring thresholds refer to the role of 'public corporations' in providing infrastructure, we have interpreted this to refer primarily to the activities of state-owned enterprises such as KiwiRail and Transpower.

**Our findings are based on desktop research, data analysis, and feedback from experts and central government agencies.** Our self-assessment started with a review of publicly available information, such as legislation, policy documents, research reports, Budget documentation and proactively released Treasury briefings, and input from the Commission's subject matter experts. We then tested our draft findings with the Treasury and other system leads within the Investment Management System, followed by testing with capital-intensive agencies and other agencies involved in infrastructure policy. We have also sought and used feedback from external reviewers, including IMF staff.

**We have structured this report to align with the lifecycle stages and pillars in the PIMA framework.** For each pillar, we have provided our assessment of New Zealand's system settings against the three assessment questions, using the indicative scoring thresholds suggested by the IMF in the official PIMA Handbook. We have provided separate analysis for 'institutional design' and 'effectiveness'.

**We have not numerically scored the design or effectiveness of different system settings.** Unlike IMF PIMA reports, this report does not assign numerical performance grades to different system settings. We have provided a qualitative assessment of our performance, supported by relevant data.

**This report does not make recommendations.** The aim of our research is to identify areas where New Zealand's public investment management system performs well against international best practices, and where it could be improved. We expect to use these findings to help to shape and prioritise our broader

[20] International Monetary Fund. (2025). IMF's Role in Infrastructure Governance.

advice on improvements to infrastructure investment and asset management practices in central government.

## How we report our results

The following three sections summarise our key findings and the detailed analysis that underpins them:

- The **"Planning" section** summarises our key findings for the first five PIMA pillars, which relate to ensuring public investment is fiscally sustainable and effectively coordinated.
- The **"Allocation" section** summarises our key findings for the next five PIMA pillars, which relate to ensuring public investment is directed to the highest-value projects and programmes.
- The **"Implementation" section** summarises our key findings for the final five PIMA pillars, which relate to ensuring projects are fully funded, transparently monitored and effectively managed.

Each section starts with a summary of our key findings for each of the five pillars that are covered in that section, including identifying key strengths and weaknesses at this stage of the investment lifecycle. The following five sub-sections then walk through our self-assessment results in more detail, providing information on our performance against the questions that are used to assess performance against each pillar. The report concludes with a section that discusses key findings and implications of our research.

## How to interpret our performance scores

For each assessment, we provide an initial assessment of performance against the indicative scoring thresholds for both 'design' and 'effectiveness' stated in Appendix II of the PIMA Handbook. We display our provisional assessment in blue, with the other scores left shaded in grey. The table below provides an example of a 'medium' assessment.

| IMF indicative scoring thresholds | | | |
|---|---|---|---|
| No score given | Low | Medium | High |
| Insufficient information to score performance. | This box contains the IMF's indicative threshold for a 'low' score. | This box contains the IMF's indicative threshold for a 'medium' score. | This box contains the IMF's indicative threshold for a 'high' score. |

In some cases, we have been unable to provide a full assessment against the indicative scoring thresholds defined in the PIMA Handbook. This is usually because the information needed to the complete the assessment is not readily available. Where this is the case, we indicate that we are unable to provide an indicative score against the PIMA criteria, and provide our assessment based on the best available information.

## Glossary

Where appropriate, definitions are based on the IMF PIMA Handbook or agencies' websites.

| Term | Definition |
|---|---|
| **AoG** | **An All-of-Government contract** is a type of approved contract for government procurement. AoGs establish supply agreements with approved suppliers for selected common goods or services purchased across government. Under the Government Procurement Rules, agencies must purchase from AoG suppliers unless there is a good reason not to. |
| **BBC** | **The Better Business Cases framework.** BBC is a methodology that provides objective analysis in a consistent format to decision-makers. |
| **CO (23) 9** | **Cabinet Office circular (23) 9.** This circular sets out Cabinet's expectations for the management of investment projects. Departments must comply with the requirements stated in the circular, and most other agencies must treat it as government policy. |
| **Extra-Budgetary entities** | Government entities with a separate legal identity and substantial autonomy, including discretion over the volume and composition of their expenditures and a direct source of revenue, such as earmarked taxes. Such entities are often established to carry out specific functions, such as road construction or the non-market production of health or education services. |
| **Ex-post audit** | In-depth review conducted by the supreme audit institution [in New Zealand, the Office of the Auditor-General] according to internationally recognized audit principles, or by an independent, external audit company. (Not to be confused with an ***ex-post review*** – see below) |
| **Ex-post review** | Ex-post reviews are conducted after construction has been certified as completed or if the project has been officially terminated before completion. (Not to be confused with an ***ex-post audit*** – see below) |
| **Fiscal rules** | A lasting numerical constraint on a fiscal aggregate aimed at providing a credible commitment to fiscal discipline, usually set in law or constitution, and in place for at least three years. |
| **Fiscal transfers** | Central government funding transfers to local government organisations. |
| **GETS** | **The Government Electronic Tender Service**, where most large government contracts are advertised. |
| **IMS** | **The Investment Management System** sets out the policies, processes and requirements to support central government agencies to plan and deliver investments. CO (23) 9 sets out more information on IMS expectations. |
| **Medium-term** | A period usually covering the current year plus 2–3 additional years which may be applied both to Budgets and planning documents. |
| **Medium-term fiscal framework** | Fiscal analysis to guide the preparation of the Budget, which must: (1) cover a minimum period of the Budget year plus two forward years; (2) be approved at the level of Cabinet; and (3) treat expenditure aggregates or deficits as ceilings. |

| Term | Definition |
|---|---|
| **NLTF** | **The National Land Transport Fund** is made up of revenue collected from fuel excise duty, road user charges, vehicle and driver registration and licensing, and state highway property disposal and leasing, and road tolling. By law, NLTF money has to be invested in land transport. |
| **NLTP** | **The National Land Transport Programme** is a three-year programme that sets out how NZTA, working with its partners, plans to invest the National Land Transport Fund. |
| **NZTA** | **The New Zealand Transport Agency**, which allocates funding from the NLTF to deliver the NLTP. |
| **OECD** | The **Organisation for Economic Co-operation and Development** is an international organisation comprised of 38 member states, providing information and advice on policy issues. |
| **PPP** | **Public-private partnerships** are long-term contracts between a public and a private entity, whereby the private entity acquires or builds an asset or set of assets, operates it for a period, and then usually hands the asset over to the public entity. |
| **Project appraisal** | Project appraisals analyse project benefits and their contributions to achieving objectives set in national or sectoral plans. As such, appraisals are part of the planning phase of the PIMA framework. |
| **Project selection** | Project selection involves picking and choosing projects from a plan or from a pool of appraised projects, with due consideration to relevant economic, social, environmental, and political conditions. |
| **QIR** | The Treasury undertakes **Quarterly Investment Reporting** to identify and track investments through their investment lifecycle. QIR provides the Minister of Finance and Cabinet with visibility of the investment pipeline, policy advice on prioritisation and sequencing, and invitations into Budget and other funding related processes. Public Sector agencies in scope for QIR are the same as those agencies defined and within the scope of the investment management system in Cabinet Office Circular 23 (9). |
| **RPA** | Under current IMS rules, agencies are required to complete a **Risk Profile Assessment** for new investment proposals. The RPA process is designed to identify the inherent risk of an investment. |
| **SOEs** | **State-owned enterprises** are Crown-owned companies that are expected to be as profitable and efficient as comparable businesses not owned by the Crown. |
| **Virement** | Transfers of Budget funding between agencies, activities, and appropriations. |

# Planning: Fiscally sustainable and coordinated investment

## Summary of findings

**In this section, we examine our performance in the 'Planning' stage of the infrastructure investment lifecycle.** We undertake a qualitative self-assessment against the five pillars that are relevant to this lifecycle stage, supported by factual information on our institutional design and effectiveness of our practices.

**Efficient public investment requires robust planning processes.** Investment planning should ensure that public investment is fiscally sustainable and effectively coordinated over time, across sectors, and across levels of government. It should ensure that project proposals are robustly analysed prior to investment decisions. And it should ensure that all possible financing and delivery modes are considered in the planning process.

### Our key findings about the Planning pillars

**We perform strongly in some Planning pillars but have mixed or poor performance in others.** **Table 2** summarises our key findings regarding institutional design and effectiveness of these five pillars.

**We perform strongly against *Pillar 1: Fiscal targets and rules*.** Under the Public Finance Act 1989, Governments are required to outline how their fiscal plans will achieve statutory fiscal sustainability principles. This approach has been effective at ensuring that public debt levels are sustainable, enabling long-term certainty about fiscally sustainable investment levels.

**Our performance against *Pillar 2: National and sectoral planning* is considerably weaker**. Central government agencies are required to submit ten-year investment intentions to Treasury for review and collation but are no longer required to publish long-term investment plans. Investment and asset management planning is poor. There is a weak link between the Government's investment intentions and its fiscal strategy.

**Our performance against *Pillar 3: Coordination between central and local government entities* is mixed**. There is a well-established framework for fiscal transfers for land transport, through the National Land Transport Fund. Outside the transport sector, fiscal transfers play a much smaller role, but the coordination mechanisms are also much weaker. New Zealand does not have a strong spatial planning framework to coordinate infrastructure and land use planning.

**We perform well against institutional design for *Pillar 4: Project appraisal*, but our practices are mixed.** In theory, the government sets clear expectations for project appraisal through the Cabinet Office circular and Better Business Cases framework. In practice, compliance with these requirements is variable.

**We have reasonable performance against *Pillar 5: Alternative financing*.** This includes a role for commercial entities and economic regulation in several sectors, and policy guidance on public-private partnerships (PPPs). New Zealand's policy framework for PPPs continues to evolve.

Table 2: Institutional design and effectiveness of Planning pillars

| Pillar | Institutional design | Effectiveness |
|---|---|---|
| 1<br>Fiscal targets and rules | Central government sets fiscal objectives in line with statutory fiscal sustainability principles and produces medium-term fiscal forecasts to guide Budget planning. | Central government debt-to-GDP is relatively low by OECD standards; local government is not firmly debt constrained. |
| 2<br>National and sectoral planning | Agencies required to produce investment intentions but with limited info on project-level costings, targets and metrics. Long-term investment planning is not mandated. | Investment strategies are not based on robust asset management plans; incomplete investment intentions; weak link between investment intentions and fiscal strategy. |
| 3<br>Coordination between (central gov't and local gov't) entities | Local government has high degree of financial autonomy by OECD standards. Established framework for investment coordination in land transport sector. Weaker coordination mechanisms in other sectors. | Limited coordination, especially outside land transport sector. Fiscal transfers often made via ad-hoc contestable funds. No robust spatial planning framework to align investment and land use planning. |
| 4<br>Project appraisal | Treasury review of Risk Profile Assessments. Agencies required to produce business cases including economic appraisal, with templates and guidance. | Poor compliance with business case requirements for projects seeking Budget funding. Cost benefit analysis rarely used. |
| 5<br>Alternative financing | Established economic regulators for commercial network utilities. Public-private partnership framework published but still evolving. Treasury monitors state-owned enterprises. | Government plays dominant role in many sectors. PPPs rarely used in recent years, but the Government intends to increase their use. |

## What's working well?

**Our analysis highlights two key areas of good performance.** These lay a strong foundation for fiscally sustainable and well-coordinated infrastructure investment. These areas are:

- **Fiscal targets and rules:** Successive Governments have applied the fiscal sustainability principles in the Public Finance Act 1989, and central government debt-to-GDP ratios have generally met fiscal sustainability targets. These can help ensure that we have long-term certainty about fiscally sustainable public investment.
- **Project appraisal *(in relation to policy design only, not effectiveness)*:** The Treasury publishes best-practice guidance on business case development and cost benefit analysis for new capital investment. If consistently applied, these can help to ensure we get best value from new public investment.

## What needs to be improved?

**Our analysis also identifies three key areas where we can improve.** Left unaddressed, these will make it more difficult to plan infrastructure investment in a fiscally sustainable and well-coordinated way. These areas are:

- **National and sectoral planning:** Central government agencies are no longer required to develop multi-year investment plans, and there is a weak link between investment intentions and fiscal strategy. This makes it harder to develop investment plans that can be funded within available resources.
- **Coordination between central and local government entities:** While there are some policies in place that support coordination of investment, they are implemented inconsistently, often due to a disconnect between funding and planning decisions made under different legislation**.** There is a clear opportunity to strengthen spatial planning and to improve the coordination of infrastructure and land use planning.
- **Project appraisal (effectiveness in practice):** Many capital investment proposals seeking Budget funding do not comply with business case and cost benefit analysis guidance. This makes it harder to target investment towards the areas of highest need.

## Pillar 1: Fiscal targets and rules

Here, we review New Zealand's performance against the 'Fiscal targets and rules' pillar of the PIMA framework. This tests whether there are effective fiscal institutions to support fiscal sustainability and facilitate medium-term planning for public investment. It is assessed based on three questions:

- Is there a target or limit for government to ensure debt sustainability?
- Is fiscal policy guided by one or more permanent fiscal rules?
- Is there a medium-term fiscal framework to align Budget preparation with fiscal policy?

We assess institutional design and effectiveness separately for each question based on the IMF PIMA Handbook, providing relevant information to support our ratings.

### 1a. Is there a target or limit for government to ensure debt sustainability?

#### Institutional design

| IMF indicative scoring thresholds | | | |
|---|---|---|---|
| No score given | Low | Medium | High |
| Insufficient information to score performance. | There is no target or limit to ensure debt sustainability. | There is at least one target or limit to ensure central government debt sustainability. | There is at least one target or limit to ensure general government debt sustainability. |

**New Zealand's public finance legislation requires the government to set fiscal policy objectives to ensure debt remains within "prudent" levels.**[21] Under the Public Finance Act 1989, central government in New Zealand must develop a fiscal policy aimed at "(a) reducing total debt to prudent levels ... [b] once prudent levels of total debt have been achieved, maintaining those levels".

The government must set out short-term and long-term fiscal policy objectives in accordance with these principles.[22] The legislation does not provide a fixed definition of "prudent", giving the government some flexibility to designate targets appropriate to the fiscal and economic context at that time.

**Central government debt targets have changed over time.** In 2022, the government set a ceiling for net core Crown debt of up to 50% of GDP, and expanded the definition to include the Superannuation Fund, core Crown advances and Crown entity borrowing.[23] This modestly increased the amount of debt that was considered prudent. In 2024, the government reverted the definition of net core Crown debt, setting new objectives to reduce it to below 40% of GDP, then to maintain it at between 20% to 40% of GDP.[24]

**New Zealand's local councils are also required to adhere to statutory principles of financial management.** Under the Local Government Act 2002, local authorities must manage their finances "prudently" (Section 101) and must produce financial strategies, specifying borrowing limits (Section 101A).[25]

**In theory, councils are free to choose their own borrowing limits.** In 2022, the average debt limit

[21] Public Finance Act 1989
[22] Public Finance Act 1989
[23] The Treasury. (2024). Budget Policy Statement 2024.
[24] The Treasury. (2024). Fiscal Strategy Report.
[25] Local Government Act 2002

across councils was 193% of operating income.[26] Auckland Council's debt limit is currently set at 290% of revenue.[27]

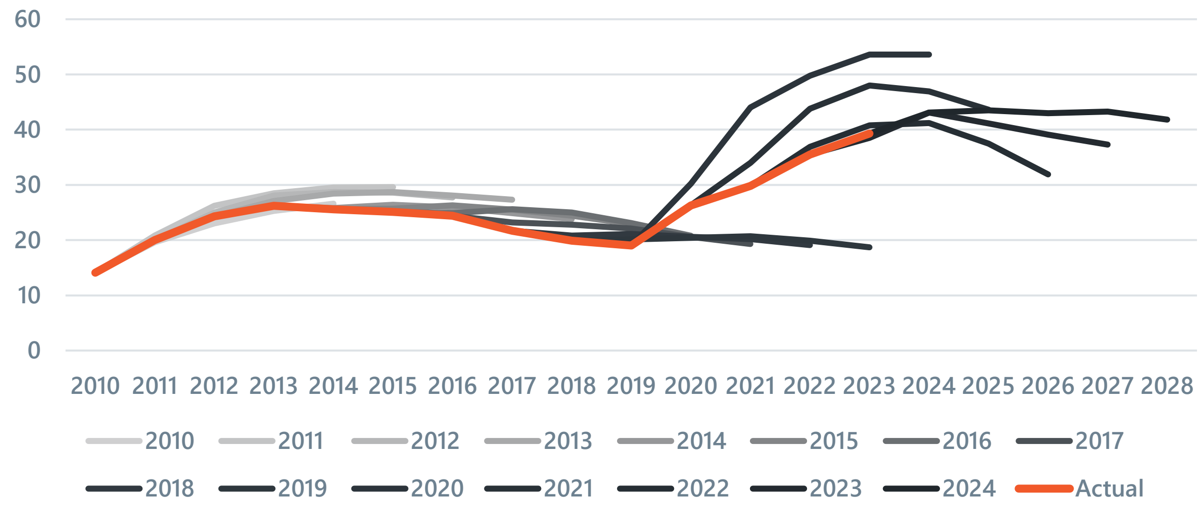
**In practice, councils' debts are constrained by LGFA lending limits.** Councils which are members of the Local Government Funding Agency (LGFA) must not carry debts exceeding 280% or 175% of their revenues, depending on their credit rating. The LGFA's lending limits have changed over time, as views on debt sustainability have evolved. In 2024, the LGFA announced that 'high growth councils' will be permitted to borrow up to 350% of operating revenue,[28] and that council-controlled organisations in the water sector will be permitted to borrow up to 500% of their operating revenues.[29]

### Effectiveness

| IMF indicative scoring thresholds | | | |
|---|---|---|---|
| No score given | Low | Medium | High |
| Insufficient information to score performance. | No target or limit, or the debt level exceeds the established target or limit and there is no significant improvement over the past 3 years | The debt level exceeds the debt target or limit, but at least half the gap has been closed over the past 3 years. If the debt level fluctuates around the target, the target should have been met at least once in the past 3 years. | The debt level is within the target or limit. |

**Central government debt currently exceeds the government's targets.** Debt levels have risen over the last two decades, driven by a series of shocks including the global finance crisis (GFC) and the Covid-19 pandemic. The Treasury calculates that net core Crown debt rose from 5.5% of GDP in 2008[30] to 42.4% of GDP in 2024.[31] This exceeds the current target range of 20% to 40% of GDP. The government has signalled its intention to return debt levels to below 40% of GDP over the next few years. [32]

**Figure 12: Projected vs actual net core Crown debt as a percentage of GDP, 2010 to 2028**




*Source: Infrastructure Commission analysis of actual net core Crown debt versus projections provided in successive Fiscal Strategy Model releases.*

[26] Office of the Auditor-General. (2022). Matters arising from our audits of the 2021-31 long-term plans.
[27] Auckland Council. (2023). Auckland Council Treasury Management Policy.
[28] New Zealand Government. (2024). LGFA increase borrowing capacity to support high growth councils
[29] New Zealand Government. (2024). Local Water Done Well bill passes.
[30] The Treasury. (2014). Fiscal Strategy Model – BEFU 2014.
[31] The Treasury. (2025). Budget Policy Statement 2025.
[32] The Treasury. (2024). Budget Policy Statement 2024.

**Central government's medium-term debt projections are generally reliable, under normal circumstances.** Outside of significant economic shocks, net core Crown debt levels generally track with the official projections (**Figure 12**).

**The government's preferred measure of debt excludes the debts held by several important infrastructure agencies.** The 'net core Crown debt' measure used by the Treasury refers to the debts of the Crown, departments, Offices of Parliament, the Reserve Bank, and the NZ Super Fund. It excludes debts held by Crown entities (such as the NZ Transport Agency and Kāinga Ora) and state-owned enterprises (such as KiwiRail). Collectively, these agencies account for tens of billions of dollars of debt.[33]

**Local government debt levels are rising.** Local councils in New Zealand typically have higher debt levels than in European economies[34] and in early 2025 S&P Global downgraded its ratings for New Zealand councils, attributing this "more volatile" central government policy and "structurally higher debt levels" across the sector.[35]

**Councils' debts are not currently constraining investment.** In 2022, Commission research found that most councils were not firmly constrained by LGFA debt limits, due to the availability of alternative debt tools. Water reforms may also affect future debt levels, as water infrastructure is a significant driver of capital investment in local government.[36]

## 1b. Is fiscal policy guided by one or more permanent fiscal rules?

### Institutional design

| IMF indicative scoring thresholds | | | |
|---|---|---|---|
| No score given | Low | Medium | High |
| Insufficient information to score performance. | There are no permanent fiscal rules. | There is at least one permanent fiscal rule applicable to central government. | There is at least one permanent fiscal rule applicable to central gov't, and at least one comparable rule applicable to local gov't. |

**New Zealand's public finance legislation sets out guiding principles, rather than permanent rules.** Central government is required to develop fiscal policy in in accordance with statutory principles of responsible fiscal management, setting targets that it may change over time.[37] This system provides the Government with some flexibility to adapt to a changing fiscal context over time, avoiding the risk of forced compliance with inappropriate or arbitrary fiscal rules.

**There are some legislative controls on local government spending.** Under the Local Government Act 2002, councils are required to set operating budgets in line with projected operating revenues,[38] to manage their finances "prudently",[39] and to develop long-term plans backed by long-term financial strategies.[40]

**Councils may borrow to fund capital expenses.** While there is no strict fiscal rule, in the sense of a legislated debt ceiling, these requirements collectively impose restrictions on the ability of local government to spend beyond their means, particularly when combined with LGFA lending covenants.

[33] New Zealand Government. (2024). Turnaround plan to get Kāinga Ora back on track.
[34] S&P Global. (2023). New Zealand Local Government Funding Agency.
[35] S&P Global. (2025). Various Rating Actions Taken On New Zealand Councils On Lower Institutional Framework Assessment.
[36] S&P Global. (2023). New Zealand Local Government Outlook 2024: Bridge Over Troubled Waters.
[37] International Monetary Fund. (2022). Fiscal Rules Dataset 1985-2021.
[38] Section 100, Local Government Act 2002.
[39] Section 101, Local Government Act 2002.
[40] Section 101A, Local Government Act 2002.

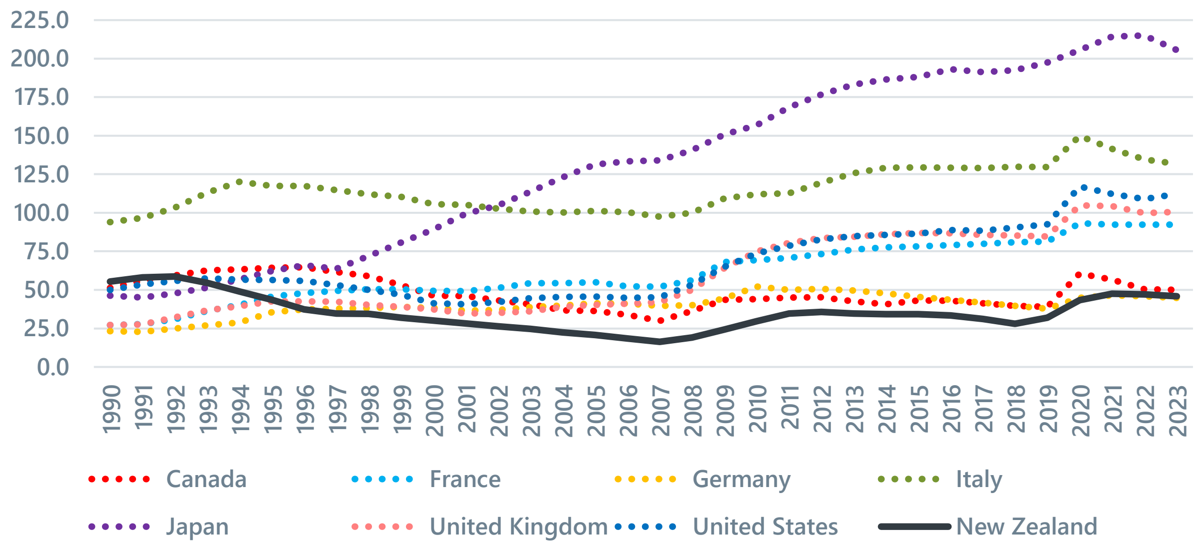
### Effectiveness

| IMF indicative scoring thresholds | | | |
|---|---|---|---|
| No score given | Low | Medium | High |
| Insufficient information to score performance. | No fiscal rule or budget balance outturn deviates significantly (more than 1.0% of GDP) from fiscal rule. | Budget balance outturn deviates somewhat (0.5–1.0% of GDP) from fiscal rule. | Budget balance outturn is consistent with the fiscal rule. |

**The Public Finance Act 1989 appears to have worked well over time.** With the exception of the GFC and Covid-19 pandemic, New Zealand's governments have generally reduced debt as a percentage of GDP since the mid-1990s, indicating that the statutory principles set out in the Public Finance Act 1989 have been effective.

**New Zealand has a relatively low level of central government debt.** IMF data shows that New Zealand's central government gross debt (as a percentage of GDP) is well below that of other advanced economies (**Figure 13**). This has been the case for several decades.

Figure 13: Central government debt as % of GDP for New Zealand and G7 economies, 1990 to 2022




*Source: International Monetary Fund. (2024). Global Debt Database: Central government debt: Percent of GDP. Note that this chart uses the IMF definition of central government debt, which is broader than the Treasury's preferred measure of 'net core Crown debt'.*

## 1c. Is there a medium-term fiscal framework to align Budget preparation with fiscal policy?

### Institutional design

| IMF indicative scoring thresholds | | | |
|---|---|---|---|
| No score given | Low | Medium | High |
| Insufficient information to score performance. | There is no medium-term fiscal framework prepared prior to Budget preparation. | There is a medium-term fiscal framework prepared prior to the Budget, but it is limited to fiscal aggregates, such as expenditure, revenue, the deficit, or total borrowing. | There is a medium-term fiscal framework prepared prior to the Budget, which includes fiscal aggregates and allows distinctions between opex and capex, and ongoing and new projects. |

**The Treasury sets out a medium-term fiscal framework as part of the Budget process.** The Government sets out its fiscal intentions for the next four years and fiscal objectives for the next fifteen years through its Fiscal Strategy Report.[41] This includes a Fiscal Strategy Model, which projects the government's fiscal position over the coming years, based on range of economic and demographic forecasts. The modelling includes, for example, forecast debt levels (**Figure 12**)..[42]

**The medium-term fiscal framework directly informs key Budget documents.** The Fiscal Strategy Model informs the yearly Budget Economic and Fiscal Update (BEFU), setting out the Treasury's assessment of economic and fiscal policy factors for the current year plus a forecast for the next four years. The BEFU covers key indicators (such as GDP, unemployment, debt, investment, imports, exports etc) as well as spending and revenue forecasts, and forecasts of new capital spending.[43]

The BEFU is then complemented by the Half-Yearly Economic and Fiscal Update (HYEFU), which provides an updated observation of economic and fiscal conditions to inform the Budget process. The annual Budget Policy Statement then sets spending allowances for the forecast period.

### Effectiveness

| IMF indicative scoring thresholds | | | |
|---|---|---|---|
| No score given | Low | Medium | High |
| Insufficient information to score performance. | No capital allocation in medium-term fiscal framework, or approved capital budget deviates significantly (more than 20%) higher or lower than the capital allocation. | Approved capital budget deviates somewhat from (10–20% higher or lower than) the capital allocation in the medium-term fiscal framework. | Approved capital budget is consistent with (less than 10% higher or lower than) the capital allocation in the medium-term fiscal framework. |

**The government discontinued the Multi-Year Capital Allowance (MYCA) for Budget 2025.** [44] The MYCA, introduced in Budget 2019, established a rolling capital allowance spanning the four Budgets in the forecasting period. In theory, the MYCA was intended to enable better planning of capital spending across Budget years, with the government reallocating capital spending between Budget years within the overall allowance.

[41] The Treasury. (2024). Fiscal Strategy Report.
[42] The Treasury. (2024). Fiscal Strategy Model – BEFU 2024.
[43] The Treasury. (2024). Budget Economic and Fiscal Update 2024.
[44] The Treasury. (2025). Budget Policy Statement 2025.

In practice, however, central government 'used up' most of the allowance early in the forecast period, and then 'topped it up' in subsequent Budgets to fund additional new capital spending. In Budget 2023, the government 'topped up' the MYCA by an additional $7 billion.[45] The MYCA therefore failed to provide an effective basis for multi-year budgeting in the absence of other planning and monitoring arrangements.



[45] The Treasury. (2024). Budget Policy Statement 2024.

## Pillar 2: National and sectoral planning

Here, we review New Zealand's performance against the 'National and sectoral planning' pillar of the PIMA framework. This tests whether investment allocation decisions are based on sectoral and intersectoral strategies. It is assessed based on three questions:

- Does the government prepare national and sectoral strategies for public investment?
- Are the government's national and sectoral strategies or plans for public investment costed?
- Do sector strategies include measurable targets for the outputs and outcomes of investment projects?

We assess institutional design and effectiveness separately for each question based on the IMF PIMA Handbook, providing relevant information to support our ratings.

### 2a. Does the government prepare national and sectoral strategies for public investment?

**Institutional design**

| IMF indicative scoring thresholds | | | |
|---|---|---|---|
| No score given | Low | Medium | High |
| Insufficient information to score performance. | National or sectoral public investment plans are not published, or major investment projects are not described in national and sectoral plans. | Some major investment projects funded by the Budget are described in published national and sectoral plans. | All major investment projects regardless of financing source, are comprehensively described in national and sectoral plans. |

**Central government does not maintain an overarching national infrastructure investment plan.** The Treasury's 2010 National Infrastructure Plan included some indicative sectoral investment allocations, although this document is now obsolete.[46]

The Infrastructure Commission is currently developing a new thirty-year National Infrastructure Plan that will lay out the Commission's best estimate of New Zealand's long-term infrastructure needs, potentially providing the basis for a government investment strategy.[47]

**Central government agencies are not required to develop detailed multi-year capital investment plans.** From 2015 to 2020, agencies were required to produce either four-year plans or ten-year 'Long-Term Investment Plans' (LTIPs),[48] which were the assessed by the Treasury through the Investor Confidence Review (ICR) process. These requirements were discontinued as the government sought to reduce "compliance costs" created by planning and reporting requirements.[49]

**Agencies are instead required to report 'investment intentions' over the next ten years.** Under the Investment Management System, agencies must report any intended investment projects that would require Cabinet consideration. This includes investments requiring new Crown funding, or any baseline-funded investments with whole-of-life costs exceeding $35 million.

[46] New Zealand Government. (2010). National Infrastructure Plan.
[47] New Zealand Infrastructure Commission, Te Waihanga. (2024). Paying it forward: Understanding our long-term infrastructure needs.
[48] Boston, J., Bagnall, D., and Barry, A. (2019). Foresight, insight and oversight: Enhancing long-term governance through better parliamentary scrutiny
[49] The Treasury. (2019). Public Finance System modernisation – proposed work programme.

Investment intentions are intended to provide the Treasury and Minister with visibility of the investment pipeline. They are collected and reviewed by the Treasury on an annual basis to help them provide advice to Ministers on activity across the investment system and implications for fiscal policy. The Treasury provides Ministers with advice on these intentions through its Quarterly Investment Reporting (QIR), with a partially-redacted version of QIR proactively released several months later.

Some investment intentions may be the result of Ministerial direction. As a result, investment intentions may not always align with agencies' own internal asset management planning.

**Investment intentions provide only partial visibility of spending intentions.** Most major projects will require Cabinet approval, which triggers reporting requirements. However, smaller projects funded through existing appropriations (for example, to maintain or renew existing infrastructure) may not be included in this reporting. Over time, agencies are likely to undertake a range of smaller projects that will not be shown in their investment intentions.

**Central government imposes requirements on councils that it does not follow itself.** Under the Local Government Act 2002, councils are required to state in their Annual and Long-Term Plans the level of capital expenditure they have budgeted to "meet additional demand", to "improve the level of service", and "to replace existing assets" over at least the ten years covered by the plan.[50]

They must also develop a 10-year asset management plan and a 30-year infrastructure strategy, including projected capital and operational spending on infrastructure, accounting for the need to renew and replace assets, respond to population growth or decline, change levels of service, and provide resilience. Central government agencies are not subject to equivalent requirements (**Table 3**).

**Long-Term Investment Plans were previously required, then discontinued.**

Table 3: Capital investment planning requirements in local versus central government

| Is this entity required to produce forecasts of capital spending: | Local government | Central government |
|---|---|---|
| Required to forecast investment over a ten-year period? | Yes | No |
| Required to forecast investment by infrastructure sector? | Yes | No |
| Required to forecast investment for meeting additional demand? | Yes | No |
| Required to forecast investment for improving service levels? | Yes | No |
| Required to forecast investment for replacing existing assets? | Yes | No |

*Source: Infrastructure Commission analysis.*

**Several agencies have chosen to produce public investment strategies.** Unlike the ten-year investment intentions submitted to Treasury and Ministers, these strategies transparently set out each agency's investment objectives and priorities and may provide more granular information on capital projects (Table 4).

[50] Local Government Act 2002.

Table 4. Sectoral investment plans

| Sector | Publicly-accessible infrastructure investment plans |
|---|---|
| Corrections | **The 2025 Long-Term Network Configuration Plan** sets out capital investment programmes, sequenced over a 20-year period, as well as measurable output targets. The publicly available plan does not include cost estimates for individual projects. |
| Defence | **The 2025 Defence Capability Plan** sets out proposed investment projects (including indicative costings and delivery sequencing) over a 15 year period, focusing on $12 billion of defence capability investments over the first four years.[51] |
| Education | **The National Education Network Plan** summarises current provision and demand trends for each of the 119 education 'catchments', along with 'potential responses'. It does not set out a comprehensive list of capital intentions, indicative costings, or delivery sequencing. A 2024 review noted concerns about the effectiveness of investment planning and funding processes in the school sector, highlighting poor transparency around how schools are prioritised for investment.[52] |
| Health | **The government published the first Health Infrastructure Plan[53] and National Asset Management Strategy[54] in 2025.** This sets investment priorities, including high-level sequencing of key needs. The publicly available plan does not include indicative cost estimates for individual capital projects. |
| Justice | **No published long-term investment plan.** The Ministry of Justice reports that it has developed a 30-year investment plan for its property estate, although this is not published or centrally reported. |
| Social housing | **No published long-term investment plan.** The independent review of Kāinga Ora in 2024 recommended the development of an investment strategy.[55] Short-term Public Housing Plans are in place but do not set out longer-term investment intentions. |
| Transport | **The 2024 Government Policy Statement (GPS) on Land Transport sets the government's strategic direction for transport investment.** The GPS defines strategic priorities and high-level funding allocations for different activity classes.<br><br>**NZTA is required to develop and deliver a three-year National Land Transport Programme[56] (NLTP) to give effect to the GPS.** This sets out a multi-year investment pipeline across activity classes, indicative cost estimates for major projects, and indicative sequencing across three phases.[57]<br><br>**KiwiRail is required to develop and deliver a three-year Rail Network Investment Programme[58] (RNIP),** which sets out a three-year investment pipeline.<br><br>**The land transport sector is moving towards a 10-year investment plan.** The 2024 GPS signals an intention to require future GPSs (and NLTPs) to "adopt a 10-year investment plan", in line with council long-term plans. The NLTP already has a 10-year forecast, but this is closely focused on the first 3 years. |

[51] Ministry of Defence. (2025). 2025 Defence Capability Plan.
[52] New Zealand Government. (2024). Report of the Ministerial Inquiry into School Property.
[53] Health New Zealand. (2025). Health Infrastructure Plan.
[54] Health New Zealand. (2025). National Asset Management Strategy.
[55] Independent Review of Kāinga Ora Homes and Communities. (2024). Final report.
[56] New Zealand Transport Agency. (2024). National Land Transport Programme.
[57] New Zealand Transport Agency. (2024). State Highway Investment Proposal 2024-34.
[58] KiwiRail. (2021). Rail Network Investment Programme.

**There are no minimum requirements or common standards for investment plans.** Agencies are not required to set out comprehensive costings, establish a clear link to their asset management plans, plan for set scenarios, or adhere to common definitions for different activity classes. Nor are they required to update any strategies or plans they produce at consistent intervals. The result is a patchwork of sectoral investment strategies built on differing assumptions and approaches (**Table 5**).

Table 5. Comparison of sectoral investment plans

| Sector | Published plan? | Years covered? | Indicative project cost estimates? | Indicative delivery sequencing? |
|---|---|---|---|---|
| Corrections | Yes | 20 | No | Yes |
| Defence | Yes | 15 | Yes | Yes |
| Education | Yes | 8 | No | No |
| Health | Yes | 10 | No | Yes |
| Justice | No | *N/A* | No | No |
| Social housing | No | *N/A* | No | No |
| Transport | Yes | 3 - 10 | Yes | Yes |

*Source: Infrastructure Commission analysis of publicly-accessible sectoral investment strategies. In some cases, confidential versions of these strategies may contain more detailed information on the costs and sequencing of capital projects.*

### Effectiveness

| IMF indicative scoring thresholds | | | |
|---|---|---|---|
| No score given | Low | Medium | High |
| Insufficient information to score performance. | No description of investment projects in plans, Budgets for relevant years include few (less than 25%) of the investment projects described in national or sectoral plans, or few (less than 25%) of the projects described in Budgets have been described in national or sectoral plans. | Budgets for relevant years include some (25–75%) of the projects that appeared in national or sectoral strategies, or some (25–75%) of the projects described in Budgets have been described in national or sectoral plans | Budgets for relevant years include most (more than 75%) of the projects that appear in national and sectoral plans and strategies, or most (more than 75%) of the projects described in Budgets have been described in national or sectoral plans. |

**The information needed to assess the proportion of Budget-funded projects drawn from agencies' investment intentions/strategies is not readily available.** We draw on available evidence to examine whether current system settings are likely to ensure effective long-term sectoral planning.

**The connection between investment planning and the Budget process is weak.** Cabinet and Ministers are typically asked to approve investment proposals one by one, in isolation from the wider programmes and portfolios. Agencies are not required to use asset management plans as the basis for funding requests. Ministers may request or approve investment proposals that are not rooted in long-term asset management needs or plans. Conversely, agencies have no basis to assume that the government will prioritise funding projects taken from long-term investment plans.

**There is no systematic assurance of asset management planning.** In 2024, the government's Investment Panel advised that many Budget funding bids "lacked evidence of long-term investment and asset management planning" or a clear relationship to the agency's wider strategic objectives. The panel noted that the absence of this information makes it difficult for government to understand the relative importance of different investments.[59]

Poor visibility of agencies' asset management plans, along with a view of how these relate to wider investment planning, makes it hard to assess the extent to which each agency's investment intentions are based on robust asset management practices. The Treasury has identified asset management as a key area for improvement.[60]

**Investment intentions do not provide an effective basis for assessing investment needs or for setting capital allowances.** The government's currently reported investment intentions far exceed historic and projected levels of capital spending. These intentions represent unconstrained and unfunded plans and offer little basis for determining relative need or priority.

The absence of robust multi-year planning makes it more difficult for Ministers to understand spending needs and set future capital allowances accordingly. It also makes it more difficult to assess whether current spending is sufficient to meet each sector's needs. Conversely, however, the annual Budget process also makes it more difficult for agencies to develop and adhere to long-term investment plans.

## 2b. Are the government's national and sectoral strategies or plans for public investment costed?

### Institutional design

| IMF indicative scoring thresholds | | | |
|---|---|---|---|
| No score given | Low | Medium | High |
| Insufficient information to score performance. | There is no costing of investment projects in national and sectoral strategies or plans. | The government's investment strategies include broad estimates of aggregate and sectoral investment plans. | There are broad cost estimates for investment as well as specific cost estimates for major investment projects in national and sectoral plans, and cost estimates are reconciled with available resources. |

**Central government investment reporting cannot easily be disaggregated to understand project and programme costs.** Agencies are expected to report annually to Treasury on their 10-year investment intentions across new, replacement/renewal, and maintenance initiatives. They must also provide quarterly updates on medium and high-risk projects. The quality of this reporting varies from agency to agency, with patchy, incomplete, or inconsistently defined data in some cases.[61]

An 'investment' line item in Quarterly Investment Reporting may refer to an individual asset or a programme of projects – such as 'SH1 Additional Waitemata Harbour Connections', 'Maritime Helicopter Replacement', and 'NLTP 21-24 Activity Class: State highway maintenance'.[62]

In the land transport sector, the National Land Transport Programme (NLTP) provides information on future investments. The NLTP includes about forecast funding allocations rather than project costs. The indicative spending intentions set out in the NLTP are not intended to be read as proxies for costs.

The aggregated structure of investment reporting makes it difficult to assess cost pressures in relation to individual projects. There is no requirement to reconcile investment intentions with capital Budgets, and

[59] The Treasury. (2024). Treasury Report T2024/511: Budget 2024 Capital Initiatives Overview.
[60] The Treasury. (2024). June 2024 Quarterly Investment Report Information Release.
[61] The Treasury. (2024). Quarterly Investment Report for quarter ending June 2024.
[62] The Treasury. (2024). Quarterly Investment Report for quarter ending June 2024.

no top-down guidance on long-term fiscal constraints. As a result, agencies' investment intentions do not consistently information Budget planning or project selection.

**The government's public investment strategies do not always provide clear project costings.** The investment strategies published by agencies vary in how cost information is reported. Also, actual spend is often not reported, making it difficult to compare with forecasts.

The National Land Transport Programme includes a forecast of investment by region and activity class, but does not provide expected costs for individual projects, which means it is difficult to see the contribution of projects to the overall plan and to monitor performance at a project level. The Rail Network Investment Programme includes some costed investment proposals (for example, $372m is specified for the Wellington Metro Upgrade Programme and $85m is specified for the Hillside Wagon Assembly).

The Treasury's 2010 and 2015 National Infrastructure Plans (now obsolete) included some indicative costings, but for select rather than all projects. Other investment strategies set out strategic priorities rather than detailed spending plans. Agencies may have internal capital spending plans, but these are not publicly accessible.

**Investment intentions and strategies are not reconciled with capital spending projections, and agencies are given little incentive or guidance for doing so.** The Government does not provide multi-year capital budgets for individual agencies or per sector, nor minimum requirements or detailed standards for investment intentions and public strategies. This makes it more difficult for agencies to develop multi-year investment plans based on realistic planning assumptions, or to reconcile their investment plans with the resources that will likely be available over the planning period.

Effectiveness

| IMF indicative scoring thresholds | | | |
|---|---|---|---|
| No score given | Low | Medium | High |
| Insufficient information to score performance. | No cost estimates in strategies, or estimates are significantly (more than 50%) higher than planned capital expenditure for the same period as the strategy. | Cost estimates in strategies are somewhat (10–50%) higher than planned capital expenditure for the same period as the strategy. | Cost estimates in strategies are consistent with (less than 10% higher than) planned capital expenditure for the same period as the strategy |

**Central government investment intentions significantly exceed available funding, and do not appear to align with its fiscal strategy.** The Government's ambition to reduce and then maintain net core Crown debt between 20% to 40% of GDP will require careful management of capital spending over the coming years and decades.

However, central government investment intentions currently project a major increase in capital spending, at around 4.98% of GDP,[63] well in excess of historic and forecast capital spending. This raises questions about whether central government's investment intentions are deliverable and consistent with its fiscal strategy.

Central government has also signalled a pre-commitment to several major projects prior to completing a full assessment of their value for money and deliverability. These pre-commitments risk 'using up' future capital allowances on a small number of major projects with poorly understood costs and benefits, jeopardising funding for other investment needs across the infrastructure estate.

[63] The Treasury. (2024). June 2024 Quarterly Investment Report Information Release

**It is difficult to understand how project costs are evolving across the investment lifecycle.** Cost estimates are not comprehensively and transparently reported for all projects. Where project costs are reported, they are not always accompanied by information needed to interpret that estimate. Investment reporting does not always indicate the level of confidence around current estimates, or the assumptions underpinning them.

It is not always appropriate or feasible for agencies to publish comprehensive cost estimates, particularly in the earlier stages of the investment lifecycle, when projects may still be subject to scoping. Cost estimates are likely to become more accurate as a project moves through detailed design and construction stages. Different expressions of cost certainty are needed at different stages, ranging from indicative ranges earlier in the cycle to more detailed and specific estimates later on.

## 2c. Do sector strategies include measurable targets for the outputs and outcomes of investment projects?

Institutional design

| IMF indicative scoring thresholds | | | |
|---|---|---|---|
| No score given | Low | Medium | High |
| Insufficient information to score performance. | There are no measurable targets for public investment in sectoral strategies. | There are measurable output targets for public investment projects in sectoral strategies. | There are measurable output and outcome targets for public investment projects in sectoral strategies or plans. |

**Sectoral investment strategies do not consistently set out measurable targets for the outputs and outcomes of individual projects and programmes:**

- The Health Infrastructure Plan lists intended investments over the coming years but does not link these to measurable outcomes or targets.[64]
- The KiwiRail Statement of Corporate Intent includes some measurable targets such as "Wellington Metro Track Quality Index" and capital delivery targets for future years eg "FY26 Plan: Third platform open at Henderson".[65]
- The Government Policy Statement on land transport includes high level priorities and performance measures.[66] NZTA reports annually on progress implementing the National Land Transport Programme.[67] The One Network Road Classification Performance Measures also support the monitoring of safety, resilience, travel time and other factors, although these do not drive investment decision-making or evaluation.[68]
- Kāinga Ora's Statement of Intent provides measurable long-term output targets, such as the number of new homes built, the percentage of public lettable properties that meet or exceed the asset condition baseline standard, etc.[69] Short-term output targets are set out in the Statement of Performance Expectations (SPE), with reporting against these targets and asset performance measures set out in Kāinga Ora's annual reports.

**Performance targets for individual capital appropriations are included in Budget documentation but are of limited usefulness.** The Estimates of Appropriations prescribe performance targets for

[64] Health New Zealand. (2025). Health Infrastructure Plan.
[65] KiwiRail. 2024. Statement of Corporate Intent 2025-2027.
[66] New Zealand Government. (2024). Government Policy Statement on land transport
[67] New Zealand Transport Agency. (2024). National Land Transport Fund annual report.
[68] New Zealand Government. (2016). One Network Road Classification (ONRC) Performance Measures
[69] Kāinga Ora. 2022. Statement of Intent.

individual appropriations, and require agencies to report against these targets, typically through their annual reports.[70]

However, as appropriations are defined at a broad level, they do not readily map to specific capital projects. The performance measures provided for appropriations also tend to be scoped at a high level and do not necessarily enable granular performance monitoring. These measures typically provide little visibility over the extent to which specific projects achieve intended outputs and outcomes.

**Further performance reporting is provided in each agency's annual report, although these metrics typically relate to strategic context or corporate processes, rather than investment projects.** In addition to the performance measures set out in the Estimates of Appropriations, agencies also produce reporting on their own corporate outputs and outcomes. Agencies are required to apply the External Reporting Board's Public Benefit Entity Financial Reporting Standard 48 for reporting on non-financial service performance, and Treasury provides agencies with guidance on doing so.[71]

### Effectiveness

| IMF indicative scoring thresholds | | | |
|---|---|---|---|
| No score given | Low | Medium | High |
| Insufficient information to score performance. | Performance data are used for management in few (less than 25% of) major projects. | Performance data are used for management in some (25–75% of) major projects. | Performance data, including output and outcome information, are used for management in most (more than 75% of) major projects |

**Information on the use of performance data across all major projects is not readily available, so the Commission is unable to fully determine the extent to which this is used across government.** To assess performance against this criteria, we draw on June 2024 Quarterly Investment Reporting, the 2023 report on transparency within large publicly funding New Zealand infrastructure projects, and feedback provided to us by asset management professionals within agencies.

**Poor transparency makes it difficult to see what metrics were used to justify investments, or whether those metrics were monitored and achieved.** In theory, the Better Business Cases framework requires agencies to define key performance indicators and benefits for each investment.[72] However, business cases are generally not published, and very few ex-post evaluations have been carried out.[73]

**Major projects should have clearly defined benefits but are unlikely to demonstrate a clear link to asset performance outcomes.** Several agencies have told the Commission that they assign measurable benefits and key performance indicators to their capital projects, but that these are generally disconnected from asset management performance measures.

Where agencies have performance frameworks, these are likely to focus on service delivery outcomes, rather than asset performance outcomes. Where agencies do report on investment performance, it is generally difficult for them to measure the contribution of individual projects to wider outcomes, particularly because the benefits of projects often take years to fully realise.

**Asset performance data is not consistently integrated into in the development and management of major projects.** The Commission has heard from agencies that the use of asset performance data in

[70] The Treasury. (2024). Vote Transport.
[71] The Treasury. (2023). Treasury Circular 2023/09: Guidance for applying PBE FRS 48 service performance reporting to annual reports and end-of-year reporting.
[72] Treasury. (2023). Implementation Business Case: Template and Guidance.
[73] : Cordier, J., Repko, S., Cardow, A., Roskruge, M., Rotimi, J., & Catley, B. (2023). Transparency within large publicly funded New Zealand infrastructure projects.

investment decision-making is variable. Although some agencies use asset performance data to inform decision-making on investment options, this does not happen consistently and is typically only one factor among several.

In many cases, agencies are still developing and collecting information on the condition and performance of their assets, precluding them from making investment decisions that respond fully to asset management needs.

**Clearer levels-of-service targets and performance measures would guide more effective asset management.** In theory, central government agencies are required to "manage assets to ensure they deliver intended levels and methods of service".[74] By defining targets for levels of service, agencies should then be able to devise performance measures that monitor performance against targets and guide investment decision-making. In practice, however, agencies do not always have level of service targets or clear performance measures.

The Commission is aware that at least one agency is developing clearer targets and performance measures for levels of service, but this work remains at a high level. Further support would be needed to enable asset managers within agencies to develop more specific targets and performance measures, and for asset management metrics to be fully integrated into the investment decision-making process.



[74] Cabinet Office. (2023). CO (23) 9: Investment Management and Asset Performance in Departments and Other Entities

## Pillar 3: Coordination between central and local government entities

Here, we review New Zealand's performance against the 'Coordination between central and local government entities' pillar of the PIMA framework. This tests whether there is effective coordination of the investment plans of both central government and local government entities. It is assessed based on three questions:

- Is capital spending by local government coordinated with the central government?
- Does the central government have a transparent, rule-based system for making capital transfers to local government and for providing timely information on such transfers?
- Are contingent liabilities arising from capital projects of local government, state-owned enterprises, and PPPs reported to the central government?

We assess institutional design and effectiveness separately for each question based on the IMF PIMA Handbook, providing relevant information to support our ratings.

### 3a. Is capital spending by local government coordinated with the central government?

**Institutional design**

| IMF indicative scoring thresholds | | | |
|---|---|---|---|
| No score given | Low | Medium | High |
| Insufficient information to score performance. | There is no legal requirement for systematically sharing local government investment plans with central government. | There is a legal requirement for sharing local government investment plans with central government and for publishing these alongside central government investments. | There are legal requirements for sharing local government investment plans with central government and for systematic coordination of these between central and local government. |

**Central government and local government independently provide different infrastructure services, often with minimal legal or financial interaction.** In New Zealand, local government has an unusually high degree of financial autonomy by OECD standards and is responsible for relatively few infrastructure sectors. This means that central and local government often act independently of each other, even when collaboration might lead to more efficient outcomes.

An important exception is the land transport sector, where there is an established framework for coordination between central and local government (discussed below).

**Councils are required to undertake long-term planning.** Under the Local Government Act 2002, all councils are required to develop and publish Long Term Plans setting out their capital investment intentions and priorities over a ten-year period, as well as thirty-year infrastructure strategies. There is no requirement for systematic sharing or discussion of these plans between councils and central government.

In addition, the National Policy Statement on Urban Development, issued under resource management legislation, requires some councils to produce Future Development Strategies that set out how they will provide long-term capacity for urban development. As part of this, they must consult with infrastructure providers, including central government agencies.[75] Central government has also established Urban Growth Partnerships to provide a forum for coordinating housing policy.

**There is closer coordination between central and local government in the land transport sector.** The New Zealand Transport Agency collaborates with local councils to plan and co-fund the maintenance, operation, and delivery of transport infrastructure through the National Land Transport Programme (NLTP).

The NLTP must give effect to the Government Policy Statement (GPS) on land transport, drawing on both national and regional investment proposals, as set out in the Regional Land Transport Plans developed by councils. [76] NZTA cannot co-fund council activities unless they are found within one of the Regional Land Transport Plans. This encourages councils to align their Regional Land Transport Plans with central government investment priorities.

However, the GPS itself may not necessarily align with other central government policies, such as the fiscal strategy. And central government does not always take account of local and regional investment plans when determining its own investment priorities and strategies.

**Central and local government have engaged in various informal arrangements on transport and land use planning, but the institutional framework for doing so could be strengthened.** Central government has intermittently participated in local growth, spatial, and future development strategies.

Since the 1990s, NZTA has participated in Regional Land Transport Committees, the Auckland Growth Strategy, Greater Hamilton's Future Proof, Greater Tauranga's Smart Growth, the Christchurch Urban Development Strategy, and more recently in the Future Development Strategies.

**The government is looking to strengthen regional spatial planning and improve coordination between central and local government.** Central government has decided to introduce regional spatial planning with statutory weight as part of resource management reforms. This may help to integrate long term planning by a range of parties for land use, infrastructure and the environment, directing environmental regulation and informing infrastructure investments.

The government has also developed a Regional Deals Framework which seeks to further improve alignment between central and local government and to embed new mechanisms for coordinating regional infrastructure priorities.[77]

### Effectiveness

| IMF indicative scoring thresholds | | | |
|---|---|---|---|
| No score given | Low | Medium | High |
| Insufficient information to score performance. | Local government investment plans submitted to the central government account for few (less than 25% of the total value of) local government public investments | Local government investment plans submitted to the central government account for some (25–75% of the total value of) local government public investment. | Local government investment plans submitted to the central government account for most (more than 75% of the total value of) local government public investment |

**There is no requirement for local government to submit its investment plans to central government which means performance against this metric cannot be scored.** However, given this pillar relates to co-ordination, we draw on available evidence to examine whether current system settings are likely to encourage alignment between central and local government investment planning.

[75] New Zealand Government. (2022). National Policy Statement on Urban Development 2020.
[76] New Zealand Transport Agency. (2024). About the National Land Transport Programme.
[77] New Zealand Government. (2024). Regional Deals Strategic Framework.

**There is limited alignment of local government and central government investment planning.** Although central government often articulates overarching policy goals for infrastructure investment (such as economic growth and climate resilience) there is no singular whole-of-government investment plan, and not every agency publishes an investment plan.

Central government agencies may have unclear investment strategies, strategies that contradict local plans, and even strategies that work against those of other central government agencies. This makes it more difficult for councils to work effectively with central government as a whole.

**Central government infrastructure planning is not systematically informed by local needs or the potential impacts of its investment on local outcomes.** The Department of Internal Affairs compiles council Long Term Plan data from available online sources, and the Office of the Auditor-General is required to audit these plans and report on its findings. However, this information is not necessarily used by central government to coordinate capital investment.

**Central government can be an unreliable partner for local government.** In recent years, central government has introduced and cancelled several funding schemes, passed and then repealed local government reforms, and announced plans for further reforms to funding and financing. The uncertainty of the central government policy environment has partially contributed to recent downgrades in local government credit ratings.[78]

**Coordination between land use and infrastructure is insufficient.** Some central government agencies have developed approaches to partnering with local government. Kāinga Ora, for example, has worked to integrate the governance of its large-scale Auckland development projects with Auckland Council. NZTA also draws on council-led Regional Land Transport Plans for the National Land Transport Programme.

But the overall framework for coordinating infrastructure and land use planning is weak. Central government tends to partner with councils in an ad hoc manner, often with a narrow focus on specific initiatives. New Zealand lacks a strong spatial planning framework to systematically coordinate infrastructure investment and land use planning, but the Government is addressing this via resource management reforms as outlined above.

**Inadequate data standards mean that councils' plans are difficult to compare.** Although local government LTPs must adhere to the reporting standards set out in the Local Government (Financial Reporting and Prudence) Regulations 2014, the regulations do not set out data standards for all asset classes or comprehensive requirements on the formatting and structure of reporting. This lack of standardisation means there are significant differences in how infrastructure spending is defined, categorised and presented in councils' LTPs making it challenging to track and compare spending across councils.

**Most local councils now submit their investment projects to the Infrastructure Commission's National Infrastructure Pipeline.** The number of councils contributing infrastructure investment data to the Pipeline has steadily increased over time.

As of the March 2025 Pipeline update, the councils that submitted data to the Pipeline were responsible for collecting 94% of local rates revenues across New Zealand.[79] The Pipeline provides an increasingly comprehensive source of information, supporting agencies and councils to coordinate the planning and sequencing of their investments within regions and over time.

[78] S&P Global. (2025). Various Rating Actions Taken On New Zealand Councils On Lower Institutional Framework Assessment.
[79] New Zealand Infrastructure Commission, Te Waihanga. (2024). Pipeline snapshot.

## 3b. Does the central government have a transparent, rule-based system for making capital transfers to local government, and for providing timely information on such transfers?

### Institutional design

*Note: For this criteria we score system performance as 'medium' on the basis that NLTF and CDEM provide transfer mechanisms in some sectors and scenarios, but are not comprehensive.*

| IMF indicative scoring thresholds | | | |
|---|---|---|---|
| No score given | Low | Medium | High |
| Insufficient information to score performance. | There is no legal or regulatory framework that establishes a transparent, rules-based mechanism for capital transfers to local government. | There is a legal or regulatory framework that establishes a transparent, rules-based mechanism for capital transfers to local government. | There is a legal or regulatory framework that establishes a transparent, rules-based mechanisms for capital transfers to local government, with transfer amounts announced at least 6 months before the fiscal year. |

**The funding model for local government in New Zealand means that fiscal transfers play a relatively small role, by design.** An inquiry by the Productivity Commission in 2019 found that fiscal transfers represented 19% of local government revenues in 2018, [80] a figure that is significantly lower than in many other high-income economies.[81]

This is because local government in New Zealand is largely funded through local rates, user charges, and debt, rather than central government grants. Councils therefore enjoy a relatively high degree of financial autonomy. Councils are responsible for providing networked systems such as water and transport but have fewer responsibilities for social infrastructure than in other high-income economies.

Water networks and local government-provided social infrastructure are funded through a mix of rate revenue and user charges collected directly by councils. User-charges for the land transport system are collected by NZTA and distributed to councils in line with its Funding Assistance Rate (FAR) framework.

**Fiscal transfers play an important role in the roading sector, where they are governed by a well-established legal and regulatory framework.** In the land transport sector, the New Zealand Transport Agency (NZTA) co-funds investment in infrastructure projects with local councils from the National Land Transport Fund (NLTF). Transfers from the NLTF to local councils have historically accounted for the majority of transfers from central to local government.[82]

NZTA applies its 'Investment Prioritisation Method' to determine which proposals are prioritised for funding and applies its FAR framework to determine what proportion of a project's costs it will co-fund in a particular council area. FAR is based on factors such as local deprivation, ratepayer base, length of the road network, etc.[83]

The NLTP must give effect to the strategic direction and funding allocations in the Government Policy Statement on land transport, and the regional priorities set out in the Regional Land Transport Plans. The process is governed by the Land Transport Management Act 2003.[84]

[80] New Zealand Productivity Commission. (2019). Local government funding and financing.
[81] New Zealand Productivity Commission. (2019). Scope and funding of local government: an international comparison.
[82] New Zealand Productivity Commission. (2019). Local government funding and financing.
[83] New Zealand Transport Agency. (2024). Funding Assistance Rates (FAR) Policy.
[84] New Zealand Transport Agency. (2024). About the NLTP.

**New Zealand does not have a consistent framework for fiscal transfers outside the roading sector.** Central government uses a variety of ad-hoc grants, co-funding programmes, and contestable funding pots to provide additional funding to local government.

In recent years there has been a proliferation of bespoke funds, including the $25 million competitive Tourism Infrastructure Fund,[85] co-funding for Westport flood protection,[86] a $1bn contestable Housing Infrastructure Fund,[87] and the $3bn contestable Provincial Growth Fund.[88] In each case, central government wrote the rules for each fund from scratch, without reference to a pre-existing rulebook for managing expedited or special purpose funding pools.

In 2023, the Auditor-General raised concerns about the adequacy of the decision-making criteria and documentation for some contestable funds and recommended that the Treasury develop minimum requirements and guidance for contestable funding processes.[89] Although these transfers account for a relatively small proportion of general government infrastructure spending, the lack of a standard framework for cost-sharing contributes to the unpredictability of central government funding.

**Central government also provides direct financial support to local councils after natural hazard events.** In recent years, the exact amount and share of capital transfers appears to have been decided on a case-by-case basis.

The Guide to the National CDEM Plan indicates that central government will reimburse local councils for 60% of costs relating to emergency response and essential infrastructures above various thresholds relating to net capital values.[90] It is unclear whether this guidance is consistently adhered to in practice. The Government is also developing additional guidance on the variety of tools to support risk reduction and recovery.

### Effectiveness

*Note: For this criteria we score system performance primarily in relation to the land transport sector, which typically accounts for the majority of transfers from central to local government. In other sectors, a 'low' score would apply.*

| IMF indicative scoring thresholds | | | |
|---|---|---|---|
| No score given | Low | Medium | High |
| Insufficient information to score performance. | No mechanism for predictable capital transfers, or actual transfers deviate significantly from amounts notified to local gov't (by more than 15%). | Actual capital transfers deviate somewhat from amounts notified to local gov't (by 5–15%) or actual notification is done less than 6 months before the fiscal year. | Actual capital transfers are consistent with amounts notified to local gov't (deviate by less than 5%) and actual notification is done at least 6 months before the fiscal year |

**Central government funding for local roads generally aligns with plans.** NZTA is required to allocate NLTF funding in accordance with the funding ranges set out in the GPS. The GPS prescribes funding ranges for different activity classes – including local roads maintenance, operations and renewals, local roads improvements, and public transport infrastructure and services – that are co-funded by councils.

Commission analysis of data for land transport funding shows that NZTA funding for local roads has aligned with GPS funding ranges for most years since 2010. When the government has raised or lowered

[85] Ministry of Business, Innovation & Employment. (2024). Tourism Infrastructure Fund.
[86] New Zealand Government. (2024). Government commits $20m to Westport flood protection.
[87] Ministry of Housing and Urban Development. (2024). Housing infrastructure fund.
[88] Office of the Auditor-General. (2020). Managing the Provincial Growth Fund.
[89] Office of the Auditor-General. (2023). Making infrastructure investment decisions quickly.
[90] New Zealand Government. (2015). The Guide to the National Civil Defence Emergency Management Plan 2015.

the funding ranges for local roads, NZTA funding allocations shift accordingly. This is true for local roads maintenance, operations, and renewals (**Figure 14**) as well as improvements (**Figure 15**).

This analysis suggests that – in the roading sector, at least – transfers from central to local government are generally predictable.

**Figure 14. Funding for local road maintenance, operations, and renewals ($m)**

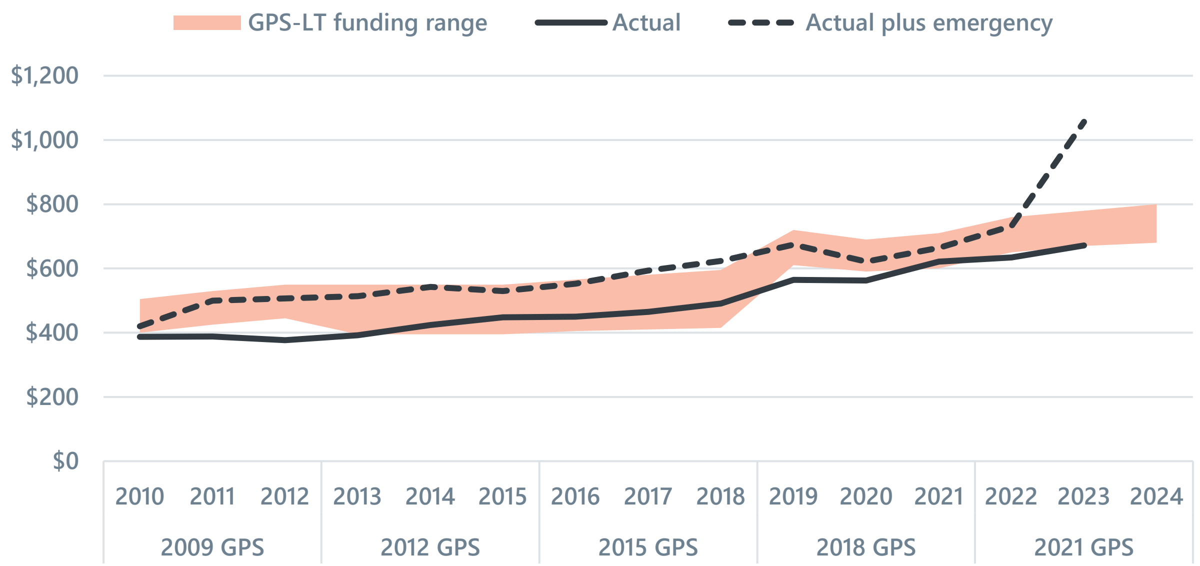
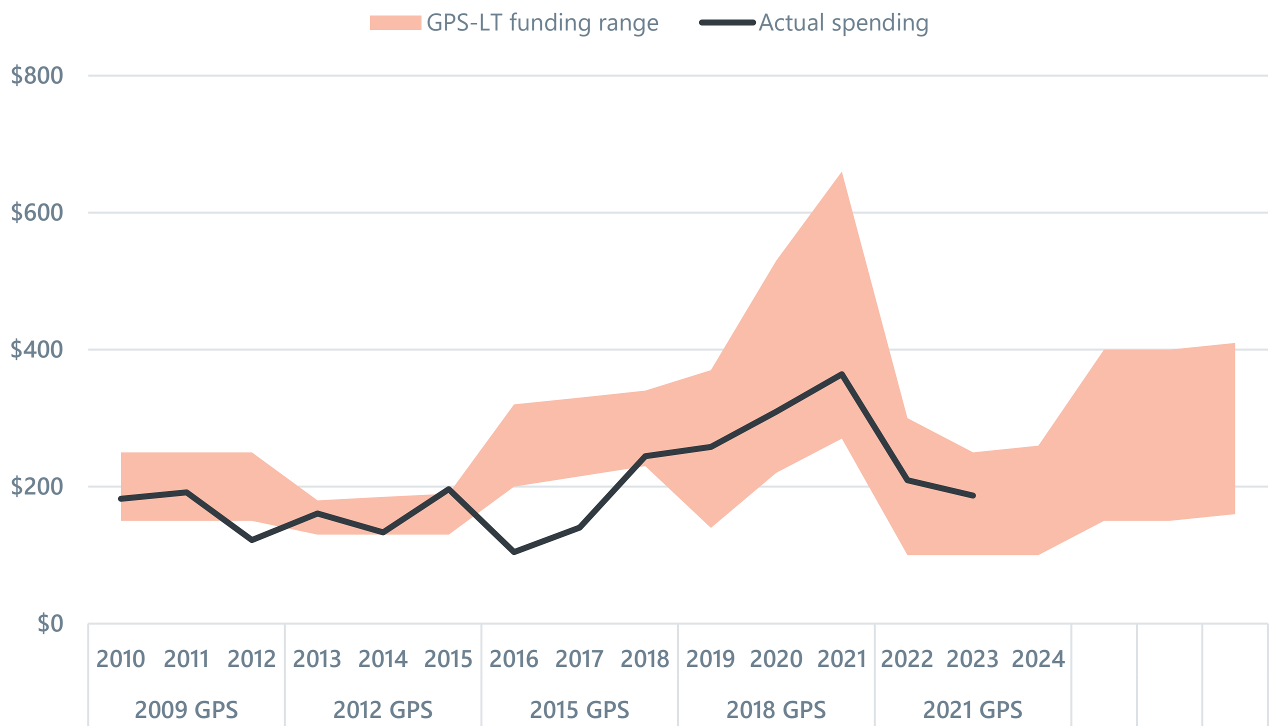



**Figure 15. Funding for local road improvements ($m)**




*Source: Infrastructure Commission analysis of NZTA data.*

## 3c. Are contingent liabilities arising from capital projects of local government, state-owned enterprises, and PPPs reported to the central government?

### Institutional design

| IMF indicative scoring thresholds | | | |
|---|---|---|---|
| No score given | Low | Medium | High |
| Insufficient information to score performance. | The legal framework does not require reporting of contingent liabilities for local government, SOE, and PPP projects. | The legal framework requires reporting to central government of contingent liabilities for local government, SOE, and PPP projects. | The legal framework requires reporting and public disclosure of contingent liabilities for local gov't, SOE, and PPP projects in Budget documents. |

**Local councils, state-owned enterprises, and central government agencies are required to report contingent liabilities:**

- **Councils** are required to produce financial statements in accordance with generally accepted accounting practice under Section 69 of the Local Government Act 2002.[91]
- **State-owned enterprises** are required to produce "audited financial statements in accordance with generally accepted accounting practice" under Section 15 of the State-Owned Enterprises Act 1986. Examples of partly state-owned enterprises reporting contingent liabilities include Mercury and Genesis.[92,93] **Central government departments**[94] and **Crown entities**[95] are also required to produce financial statements in accordance with generally accepted accounting practice.
- Central government departments and Crown entities that progress **PPPs** are also required to produce financial statements in accordance with generally accepted accounting practice.

Under the Financial Reporting Act 2013, "generally accepted accounting practice" includes any External Reporting Board (XRB) financial reporting standards[96] - including those setting out requirements for reporting contingent liabilities. [97]

**The Treasury reports annually on major contingent liabilities facing the Government through the yearly Budget Economic and Fiscal Update.** The BEFU only reports Central Government contingent liabilities that are unquantified or valued at $100 million and above - all contingent liabilities that have been quantified below $100 million are aggregated into a single 'other quantifiable' line item.[98]

### Effectiveness

| IMF indicative scoring thresholds | | | |
|---|---|---|---|
| No score given | Low | Medium | High |

[91] Local Government Act 2002.
[92] Genesis. (2024). Integrated report.
[93] Mercury. (2024). Integrated report.
[94] Public Finance Act 1989.
[95] Crown Entities Act 2004.
[96] Section 8, Financial Reporting Act 2013.
[97] External Reporting Board. (2024). PBE IPSAS 19.
[98] The Treasury. (2024). Budget Fiscal and Economic Update 2024.

| | | | |
|---|---|---|---|
| Insufficient information to score performance. | Few contingent liabilities (less than 25% of value) are reported to central government, or contingent liabilities are reported for none or 1 of 3 categories. | Some (25–75% of) contingent liabilities are reported to central government, or contingent liabilities are reported for 2 of 3 categories | Most (more than 75% of) contingent liabilities are reported to central government and disclosed in budget documents, or contingent liabilities are reported and disclosed for 3 of 3 categories. |

**The information required to assess the accuracy of the contingent liabilities reported by central government is not readily available.** Several agencies and councils have disclosed both quantified and unquantified contingent liabilities in their annual reports, often in relation to legal risks. Contingent liability notes in the government's financial statements are subject to annual audits by the Auditor-General, providing some assurance of their accuracy.

**Agencies are not required to identify, measure and report on potential liabilities relating to maintenance, renewals, and hazards.** The term 'contingent liability' has a specific technical meaning in accounting practice and does not cover potential liabilities in relation to maintenance and renewals backlogs, climate change and natural hazards risks.

These other kinds of potential liabilities may nevertheless pose significant financial challenges for central government. Without clear visibility of potential liabilities, the government will not have a full view of needs and risks across the system, or the level of liability it might be exposed to in the future.

## Pillar 4: Project appraisal

Here, we review New Zealand's performance against the 'Project appraisal' pillar of the PIMA framework. This tests whether project proposals are subject to systematic project appraisal prior to an investment decision. It is assessed based on three questions:

- Are major capital projects subject to rigorous technical, economic, and financial analysis?
- Is there a standard methodology and central support for the appraisal of projects?
- Are risks taken into account in conducting project appraisals?

We assess institutional design and effectiveness separately for each question based on the IMF PIMA Handbook, providing relevant information to support our ratings.

### 4a. Are major capital projects subject to rigorous technical, economic, and financial analysis?

#### Institutional design

| IMF indicative scoring thresholds | | | |
|---|---|---|---|
| No score given | Low | Medium | High |
| Insufficient information to score performance. | There is no legal or regulatory requirement for formal, systematic appraisal of major investment projects. | There is a legal or regulatory requirement for formal, systematic appraisal of major investment projects. | There is a legal or regulatory requirement for formal, systematic appraisal of major investment projects, including the public of appraisal results and/or independent review. |

**Central government agencies are required to assess the merits of investment proposals before seeking Budget funding.** Under Cabinet Office Circular (23) 9, central government agencies are required to "test the merits" of all investment proposals prior to submission, taking account of how investments could be scaled or phased, alternative funding and financing options, and the capability and capacity of agencies and the market to deliver the investment. These requirements are longstanding, having also appeared in the Cabinet Office circulars that preceded CO (23) 9.

**Agencies must produce business cases for all investment proposals, and to adhere to the Government's Better Business Case (BBC) framework when doing so.**[99] The BBC framework is based on the international 'five case' standard,[100] and the Treasury provides guidance to agencies on the level of analysis that should be presented to decision-makers at different stages of development.[101] The strategic case for an investment proposal should link to long-term investment plans and asset management plans.[102] The Treasury is currently part-way through a multi-year programme of work to improve the Better Business Case framework, which will include issuing new guidance to agencies.[103]

**The Better Business Case framework requires agencies to assess the economic and financial case for their proposed investments.** Economic appraisal should form the basis of a project's Economic Case. This is distinct from the Financial Case, which assesses a project's affordability and funding sources.

[99] Cabinet Office (2023) CO (23) 9: Investment Management and Asset Performance in Departments and Other Entities
[100] The Treasury. (2024). Better Business Cases.
[101] The Treasury. (2019). Better Business Cases: Guide to Developing a Detailed Business Case
[102] The Treasury. (2023). Better Business Cases: Project Single-Stage Business Case (SSBC).
[103] The Treasury. (2024). Review and update of the Better Business Case and Gateway Frameworks

**Each project's business case should appraise its expected costs and benefits.** At the Indicative Business Case stage, agencies are expected to provide indicative costs and benefits for all shortlisted options, with estimates given as ranges to reflect uncertainty and contingency. They are not expected to develop detailed cost-benefit analysis at this stage.[104] The project's Detailed Business Case should then set out a more detailed cost-benefit analysis for the preferred option, noting any assumptions and risks. Multi-criteria decision analysis (MCDA) must also be used to assess non-monetary benefits for high-risk projects.[105]

### Effectiveness

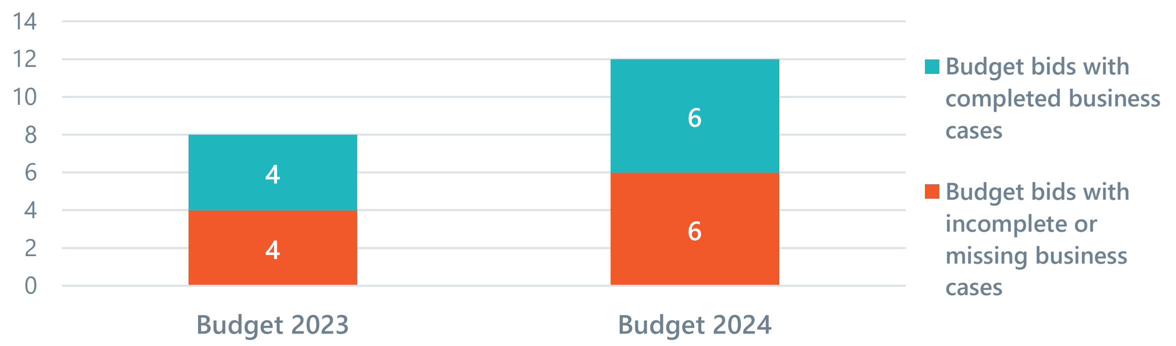
| IMF indicative scoring thresholds | | | |
|---|---|---|---|
| No score given | Low | Medium | High |
| Insufficient information to score performance. | Few major investment projects (less than 25% regardless of funding source) are subject to stringent appraisal | Some major investment projects (25–75% regardless of funding source) are subject to stringent appraisal. | Most major investment projects (more than 75% regardless of funding source) are subject to stringent appraisal, and many (more than 50%) have published summary appraisal results and/or undergone independent review. |

**Adherence to business case rules is poor, impairing the Government's ability to make good decisions about which infrastructure projects should be funded.** Despite explicit and binding requirements in CO (23) 9 – carried over from the Cabinet Office circulars which preceded it – agencies do not consistently produce robust business cases for all investment proposals.

Since 2020, the government has convened an 'Investment Panel' to review selected Budget funding bids. The number of investment proposals reviewed by the Investment Panel varies from year to year, but is more likely to focus on high risk, high value proposals. In 2024, the panel was asked to review all proposals for new initiatives, cost pressures, and reprioritisation.[106]

The Infrastructure Commission reports on the share of infrastructure proposals assessed by the Investment Panel that were found to have adequate business cases. This data shows that, in both 2023 and 2024, only half of the investment proposals reviewed by the Investment Panel were found to have complete business cases (**Figure 16**).

**Figure 16: Number of Budget bids reviewed by the Investment Panel found to have business cases, 2023 and 2024**




[104] The Treasury. (2024). Indicative Business Case – Template and guidance.
[105] The Treasury. (2024). Detailed Business Case – Template and guidance.
[106] The Treasury. (2024). Treasury Report T2024/47: Approach to capital investments in Budget 2024.

Te Waihanga, New Zealand Infrastructure Commission: **From plans to projects**

*Source:* *New Zealand Infrastructure Commission, Te Waihanga. (2024). Annual Report.*

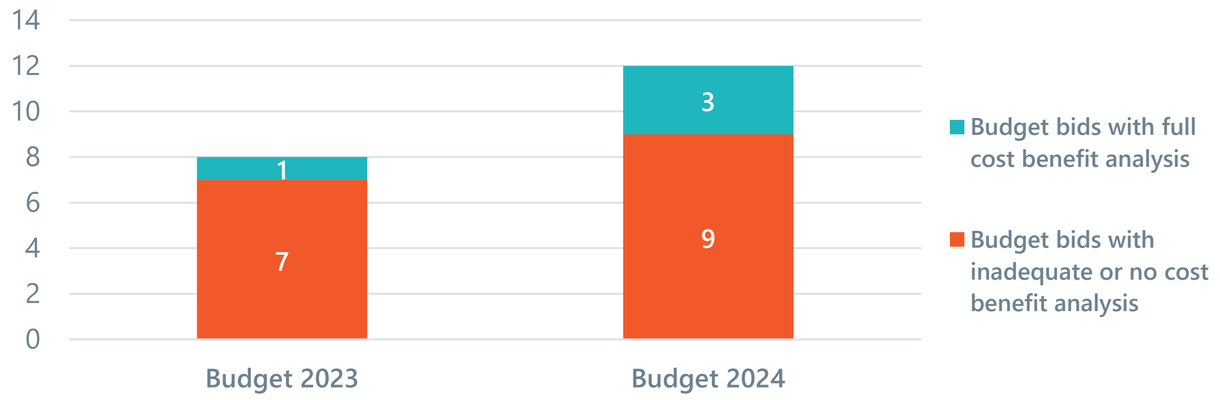
Even where business cases exist, they are often not robust enough to provide a useful basis for decision-making. In 2022, the Investment Panel noted "the quality of problem definition and options analysis was [...] generally poor" in most of the business cases it reviewed.[107] In 2024, the Investment Panel again warned that for many investment proposals it found "insufficient information to enable a detailed assessment"[108]

**Central government often makes investment decisions without a rigorous appraisal of a project's likely costs and benefits.** In recent Budget rounds, only a small minority of investment proposals reviewed by the Budget Investment Panel came with robust cost-benefit analyses (**Figure 17**). Fewer than 10% of investment proposals reviewed by the Investment Panel for Budget 2021 included monetised impacts.[109]

The Treasury "encourages" agencies to use cost-benefit analysis when developing important investment proposals[110] and provides support to enable improvement. However, inadequate incentives and enforcement mean that compliance with mandatory requirements and best practice guidance is poor.

The Treasury is attempting to gradually build CBA capability within agencies by requesting that investment proposals contain "building blocks" of CBA, which it hopes can be "advanced in future years towards more formal CBA expectations".[111]

**Figure 17: Number of Budget bids reviewed by the Investment Panel found to have cost-benefit analysis, 2023 and 2024**




*Source:* *New Zealand Infrastructure Commission, Te Waihanga. (2024). Annual Report.*

[107] The Treasury (2022) Treasury Report T2022/76: Investment Panel Advice – Budget 2022.
[108] The Treasury (2024) Treasury Report T2024/511: Budget 2024 Capital Initiatives Overview.
[109] The Treasury (2022) Treasury Report T2021/2015: Value for Money Analysis in Budget 2022.
[110] The Treasury (2024) The Treasury's CBAx Tool.
[111] The Treasury (2022) Treasury Report T2021/2015: Value for Money Analysis in Budget 2022.

## 4b. Is there a standard methodology and central support for the appraisal of projects?

### Institutional design

| IMF indicative scoring thresholds | | | |
|---|---|---|---|
| No score given | Low | Medium | High |
| Insufficient information to score performance. | There is no standard methodology or central support for project appraisal. | There is either a standard methodology or central support for project appraisal. | There is both a standard methodology and central support for project appraisal. |

**Central government maintains a standard framework for business cases and cost-benefit analysis.** It also provides some guidance and support to agencies on using these tools. Agencies are required to develop business cases for infrastructure proposals in accordance with the Government's Better Business Case framework, and are provided with detailed guidance, official document templates and an assessment tool[112] for reviewers. Officials may also seek formal certification in the use of the Better Business Cases framework through an independent training provider.[113]

The Treasury's CBAx tool provides a database of values that agencies may use to help them quantify monetised impacts when developing cost-benefit analysis for investment proposals.[114] The Treasury also publishes guidance on social cost-benefit analysis on using CBAx, organises workshops for CBAx users, runs courses on CBA (including CBAx), and encourages agencies to contact Treasury Vote Analysts to discuss the application of CBAx to their investment proposals.[115]

### Effectiveness

| IMF indicative scoring thresholds | | | |
|---|---|---|---|
| No score given | Low | Medium | High |
| Insufficient information to score performance. | There is no standard methodology for analysis of investment projects, or the methodology is fully applied for few (less than 25% of) major projects. | The standard methodology for analysis of investment projects is fully applied for some (25–75% of) major projects. | The standard methodology for analysis of investment projects is fully applied for most (more than 75% of) major projects. |

**Most of the Budget bids reviewed by the Government's Investment Panel had either missing or inadequate business cases, and very few incorporated monetised costs and benefits (Figure 16).[116]**

[112] The Treasury. (2023). Detailed Business Case – Reviewer assessment tool.
[113] The Treasury. (2024). Better Business Cases training.
[114] The Treasury. (2024). The Treasury's CBAx Tool.
[115] The Treasury. (2024). CBAx Tool User Guidance.
[116] The Treasury (2022) Treasury Report T2021/2015 Value for Money Analysis in Budget 2022.

## 4c. Are risks taken into account in conducting project appraisals?

Institutional design

| IMF indicative scoring thresholds | | | |
|---|---|---|---|
| No score given | Low | Medium | High |
| Insufficient information to score performance. | There is no regulatory requirement for analysis of risks related to investment projects. | There is a regulatory requirement for analysis of risks related to investment projects. | There is a regulatory requirement for analysis of risks related to investment projects and for development of risk mitigation plans. |

**There are some requirements for central government agencies to assess risks associated with their investment proposals.** Under Cabinet Office Circular (23) 9, agencies must complete Risk Profile Assessments (RPAs) for all investment proposals. Previous Cabinet Office circulars only required agencies to complete RPAs for "significant" investments,[117] or for investments which would "expose the government to significant fiscal or ownership risks".[118]

**Agencies are expected to set out more detailed risk analysis and mitigations in business cases.** Successive Cabinet Office circulars have required agencies to apply the Better Business Case framework, which in turn requires agencies to identify, assess and mitigate risks.

**Gateway reviews may also consider a project's risk management**. Projects with high-risk RPAs are also required to undergo Gateway reviews,[119] with the Treasury guidance encouraging reviewers to perform different kinds of risk management assurance at different review stages.[120,121]

Effectiveness

| IMF indicative scoring thresholds | | | |
|---|---|---|---|
| No score given | Low | Medium | High |
| Insufficient information to score performance. | Few major investment projects (less than 25%) include stringent analysis of project risks. | Some major investment projects (25–75%) include stringent analysis of project risks. | Most major investment projects (more than 75%) include stringent analysis of project risks and risk mitigation plans. |

**The information needed to assess the proportion of investment proposals with robust risk analysis is not available.** We draw on evidence from the Investment Panel and Budget evaluation framework to examine whether current system settings are ensuring robust risk analysis.

**The available evidence suggests that risk assessment may be weak.** The Treasury's Investment Panel advice on Budget 2022 noted that "risks in the delivery of the preferred solution were insufficiently assessed" for most of the investment proposals it reviewed.[122] For many of the investment proposals reviewed by the Investment Panel, business cases were missing altogether, making it very unlikely that potential risks had been considered in a systematic, robust manner.

[117] Cabinet Office. (2015). CO (15) 5: Investment Management and Asset Performance in the State Services.
[118] Cabinet Office (2010). CO (10) 2: Capital Asset Management in Departments and Crown Entities: Expectations.
[119] The Treasury (2024) Risk Profile Assessment and Strategic Assessment.
[120] The Treasury (2023) Gateway Review Process: Best Practice – Gateway to success: Review 0: Strategic Assessment.
[121] The Treasury (2023) Gateway Review Process: Best Practice – Gateway to success: Review 3: Investment Decision.
[122] The Treasury (2024) Investment Panel Advice – Budget 2022.

**The government does not have a consistent framework for assessing the risks of investment options when making Budget decisions.** Officials provide advice to Ministers on the merits of investment proposals based on a Budget evaluation framework that changes every year. For Budget 2022, investment proposals were assessed on whether they quantified their risks, and whether they appropriately managed their commercial risks. Neither of those questions were used to help assess Budget 2024 bids.

## Pillar 5: Alternative infrastructure financing

### 5a. Does the regulatory framework support competition in contestable markets for economic infrastructure (eg energy, water, telecoms and transport)?

Institutional design

| IMF indicative scoring thresholds | | | |
|---|---|---|---|
| No score given | Low | Medium | High |
| Insufficient information to score performance. | The legal and regulatory framework restricts the provision of economic infrastructure to domestic monopolies or establishes few economic regulators. | The legal and regulatory framework supports competition in some major infrastructure markets and establishes some economic regulators. | The legal and regulatory framework supports competition in most major infrastructure markets, and economic regulators are well established. |

**There are well-established and competitive markets in several infrastructure sectors.** The telecommunications, electricity, and gas markets are overseen by independent regulators - the Commerce Commission (ComCom), Electricity Authority (EA), and Gas Industry Company (GIC).

In the telco market, ComCom is responsible for setting the wholesale price for the copper and UFB fibre network, and for market monitoring.[123] ComCom and EA work together to regulate the electricity market.[124] The EA is responsible for setting the market rules for electricity.[125] ComCom also regulates gas transmission and distribution businesses[126] and airports. The GIC co-regulates the gas market.[127]

Effectiveness

| IMF indicative scoring thresholds | | | |
|---|---|---|---|
| No score given | Low | Medium | High |
| Insufficient information to score performance. | Private companies have small market shares (less than 25% in 2 major markets). | Private companies have medium market shares (25–75%) in at least 2 major markets. | Private companies have high market shares (at least 75%) in at least 2 major markets. |

**The private sector plays an important role in several infrastructure sectors.** Central and local government collectively own most of New Zealand's transport, water, and electricity transmission infrastructure – covering state highways, local roads, railways, ports, water pipes and pylons (**Table 6**). But private companies have medium market shares in electricity generation, electricity retailing, and airports, and large market shares in telco, gas transmission, and gas distribution.

[123] Commerce Commission. (2023). Telecommunications.
[124] Commerce Commission. (2023). Electricity lines.
[125] Electricity Authority. (2024). About us.
[126] Commerce Commission. (2024). Our role in gas pipelines.
[127] Ministry of Business, Innovation, & Employment. (2024). Gas regulatory framework.

Table 6: Ownership of New Zealand infrastructure sectors

| Sector | Ownership |
|---|---|
| Electricity | **Generation:** Mixed ownership across four major generating companies. Three (Genesis, Mercury and Meridian) are majority-owned by the government, with one (Contact) privately-owned.[128]<br>**Transmission:** Government-owned.<br>**Distribution:** Mostly privately-owned by a mix of consumer trusts (eg Vector)[129] and international investors (eg Powerco),[130] with a smaller number owned by local councils (eg Orion, Electricity Invercargill). |
| Gas | Privately-owned and operated. |
| Land transport | **Local roads:** Council-owned and maintained.<br>**State highways:** Government-owned (Crown entity).<br>**National railway network:** Government-owned (State-Owned Enterprise). |
| Aviation | **Airports:** Auckland Airport, Wellington Airport, and Queenstown Airport are majority privately-owned, and together account for around two-thirds of aviation passenger traffic.<br>**Airlines:** government-owned Air New Zealand accounts for 86% of market share.[131] |
| Ports | New Zealand's largest ports (including Tauranga, Auckland, Wellington, Lyttelton, Napier, Otago) are all majority-owned or fully-owned by central and/or local government, with no major port in private ownership. |
| Water | Council-owned and operated. |
| Telco | Privately-owned and operated. |
| Health | Largely government-owned. There are also private healthcare facilities, including private hospitals and private diagnostic providers. Aged care facilities are mostly privately-owned. |
| Education | **Primary and secondary:** mostly government-owned, with some state-integrated and private schools.<br>**Tertiary:** mix of public and private sectors, with significant government funding. |

[128] Ministry of Business, Innovation and Employment. (2024). Electricity industry.
[129] Vector. (2024). Ownership.
[130] Powerco. (2024). Our people.
[131] Auckland Airport. (2024). New Zealands domestic airline market the least competitive in the world.

## 5b. Has the government published a strategy/policy for PPPs, and a legal/regulatory framework which guides the preparation, selection, and management of PPP projects?

### Institutional design

| IMF indicative scoring thresholds | | | |
|---|---|---|---|
| No score given | Low | Medium | High |
| Insufficient information to score performance. | There is no published strategy/policy framework for PPPs, and the legal/regulatory framework is weak. | A PPP strategy/policy has been published, but the legal/regulatory framework is weak. | A PPP strategy /policy has been published, and there is a strong legal/regulatory framework that guides the preparation, selection, and management of PPP projects. |

**New Zealand's policy framework for public-private partnerships (PPP) is being strengthened.** PPP projects developed by central government agencies must comply with all relevant CO (23) 9 requirements, including the Better Business Case framework and guidance. They must also adhere to specialist frameworks in place for PPP initiatives, and these are being strengthened.

From 2019 to 2024, the Infrastructure Commission was responsible for maintaining and developing New Zealand's PPP model, producing a standard form PPP project agreement with model schedules.[132] The Treasury is currently responsibility for advancing PPP policy.[133]

The government published an updated PPP Framework in 2024, setting out guidance on the appropriate use of PPPs, principles for risk sharing, guidance on tendering and analysis, etc.[134] It has also published a new 'funding and financing framework', under which agencies are advised that Crown funding and financing "should only be sought when all other sources have been exhausted".[135] The new policy also creates a presumption in favour of 'beneficiary pays' models, encouraging agencies to develop proposals with alternative funding sources in mind.

The updated Government Policy Statement on Land Transport now states that "PPPs, concessions, and other alternative delivery options are to be considered for all projects". It adds that the government expects the New Zealand Transport Agency to consider alternative funding sources for major public transport investments, including value capture.[136]

### Effectiveness

| IMF indicative scoring thresholds | | | |
|---|---|---|---|
| No score given | Low | Medium | High |
| Insufficient information to score performance. | Few (less than 5% of) public investments the past 3 years have been implemented as PPPs and are consistent with the PPP policy and legal/regulatory framework. | Some (5–10% of) public investments the past 3 years have been implemented as PPPs and are consistent with the PPP policy and legal/regulatory framework. | Many (more than 10% of) public investments the past 3 years have been implemented as PPPs and are consistent with the PPP policy and legal/regulatory framework. |

[132] New Zealand Infrastructure Commission, Te Waihanga. (2024). Standard Form Public Private Partnership (PPP) Project Agreement
[133] The Treasury. (2024). 1 December start for National Infrastructure Agency.
[134] New Zealand Government. (2024). New Zealand PPP Framework: A Blueprint for Future Transactions
[135] The Treasury. (2024). Funding and financing framework.
[136] New Zealand Government. (2024). Government Policy Statement on land transport 2024-34

**To date, public-private partnerships have rarely been used to deliver infrastructure projects in New Zealand.** There have only been eight PPP projects since 2011, none of which were initiated under the new PPP Framework published in 2024 or within the last three years.[137,138]

The use of PPPs appears likely to increase in the coming years, with the government committing to consider PPPs for future projects,[139] including for land transport investment proposals. In early 2025, the government announced that it had decided to progress the first stage of the Northland Expressway project as a PPP.[140]

## 5c. Does the government oversee the investment plans of state-owned enterprises (SOEs) and monitor their financial performance?

### Institutional design

| IMF indicative scoring thresholds | | | |
|---|---|---|---|
| No score given | Low | Medium | High |
| Insufficient information to score performance. | There is no legal requirement that the government systematically review the investment plans of state-owned enterprises. | There is a legal requirement that the government reviews the investment plans of SOEs but not for the publication of a consolidated report on these plans or the financial performance on SOEs. | There is a legal requirement that the government reviews the investment plans of SOEs and publishes a consolidated report on these plans or the financial performance on SOEs. |

**State-Owned Enterprises are required to submit investment plans for review and approval.** Under the Land Transport Management Act 2003, KiwiRail is required to prepare a Rail Network Investment Programme every three years, and to submit each plan to the Minister of Transport, who must consider NZTA advice and consult with other shareholding Ministers before approving or rejecting the plan.[141] Transpower is also legally required to submit its capital expenditure plans to the Commerce Commission for review and approval[142] and is subject to a range of information disclosure requirements as well as financial monitoring by the Commerce Commission.

**State-owned enterprises are required to submit objectives and accounts to shareholding Ministers and are monitored on their performance.** Under the State Owned Enterprises Act 1986, state-owned enterprises (SOEs) must report to their shareholding Ministers, produce Statements of Corporate Intent setting out their objectives and performance targets, publish annual reports and financial statements, and submit to audits by the Auditor-General.

Ministers may also direct an SOE to amend its Statement of Corporate Intent.[143] The Treasury also publishes 'owner's expectations' setting out performance assessment and reporting processes for SOEs,[144] monitors their performance, and advises shareholding Ministers on performance over time.[145]

**SOEs must seek approval from their Ministers prior to making 'major transactions'.** Ministers can clarify which investments they wish to be consulted on through their letters of expectation. Some Crown

[137] New Zealand Government (2024) Government launches refreshed Public Private Partnership framework
[138] New Zealand Infrastructure Commission, Te Waihanga (2021) New Zealand public private partnership model review
[139] New Zealand Government. (2024). Government launches refreshed Public Private Partnership framework
[140] New Zealand Government. (2025). NZ Investment Summit: Northland Expressway Road of National Significance.
[141] Land Transport Management Act 2003.
[142] Commerce Commission. (2024). Transpower input methodologies.
[143] State-Owned Enterprises Act 1986
[144] The Treasury. (2024). Owner's Expectations
[145] The Treasury. (2024). The 2023/24 Annual Report.

entities must follow BBC guidance and Gateway processes in accordance with CO (23) 9, although SOEs are only encouraged to do so.

Transpower does not follow the BBC process, as it is required to apply a specific investment test to major investment projects, prescribed in the Transpower Capital Expenditure Input Methodology published by the Commerce Commission.[146]

**Effectiveness**

| IMF indicative scoring thresholds | | | |
|---|---|---|---|
| No score given | Low | Medium | High |
| Insufficient information to score performance. | The review process covers few SOE infrastructure investments (less than 25% of total value) over the past 3 years. | The review process covers at least the 5 largest SOEs measured by assets or some (25–75% of) SOE infrastructure investments over the past 3 years. | The review process covers at least the 10 largest SOEs measured by assets or most (75% or more of) SOE infrastructure investments over the past 3 years. |

**Scrutiny of state-owned enterprises is consistent, and generally transparent.** Transpower is subject to transparent regulation by the Commerce Commission; its investment plans and applications are publicly released, as are the Commerce Commission's final determinations. NZTA has also proactively released its advice to Ministers on KiwiRail's Rail Network Investment Programme.[147]

However, the Treasury does not proactively release its advice to Ministers on corporate performance monitoring. Although SOEs are subject to Treasury reviews, the absence of public reporting on investment planning and financial performance makes it difficult to form a full view of overall SOE performance.



[146] Commerce Commission. (2024). Transpower input methodologies.
[147] Waka Kotahi, New Zealand Transport Agency. (2021). Advice on the Rail Network Investment Programme.

# Allocation: Choosing the highest-value investments

## Summary of findings

**In this section, we examine our performance in the 'Allocation' stage of the infrastructure investment lifecycle.** We undertake a qualitative self-assessment against the five pillars that are relevant to this lifecycle stage, supported by factual information on our institutional design and effectiveness of our practices.

**Allocating public investment to the highest-value projects and programmes requires comprehensive and stringent budgeting practices.** There should be consistent medium-term budgets, and the full cost of all public investment should be included in the Budget. Project selection processes should ensure that the right projects are chosen, and funding for maintenance and renewal of assets should be set based on robust methodologies.

### Our key findings about the Allocation pillars

**We have mixed or poor performance in most Allocation pillars, but there are some areas of good performance.** Table 7 summarises our key findings regarding institutional design and effectiveness of these five pillars.

**We perform poorly against *Pillar 6: Multi-year budgeting*.** Although the Public Finance Act 1989 enables the government to use multi-year appropriations, these are generally used to fund specific initiatives – not to fund the delivery of multi-year investment plans. In most cases, new funding is provided on an annual basis. Budget documentation does not provide clear project cost estimates, and overall central government capital investment tends to deviate from forecast spending.

**Our performance against *Pillar 7: Budget comprehensiveness* is reasonable.** All public expenditure is included in Budget forecasts, and most public investment is controlled through the annual Budget. In some cases, sector legislation delegates investment decisions to Crown agents or State-Owned Enterprises, but their spending plans must be incorporated in Budget forecasts.

**We perform well against *Pillar 8: Budgeting for investment*.** Appropriations provide funding protection for output categories, and flexibility to deliver services in different ways. Transfers between capital and operating funding are possible but are controlled.

**We perform poorly against *Pillar 9: Maintenance funding*.** We lack standard methodologies for identifying maintenance and renewal spending needs and do not systematically disclose actual maintenance and renewal spending. The available data suggests that there has been underfunding of maintenance and renewals, leading to declining asset condition.

**We perform poorly against *Pillar 10: Project selection*.** There is a process for reviewing and advising Ministers on major investment proposals in advance of a budget decision. However, the quality of information feeding into this advice is often poor, partly due to incomplete or missing business cases, and partly because the government's evaluation framework changes frequently.

Table 7: Institutional design and effectiveness of Allocation pillars

| Pillar | Institutional design | Effectiveness |
|---|---|---|
| 6 Multi-year budgeting | Budget generally works on a yearly cycle, with forecasts of future new capital spending. Multi-year appropriations used to fund specific initiatives. Government does not give agencies broad multi-year funding settlements to deliver investment plans. | Lack of multi-year funding an important challenge for agencies. Most agencies required to bid for funding through annual Budget 'lolly scramble'. Budget capital spending forecasts are consistently inaccurate. |
| 7 Budget comprehensiveness | New Crown appropriations must be approved by Parliament. Significant investment in land transport outside Budget process – but governed by longstanding legislation. | Budget appears to be comprehensive, barring NZTA-reported NLTF investments. But opex implications of new capex poorly reported and may be unfunded. |
| 8 Budgeting for investment | Legislation requires transparent reporting of appropriations. Legislative controls restrict reallocation of capital spending to operating spending. | Reporting of appropriations appears comprehensive. Controls on capex-to-opex transfers appear to work well. |
| 9 Maintenance funding | No standard government-wide methodology for estimating maintenance and renewals needs. Maintenance and renewals spending not systematically reported in Budget documentation or agency plans. | Difficult to assess how much agencies are spending on maintenance and renewals. Evidence points to significant underfunding. Tendency for funding to be diverted. |
| 10 Project selection | RPAs used to triage investments into QIR and/or Gateway. Investment Panel reviews some Budget bids. But Budget evaluation framework not transparently published. | Poor quality or missing business cases inhibit effective selection. Budget evaluation framework often undergoes major changes from one year to the next. |

## What's working well?

**Our analysis highlights two key areas of good performance.** These ensure that funding is available to complete well-scoped projects following an investment decision and that all planned spending is tracked in budget documents. These areas are:

- **Budget comprehensiveness and unity:** While we do not fully comply with all PIMA criteria, due to some land transport investment being funded outside Budget appropriations, we achieve the core intent of this pillar. The Budget and NLTP comprehensively account for capital spending are subject to longstanding legislative controls.
- **Budgeting for investment:** Appropriations protect funding from being diverted to other activities without legislative authorisation. The government appears to appropriate enough funding needed to ensure continuity of project delivery.

## What needs to be improved?

**Our analysis also identifies three key areas where we can improve.** Left unaddressed, these will make it more difficult to allocate public investment to the highest-value projects and programmes, leading to cost overruns on new projects and declining asset condition. These areas are:

- **Multi-year budgeting:** Budgets are typically set on an annual basis, making it hard for agencies to plan ahead for multi-year investment programmes. Capital investment forecasts are not reliable guides to future spending.
- **Maintenance funding:** Maintenance and renewal funding is not set based on any standard methods, and there is evidence of under-investment leading to declining asset condition.
- **Project selection:** The quality of information feeding into this advice on new capital investments is often poor, including incomplete or missing business cases, and evaluation frameworks change frequently. It is unclear whether spending is being prioritised to the highest-value areas.

## Pillar 6: Multi-year Budgeting

Here, we review New Zealand's performance against the 'Multi-year budgeting' pillar of the PIMA framework. This tests whether central government prepares medium-term projections of capital spending on a full cost basis. It is assessed based on three questions:

- Is capital spending by ministry or sector forecasted over a multiyear horizon?
- Are there multiyear ceilings on capital expenditure by ministry, sector, or programme?
- Are projections of the total construction cost of major capital projects published?

We assess institutional design and effectiveness separately for each question based on the IMF PIMA Handbook, providing relevant information to support our ratings.

### 6a. Is capital spending by ministry or sector forecasted over a multi-year horizon?

#### Institutional design

| IMF indicative scoring thresholds | | | |
|---|---|---|---|
| No score given | Low | Medium | High |
| Insufficient information to score performance. | There are no published multi-year estimates for capital spending in Budget documentation. | Medium-term projections of aggregate capital spending are published in Budget documentation. | Medium-term projections of capital spending by ministry or sector are published in Budget documentation. |

**The government's Budget documentation includes some forecasts of future capital spending, although these do not necessarily indicate spending allowances by agency or sector.** The Treasury releases a yearly Budget Economic and Fiscal Update (BEFU) which includes a multi-year forecast of new capital spending. However, the BEFU does not provide a multi-year breakdown of capital vs operational expenses by sector or agency.[148]

Previous Budgets set out a Multi-Year Capital Allowance (MYCA), intended to provide a funding allowance for new capital projects over the following years, but this allowance was not tagged to sub-allowances for individual agencies or infrastructure sectors. The Government discontinued the MYCA at Budget 2025 (see Pillar 1).

#### Effectiveness

| IMF indicative scoring thresholds | | | |
|---|---|---|---|
| No score given | Low | Medium | High |
| Insufficient information to score performance. | Medium-term capital projections are missing, or approved capital allocations deviate significantly (by more than 20%) from capital spending projections for the same years. | Approved capital budget allocations deviate somewhat (by 10–20%) from capital spending projections for the same years | Approved capital budget allocations are consistent (deviation less than 10%) with capital spending projections for the same years. |

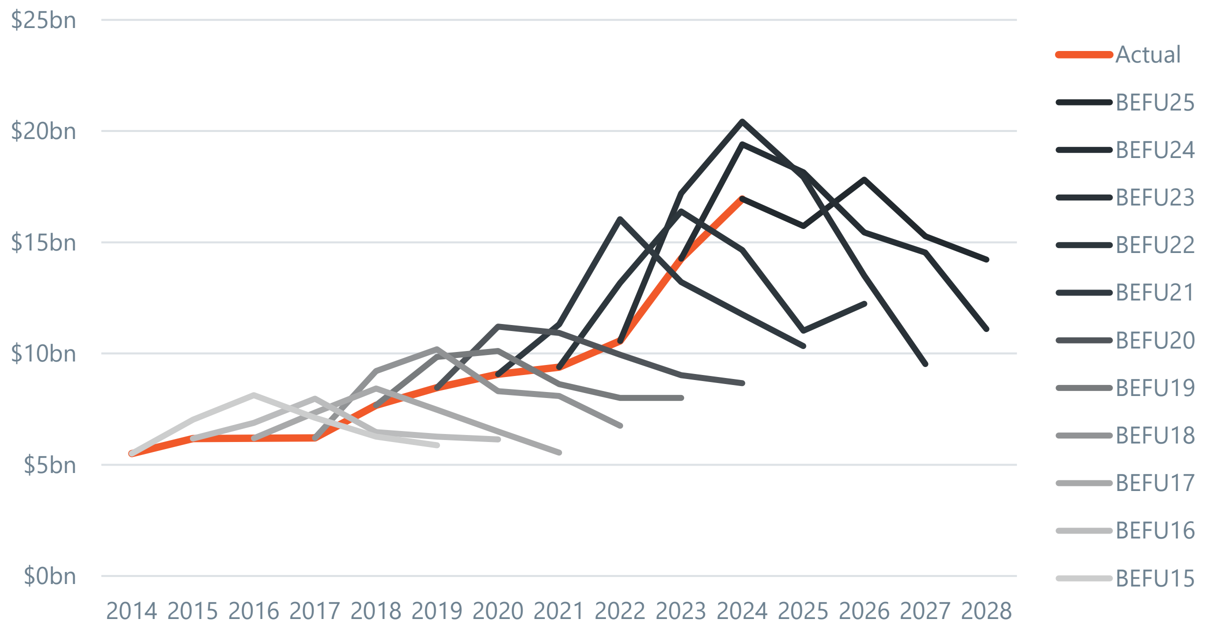
[148] The Treasury. (2024). Budget Economic and Fiscal Update 2024.

**Capital spending often appears to deviate from Budget projections, although the data needed to assess this properly does not exist.** Because the government does not produce capital spending figures specifically in relation to infrastructure assets, the Commission has instead relied on forecast versus actual cash flows from the net purchases and sales of physical assets as a proxy for capital spending, recognising that this is likely to include spending on some physical assets that we would not classify as infrastructure. There are no reliable, agency-level capital spending forecasts in Budget documentation.

Comparing actual spending data against the forecasts stated in previous Budget cycles (**Figure 18**) reveals that the government consistently over-estimates spending in the years immediately following each forecast, and consistently under-estimates spending in the final years of each forecast.

The difference between what the government expects to spend, and what it actually spends, is large. On average, actual spending is 19% lower than the first year of each forecast, and 23% lower than the second year of each forecast. The pattern then inverts. Actual spending is more than 25% higher than forecast in year 4, and more than 31% higher than forecast in year 5.[149]

**Figure 18: Forecast versus actual net purchases of physical assets, 2014 to 2028**




*Source: Infrastructure Commission analysis of actual vs forecast net sales/(purchase) of physical assets reported in successive Fiscal Strategy Model updates.*

**The Government's capital spending forecasts are not specific or accurate enough to enable robust investment planning.** The whole-of-government forecasts for net purchases of physical assets are too broad to provide individual government agencies with clarity or certainty around their future capital budgets. As the government's forecasts are unreliable, this also means they are unlikely to provide a credible basis for promoting constrained and disciplined investment planning, as agencies will know that actual spending decisions are likely to deviate significantly from the Government's forecasts.

[149] Infrastructure Commission analysis.

## 6b. Are there multi-year ceilings on capital expenditure by ministry, sector, or programme?

*Note: For this question, we assess system performance primarily in relation to Crown-funded infrastructure. In the land transport sector, multi-year expenditure ceilings exist in the form of GPS funding ranges.*

### Institutional design

| IMF indicative scoring thresholds | | | |
|---|---|---|---|
| No score given | Low | Medium | High |
| Insufficient information to score performance. | There are no multi-year ceilings on capital expenditure by ministry, sector, or programme. | There are indicative multi-year ceilings on capital expenditure by ministry, sector, or programme. | There are binding multi-year ceilings on capital expenditure by ministry, sector, or programme. |

**The Budget process works largely on a yearly cycle.** Multi-year appropriations are used to authorise operational and capital spending over a period of up to five years.[150] However, multi-year appropriations provide only a very limited form of multi-year budgeting, because they are used to fund the delivery of specific initiatives, rather than to fund an agency's overarching multi-year investment plan.

The recent 'Multi-Year Capital Allowance' (MYCA) did not set agency-level spending ceilings and has been discontinued. The Government introduced the MYCA in 2019, intending that it would provide an overall spending allowance for new capital investments over a four year period.[151] The MYCA was a partial step towards multi-year budgeting, as it did not set out sector-level or agency-level spending allowances. The government discontinued the MYCA in Budget Policy Statement 2025, as it failed to provide an effective ceiling on new capital spending.[152]

**Land transport investment is subject to multi-year ceilings.** Under the Land Transport Management Act 2003, the New Zealand Transport Agency plans and funds investment on a three-year cycle. Every three years a new Government Policy Statement on Land Transport is issued, outlining funding ranges and objectives for land transport spending. The NZ Transport Agency then develops and implements a three-year National Land Transport Programme.

### Effectiveness

| IMF indicative scoring thresholds | | | |
|---|---|---|---|
| No score given | Low | Medium | High |
| Insufficient information to score performance. | No multi-year ceilings, or approved budget amounts for capital spending are significantly (more than 15%) higher than the aggregate multiyear ceilings for the same years. | Approved budget amounts for capital spending are somewhat (5–15%) higher than the aggregate multi-year ceilings for the same years. | Approved budget amounts for capital spending are consistent (less than 5% higher) with the multi-year ceilings for the same years. |

**Multi-year budgeting is an important weakness in the current investment system.** The annual Budget bidding process prevents agencies from setting up more efficient multi-year supply and procurement arrangements, reduces each agency's negotiating power, and promotes an inefficient 'hockey stick' of investment delivery towards the tail end of each financial year. Rolling, multi-year budgets could enable agencies to plan and sequence their investment pipeline more efficiently, negotiate with suppliers more effectively, and build up a delivery cadence.

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150 Office of the Auditor-General. (2024). The increasing use of multi-year appropriations.
151 The Treasury. (2024). Fiscal Strategy Report.
152 The Treasury. (2025). Budget Policy Statement 2025.

The Auditor-General has noted that multi-year appropriations sometimes lack clear performance measures and are more difficult to monitor.[153] Multi-year investment plans may therefore be needed to provide a more robust basis for multi-year budgets, enabling Ministers, Parliament, auditors and the public to monitor whether agencies are delivering the expected outputs and benefits.

**In recent years, the MYCA has been a poor predictor of the Government's medium-term budget for capital investment.** Between 2019 to 2023, the Government expanded the MYCA by $17.6 billion, and in 2024 the Government expanded the MYCA by an additional $7 billion.[154]

The MYCA did not provide a credible basis for informing trade-offs on investment choices against a capped budget. Also, because the MYCA did not indicate likely future investment levels for any single agency, it did not give agencies confidence on their medium-term investment allocations.

## 6c. Are projections of the total construction cost of major capital projects published?

### Institutional design

| IMF indicative scoring thresholds | | | |
|---|---|---|---|
| No score given | Low | Medium | High |
| Insufficient information to score performance. | There are no published estimates of total construction costs for all major projects. | Total construction costs for all major projects are published, but without indication of the distribution of these costs over time. | Total construction costs for all major projects are published with indications of the distributions of these costs over a 3-5 year horizon. |

**The Government does not publish detailed cost estimates for all infrastructure projects and programmes.** Spending figures in Budget documentation are provided for votes and individual appropriations, rather than for projects and programmes. Some major projects – such as City Rail Link and New Dunedin Hospital – have their own appropriations, but most projects do not.

The Summary of Initiatives, accompanying the Budget, provide indicative forecasts of spending on new initiatives each year, but often not at the project level.[155] The BEFU briefly summarises cost escalation risks for specified capital projects but does not quantify potential cost ranges.

**The Treasury releases some information on the cost of infrastructure investments through Quarterly Investment Reporting (QIR), but this data does not always relate to specific projects.** QIR includes both capital spending and operating spending cost estimates for individual 'investments', but a single line item may in fact be for a large and complex programme of infrastructure works across several discrete projects. The June 2024 QIR release, for example, includes a $155m estimate of capital cost for a single NZTA line item titled 'public transport infrastructure'.

The different aggregations of capital spending across votes, appropriations and investments make it virtually impossible to understand what individual projects and programmes are likely to cost, and how those costs have changed over time. Some information on project cost estimates and cost pressures is redacted before public release.

**Some information on project cost estimates can be found in the National Infrastructure Pipeline maintained by the Infrastructure Commission.** Publicly-available Pipeline project data states project value according to ranges, such as "50 – 100 million".[156]

[153] Office of the Auditor-General. (2024). The increasing use of multi-year appropriations.
[154] The Treasury. (2024). Fiscal Strategy Report.
[155] The Treasury. (2024) Summary of Initiatives.
[156] New Zealand Infrastructure Commission, Te Waihanga. (2025). Search the Pipeline.

### Effectiveness

| IMF indicative scoring thresholds | | | |
|---|---|---|---|
| No score given | Low | Medium | High |
| Insufficient information to score performance. | Total construction costs for major projects are not included in Budget documentation, or total costs are presented but changes in estimates are not identified. | Total construction costs for major projects are published in Budget documentation, and changes in estimates are recorded and explained. | Total construction costs and annual cost breakdowns are published, and changes from one Budget to the next are identified and explained in a published document. |

**Quarterly Investment Reporting provides some information on project cost pressures.** QIR provides quarterly updates on cost pressures in relation to 'investment' line items. However, an 'investment' may contain several projects or programmes, making it difficult to track changes in project costs, and in many cases there are no explanations given for reported cost pressures.

Project cost estimates will be lower-confidence earlier in the investment lifecycle. Effective reporting of cost estimates requires those estimates to be provided across different stages of the investment lifecycle, as confidence around scope and cost improves.

**Information on construction costs is often withheld.** Construction costs are generally not published in New Zealand, often on the basis that they are 'commercially sensitive'. QIR information on cost pressures is largely redacted prior to public release.

## Pillar 7: Budget comprehensiveness and unity

Here, we review New Zealand's performance against the 'Budget comprehensiveness and unity' pillar of the PIMA framework. This tests to what extent capital spending and related recurrent spending are undertaken through the Budget process, rather than out-of-Budget processes. It is assessed based on three questions:

- Is capital spending mostly undertaken through the Budget?
- Are all capital projects, regardless of financing source, shown in the Budget documentation?
- Are capital and recurrent budgets prepared and presented together in the Budget?

We assess institutional design and effectiveness separately for each question based on the IMF PIMA Handbook, providing relevant information to support our ratings.

### 7a. Is capital spending mostly undertaken through the Budget?

#### Institutional design

| IMF indicative scoring thresholds | | | |
|---|---|---|---|
| No score given | Low | Medium | High |
| Insufficient information to score performance. | Significant capital spending is undertaken by extra-budgetary entities with no legislative authorisation or disclosure in the Budget documentation. | Significant capital spending is undertaken by extra-budgetary entities, but with legislative authorisation and disclosure in the Budget documentation. | Little or no capital spending is undertaken by extra-budgetary entities. |

**For most government agencies, new capital funding is generally sought through the Budget process.** Agencies can choose to fund capital projects using their existing baseline budgets and depreciation funding. For new capital injections, however, agencies must 'bid' for funding through the annual Budget process.

**Central government makes substantial investments in land transport infrastructure outside the Budget process, but within an established legislative framework.** Under the Land Transport Management Act 2003, the New Zealand Transport Agency may invest tax revenues hypothecated into the National Land Transport Fund (NLTF) to deliver the National Land Transport Programme (NLTP) without further appropriations through the Budget process.

NLTF-funded investments are an important component of government infrastructure investment. The 2024-27 NLTP forecast spend from the NLTF is $23.6 billion, including Crown loans and grants of up to $9.2 billion.[157]

The government may inject additional funding through the Budget process to 'top-up' the NLTF. Recent Budgets, for example, have included appropriations to help NZTA manage cost pressures arising from Covid-19.[158] Land transport funding increasingly relies on Crown appropriations, as the NLTF is unable to meet some of the costs of maintaining and improving the system.

**The funding arrangements for the National Land Transport Programme are authorised by Parliament and subject to oversight.** The PIMA assessment criteria for the 'Budget comprehensiveness

[157] New Zealand Transport Agency. (2024). National Land Transport Programme 2024-27.
[158] The Treasury. (2024). Vote Transport.

and unity' pillar are intended to guard against the possibility of unappropriated and unauthorised releases of public funding in a developing country context.

The criteria do not anticipate legitimate institutional arrangements such as the hypothecation of fuel excise duty and road user charges into the NLTF.

**In most other cases, Government infrastructure investment is funded by capital appropriations through the Budget process.** Section 4 of the Public Finance Act 1989 prohibits the Government from incurring capital expenditure unless in accordance with an authorised appropriation. An exception to this is Section 24, which states that a department may purchase or develop assets using any working capital it holds, including from the sale of assets, without further appropriation.[159]

### Effectiveness

| IMF indicative scoring thresholds | | | |
|---|---|---|---|
| No score given | Low | Medium | High |
| Insufficient information to score performance. | Capital spending by extra-budgetary entities is significant (more than 10% of the capital spending in the central gov't budget), and little of this (less than 75%) is disclosed in the Budget. | Capital spending by extra-budgetary entities is significant (more than 10% of the capital spending in the central gov't budget), but most of this (more than 75% of) is disclosed in the Budget. | Capital spending by extra-budgetary entities is insignificant (less than 10% of the capital spending in the central gov't Budget), and most (more than 75%) is disclosed in the Budget. |

**A lack of clear, usable data on capital spending makes it difficult to assess the percentage of infrastructure investment funded outside the Budget.** The NLTF represents a substantial proportion of annual government capital spending on infrastructure, but the injection of Budget funding into the NLTF complicates any distinction between the two. This also makes it difficult to compare funding sources and total investment over time.

**Extra-Budgetary investment by state-owned enterprises outside the NLTF is likely to be limited.** For instance, KiwiRail's negative financial position makes it dependent on government funding, effectively precluding it from self-funding major capital.

The amount of infrastructure investment funded through Section 24(1) of the Public Finance Act 1989 will also be limited, as departments are unlikely to hold the large amounts of working capital that would be needed to initiate and deliver many capital projects independently of Budget or NLTF funding, and disposals of publicly-held infrastructure assets are unlikely to be frequent or substantial enough to pay for capital projects on an ongoing basis.

## 7b. Are all capital projects, regardless of financing source, shown in the Budget documentation?

### Institutional design

| IMF indicative scoring thresholds | | | |
|---|---|---|---|
| No score given | Low | Medium | High |
| Insufficient information to score performance. | Capital projects are not comprehensively presented in the Budget documentation, including PPPs, externally financed, and SOE projects. | Most capital projects are included in the Budget documentation, but either PPPs, externally financed, or SOE projects are not shown. | All capital projects, regardless of financing sources, are included in the Budget documentation. |

[159] Public Finance Act 1989.

**It is not possible to determine a comprehensive list of individual capital projects funded through the Budget.** As part of the Budget documentation, the Treasury releases a summary of initiatives funded through that year's Budget[160] as well as comprehensive lists of appropriations, broken down by capital expenditure, output expenses, and other types, and grouped into 'votes' that correspond to ministerial portfolios and sectors.[161]

These appropriations are broadly scoped to fund broad programmes of work aimed at achieving high-level outcomes, and they cannot easily be disaggregated into, or matched to, individual infrastructure projects. The Budget allocation for Vote Transport 2024, for example, provides an appropriation for 'Rail - Maintenance and Renewal of the Rail Network'. This appropriation does not include a breakdown of specific capital projects or state the amount of funding authorised or forecast per project.[162]

The Treasury is working to link projects to appropriations in Quarterly Investment Reporting, which would improve visibility of Budget spending.

### Effectiveness

| IMF indicative scoring thresholds | | | |
|---|---|---|---|
| No score given | Low | Medium | High |
| Insufficient information to score performance. | None of the 3 sources are disclosed in the Budget, or few projects in the listed categories are included in the Budget (less than 50% of the total investment in these categories is included). | At least 2 categories are included in the Budget, containing many of the projects in the listed categories (more than 75% of the total investment in these categories is included). | All 3 categories and most projects in these categories are included in the Budget (the value of projects in the Budget is more than 75% of the total investment in the 3 categories). |

**Budget documentation does not present a comprehensive list of capital projects disaggregated by funding and financing source.**

## 7c. Are capital and operating budgets prepared and presented together in the Budget?

### Institutional design

| IMF indicative scoring thresholds | | | |
|---|---|---|---|
| No score given | Low | Medium | High |
| Insufficient information to score performance. | Capital and operating budgets are prepared by separate ministries, and/or presented in separate Budget documents. | Capital and operating budgets are prepared by a single ministry and presented together in the Budget documents, but without using a program or functional classification. | Capital and operating budgets are prepared by a single ministry and presented together in the Budget documents, using a program or functional classification. |

**The Budget provides for both capital and operational appropriations.** Most central government infrastructure providers are funded through appropriations in the annual Budget. When agencies are funded to acquire infrastructure like schools or hospitals through capital appropriation, funding to cover the ongoing costs of maintenance and renewal is provided through operating appropriation at the rate of asset depreciation.

[160] The Treasury (2024) Summary of Initiatives
[161] The Treasury. (2024) Summary Tables for the Estimates of Appropriations 2024/25
[162] The Treasury. (2024) Vote Transport.

**Capital and operating expenditure appropriations are clearly reported in the Budget.** The Budget documentation includes a comprehensive list of appropriations. This are categorised into operational, capital, and multi-category appropriations, and grouped into functional classifications known as 'votes', such as 'Vote Transport', 'Vote Health', and 'Vote Education'.[163]

**Central government agencies are expected to estimate the whole-of-life costs (including operating costs) for new capital investment proposals.** The government's business case templates[164] and Budget initiatives templates[165] both state that agencies should estimate the operating costs for capital investment proposals. Operating cost impacts should therefore be factored into Budget funding submissions and, in theory, decisions.

Effectiveness

| IMF indicative scoring thresholds | | | |
|---|---|---|---|
| No score given | Low | Medium | High |
| Insufficient information to score performance. | The operating cost impacts of few (less than 25% of) capital projects are reviewed by the central budget department during Budget preparation | The operating cost impacts of some (25–75% of) major capital projects are reviewed by the central budget department during Budget preparation. | The operating cost impacts of most (more than 75% of) major capital projects are reviewed by the central budget department during Budget preparation. |

**The information needed to assess the proportion of investment projects that are subject to detailed central review is not readily available.** The government does not proactively release information on the proportion of investment proposals that are scrutinised for operating cost impacts. We draw on publicly available information, and our experience supporting the Investment Panel, to assess whether the operation cost impacts of new capital projects are dealt with effectively.

**The Treasury undertakes and coordinates some central scrutiny of new investment proposals**. In the months leading up to Budget day, Treasury officials assess the investment proposals submitted by agencies and advise Ministers which proposals they think should be granted funding.[166] The Treasury also convenes the government's Investment Panel, which reviews selected investment proposals and provides its own recommendations on funding allocations.

As part of the Budget process, the Treasury considers how new capital spending initiatives may flow through to ongoing operational spending and debt servicing costs. The Treasury expects that every $3 of new capital spending on physical infrastructure will require $1 of operating spending to run and maintain it.[167]

**The operating cost implications of new capital spending proposals may not always be assessed, reported, or funded.** Despite longstanding expectations that agencies should estimate the operating cost impacts of new capital spending proposals, this does not always happen in practice.

Budget funding bids do not always set out the operating cost impacts of capital spending proposals. And the impact of new capital investment on operational spending is not always clear from Budget documentation.

[163] The Treasury. (2024). Budget 2024: Documents and Data.
[164] The Treasury. (2025). Implementation Business Case template and guidance.
[165] The Treasury. (2017). Template 1: General Budget Track Initiative Template.
[166] The Treasury (2025). Guide to the Budget process.
[167] The Treasury. (2024). Treasury Report T2024/511: Budget 2024 Capital Initiatives Overview.

In some cases, the government may fund only the capital injection required to build a new asset, without funding the additional operating expenditure required to run and maintain the asset. Agencies may be expected to self-fund the asset operating costs from existing budgets.

Without a clear view of how new capital spending is likely to drive operational spending (including maintenance costs) the government is unable take a comprehensive view of long-term infrastructure spending.

## Pillar 8: Budgeting for investment

Here, we review New Zealand's performance against the 'Budgeting for investment' pillar of the PIMA framework. This tests whether funding for previously committed investment projects is protected during Budget implementation. It is assessed based on three questions:

- Are total project outlays appropriated by the legislature at the time of a project's commencement?
- Are in-year transfers of appropriations (virement) from capital to current spending prevented?
- Is the completion of ongoing projects given priority over starting new projects?

We assess institutional design and effectiveness separately for each question based on the IMF PIMA Handbook, providing relevant information to support our ratings.

### 8a. Are total project outlays appropriated by the legislature at the time of a project's commencement?

#### Institutional design

| IMF indicative scoring thresholds | | | |
|---|---|---|---|
| No score given | Low | Medium | High |
| Insufficient information to score performance. | Outlays are appropriated on an annual basis, but information on total project costs is not included in the Budget documentation. | Outlays are appropriated on an annual basis, and information on total project costs is included in the Budget documentation. | Outlays are appropriated on an annual basis and information on total project costs, and multi-year commitments is included in the Budget documentation. |

**The Government is required to publish detailed information on Budget funding allocations, including multi-year appropriations for capital projects.** Under the Public Finance Act 1989, the Government is required to publish Estimates of Appropriations, including multi-year appropriations. The government must also publish specified "supporting information" alongside the Appropriations Bill, including operating and capital expenditure for that year, as well as the following three years.[168]

**It is difficult to assess whether Parliament has authorised the full costs of a specific project.** The Budget documentation (such as the Estimates and the Summary of Initiatives) set out spending figures in relation to appropriations, which may potentially fund several capital projects at a time. For many capital appropriations, funding amounts have been withheld on commercial grounds. This makes it difficult to trace the flow of money from the Budget to the shovel. It also means there is little visibility of contingency and operational costs associated with new capital projects.

#### Effectiveness

| IMF indicative scoring thresholds | | | |
|---|---|---|---|
| No score given | Low | Medium | High |

[168] Public Finance Act 1989.

| | | | |
|---|---|---|---|
| Insufficient information to score performance. | Budget documentation includes total project costs of few (less than 25% of) major projects that are appropriated. | Total project costs for some (25–75% of) major projects that are appropriated are disclosed in Budget documentation. | Total project costs and multi-year commitments for most (more than 75% of) major projects that are appropriated are disclosed in Budget documentation. |

**The information needed to assess the proportion of infrastructure projects which have been fully funded is not readily available.** It is not always possible to link individual appropriations to individual projects. Budget documentation does not always provide specific information on the costs of individual projects, or the extent to which those costs are partially or fully met through specific appropriations.

**The operational cost implications of new capital projects are not fully reported or funded.** New capital projects will often require additional operational spending in later years – such as to staff and maintain assets after they have been built. Poor visibility of operating cost impacts and project cost information means it is not possible to assess whether appropriations adequately provide for this.

## 8b. Are in-year transfers of appropriations (virement) from capital to operating spending prevented?

### Institutional design

| IMF indicative scoring thresholds | | | |
|---|---|---|---|
| No score given | Low | Medium | High |
| Insufficient information to score performance. | There are no limitations on virement from capital to operating spending. | The finance ministry may approve virement from capital to operating spending. | Virement from capital to operating spending requires legislative approval. |

**Transfers from capital to operating spending are possible but require Parliamentary approval.** Under the Public Finance Act 1989, funding for capital and operating spending is provided through appropriations, which are approved by Parliament. Agencies cannot unilaterally breach or vary these appropriations, but Ministers may seek approval for 'capital to operating swaps', which must then be approved by Parliament through the Supplementary Estimates Bill. The requirements for 'swaps' are set out in Cabinet Office circular (18) 2.[169]

**Multi-category appropriations can be used to give agencies greater flexibility over their spending.** Parliament may authorise multi-category appropriations (MCAs) to approve funding for a mix of capital and operating expenses, allowing ministries and agencies to determine a suitable balance of capex and opex within the overall scope and limit of the appropriation. Ministers must approve multi-category appropriations and agencies must comply within the limits inherent to the appropriation.[170]

### Effectiveness

| IMF indicative scoring thresholds | | | |
|---|---|---|---|
| No score given | Low | Medium | High |
| Insufficient information to score performance. | Virement from capital to current spending is a significant share (more than 15%) of the initial capital Budget. | Virement from capital to current spending is a moderate share (between 5 and 15%) of the initial capital Budget. | Virement from capital to current spending has been done with legislative approval and is a low share (less than 5%) of the initial capital Budget. |

[169] Cabinet Office. (2018). Proposals with Financial Implications and Financial Authorities.
[170] The Treasury. (2013). A Guide to Appropriations.

**Changes to appropriations are transparently reported in Budget documentation.** The Supplementary Estimates of Appropriations detail changes to Budget appropriations, including reallocations from capital to operating appropriations.

The Summary Tables for the Supplementary Estimates provide an aggregated view of changes across the whole Budget. Detailed Supplementary Estimates are also released for each Vote, showing how the amount of authorised spending per each appropriation has changed from the original Estimates to the Supplementary Estimates.

**Transfers from capital to operating spending appear to be limited, as a percentage of the overall Budget.** The Commission has analysed changes made to capital appropriations in 2023/24. While we noted some reductions to appropriations for capital expenditure over the course of the year, the changes are small in percentage terms and have been approved by Parliament (**Table 8).**

Table 8: Changes to capital appropriations between Main and Supplementary Estimates, 2023/24

| Appropriation type | Total authorised ($000) in: Main Estimates | Supplementary Estimates | % change |
|---|---|---|---|
| Capital Expenditure | $23,979,705 | $23,291,164 | -2.87% |
| Multi-Category (capex component only) | $3,172,899 | $2,959,679 | -6.72% |
| **Total** | **$27,152,604** | **$26,250,843** | **-3.32%** |

*Source: Infrastructure Commission analysis of Summary Tables for the Estimates of Appropriations 2023/24 and Summary Tables for the Supplementary Estimates of Appropriations 2023/24. For Multi-Category Expenses and Capital Expenditure Appropriations, we have counted the estimates for Capital Expenditure and have excluded Output Expenses and Other Expenses.*

**Land transport investment may also be reallocated, within prescribed limits.** In theory, NZTA may reallocated NLTF funding between capital and operational spending. In practice, however, NZTA must ensure that spending stays within the activity class ranges prescribed by the Government Policy Statement on land transport.

## 8c. Is the completion of ongoing projects given priority over starting new projects?

### Institutional design

| IMF indicative scoring thresholds | | | |
|---|---|---|---|
| No score given | Low | Medium | High |
| Insufficient information to score performance. | There is no mechanism in place to protect funding of ongoing projects. | There is a mechanism to protect funding for ongoing projects in the annual Budget. | There is a mechanism to protect funding for ongoing projects in the annual Budget and over the medium term. |

**Multi-year appropriations provide some funding protection for ongoing projects.** Through the Budget process, the Government may ask Parliament to approve multi-year appropriations for capital investments, providing a legal basis for expenditure over a period of several years.

### Effectiveness

| IMF indicative scoring thresholds | | | |
|---|---|---|---|
| No score given | Low | Medium | High |

| | | | |
|---|---|---|---|
| Insufficient information to score performance. | Some (less than 75% of) ongoing projects receive funding as needed, or there are several examples of major projects not receiving sufficient funding. | Most (75–90% of) ongoing projects receive funding as needed, or there are few examples of major projects not receiving sufficient funding | All (over 90% of) ongoing projects receive funding as needed, or there are no examples of major projects not receiving sufficient funding |

**The information needed to assess the percentage of projects that received sufficient funding is not available.** Ministers may cancel or rescope Crown-funded projects, returning unspent funds supporting multi-year appropriations as savings in future years. This is most likely to occur with projects experiencing major cost escalations (such as the New Dunedin Hospital) or where a change of political priorities means that projects at an earlier stage of development are cancelled prior to significant construction works (such as Auckland Light Rail).

For land transport projects funded from the NLTF, including those where the Crown has contributed funding, the NZTA Board retain many project decision-making rights. In some cases, however, the Government Policy Statement may have explicitly prescribed some output requirements, reducing the Board's scope to vary or cancel a particular project.

## Pillar 9: Maintenance funding

Here, we review New Zealand's performance against the 'Maintenance funding' pillar of the PIMA framework. This tests whether routine maintenance and asset renewal and replacement are receiving adequate funding. It is assessed based on three questions:

- Is there a standard methodology for estimating routine maintenance needs and Budget funding?
- Is there a standard methodology for determining major improvements (asset renewal and replacement) to existing assets, and are they included in national and sectoral investment plans?
- Can expenditures relating to routine maintenance and major improvements be identified in the budget?

We assess institutional design and effectiveness separately for each question based on the IMF PIMA Handbook, providing relevant information to support our ratings.

### 9a. Is there a standard methodology for estimating routine maintenance needs and Budget funding?

#### Institutional design

| IMF indicative scoring thresholds | | | |
|---|---|---|---|
| No score given | Low | Medium | High |
| Insufficient information to score performance. | There is no standard methodology for determining the needs for routine maintenance. | There is a standard methodology for determining the needs for routine maintenance and its cost. | There is a standard methodology for determining the needs for routine maintenance and its cost, and the appropriate amounts are generally allocated in the Budget. |

**New Zealand does not have a standard, government-wide methodology for estimating routine maintenance needs.** There is no formal requirement for agencies to develop bids for maintenance funding using a standard methodology for calculating maintenance spending needs.

Individual agencies are instead responsible for estimating and setting out their expected maintenance needs, and do so using their own methodologies and assumptions. Agencies seeking funding for new infrastructure projects are expected to indicate likely ongoing and routine maintenance needs within their funding submissions, but this does not happen in every case.

There is currently no central reporting process or requirements to identify funding gaps between depreciation and asset renewal requirements for government agencies.

### Effectiveness

| IMF indicative scoring thresholds | | | |
|---|---|---|---|
| No score given | Low | Medium | High |
| Insufficient information to score performance. | Approved Budget allocations for current maintenance funding for main asset classes are clearly inadequate (less than 50% of assessed maintenance needs). If there are no precise estimates for maintenance needs, maintenance funding is less than 2% of estimated asset replacement values. | Approved Budgets for current maintenance funding for main asset classes are somewhat inadequate (50–90% of assessed maintenance needs). If there are no precise estimates for maintenance needs, maintenance funding is more than 2% of estimated asset replacement values. | Approved Budgets for current maintenance funding for main asset classes are broadly in line with requirements (at least 90% of assessed maintenance needs). |

**It is not possible to assess whether most agencies are meeting maintenance needs.** Most agencies do not systematically report on condition targets, actual asset conditions, and total maintenance. Agencies develop their own methodologies for estimating maintenance funding needs, and these estimates and methodologies are not readily accessible.

**It is not possible to assess how much most government agencies are spending on maintenance.** For agencies that depend on Crown funding, maintenance spending is generally funded through baselines, which cannot be disaggregated into different projects or activity classes. It is difficult to track what each agency has spent on maintenance in the past, or what they intend to spend in the future.

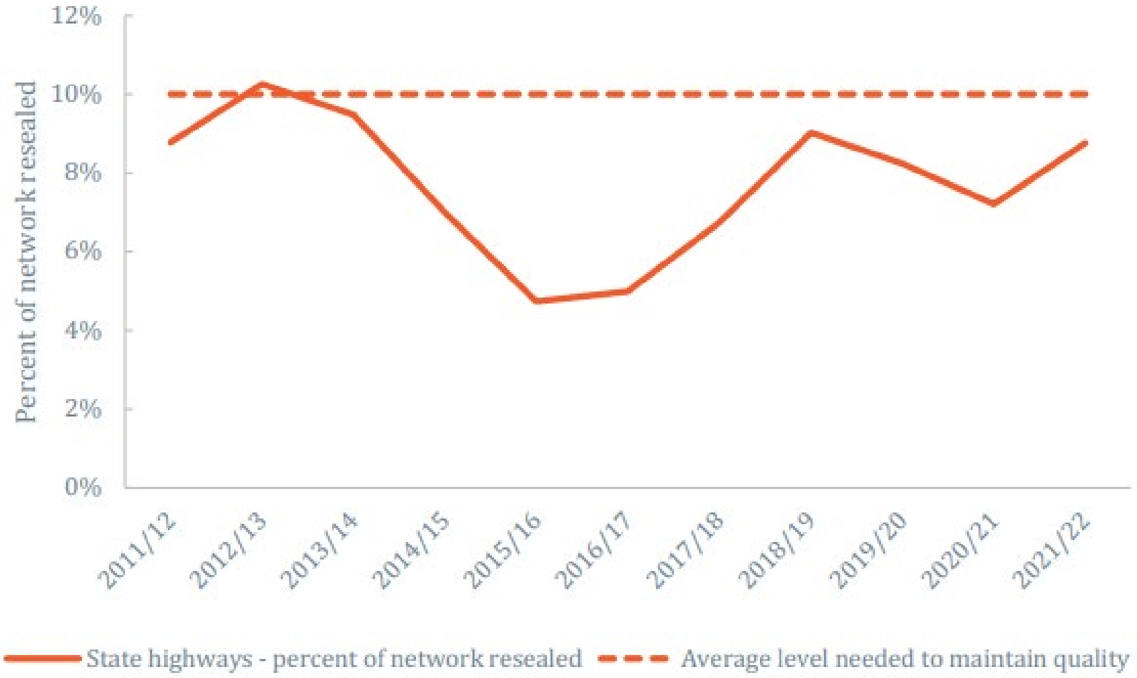
**Agencies are not required to report consistently on their historic or planned maintenance spending,** which would enable comparisons to be made between agencies and over time. Financial statements do not clearly and systematically report planned or actual spending on different activity classes or types, such as maintenance.

**Maintenance spending levels are easier to discern in the transport sector.** NZTA is required to allocate funding within the target ranges specified for different activity classes that are directed by Ministers through the Government Policy Statement on land transport. The GPS specifies funding ranges for activities 'state highway pothole prevention' and 'local road pothole prevention'.

**The best available evidence points to significant underfunding of routine maintenance.** Infrastructure Commission analysis of NZTA data on maintenance and renewals for state highways shows that the percentage of the state highway network resealed each year is generally below the average level needed to maintain the quality of the network (**Figure 19**) indicating significant and sustained underfunding of maintenance.[171] There is also significant deficit in rebuilding pavements, which may be exacerbating the rate at which road surfaces are deteriorating.

[171] New Zealand Infrastructure Commission, Te Waihanga. (2024). Build or maintain?

Figure 19: Percentage of state highway network resealed over time, relative to required levels




*Source: Infrastructure Commission analysis of NZTA data. Required rates of resealing are based on actual achieved pavement lives for each road category, while observed resealing rates are calculated by dividing lane kilometres of roads resealed in each year by total network length.*

**Maintenance funding is neither protected nor prioritised.** The Commission has heard from several agencies that there is a tendency for maintenance funding to be diverted to other activities. In frontline public services such as health, infrastructure maintenance will often be given lower priority than clinical activities. Baseline funding set aside for maintenance may be subject to reallocation.

Maintenance spending is sometimes treated as discretionary. Agencies with a large number of leased assets may find additional pressure on maintenance budgets. Any contractually-binding increases in lease costs will reduce the operational funding that is left over for other activities, including maintenance.

## 9b. Is there a standard methodology for determining major improvements [asset renewal and replacement] to existing assets, and are they included in national and sectoral investment plans?

*Note: In the IMF PIMA Handbook, the term 'major improvements' refers to capital expenditure for the purposes of asset renewal and replacement.*[172] *The Commission has therefore examined New Zealand's policies and practices in relation to renewals, rather than for enhancements to level-of-service, capacity, etc.*

[172] The PIMA handbook defines this criterion as 'the existence of a methodology for determining the need for capital maintenance (major repairs and construction)', distinct from 'routine maintenance', which is 'cosmetic and preventive maintenance that is performed regularly to keep an asset operating to its design'. For this criterion, the Commission has assessed New Zealand's policies and practices in relation to asset renewals rather than routine maintenance or service enhancements.

### Institutional design

| IMF indicative scoring thresholds | | | |
|---|---|---|---|
| No score given | Low | Medium | High |
| Insufficient information to score performance. | There is no standard methodology for determining renewals and enhancements, and they are not included in national or sectoral plans. | There is a standard methodology for determining renewals and enhancements, but they are not included in national or sectoral plans. | There is a standard methodology for determining renewals and enhancements, and they are included in national or sectoral plans. |

**New Zealand does not have a standardised, government-wide methodology for determining the level of funding needed to renew and replace infrastructure assets.** As with routine maintenance, agencies determine their own renewal needs based on their own internal methodologies. There is also no standard methodology for determining enhancements to existing infrastructure.

The Treasury does not provide agencies with a common framework for determining the level of funding needed to renew assets, require agencies to develop funding requests for renewals according to any standard methodology, or systematically set out renewal needs in sectoral plans according to specific standards or requirements.

The lack of a standard methodology for determining enhancements and improvements to existing infrastructure creates difficult tensions. Each agency is left to determine whether to prioritise maintaining and renewing their existing assets, or whether to prioritise investing to meet changing service expectations, population growth, etc.

**Unlike councils, most central government agencies do not publish long-term capital budgets for replacing worn-out assets.** Under the Local Government Act 2002, councils are required to state in their Annual, Long-Term Plans, and 30-year infrastructure strategies, the level of capital expenditure they have budgeted to "meet additional demand", to "improve the level of service", and "to replace existing assets" over at least the ten years covered by the plan.[173]

Central government agencies are not required to systematically report on planned or actual spending against different activity classes. Government financial statements do not clearly and systematically distinguish between capex vs opex spending, or report actual spending on different activity classes or types, such as renewals or maintenance.

Clear and consistent reporting of funding allocated towards different purposes and activity classes (eg maintenance, renewals, enhancements) would make it easier to determine what central government is spending on infrastructure need, and ultimately to monitor whether it is spending enough over time.

### Effectiveness

| IMF indicative scoring thresholds | | | |
|---|---|---|---|
| No score given | Low | Medium | High |
| Insufficient information to score performance. | Approved budgets for renewals are clearly inadequate (lower than 50% of estimated needs). If there are no precise estimates for renewals needs, funding is less than 2% of asset replacement values. | Approved budgets for renewals are somewhat inadequate (between 50-90% of estimated needs). If there are no precise estimates for renewals needs, funding is more than 2% of asset replacement values. | Approved budgets for renewals are broadly in line with requirements (at least 90% of estimated needs). |

[173] Local Government Act 2002.

**It is not possible to assess how much most government agencies are spending on renewals.** Although central government agencies are required to publish financial information relating to asset values and depreciation, they are not required to report consistently on renewals expenditure.

In central government infrastructure sectors such as health and justice, the Commission is unable to assess whether central government is spending enough on renewals because agencies do not systematically compile and publish the data needed to calculate this.[174] This makes it impossible to assess whether current spending levels are sufficient to replace assets as they wear-out.

This contrasts with local government, where councils are subject to statutory requirements to publish long-term forecasts of capital spending budgeted for renewing and replacing existing assets.[175] Many councils also maintain asset management plans for service critical assets, and these are reviewed as part of the audit of long-term plans.

**The best available evidence suggests that central government funding for renewals is insufficient.** Research undertaken by the Infrastructure Commission in 2024 used Stats NZ data on gross fixed capital formation[176] and consumption of fixed capital to assess whether current infrastructure spending levels are sufficient to meet renewals needs.

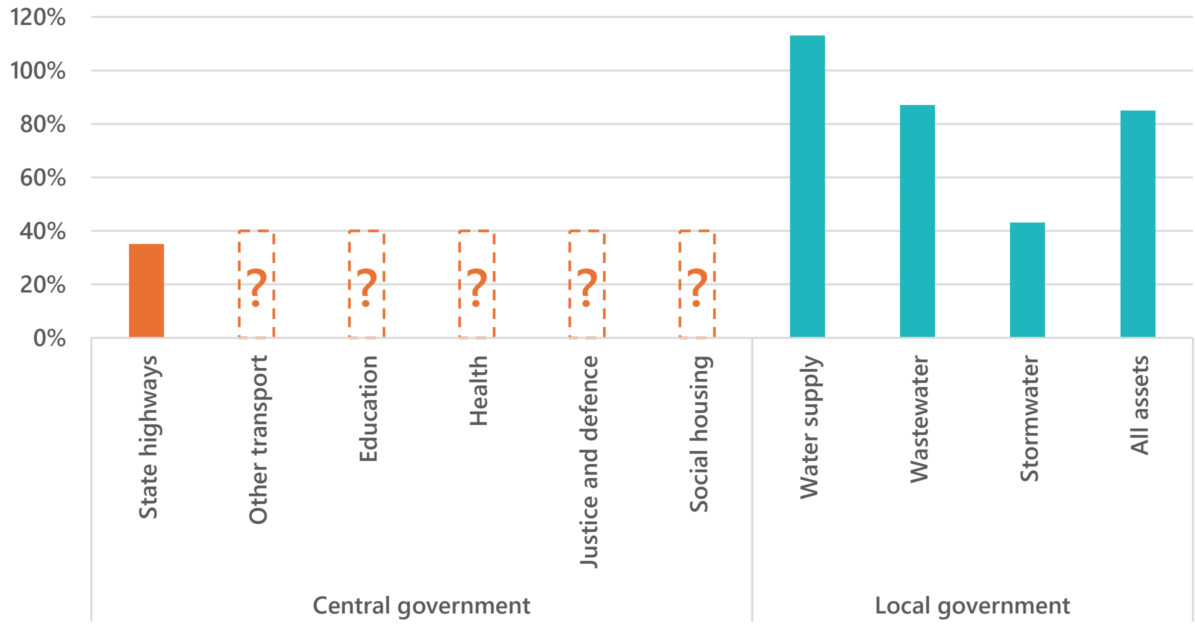
Although the data does not allow the Commission to determine the level of investment that was directed specifically to renewals, it strongly suggests that historic spending levels were lower than required. In the mid-1990s and mid-2010s, total capital spending on hospitals fell below depreciation, meaning that the government could not have kept pace with renewals needs even if 100% of the capital Budget had been allocated solely to this purpose. [177]

**In the land transport sector, there is clear evidence of underfunding for renewals.** NZTA publishes more detailed spending data than other capital-intensive agencies, making it easier to assess performance. The Commission has used NZTA open data on actual depreciation costs and renewals spending on state highways to assess whether the government is spending enough on renewing its roading infrastructure.

In 2024, renewal spending on state highways was equal to around 35% of reported depreciation (**Figure 20**).[178] This suggests that central government is not spending enough to renew state highway assets at the pace they are wearing-out.

[174] New Zealand Transport Agency, Te Waihanga. (2024). Build or maintain?
[175] Local Government Act 2002.
[176] This is a measure of capital investment, that is, the value of new additions to the fixed capital stock minus disposals of existing assets.
[177] New Zealand Transport Agency, Te Waihanga. (2024). Build or maintain?
[178] New Zealand Transport Agency, Te Waihanga. (2024). Build or maintain?

Figure 20: Renewal to depreciation ratios for publicly owned infrastructure sectors




*Source: Infrastructure Commission analysis based on data from NZTA (2024) and the Office of the Auditor-General (2025). The figure for state highways shows provisional spending in 2023/24. The figures for local government show spending forecasts for 2024-34 taken from councils' Long-Term Plans.*

**Poor visibility of government spending on asset renewals raises the risk of unexpected Budget pressures in future years.** In recent Budget documentation, the Government identifies capital spending on renewals as a specific fiscal risk, noting the possibility that agencies might not be able to fund all required renewals through existing baselines or forecast capital allowances.[179]

Poor visibility of what is being spent on renewals versus what is actually needed means that the Government cannot be sure that it is setting aside enough money to replace infrastructure assets as they wear-out, creating a risk that future spending allowances intended for other purposes might need to be reallocated to tackle an unexpected backlog of renewals.

More comprehensive and consistent information disclosure and reporting requirements across central government agencies would enable decision-makers and the public to better understand whether the Government is replacing infrastructure assets on a timely and sustainable basis.

## 9c. Can expenditures relating to routine maintenance and major improvements be identified in the Budget?

### Institutional design

| IMF indicative scoring thresholds | | | |
|---|---|---|---|
| No score given | Low | Medium | High |
| Insufficient information to score performance. | Routine maintenance and major improvements are not systematically identified in the Budget. | Routine maintenance and major improvements are systematically identified in the Budget. | Routine maintenance and major improvements are systematically identified in the Budget and are reported. |

**Budget documentation does not systematically identify spending by activity class.** None of the Budget-at-a-Glance, Summary of Initiatives, Budget Policy Statement, Estimates of Appropriations, or

[179] The Treasury. (2024). Budget Economic and Fiscal Update 2024 (p76).

Budget Economic and Fiscal Update indicate spending allocated to maintenance, renewal, enhancement, and/or new infrastructure.

Budget appropriations are not explicitly categorised by activity class unless terms like maintenance are stated in the title or description of the appropriation. The descriptions of the investments in the Summary of Initiatives do clarify that some initiatives relate to maintenance programmes, but this is not systematically indicated.[180]

Maintenance and renewals in the land transport sector are generally funded from the National Land Transport Fund, rather than the Budget. The Government Policy Statement on land transport requires NZTA to allocate spending for local roads and state highways within specified activity class ranges. The GPS also includes a 'rail network' activity class covering operations, maintenance and renewals for the national rail network.[181]

### Effectiveness

| IMF indicative scoring thresholds | | | |
|---|---|---|---|
| No score given | Low | Medium | High |
| Insufficient information to score performance. | Some (less than 75% of) estimated maintenance funding is identified in the Budget. | Most (more than 75% of) estimated maintenance funding is identified in the Budget. | Most (more than 75% of) estimated maintenance funding is identified in the Budget and regularly reported with actual spending by ministry. |

**Central government does not produce or release the information needed to accurately assess whether Budget appropriations are meeting each agency's maintenance or renewal needs.** Agencies do not release their estimated maintenance funding needs, and Budget documentation does not systematically indicate spending allocations for different activity classes by agency.

Visibility of maintenance funding and spending is poor, as it is typically covered within baseline funding, so it is not possible to assess percentage of maintenance and renewal needs that are being met through Budget appropriations. Better information on maintenance needs and clearer reporting of Budget allocations is needed to understand the percentage of maintenance and renewal needs that are being met through each year's Budget appropriations.

180 The Treasury. (2024) Summary of Initiatives.
181 New Zealand Transport Agency. (2024). How we're giving effect to the GPS by activity class.

## Pillar 10: Project selection

Here, we review New Zealand's performance against the 'Project selection' pillar of the PIMA framework. This tests whether there are institutions and procedures in place to guide project selection. It is assessed based on three questions:

- Does the government undertake a central review of major project appraisals before deciding to include projects in the Budget?
- Does the government publish and adhere to standard criteria, and stipulate a required process for project selection?
- Does the government maintain a pipeline of appraised investment projects for inclusion in the annual Budget?

We assess institutional design and effectiveness separately for each question based on the IMF PIMA Handbook, providing relevant information to support our ratings.

### 10a. Does the government undertake a central review of major project appraisals before decisions are taken to include projects in the Budget?

#### Institutional design

| IMF indicative scoring thresholds | | | |
|---|---|---|---|
| No score given | Low | Medium | High |
| Insufficient information to score performance. | There is no formally required central review process for major capital investment projects before consideration for inclusion in the Budget. | There is a formally required central review process for major capital investment projects before consideration for inclusion in the Budget. | There is a formally required central review process for major capital investment projects before consideration for inclusion in the Budget, and this review includes independent inputs. |

**There are formal pathways for the central review of infrastructure projects seeking Budget funding.** All infrastructure proposals seeking Budget funding are required to complete and submit a Risk Profile Assessment to the Treasury for review, who then determine the level of central scrutiny that will apply to the project.

Projects with medium and high-risk ratings will be required to provide information to the Treasury's Quarterly Investment Reporting. High risk projects are also required to undergo Gateway reviews, including reviews of the project's Strategic Assessment (gate 0), business justification and options (gate 1), delivery strategy (gate 2) and investment approach (gate 3).[182] However, projects that do not submit a Risk Profile Assessment may not receive Gateway reviews in early stages of planning.

**Since 2020, the government has convened an Investment Panel to review investment proposals seeking Budget funding.** The Investment Panel comprises system leaders from across government - including the Infrastructure Commission, Chief Digital Officer, Chief Data Steward, NZ Government Procurement, Ministry for the Environment, Chief Information Security Officer, and the Treasury.[183]

The Investment Panel reviews investment proposals which the Minister of Finance has invited for review.[184] The selection criteria for the Investment Panel vary each year, but will often include high-value

[182] The Treasury. (2023). Gateway Factsheet.
[183] The Treasury. (2024). Treasury Report T2024/47: Approach to capital investments in Budget 2024.
[184] The Treasury (2022) T2022/2125 Investment Panel Report – Budget 2023.

investment proposals, medium-risk and high-risk proposals, and cost pressure bids. The Panel reviews submissions for Budget funding and makes recommendations to the Minister of Finance on the value, alignment and deliverability of the investment proposals.

### Effectiveness

| IMF indicative scoring thresholds | | | |
|---|---|---|---|
| No score given | Low | Medium | High |
| Insufficient information to score performance. | The number of projects rejected or returned for further development is low (less than 5% of those submitted). | The number of projects rejected or returned is medium (from 5-10% of submitted proposals). | The number of projects rejected or returned is high (more than 10% of submitted proposals), and some (at least 10%) of the reviews include independent inputs. |

**The information needed to assess the effectiveness of project selection is not readily available.** The government publishes the summary advice provided by the Investment Panel in a redacted format. We draw on publicly available reporting to assess whether the system is likely to allocate funding to the highest-value needs.

**In practice, the poor quality of project information provided by agencies seeking Budget funding undermines the government's ability to make good investment choices.** As discussed in section 4 (project appraisal), cost-benefit analyses and business cases accompanying investment proposals are often either missing altogether or so inadequate that they cannot effectively support Ministerial decision-making.

In Budget 2024, only half of investment proposals reviewed by the Investment Panel had adequate business cases. The Government's Investment Panel advised that "in general, the information provided by agencies was not of a high quality, or there was insufficient information to enable a detailed assessment".[185]

Projects which failed to submit RPAs may not necessarily have been visible to the Treasury and may not have received the appropriate amount of scrutiny at the outset. The Government's assurance and appraisal processes cannot work effectively without better information from agencies.

**An investment proposal may still be funded, even if the Investment Panel advises against doing so.** The Investment Panel makes recommendations to Budget Ministers, who are ultimately responsible for making decisions on the allocation of Crown funding.

## 10b. Does the government publish and adhere to standard criteria, and stipulate a required process for project selection?

### Institutional design

| IMF indicative scoring thresholds | | | |
|---|---|---|---|
| No score given | Low | Medium | High |
| Insufficient information to score performance. | There are no published criteria or a required process for project selection. | There are published criteria for project selection, but projects can be selected without going through the required process. | There are published criteria for project selection, and generally projects are selected through the required process. |

[185] The Treasury. (2024). T2024/511 Budget 2024 Capital Initiatives Overview.

**The Treasury does not publish the criteria it uses to make Budget funding recommendations.** Cabinet Ministers are responsible for deciding which projects will be granted Budget funding, receiving advice from the Investment Panel and the Treasury on investment proposals.

The Investment Panel assesses a selection of investment proposals (typically higher-risk and higher-value projects) against the standard five-case framework. However, the Treasury's overall advice to Ministers is based on an ad-hoc 'Budget evaluation framework', which scores proposals on their alignment with current policy priorities.

The Treasury does not proactively release the Budget evaluation framework before commencing the Budget process, reducing the transparency of project selection.

**The Government is attempting to lift the quality of investment decision-making by improving the quality of information presented to Ministers.** Successive Cabinet Office circulars have required agencies to develop Risk Profile Assessments, Strategic Assessments, and business cases.[186] These documents should set out the strategic context for an investment proposal and describe how it aligns with government priorities.

### Effectiveness

| IMF indicative scoring thresholds | | | |
|---|---|---|---|
| No score given | Low | Medium | High |
| Insufficient information to score performance. | Few (Less than 50% of) major projects are selected in accordance with a prescribed process and criteria. | Many (50–90% of) major projects are selected in accordance with the prescribed process and criteria. | All (more than 90% of) major projects are selected in accordance with the prescribed process and criteria. |

**Central government investment decision-making is not based on consistently robust selection criteria.** The absence of high-quality business cases and rigorous economic appraisal means that Ministers are unable to make evidence-based investment decisions based on a consistent understanding of costs and benefits from one project to the next.

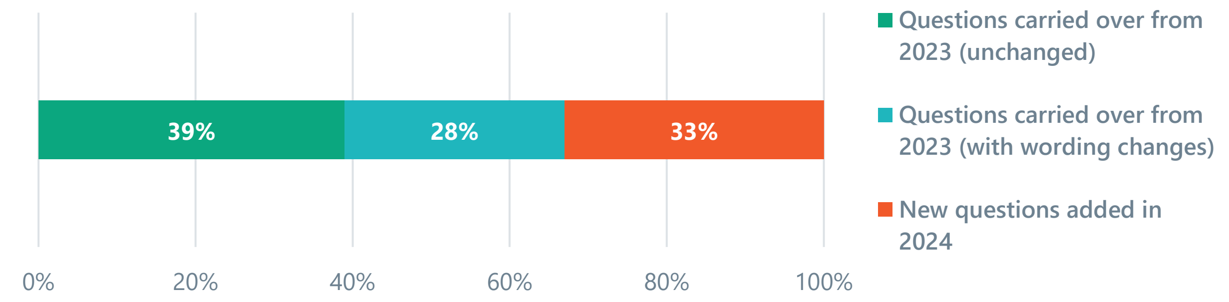
Officials advise Ministers on the merits of Budget funding bids by scoring them against an evaluation framework that has changed repeatedly in recent years (**Table 9**). For example, climate change was included in the assessment criteria for Budget 2024, but not Budget 2023. Conversely, the Budget 2024 framework did not include criteria found in previous Budgets, on topics such as likelihood of benefits realisation or alignment with sector priorities.

**Table 9. Number of changes to the Budget evaluation framework between Budget years**

| | Budget 2023 vs Budget 2021 | Budget 2024 vs Budget 2023 |
|---|---|---|
| Questions deleted / not carried over from previous year | 27 | 26 |
| New questions added this year | 26 | 6 |
| Questions carried over (with wording changes) | 19 | 5 |
| Questions carried over (unchanged) | N/A[187] | 7 |

[186] The Treasury. (2024). Better Business Cases.
[187] The Commission does not hold information on the Budget evaluation framework prior to 2021.

Figure 21. Origin of questions included the 2024 Budget evaluation framework




*Source: Infrastructure Commission analysis. Not shown in Figure 22 are 26 questions that were included in the 2023 evaluation framework but which were not carried forward into the 2024 evaluation framework.*

**The absence of a robust, stable methodology for assessing Budget bids means that the quality of scrutiny likely varies from year to year.** Some change is expected: government policy priorities change over time, so it is appropriate for evaluation frameworks to be updated accordingly. It is less clear why government should rewrite its criteria for evaluating topics such as commercial risk management every year.

Repeated changes to selection criteria also make it more difficult and costly for agencies to develop Budget submissions that provide all the expected information in the right format, and to embed the capability to repeat this process efficiently and effectively over time.

The Treasury does not publish each year's framework, and agencies are not given advance notice of any changes to last year's framework before they are invited to submit their proposals, reducing the time available to develop effective responses.

## 10c. Does the government maintain a pipeline of appraised investment projects for inclusion in the annual Budget?

### Institutional design

| IMF indicative scoring thresholds | | | |
|---|---|---|---|
| No score given | Low | Medium | High |
| Insufficient information to score performance. | The government does not maintain a pipeline of appraised investment projects. | The government maintains a pipeline of appraised investment projects but other projects may be selected for financing through the annual Budget. | The government maintains a comprehensive pipeline of appraised investment projects, which is used for selecting projects for inclusion in the annual Budget, and over the medium term. |

**The Government maintains a database of potential investment projects that have undergone an initial Risk Profile Assessment and Strategic Assessment.** Under Cabinet Office Circular CO (23) 9, agencies are required to carry out Risk Profile Assessments (RPA) and Strategic Assessments (SA) for all investment proposals. Investment proposals with medium- and high-risk RPAs and SAs are reviewed and moderated by the Treasury, providing a degree of early appraisal.

If a project is confirmed to be medium- or high-risk, it will be subject to Quarterly Investment Reporting,[188] giving Ministers visibility of the investment intentions pipeline. However, there is no requirement for agencies to submit low-risk projects to QIR, and Ministers also retain the discretion to

[188] The Treasury. (2024). Risk Profile Assessment and Strategic Assessment.

fund infrastructure projects not listed on QIR, limiting the extent to which it serves as a definitive gateway for Budget selection.

**The Infrastructure Commission's Infrastructure Priorities Programme (IPP) is working to establish a menu of assessed infrastructure proposals.** The Commission encourages central government agencies to submit infrastructure proposals for assessment under the IPP.

The Commission assesses infrastructure proposals according to their alignment with New Zealand's strategic objectives, value for money, and deliverability, and publishes all assessments on its website. Proposals assessed by the Commission as meeting the IPP criteria will be endorsed by the Commission – but are not automatically considered, prioritised or funded through the Budget process.

### Effectiveness

| IMF indicative scoring thresholds | | | |
|---|---|---|---|
| No score given | Low | Medium | High |
| Insufficient information to score performance. | Few (less than 50% of) major projects are selected from the pipeline. | Many (50–90% of) major projects are selected from the pipeline. | All (more than 90% of) major projects are selected from the pipeline. |

**The information needed to assess this criterion is not readily available.** Due to differences in the structure and format of reporting, it is difficult to link Budget appropriations to investments reported in Quarterly Investment Reporting, although the Treasury is working to improve this. It is also difficult to do so for NLTF-funded investments, as QIR contains NLTP activity classes rather than individual transport projects.

**Quarterly Investment Reporting provides an incomplete view of New Zealand's investment pipeline.** The July 2024 QIR release noted that there remain "significant" ongoing issues with the quality and comprehensiveness of the project data submitted by agencies, notwithstanding "small improvements in data" over recent months.

Several agencies have attested that they do not currently comply with the CO (23) 9 requirements relating to Risk Profile Assessments. The Treasury uses RPAs to determine which investment projects should be subject to QIR requirements; if RPAs are not consistently produced for all investment proposals, some projects are likely to be incorrectly absent from QIR.

The Government is working to address the data gaps in QIR: in 2024, Ministers were asked to give effect to CO (23) 9 requirements, and an updated information submission platform was launched with stricter data validation settings.[189]

[189] The Treasury. (2024). Quarterly Investment Reporting for quarter ending June 2024.

# Implementation: Delivering investment and managing assets

## Summary of findings

**In this section, we examine our performance in the 'Implementation' stage of the infrastructure investment lifecycle.** We undertake a qualitative self-assessment against the five pillars that are relevant to this lifecycle stage, supported by factual information on our institutional design and effectiveness of our practices.

**Timely and cost-effective infrastructure delivery requires projects to be fully funded, transparently monitored, and effectively managed throughout their life.** Procurement practices should be transparent and encourage competition, and funds should be made available to ensure timely capital budget execution. Project management and portfolio monitoring should enable implementation challenges to be identified and resolved and support continuous improvement. Capital assets should be transparently and efficiently managed.

### Our key findings about the Implementation pillars

**We have mixed performance in most Implementation pillars, with some areas of better or worse performance.** Table 7 summarises our key findings regarding institutional design and effectiveness of these five pillars.

**Our overall institutional framework for *Pillar 11: Procurement* is reasonable.** Central government has established procurement rules requiring competitive tenders, operates a central database for advertising tenders, and publishes some open data. But it does not publish enough information to assess whether procurement rules are working effectively. And persistent issues with contracting practices are still creating challenges for project delivery teams.

**We perform well against *Pillar 12: Availability of funding*.** Money that is appropriated for projects is released in a timely way, enabling well-scoped projects to be completed as planned. Agencies are required to pay their supplier invoices promptly, and they appear to be doing so.

**Our performance against *Pillar 13: Portfolio management* is mixed.** Agencies are required to report project information to the Treasury and go through Gateway assurance reviews. But there are known issues with the quality of project information submitted by agencies. Inadequate monitoring and assurance frameworks make it difficult for Ministers to manage their investment portfolios effectively. Post-completion reviews are generally inaccessible, if they are undertaken at all.

**Our performance against *Pillar 14: Project implementation* is also mixed.** Major projects cannot be funded without Ministerial or Cabinet approvals, and agencies are then required to appoint senior responsible owners (SROs) and develop implementation plans. But there are gaps in asset management and project delivery capabilities across government, and no standard process for Ministers and officials to review and intervene in troubled projects.

**Our institutional framework for *Pillar 15: Management of public assets* is reasonable in theory, but ineffective in practice.** Although agencies are required to maintain asset registers and asset management plans, self-reported compliance is poor. And, although agencies do comply with legal requirements to report asset depreciation in their financial statements, there is some evidence of ineffective budgetary provision for renewals.

Table 10: Institutional design and effectiveness of Allocation pillars

| Pillar | Institutional design | Effectiveness |
|---|---|---|
| 11 Procurement | Well-established Government Procurement Rules. Some open data published, but not enough to assess market outcomes. No independent complaints body. | Insufficient data to fully assess whether current rules are driving competitive markets and value for public money. |
| 12 Availability of funding | Transparent reporting of expected revenues and appropriations. Clear requirements for prompt payment of suppliers. | No evidence of government cash flow issues. Agencies are paying their suppliers promptly. |
| 13 Portfolio management | Investments reported via QIR. No standard monitoring process. Gateway provides some assurance for agencies, not investor assurance. | QIR collects data on cost pressures and delays. Post-completion reviews not systematically produced. Difficult for Ministers to manage their portfolios effectively. |
| 14 Project implementation | Agencies given clear requirements for funding approval, SRO appointments, and business cases. But no routine assessment of agencies' portfolio, programme and project management capabilities. No standard process for intervening in troubled projects. | SROs likely to be in place. But known gaps in leadership capabilities across government. OAG does not conduct ex-post project audits. |
| 15 Management of public assets | Some requirements set out in Cabinet Office circular, with annual reporting on compliance. Agencies required by law to report depreciation in financial statements, which are independently audited. | Poor compliance with requirements relating to asset registers and asset management plans. Some evidence of poor budgetary provision for depreciation. |

## What's working well?

**Our analysis highlights one key area of good performance.** This ensures that money is available to complete well-scoped projects following an investment decision:

- **Availability of funding:** When money is appropriated for projects, it is available in practice. Central government does not face any cash flow or financing issues that would prevent investment from proceeding once it has been budgeted.

## What needs to be improved?

**Our analysis also identifies one key area where we can improve.** Left unaddressed, this will make it difficult to manage existing public assets, leading to unacknowledged risks to assets and declining asset condition:

- **Management of public assets:** Although a Cabinet Office circular sets out some requirements for agencies to maintain asset registers and asset management plans, these requirements are very high level, and compliance appears to be poor. Asset management incentives are weak, and the reporting regime could be strengthened. There is also evidence that depreciation is not being managed effectively, further contributing to asset management pressures.

Asset management capability appears to be a high priority area for improvement. The consequences of inadequate asset management ripple out across the whole investment lifecycle. Unless the government has good data on its assets, and robust plans in place to maintain and renew them, they are unlikely to invest public money effectively. It results in us building infrastructure we don't need, while our maintenance and renewals backlogs grow longer.

Our analysis also identifies important gaps in **project and portfolio management**. We identify issues with project leadership capabilities across government, and inadequate monitoring and assurance frameworks to enable leaders (including Ministers) to manage their investments and intervene in troubled projects effectively. Unlike asset management, these issues occur later in the investment lifecycle, well after projects have been planned and funded, but they significantly affect the likelihood of successful delivery.

## Pillar 11: Procurement

Here, we review New Zealand's performance against the 'Procurement' pillar of the PIMA framework. This tests whether procurement is based on effective competition and subject to adequate oversight. It is assessed based on three questions:

- Is the procurement process for major capital projects open and transparent?
- Is there a system in place to ensure that procurement is monitored adequately?
- Is the procurement complaints review process conducted in a fair and timely manner?

We assess institutional design and effectiveness separately for each question based on the IMF PIMA Handbook, providing relevant information to support our ratings.

### 11a. Is the procurement process for major capital projects open and transparent?

#### Institutional design

| IMF indicative scoring thresholds | | | |
|---|---|---|---|
| No score given | Low | Medium | High |
| Insufficient information to score performance. | Few major projects are tendered in a competitive process, and the public has limited access to procurement information. | Many major projects are tendered in a competitive process, but the public has only limited access to procurement information. | Most major projects are tendered in a competitive process, and the public has access to complete, reliable and timely procurement information. |

**Central government agencies must adhere to a standard set of Government Procurement Rules.** Government ministries and agencies, including most Crown entities, are required to follow the Government Procurement Rules for all procurements worth above $9,000,000 (for new construction works) or $100,000 (for all other procurements).[190]

NZTA must also "have regard" to "encouraging competitive and efficient markets for the supply of outputs" when developing procurement policies.[191] State-owned enterprises are not strictly required to adhere to the Government Procurement Rules, but KiwiRail[192] and Transpower[193] have committed to doing so. Local councils are also encouraged to apply the Rules.

**The Government Procurement Rules require agencies to pursue open competition for major procurements, unless they have a valid exemption from open advertising.** Under Rule 13, agencies must open competition for procurements above the value thresholds referenced above, unless they have a valid exemption relating to genuine emergencies, cases where there is only one supplier, ongoing cases where the supplier cannot be changed for technical or economic reasons, etc.

Rule 14 also exempts 'secondary procurements' from open advertising, enabling agencies to procure directly from suppliers on all-of-government (AOG) supplier panels or on an agency's own supplier panel. Agencies must openly advertise opportunities to join any supplier panels they establish, ensuring that open competition takes place at the 'primary' stage, even if not at the 'secondary' stage.

[190] New Zealand Government Procurement. (2024). Government Procurement Rules.
[191] Land Transport Management Act 2003.
[192] KiwiRail. (2022). KiwiRail Procurement Procedures Manual.
[193] Transpower. (2024). Supplier Information.

Rule 12 also permits agencies to 'opt-out' of some Rules in special circumstances, including for services procured and used overseas, matters of national security, international development assistance, and others, few (if any) of which are likely to affect competition for infrastructure projects.[194]

**The Rules impose a range of transparency requirements on central government agencies.** The Rules require agencies to publish procurement notices on the Government Electronic Tender Service (GETS); to openly advertise contract opportunities for competition; and to publish Contract Award Notices on GETS when a contract has been awarded for both open and closed procurements.

The Rules also require agencies to adhere to minimum time periods for advertising procurement opportunities, intended to ensure that suppliers have time to review and respond to procurement information. Tenderers may also request a debrief of the selection process to understand why their bid was or was not successful.

### Effectiveness

| IMF indicative scoring thresholds | | | |
|---|---|---|---|
| No score given | Low | Medium | High |
| Insufficient information to score performance. | Few (less than 50% of) major projects are based on effective competitive procurement. | Many (between 50 and 90% of) major projects are based on effective competitive procurement. | All (more than 90% of) major projects are based on effective competitive procurement, and complete and timely information is publicly available. |

**The Government does not publish the data needed to assess the proportion of major projects procurements that were subject to open competition.** Agencies are required to publish Contract Award Notices on GETS for open and closed procurements but are not currently required to do so for secondary procurements using approved panel suppliers.

**Poor data on secondary procurement activity prevents a full analysis of different procurement approaches taken across government and reduces visibility of innovative approaches.** This is a significant information gap, as secondary procurement constitutes a significant proportion of procurement activity. In 2025, the Government consulted on updating the Rules to require agencies to publish notices for all secondary procurements over a certain value threshold, which would significantly improve the transparency of procurement activity using panel suppliers.[195]

**Persistent issues in procurement and contracting practice pose significant delivery challenges.** There is evidence of a "culture of mistrust" between the public and private sectors. Special conditions are still being used extensively to customise contracts. Collaborative contracting is becoming more common, but the benefits are often not being realised, in part due to poorly defined objectives and allocation of responsibilities. The Commission has also heard that procurement sometimes feels disconnected from project delivery.[196]

## 11b. Is there a system in place to ensure that procurement is monitored adequately?

### Institutional design

| IMF indicative scoring thresholds |
|---|

[194] New Zealand Government Procurement. (2024). Government Procurement Rules.
[195] Ministry of Business, Innovation and Employment. (2025). Government Procurement Rules consultation.
[196] New Zealand Infrastructure Commission. (2025). Towards better contracts: Building better relationships for better project outcomes.

| No score given | Low | Medium | High |
|---|---|---|---|
| Insufficient information to score performance. | There is no procurement database, or the information is incomplete or not timely for most phases of the procurement process. | There is a procurement database with reasonably complete information, but no standard analytical reports are produced from the database. | There is a procurement database with reasonably complete information, and standard analytical reports are produced to support a formal monitoring system. |

**The Government releases some procurement data, but not enough to fully assess procedural integrity or market outcomes.** The Government Electronic Tender Service (GETS) provides a central listing of future procurement opportunities, current tenders, late tenders, closed and completed tenders. It includes information on the procuring agency, close dates, tender types, and more.[197]

However, central government does not release the data that would be needed to assess the overall effectiveness of the central government procurement system, such as the number of bids received for contract opportunities or the number of suppliers awarded major contracts over certain value thresholds.

**The Government does routinely publish analysis of whether central government procurement policies settings are promoting market competition and securing value for money.** NZGP maintains a GETS dashboard, showing total tenders, bids, average days open, average days to award, tenders awarded by region, tenders by category (eg construction), price range of tenders by category, and more.[198]

NZGP also publishes annual insights from government procurement, showing amounts spent and saved on All-of-Government contracts, agencies participating in AoG contracts, AoG contracts signed by agencies each year.[199] The Government also publishes the last five years of government procurement award notices as open data.[200]

### Effectiveness

| IMF indicative scoring thresholds | | | |
|---|---|---|---|
| No score given | Low | Medium | High |
| Insufficient information to score performance. | There is no database with complete and timely information, or analytical reports are available after more than 6 months, or not at all. | The database is reasonably comprehensive, but analytical reports are not available at all or after more than 6 months. | The database is used by a monitoring system that produces monthly or quarterly analytical reports drawing conclusions and making recommendations for improvement |

**There is no single database capturing all procurement activity across central government.** Although NZGP publishes information on procurements advertised via the GETS system, it does not comprehensively collect or publish data on procurement not subject to GETS advertising.

In 2025, the Government consulted on changes to the Government Procurement Rules that would require agencies to publish Contract Award Notices for secondary procurements. NZGP also intends to release a Procurement Platform to support procurement exercises across government, which will enable it to collect additional data on secondary procurements.

197 New Zealand Government. (2024). GETS.
198 Ministry of Business, Innovation and Employment. (2024). GETS Dashboard.
199 New Zealand Government Procurement. (2023). Government procurement insights.
200 Ministry of Business, Innovation and Employment. (2024). New Zealand government procurement open data.

## 11c. Is the procurement complaints review process conducted in a fair and timely manner?

### Institutional design

| IMF indicative scoring thresholds | | | |
|---|---|---|---|
| No score given | Low | Medium | High |
| Insufficient information to score performance. | Procurement complaints are not reviewed by an independent body. | Procurement complaints are reviewed by an independent body, but the recommendations of this body are not produced on a timely basis, nor published, nor rigorously enforced. | Procurement complaints are reviewed by an independent body whose recommendations are timely, published, and rigorously enforced. |

**There is no dedicated independent review body for procurement complaints equivalent to NSW's Procurement Board or the UK's Public Procurement Review Service.** Under Rule 50 of the Government Procurement Rules, a supplier (or potential supplier) is entitled to complain to an agency "if it believes the agency has not followed the Rules".

The agency is required to consider the complaint impartially and to respond promptly - keeping records of its process in case of independent review.[201] If a (potential) supplier is still not satisfied, they may ask for an independent probity audit to be carried out, but the agency is not required to pay for this. They may also report the matter to the Auditor-General, Ombudsman or State Services Commission, and may seek judicial review of decision-making through the High Court.[202]

### Effectiveness

| IMF indicative scoring thresholds | | | |
|---|---|---|---|
| No score given | Low | Medium | High |
| Insufficient information to score performance. | No independent review body or the average time to decide complaints is long (more than 6 months). | The average time to decide complaints is medium (2–6 months) | Independent reviews are published and rigorously enforced, and the average time to resolve complaints is short (less than 2 months). |

**There are no binding time limits for the Government to resolve procurement complaints.** Rule 50 requires agencies to "respond promptly" to procurement complaints but does not specify exact deadlines for doing so.

Although the Auditor-General may occasionally investigate procurement issues, they are independent of Ministerial control and they are free to determine which inquiries they wish to pursue. A full investigation by the Auditor-General typically takes months to report. The Auditor-General's inquiry into Westland District Council's flood resilience procurement began in 2017 and reported in March 2019;[203] their inquiry into a Department of Corrections procurement began in May 2019 and reported in September 2020;[204] and their inquiry into a Ministry of Health procurement began in May 2021 and reported in October 2021.[205]

[201] New Zealand Government Procurement. (2024). Rule 50: Supplier complaints.
[202] New Zealand Government Procurement. (2015). Guide to supplier feedback and complaints.
[203] Office of the Auditor-General. (2019). Inquiry into procurement of work by Westland District Council at Franz Josef.
[204] Office of the Auditor-General. (2019). Department of Corrections' procurement of rapid deployment of prison accommodation.
[205] Office of the Auditor-General. (2021). The Ministry of Health's procurement of a national immunisation system.

## Pillar 12: Availability of funding

Here, we review New Zealand's performance against the 'Availability of funding' pillar of the PIMA framework. This tests whether financing for capital spending is made available in a timely manner. It is assessed based on three questions:

- Are ministries/agencies able to plan and commit expenditure on capital projects in advance on the basis of reliable cash flow forecasts?
- Is cash for project outlays released in a timely manner?
- Is external (donor) funding of capital projects fully integrated into the main government bank account structure?

We assess institutional design and effectiveness separately for each question based on the IMF PIMA Handbook, providing relevant information to support our ratings.

### 12a. Are ministries/agencies able to plan and commit expenditure on capital projects in advance on the basis of reliable cash-flow forecasts?

#### Institutional design

| IMF indicative scoring thresholds | | | |
|---|---|---|---|
| No score given | Low | Medium | High |
| Insufficient information to score performance. | Cash-flow forecasts are not prepared or updated regularly, and ministries / agencies are not provided with commitment ceilings in a timely manner. | Cash-flow forecasts are prepared or updated quarterly, and ministries / agencies are provided with commitment ceilings at least a quarter in advance. | Cash-flow forecasts are prepared or updated monthly, and ministries / agencies are provided with ceilings for the full fiscal year. |

**The government is required to produce monthly cash flow statements.** In addition to year-end financial statements, the Treasury publishes monthly 'interim' financial statements, which include statements of cash flows.[206] These statements are required under Section 31A of the Public Finance Act 1989.[207]

**The Estimates of Appropriations provide clear commitment ceilings for the financial year ahead.** Under public finance legislation, most ministries and agencies may only incur expenses in line with authorised appropriations. The Estimates of Appropriations comprehensively set out the appropriations authorised under that year's Budget process, giving agencies clear visibility of their spending limits.

**The land transport sector is largely funded outside of the Budget process, so different rules apply.** NZTA investment in the road network is primarily funded through the National Land Transport Programme, rather than the Budget. Cash flow derives from receipt of hypothecated revenues from Road User Charges and Fuel Excise Duty, rather than fixed appropriations.

NZTA instead adheres to the Government Policy Statement on land transport, which sets out target spending ranges for key activity classes several years in advance. Clear spending targets and revenue forecasts enable NZTA to plan for future expenditure.

[206] The Treasury. (2025). Financial statements of the Government.
[207] Public Finance Act 1989.

Effectiveness

| IMF indicative scoring thresholds | | | |
|---|---|---|---|
| No score given | Low | Medium | High |
| Insufficient information to score performance. | Cash flow forecasts are missing or not documented, or actual net cash flows on average deviate significantly (more than 10%) from forecasts. | Actual net cash flows on average deviate somewhat (by 5–10%) from forecasts, and ministries are provided with commitment ceilings at least a quarter in advance. There may be examples of ceilings not funded. | Actual net cash flows on average deviate little (less than 5%) from forecasts, and commitment ceilings for the whole fiscal year are provided at the beginning of the year. There are no examples of ceilings not funded. |

**While government spending sometimes deviates from forecasts, there is no evidence that this is due to the government being unable to find the cash needed for disbursals.** Over the course of 2024/25, the government appears to have disbursed appropriated funding and met its ongoing costs without any indication of cash flow issues, despite tax revenues coming in below expectations.[208]

## 12b. Is cash for project outlays released in a timely manner?

Institutional design

| IMF indicative scoring thresholds | | | |
|---|---|---|---|
| No score given | Low | Medium | High |
| Insufficient information to score performance. | The financing of project outlays is frequently subject to cash rationing. | Cash for project outlays is sometimes released with delays. | Cash for project outlays is normally released in a timely manner, based on the appropriation. |

**The government has processes to manage funding disbursals**. The Treasury Instructions require agencies to estimate their cash flows and provide information to the Treasury on their expected cash payment schedules. They are also required to comply with numerous procedural requirements when disbursing Crown expenditure.[209]

**Agencies are required to undertake careful cash flow management.** Under Section 34 of the Public Finance Act 1989, the chief executive of a government department is responsible for the financial management and reporting of that department.[210] Agencies are responsible for forecasting their cash requirements over the coming year, and the Treasury is responsible for releasing cash to agencies in accordance with mutually-agreed cash payment schedules.[211]

**Strict rules apply to government agencies who procure external suppliers to deliver their projects and programmes.** Under Rule 51A of the Government Procurement Rules - which are binding on public service departments - agencies are required to pay suppliers "promptly". They must ensure that 90% of domestic trade invoices are paid within 5 business days, with 10 business days allowed for domestic trade invoices. In addition, agencies must "encourage their suppliers to pay their subcontracts promptly".[212]

[208] Interest.co.nz. (2025). The first nine-month financial report under the Coalition Government shows higher operating costs, reduced infrastructure investment, and growing debt as it prepares for Budget 2025
[209] The Treasury. (2024). Treasury Instructions 2024.
[210] Public Finance Act 1989
[211] Office of the Auditor-General. (2024). Our audit of the Government's financial statements and our Controller function.
[212] New Zealand Government Procurement. (2024). Rule 51A: Prompt payment times.

**Agencies are required to report on their invoice payment times, and these are updated and published quarterly on the MBIE website.**[213] In November 2024, the government announced that these rules would be strengthened to require 95% of invoices to be paid within these timeframes, to encourage small businesses to engage with government procurement.[214]

### Effectiveness

| IMF indicative scoring thresholds | | | |
|---|---|---|---|
| No score given | Low | Medium | High |
| Insufficient information to score performance. | Not all (less than 75% of) invoices for major projects are paid on time. | Most (75–90% of) invoices for major projects are paid on time. | All (more than 90% of) invoices for major projects are paid on time, and cash releases are in line with appropriations. |

**Government agencies appear to be paying their invoices promptly.** Between July to September 2024, 96% of invoices to central government agencies in New Zealand were paid within 10 working days.[215] Prompt payment of invoices by agencies suggests, in turn, that the Treasury is making funds available to agencies in a timely manner.

## 12c. Is external (donor) funding of capital projects fully integrated into the main government bank account structure?

*Note: Except for philanthropic funding in the health sector, New Zealand does not routinely seek or receive donor funding for infrastructure projects. Donor funding does not appear to impinge on overall Budget comprehensiveness or cash-flow management. The Commission has interpreted this criterion to apply primarily to public-private partnerships.*

### Institutional design

| IMF indicative scoring thresholds | | | |
|---|---|---|---|
| No score given | Low | Medium | High |
| Insufficient information to score performance. | External financing is largely held in commercial bank accounts outside the central bank. | External financing is held at the central bank, but is not part of the main government bank account structure. | External financing is fully integrated into the main government bank account structure. |

**The information needed to assess the proportion of external projects held in external bank accounts is not readily available.**

**Public-private partnerships include significant commercial financing.** In the case of the Transmission Gully project, a private sector consortium was tasked with financing the design and construction of the new highway, with NZTA committing to making payments to the PPP consortium through the NLTF after the road had opened to traffic.[216] Any Crown contribution to upfront costs must still be approved by Parliament through the standard Budget appropriations process.[217]

[213] Ministry of Business, Innovation, & Employment (2024). Central Government agencies' invoice payment times.
[214] New Zealand Government (2024) New rules mean faster payment times for small businesses.
[215] Ministry of Business, Innovation, & Employment. (2024). Central Government agencies' invoice payment times.
[216] New Zealand Transport Agency. (2012). Public-Private Partnership (PPP) for Transmission Gully Highway.
[217] Appropriations for PPP projects are discussed in Treasury Reports T2019/2398, T2020/2537, T2020/3026 proactively released on the Treasury website

Effectiveness

| IMF indicative scoring thresholds | | | |
|---|---|---|---|
| No score given | Low | Medium | High |
| Insufficient information to score performance. | The Treasury is informed of the cash payments (date, amount, and related project) for externally financed projects not later than one month from the date of payment. | The Treasury is informed of the cash payments (date, amount, and related project) for externally financed projects within a week from the date of payment. | The Treasury is informed in advance of the cash payments (date, amount, and related project) for externally financed projects. |

**The information needed to assess the timeliness of cash payments for externally financed projects is not readily available.**

## Pillar 13: Portfolio management and oversight

Here, we review New Zealand's performance against the 'Portfolio management and oversight' pillar of the PIMA framework. This tests whether adequate oversight is exercised over implementation of the entire public investment portfolio. It is assessed based on three questions:

- Are major capital projects subject to monitoring during project implementation?
- Can funds be reallocated between investment projects during implementation?
- Does the government adjust project implementation policies and procedures by systematically conducting ex post reviews of projects that have completed their construction phase?

We assess institutional design and effectiveness separately for each question based on the IMF PIMA Handbook, providing relevant information to support our ratings.

### 13a. Are major capital projects subject to monitoring during project implementation?

**Institutional design**

| IMF indicative scoring thresholds | | | |
|---|---|---|---|
| No score given | Low | Medium | High |
| Insufficient information to score performance. | Most major capital projects are not monitored during project implementation. | For most major projects, annual project costs, as well as physical progress, are monitored during project implementation. | For all major projects, total project costs, as well as physical progress, are centrally monitored during project implementation. |

**The Infrastructure Commission distinguishes between reporting, monitoring, and assurance.** 'Reporting' provides regular, high-level updates on the status and progress of projects across the portfolio. 'Monitoring' provides a much more in-depth focus on performance against targets and objectives, usually at a project or programme level. 'Assurance' provides an independent assessment of whether a project or programme is being delivered effectively, in alignment with all requirements and best practice, with different types of assurance for different audiences.

**Major projects are required to report on progress, time and cost pressures through QIR.** Medium- and high-risk investments must submit progress updates to Quarterly Investment Reporting, giving Ministers some visibility of delays and cost overruns across the portfolio. QIR is not designed or intended to give Ministers confidence about the detailed delivery likelihood of a particular project. However, the Treasury is working to improve the usefulness of QIR by providing more focused updates on 'High Value, High Risk' investments.[218]

**There is no standard, systematic monitoring regime applicable to all major projects.** There are monitoring entities for several central government entities involved in delivering infrastructure. The Ministry of Transport monitors the New Zealand Transport Agency and the Ministry of Health monitors Health New Zealand, for example. But there are no statutory monitors for some agencies with dual policy and delivery responsibilities, such as the Ministry of Education.

In some cases, monitors may undertake assurance for major projects, but this will depend on Ministerial priorities, capacity, and capability. For some projects there may be bespoke or ad-hoc monitoring arrangements in place, but there is no standard regime or framework for monitoring that is applicable to all major projects. Effective monitoring should provide investor-focused advice.

[218] The Treasury. (2024). Quarterly Investment Report for quarter ending June 2024.

**The Gateway framework is intended to provide assurance to SROs.** High risk capital projects are subject to Gateway reviews. These reviews assess progress at key milestones in the investment lifecycle and may recommend changes. The project SRO is the primary recipient of any recommendations and is responsible for responding to those recommendations.

**Gateway is not designed to provide Ministers with investor-focused assurance.** Gateway reviews report to SROs, rather than Ministers, and do not directly affect a project's journey across the IMS. The Auditor-General has noted that Gateway reviews offer "only a limited type of [agency-facing] assurance";[219] they are not set up (or even intended) to provide assurance to Ministers or the public about the likelihood of delivery or benefits realisation. There is no single system designed to provide Ministers with assurance that high-risk projects are on time and on budget.

The Treasury produced Major Projects Performance Reports until 2017, assessing the delivery performance of challenging projects, but these reports were discontinued to focus resources on agency- and system-level advice instead.[220]

### Effectiveness

| IMF indicative scoring thresholds | | | |
|---|---|---|---|
| No score given | Low | Medium | High |
| Insufficient information to score performance. | There are only partial data on portfolio delays and cost overruns (covering less than 50% of the portfolio), or many (more than 50%) of the monitored projects (by value) are behind schedule or over budget. | There are systematic data on portfolio delays and cost overruns for many projects (more than 50% of the portfolio), and some (25–50% of) major projects are behind schedule or over budget. | There are systematic data on portfolio delays and cost overruns for many projects (more than 50% of the portfolio), and few (less than 25% of) major projects are behind schedule or over budget. |

**The Government systematically collects data on project delays and cost overruns.** Medium and high-risk projects are required to submit updates to the Treasury as part of Quarterly Investment Reporting, including information relating to delays and cost pressures. The Treasury provides Ministers with advice on time and cost pressures at the portfolio level.

**There are pressures across the government's investment portfolio.** In June 2024, approximately half of the investments tracked through QIR were reported to be experiencing delays, with the investment portfolio also reported to be facing cost pressures of at least $2.1 billion.[221]

**Actual delays and cost pressures are likely to be worse than reported.** There are significant problems with the quality and completeness of the data submitted to the Treasury by delivery agencies, particularly in relation to cost pressures – meaning that the number of projects running behind schedule and/or over budget is likely to higher than currently reported.

In recent QIR releases, the Treasury has acknowledged the issues with QIR data quality and has set out some steps it is taking to strengthen QIR. It is also tracking how chief executives attest to their agency's compliance with CO (23) 9 rules on disclosure and reporting.

**The absence of a robust, investor-focused assurance framework makes it harder for Ministers to manage their portfolios effectively.** There is no universal framework designed to give Ministers assurance about the likelihood of investments being delivered on-time and on-budget, or to provide a standard framework for critical issues to be escalated and addressed in a systematic manner. This is a significant gap in New Zealand's public investment management system.

[219] Office of the Auditor-General. (2016) Using Gateway reviews to support public sector projects
[220] The Treasury. (2019). Update on media interest in Major Projects Report.
[221] The Treasury. (2024). Quarterly Investment Report for quarter ending June 2024.

## 13b. Can funds be re-allocated between investment projects during implementation?

### Institutional design

| IMF indicative scoring thresholds | | | |
|---|---|---|---|
| No score given | Low | Medium | High |
| Insufficient information to score performance. | Funds cannot be re-allocated between projects during implementation. | Funds can be reallocated between projects during implementation but not using systematic monitoring and transparent procedures. | Funds can be re-allocated between projects during implementation, using systematic monitoring and transparent procedures. |

**Funding from appropriations may be reallocated between projects, subject to certain controls.** The Government may make 'Fiscally Neutral Adjustments' (FNAs) to transfer funding between appropriations, provided that the impact on overall government spending is fiscally neutral. FNAs must be proposed through the March and October Baseline Updates process, agreed by ministers, and approved by Parliament through the Supplementary Estimates.[222]

For major programmes and projects with their own dedicated funding appropriations, such as City Rail Link and New Dunedin Hospital, funding may be reallocated to any component within the scope of that appropriation.

**Funding from other sources may also be reallocated between projects.** Agencies may reallocate depreciation funding between suitable projects. NZTA also has greater discretion to transfer funding between capital projects funded from the National Land Transport Fund but has established processes to govern capital allocations in line with activity classes.

### Effectiveness

| IMF indicative scoring thresholds | | | |
|---|---|---|---|
| No score given | Low | Medium | High |
| Insufficient information to score performance. | There is no evidence that reallocation has promoted accelerated implementation of projects, or capital budget execution is low (less than 75%). | There is some evidence that reallocation has promoted accelerated implementation of projects, and capital budget execution rate is medium (75–90%). | There is significant evidence that reallocation has promoted accelerated implementation of projects, and capital budget execution rate is high (more than 90%). |

**Government agencies do not release the information needed to assess whether they have reallocated Crown funding between projects in order to accelerate delivery.**

**NZTA's funding regime likely enables a greater degree of reallocation.** Because the NLTF is funded from tax revenues, rather than a fixed appropriation, NZTA must carefully monitor cash availability. It can reallocate funding within its overall portfolio, within activity class spending ranges. If one project is delayed, it may reallocate the funding set aside for the delayed project towards new projects, minimising delays across the wider portfolio.

[222] Cabinet Office. (2018). CO (18) 2: Proposals with Financial Implications and Financial Authorities.

## 13c. Does the government adjust project implementation policies and procedures by systematically conducting ex post reviews of projects that have completed their construction phase?

### Institutional design

| IMF indicative scoring thresholds | | | |
|---|---|---|---|
| No score given | Low | Medium | High |
| Insufficient information to score performance. | Ex post reviews of major projects are neither systematically required, nor frequently conducted. | Ex post reviews of major projects, focusing on project costs, deliverables and outputs, are sometimes conducted. | Ex post reviews of major projects focusing on project costs, deliverables, and outputs are conducted regularly by an independent entity or experts, and are used to adjust project implementation policies and procedures. |

**Central government agencies are not required to undertake comprehensive post-completion reviews for major projects.** The current Cabinet Office circular on investment management does not contain any requirements relating to post-completion reviews. Nor are agencies required to publish any reviews they may have voluntarily carried out. Without a requirement to carry out post-completion reviews, agencies are less likely to allocate resources to them.

**Agencies are expected to undertake limited kinds of post-implementation reviews.** Agencies are expected to carry out 'operational and benefits realisation reviews' at Gate 5 of the Gateway review framework, examining issues relating to contract management, asset management, and whether the project's anticipated benefits have been fulfilled[223] - a specific kind of post-implementation review.

Agencies are also expected to report the results of their benefits reviews through into Quarterly Investment Reporting. The Treasury published 'Gateway review lessons learned' reports in 2011, 2013, 2015 and 2017 synthesised findings across dozens of Gateway reviews.[224]

**Expectations relating to post-completion reviews have weakened over time.** Under Cabinet Office circular (19)6, agencies were required to report to Cabinet within 12 months of a project's in-service date on the actual level of benefits realised versus those that were set out in the Cabinet-approved investment proposal. They were also required to post these reviews on the Public Service Intranet.[225] These requirements were dropped in Cabinet Office circular CO (23) 9, which superseded CO (19) 6 (see Appendix A).

### Effectiveness

| IMF indicative scoring thresholds | | | |
|---|---|---|---|
| No score given | Low | Medium | High |
| Insufficient information to score performance. | Government ex post reviews cover few (less than 10% of) major projects. | Government ex post reviews cover some (10–25% of) major projects. | Government ex post reviews cover many (more than 25% of) major projects and the information has been systematically used to adjust policies and procedures. |

[223] The Treasury. (2024). Types of investment review.
[224] The Treasury. (2024). Gateway review findings.
[225] Cabinet Office. (2019). CO (19) 6: Investment Management and Asset Performance in the State Services.

**Post-completion reviews are rarely carried out, and almost always inaccessible.** Research commissioned by Te Waihanga looked at 27 examples of infrastructure projects and found that ex-post reviews were generally inaccessible or not produced at all.[226] In recent years, most reviews of major projects have been pre-completion, specially requested, and narrowly-scoped (**Table 11**).

Table 11. Recent examples of major project reviews (pre- and post-completion)

| Review | Purpose | Automatically required or specially commissioned? | Pre- or post-completion? |
|---|---|---|---|
| **Dunedin Hospital Independent Review** (Infrastructure Commission, 2024)[227] | To assess whether the project was deliverable within budget | **Ad hoc / specifically requested** | **Pre-completion** |
| **Transmission Gully post-construction review** (Infrastructure Commission, 2024)[228] | To review the PPP framework | **Ad hoc / specifically requested** | **Partial completion**[229] |
| **Making infrastructure investment decisions quickly** (Office of the Auditor-General, 2023)[230] | To assess decision-making processes for selecting and funding projects | **Ad hoc / specifically requested** | **Partial completion** |
| **Mental Health Infrastructure Programme Review** (Infrastructure Commission, 2023)[231] | To review the affordability and deliverability of projects within a programme | **Ad hoc / specifically requested** | **Pre-completion** |
| **City Rail Link Lessons Learnt** (Infrastructure Commission, 2023)[232] | To identify lessons for future projects | **Ad hoc / specifically requested** | **Pre-completion** |
| **Governance of the City Rail Link Project** (Office of the Auditor-General, 2022)[233] | To assess programme governance | **Ad hoc / specifically requested** | **Pre-completion** |

[226] Cordier, J., Repko, S., Cardow, A., Roskruge, M., Rotimi, J., & Catley, B. (2023) Transparency within large publicly funded New Zealand infrastructure projects.
[227] New Zealand Infrastructure Commission, Te Waihanga. (2024). Dunedin Hospital Independent Review.
[228] New Zealand Infrastructure Commission, Te Waihanga. (2024). Transmission Gully post-construction review.
[229] Although the Infrastructure Commission was originally asked to carry out a post-construction review in parallel with the closing stages of the Transmission Gully project, late-stage delivery issues and commercial disputes were ongoing at the time of release.
[230] Office of the Auditor-General. (2023). Making infrastructure investment decisions quickly.
[231] New Zealand Infrastructure Commission, Te Waihanga. (2023). Mental Health Infrastructure Programme Review.
[232] New Zealand Infrastructure Commission, Te Waihanga. (2023). City Rail Link Lessons Learnt.
[233] Office of the Auditor-General. (2024). Governance of the City Rail Link project.

## Pillar 14: Management of project implementation

Here, we review New Zealand's performance against the 'Management of project implementation' pillar of the PIMA framework. This tests whether capital projects are well managed and controlled during the execution stage. It is assessed based on three questions:

- Do ministries/agencies have effective project management arrangements in place?
- Has the government issued rules, procedures, and guidelines for project adjustments that are applied systematically across all major projects?
- Are ex post audits of capital projects routinely undertaken?

We assess institutional design and effectiveness separately for each question based on the IMF PIMA Handbook, providing relevant information to support our ratings.

### 14a. Do ministries/agencies have effective project management arrangements in place?

#### Institutional design

| IMF indicative scoring thresholds | | | |
|---|---|---|---|
| No score given | Low | Medium | High |
| Insufficient information to score. | Ministries/agencies do not systematically identify senior responsible officers for major investment projects, and implementation plans are not prepared prior to budget approval. | Ministries/agencies systematically identify senior responsible officers for major investment projects, but implementation plans are not prepared prior to budget approval. | Ministries/agencies systematically identify senior responsible officers for major investment projects, and implementation plans are prepared prior to budget approval. |

**Ministries and agencies are expected to appoint Senior Responsible Owners (SROs) and develop implementation plans for major infrastructure projects.** Cabinet Office Circular (23) 9 requires agencies to apply the Better Business Case guidance,[234] which in turn requires the appointment of a Senior Responsible Owner,[235] and the role of SRO is described as one of the key roles in the Investment Management System.[236] These are longstanding expectations, carried over from previous circulars.[237]

**The Better Business Case framework expects agencies to set out governance and implementation arrangements.** The proposed governance structure for a project, including the position of SRO, should be set out in the project's Detailed Business Case. The project's Implementation Business Case is then expected to form the basis of the agency's project management plan.[238]

**A specialist agency provides support to agencies with low delivery capabilities.** In 2024, the government repurposed Rau Paenga into the Crown Infrastructure Delivery (CID) agency, mandating it to provide project delivery support to Crown agencies that have low infrastructure delivery capability.[239]

**High-risk projects are subject to assurance reviews, which may recommend improvements to project governance.** Gateway assurance reviews are conducted for and with the SRO to check the

[234] Cabinet Office. (2023). CO (23) 9: Investment Management and Asset Performance in Departments and Other Entities.
[235] The Treasury. (2024). Better Business Cases.
[236] The Treasury. (2024). Investment Management System roles and requirements.
[237] Cabinet Office. (2015). CO (15) 5: Investment Management and Asset Performance in the State Services.
[238] The Treasury. (2025). Implementation Business Case.
[239] Crown Infrastructure Delivery. (2024). Enhanced role for Rau Paenga.

effectiveness of project management arrangements for a particular project. These reviews may make recommendations to the SRO on issues relating to project management and implementation. However, Gateway reviews are not designed or intended to escalate governance and delivery issues to Ministers.

**The government no longer formally assesses agencies' project and portfolio management capabilities.** In previous years, several central government agencies were subject to 'Investor Confidence Reviews' (ICR), designed to assess whether an agency had the capabilities needed to deliver its investments effectively. These reviews examined each agency's project, programme and portfolio management, asset management maturity and long-term investment planning, among other things.[240]

The government discontinued the ICR regime in mid-2023, stating that it was not delivering the benefits that had originally been expected.[241] However, reducing the scrutiny of delivery capabilities may have weakened the incentives for agencies to invest in developing them.

### Effectiveness

| IMF indicative scoring thresholds | | | |
|---|---|---|---|
| No score given | Low | Medium | High |
| Insufficient information to score performance. | Not all (less than 75% of) major projects have identified senior responsible officers or project implementation plans before project approval. | Most (more than 75% of) major projects have identified senior responsible officers or project implementation plans before project approval. | Most (more than 75% of) major projects have identified senior responsible officers and project implementation plans before project approval. |

**SROs are likely to be in place for major projects, although the information needed to verify this is not publicly available.** The detailed governance arrangements and implementation plans for a project should be set out in its Detailed Business Case and Implementation Business Case. These documents are not always publicly released, making it difficult to assess whether all major projects have sufficiently detailed business cases that comply with all relevant requirements.

**Poor compliance with business case expectations likely undermines implementation planning.** In recent years, around half of initiatives presented for Budget funding have not had adequate business cases. This suggests that implementation plans may be underdeveloped for projects without Detailed and Implementation Business Cases prior to funding approval.

**In practice, the effectiveness of project leadership varies widely across government, with significant gaps in capability and governance.** In the 2022 New Zealand Infrastructure Strategy, the Commission noted that there were no common capability and development frameworks for infrastructure project leadership across central government agencies.[242]

More recently, the Commission has heard from public sector infrastructure project leaders that leadership roles in central government are sometimes filled without sufficient consideration of the skills required to succeed; that there is inadequate focus on professional development for project leaders; that project leaders often lack support systems and accountability frameworks; and that many infrastructure projects have confusing governance structures, with unclear lines of decision-making.[243]

**There are capability gaps across central government, not just in small agencies.** The government established CID to lift delivery capabilities within agencies that typically have fewer capital projects, on the basis that these agencies are less likely to have the skills to manage capital projects in-house.

[240] The Treasury. (2021). Investor Confidence Rating: Round 2 – Tranche 4 Scorecards.
[241] The Treasury. (2023). Investor Confidence Rating.
[242] New Zealand Infrastructure Commission, Te Waihanga. (2022). New Zealand Infrastructure Strategy.
[243] New Zealand Infrastructure Commission, Te Waihanga. (Forthcoming). People build projects.

However, the evidence considered by the Commission – including CO (23) 9 compliance attestations, the asset management state of play, and the Commission's work on major projects leadership – indicates that there are issues across central government, including in capital-intensive agencies.

Each capital-intensive agency is responsible for capital programmes equivalent to several smaller agencies combined, so capability gaps within these agencies may have outsized implications for the success of the government's infrastructure investment portfolio.

**The Infrastructure Commission is working to improve the leadership of major projects in New Zealand.** The Commission's work focuses on building capability, connecting leaders, and developing learning resources.

Over the last year, the Commission has released a project leadership capability framework for public sector infrastructure project leader, setting out the skills and attributes needed for these roles;[244] guidance to agencies on selecting and appointing suitable SROs, explaining the key skills that SROs should have and how they can be set up to succeed;[245] and guidance to agencies on recruiting project directors.[246]

The Commission is working to connect leaders through a new Infrastructure Leaders Network and an Asset Management Community of Practice. It has also started to run induction sessions for project SROs.

## 14b. Has the government issued rules, procedures and guidelines for project adjustments that are applied systematically across all major projects?

### Institutional design

| IMF indicative scoring thresholds | | | |
|---|---|---|---|
| No score given | Low | Medium | High |
| Insufficient information to score performance. | There are no standardised rules and procedures for project adjustments. | For major projects, there are standardised rules and procedures for project adjustments, but they do not include, if required, a fundamental review and reappraisal of a project's rationale, costs, and outputs. | For all projects, there are standardised rules and procedures for project adjustments and, if required, include a fundamental review of the project's rationale, costs, and expected outputs. |

**Cabinet and Ministerial approvals are required for major projects.** Cabinet approval is required for all infrastructure project investments that require new Crown funding, as well as projects funded from agency baselines with a whole-of-life cost above $35 million.

Agencies must also submit their Detailed Business Cases for these projects to the Cabinet, who must approve the agency's recommended investment option and delivery strategy.[247] If the project's scope or cost changes after Cabinet has approved the Detailed Business Case, the agency must also seek Cabinet approval for the Implementation Business Case as well.[248]

**Infrastructure projects may be subject to many different types of review.** High-risk projects are automatically required to undergo Gateway assurance reviews, which may make recommendations on any issues identified. Medium-risk projects also submit regular updates to the Treasury's Quarterly

[244] New Zealand Infrastructure Commission, Te Waihanga. (2024). Project leadership capability framework.
[245] New Zealand Infrastructure Commission, Te Waihanga. (2025). Selecting and appointing Senior Responsible Officers (SROs) for infrastructure success.
[246] New Zealand Infrastructure Commission, Te Waihanga. (2025). Best Practice Guide – Recruiting Infrastructure Project Directors.
[247] The Treasury. (2025). Detailed Business Case.
[248] The Treasury. (2025). Implementation Business Case.

Investment Reporting. There are also a range of bespoke reviews that may be carried out at different points in the investment lifecycle. Ministers may commission project reviews, or direct agencies to carry out further assurance on specific issues (see Table 12 below).

**Table 12: Different types of infrastructure project reviews**

| Project review type | Description | Who carries out | Who commissions |
|---|---|---|---|
| **Formal review by InfraCom** | The Minister for Infrastructure may formally direct the Commission to produce a project review report, at any stage of a project, and may include a fundamental review of the project. | Infrastructure Commission | Minister for Infrastructure |
| **Informal review by InfraCom** | Ministers may also request the Commission's advice on any aspect of an infrastructure project at any time, outside the formal reporting mechanism in legislation. | Infrastructure Commission | Ministers |
| **Gateway Targeted Investment Review (TIR)** | A TIR is a narrow-scope, customisable review that can be used at any time. It is effectively a customised Gateway review (see below) with a specific focus. | A review team selected by the Treasury | Ministers, agencies, system leaders |
| **Gateway reviews** | Gateway is a short, independent peer review that examines a project at key points in its lifecycle to rate how likely a project is to achieve its intended outcomes. There are five Gateway reviews: (0) Strategic Assessment, (1) Business Justification and Options, (2) Delivery Strategy, (3) Investment Decision, (4) Readiness for Service and (5) Operational & Benefits Realisation review. Gateways generally look for problems and make recommendations to address those problems. The Gateway report is provided to a project's SRO and the outcome is also shared with Ministers as part of business case approvals. | A review team selected by the Treasury | BAU for high-risk projects |
| **Quarterly Investment Reporting (QIR)** | The Treasury undertake QIR to identify and track agencies' high-risk, high value investments through their investment lifecycle. QIR provides Cabinet with visibility of the investment pipeline, policy advice on prioritisation and sequencing, and invitations into Budget and other funding related processes. | Agency | BAU for medium-risk and high-risk projects |
| **Monthly reporting to MoF** | The Minister of Finance can direct a project to provide independent monthly reporting to the Minister of Finance and portfolio Ministers. This has been done for investments that have ongoing critical risks that require attention, such as the Scott Base Redevelopment and New Dunedin Hospital. | Agency | Minister of Finance |
| **Standard internal project reviews** | Agencies are expected to carry out due diligence when managing and delivering projects and should have assurance plans in plan. As part of this work, they may carry out Independent Quality Assurance (IQA) reviews, Technical Quality Assurance (TQA) reviews, Quantity Surveying (QS) and other project due diligence. These reviews are more detailed than Gateway reviews and/or other assurance type reviews completed by the Treasury. | Agency | Agency |

*Source: Infrastructure Commission.*

### Effectiveness

| IMF indicative scoring thresholds | | | |
|---|---|---|---|
| No score given | Low | Medium | High |
| Insufficient information to score performance. | Project adjustment proposals are not analysed and documented, or few (less than 10% of) projects are subject to formal adjustment over the implementation period. | Project adjustment proposals are consistently analysed and documented, and some (more than 10% of) projects are subject to formal adjustment over the implementation period. | Some major projects are cancelled or substantially redesigned following fundamental review and some (more than 10% of) projects are subject to formal adjustment over the implementation period. |

**The information needed to assess the proportion of projects that have been subject to reviews and changes is not readily available.** In some cases, informal or confidential reviews may have been carried out, and project adjustments covered within already-approved funding envelopes may not be clearly or consistently reported.

**Project changes are not subject to standard rules unless they require additional Crown funding.** When changes to a Crown-funded project require funding beyond existing appropriations, the agency responsible for the investment must bid for additional funding through the Budget process. For Budget 2024, the government's Investment Panel was tasked with reviewing cost pressure bids.[249]

**Project changes covered within approved funding limits are not tracked or approved in a standardised way.** In general, the government applies a greater degree of scrutiny to projects that are experiencing major cost escalations or delivery challenges. Ministers have, for example, requested advice in relation to projects such as the New Dunedin Hospital, the Inter-island Resilient Connection (iReX) project, the Scott Base Redevelopment, the NZ Upgrade programme, and the Transmission Gully PPP project. While all of these projects received additional scrutiny, a different process was followed in each case.

(Land transport projects are largely funded through the NLTF and therefore variations are subject to NZTA processes, rather than Budget processes.)

## 14c. Are ex post audits of capital projects routinely undertaken?

*Note: In the PIMA framework, "ex post audit" refers to "in-depth review conducted by the supreme audit institution (SAI) according to internationally recognized audit principles, or by an independent, external audit company". An "ex post audit" is not to be confused with an "ex post review", which typically look at issues such as project delivery and benefits realisation to identify lessons learned for future projects.*

### Institutional design

| IMF indicative scoring thresholds | | | |
|---|---|---|---|
| No score given | Low | Medium | High |
| Insufficient information to score performance. | Major capital projects are usually not subject to ex post external audits. | Some major capital projects are subject to ex post external audit, information on which is published by the external auditor. | Most major capital projects are subject to ex post external audit information on which is regularly published and scrutinized by the legislature. |

**There is no requirement for major infrastructure projects to undergo post-completion audits.** In New Zealand, the Auditor-General is independent of Ministerial control. While they are free to carry out

[249] The Treasury. (2024). Treasury Report T2024/47: Approach to capital investments in Budget 2024.

post-completion audits, in practice they would weigh the case for undertaking such a review against other potential lines of inquiry, potentially on other matters relating to infrastructure.

In recent years, the Auditor-General's work on infrastructure has focused on specific concerns around central government investment decision-making, the governance of the ongoing City Rail Link project, structural engineering for the Wellington Central Library project, infrastructure spending levels, and highways maintenance.[250]

### Effectiveness

| IMF indicative scoring thresholds | | | |
|---|---|---|---|
| No score given | Low | Medium | High |
| Insufficient information to score performance. | Few (less than 10% of) major projects have been subjected to external ex post audit. | Some (10–25% of) major projects have been subjected to external ex post audit. | Many (more than 25% of) major projects have been subjected to external ex post audit. |

**No major projects completed in recent years have been subject to external ex-post audits.**

[250] Office of the Auditor-General. (2025). Publications by year.

## Pillar 15: Monitoring of public assets

Here, we review New Zealand's performance against the 'Monitoring of public assets' pillar of the PIMA framework. This tests whether the value of assets is properly accounted for and reported in financial statements. It is assessed based on three questions:

- Are asset registers updated by surveys of the stocks, values, and conditions of public assets regularly?
- Are nonfinancial asset values recorded in the government financial accounts?
- Is the depreciation of fixed assets captured in the government's operating statements?

We assess institutional design and effectiveness separately for each question based on the IMF PIMA Handbook, providing relevant information to support our ratings.

### 15a. Are asset registers updated by surveys of the stocks, values, and conditions of public assets regularly?

**Institutional design**

| IMF indicative scoring thresholds | | | |
|---|---|---|---|
| No score given | Low | Medium | High |
| Insufficient information to score performance. | Fixed asset registers are not required by law or regulation to be comprehensive or regularly updated. | Fixed asset registers are required by law or regulation to be comprehensive or regularly updated. | Fixed asset registers are required by law or regulation to be both comprehensive and regularly updated. |

**Central government agencies are expected to maintain asset registers, although these requirements are not comprehensive.** Under Cabinet Office Circular (23) 9, agencies are expected to identify service-critical assets and record details of these assets (identity, condition and risk exposure) in an asset register. The circular refers only to 'service-critical' assets. It does not directly state that agencies should develop comprehensive asset registers, or that they should update these registers regularly.

**Agencies are also expected to develop asset management plans and performance indicators.** The circular states that agencies should develop asset management plans to inform "strategic, tactical, and operational choices". They should also produce asset performance indicators, use them to inform decision-making, and feature them in their annual reports.

**The Treasury monitors whether agencies are complying with these expectations.** Chief executives must attest to the Treasury each year whether their agency complies each of the key expectations in Cabinet Office circular (23) 9.[251] The Treasury publishes these attestations on its website and provides advice to Ministers via Quarterly Investment Reporting.

[251] Cabinet Office. (2023). CO (23) 9: Investment Management and Asset Performance in Departments and Other Entities.

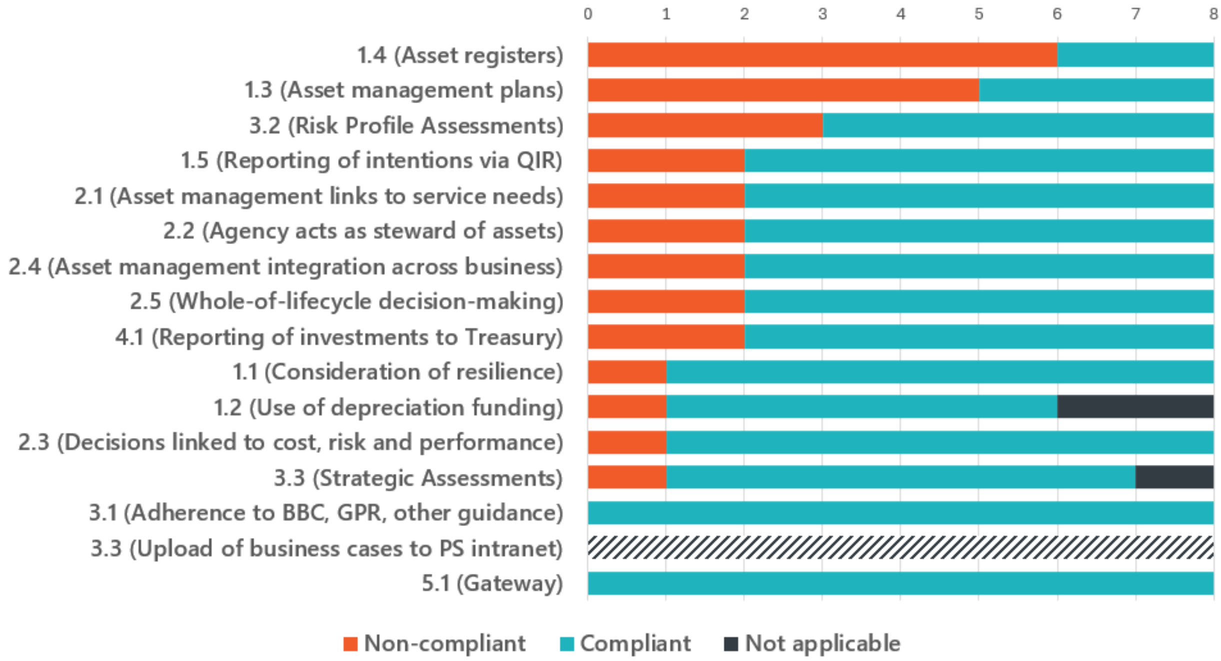
## Effectiveness

| IMF indicative scoring thresholds | | | |
|---|---|---|---|
| No score given | Low | Medium | High |
| Insufficient information to score performance. | There is no centralized register of fixed assets, or fixed asset registers maintained by respective agencies have only partial coverage. | The centralized fixed asset register or registers maintained by agencies are regularly updated, cover most (at least 75% of) government fixed assets, and are readily accessible. | Fixed asset registers are maintained or consolidated centrally, are verified and updated at least every 2 years, and cover all (at least 90% of) government fixed assets. |

**Many central government agencies do not have robust asset registers.** In the first round of attestations under CO (23) 9, 17% of agencies[252] reported that they do not currently have asset registers that comply with Cabinet expectations. Agencies reported a higher level of compliance with almost every other expectation,[253] highlighting asset registers as a key area for improvement.

**Most of the government's key infrastructure agencies fail to comply with Cabinet expectations relating to asset management.** In 2024, over 75% of 'capital-intensive' agencies attested that they do not have asset registers that comply with expectations set out in the Cabinet Office circular (**Table 13**). More than half also reported that they do not comply with expectations relating to the development and use of asset management plans.[254] These are the only expectations where more than half of capital-intensive agencies report that they do not comply (**Figure 22**).

**Figure 22: Compliance with CO (23) 9 expectations, as self-reported by capital-intensive agencies in June 2024**




*Source: Infrastructure Commission analysis of Treasury's June 2024 Quarterly Investment Reporting data. 'Capital-intensive agencies' include Health New Zealand, the New Zealand Defence Force (NZDF), NZDF-Ministry of Defence (for Defence Capability), Department of Corrections, New Zealand Transport Agency, Kāinga Ora, Ministry of Education, and the Ministry of Justice. We have excluded requirement 3.3 from our analysis due to technical issues with the Public Service Intranet over the reporting period.*

[252] In total, 63 agencies submitted CO (23) 9 attestations to the Treasury in 2024, including several agencies with limited infrastructure portfolios. The Commission has undertaken its own analysis focusing on the 8 'capital-intensive' agencies that submitted CO (23) 9 attestations, which is shown in the next paragraph.
[253] The Treasury. (2024). Quarterly Investment Report for quarter ending June 2024.
[254] Commission analysis of The Treasury. (2024). Quarterly Investment Report for the April-June 2024 Quarter.

Table 13: Compliance with CO (23) 9 expectations on asset registers, as self-reported by capital-intensive agencies in June 2024

| Agency | Attestation | Explanation given by agency (excerpt) |
|---|---|---|
| **Department of Corrections** | Non-Compliant | *"Corrections is substantially compliant [...] [Corrections] has identified its service critical assets and maintains details of their identity. However, not all service critical assets currently have their condition and risk exposure noted against them. The Department of Corrections does not currently have resource/budget allocated to this work, so a timeline for delivery is not yet in place."*[255] |
| **Health New Zealand** | Non-Compliant | *"Health NZ maintains a national asset register for financial purposes ... there are multiple asset management systems and registers through Health NZ component. Work is underway to [...] enable consolidation"*[256] |
| **Kāinga Ora** | Compliant | *"Kāinga Ora maintains multiple asset registers that together include asset identity, condition and risk assessment. Kāinga Ora has identified no service-critical housing assets."*[257] |
| **Ministry of Education** | Non-Compliant | *"The School Property Portfolio is non-compliant with this requirement. All schools are considered service critical assets. The Ministry uses the HELIOS (K2) asset management system to collect and store asset related data. [...] To date, asset criticality has not been applied to individual school assets [...] Risk exposure of critical buildings and asset components is not well understood and modelled to support investment planning."*[258] |
| **Ministry of Justice** | Compliant | *"The Ministry maintains a number of asset registers [...] An improvement plan is focused on further integration of asset risk with asset management and long-term planning".*[259] |
| **NZ Defence Force** | Non-Compliant | *"The NZDF maintains a centralised Fixed Asset Register and an Asset Management Information System (SAP) ... These systems capture Estate and Equipment asset information, but NZDF has yet to fully integrate its Digital asset information"*[260] |
| **NZDF - MoD (Defence Capability)** | Non-Compliant | *"Critical assets [...] are recorded in the NZDF Non Estate Fixed Asset Register with their condition and performance tracked using data across a number of systems [...] NZDF is developing and updating all Capability Management Plans to ensure key identity, condition and risk exposure information for critical assets is consolidated and regularly reviewed. This is expected to be in place by December 2025."*[261] |
| **NZ Transport Agency** | Non-Compliant | *"NZTA maintains asset register to record the identify, [sic] condition and risk exposure of assets however it does not yet systematically record the criticality of state highway assets. NZTA plans to develop the framework and record asset criticality within a register during 2024/25 period"*[262] |

*Source: June 2024 chief executive attestations against CO (23) 9 requirements.*

[255] Department of Corrections. (2024). Chief Executive Attestation Statement.
[256] Health New Zealand. (2024). Chief Executive Attestation Statement.
[257] Kāinga Ora. (2024). Chief Executive Attestation Statement.
[258] Ministry of Education. (2024). Chief Executive Attestation Statement.
[259] Ministry of Justice. (2024). Chief Executive Attestation Statement.
[260] New Zealand Defence Force. (2024). Chief Executive Attestation Statement.
[261] New Zealand Defence Force and Ministry of Defence. (2024). Chief Executive Attestation Statement.
[262] New Zealand Transport Agency. (2024). Chief Executive Attestation Statement.

**The monitoring framework for CO (23) 9 provides a simplified and incomplete picture of asset management maturity across central government.** The estimated level of compliance with CO (23) 9 reflects what agencies have self-reported in their annual attestations. These attestations have not been independently assured or reviewed, so the true level of compliance may be significantly lower or higher than what has been claimed.

Because chief executives must declare whether their agencies are either 'compliant' or 'non-compliant' with each requirement, the resulting attestations 'flatten out' potential nuances. In the first round of attestations, several agencies noted that their compliance with a particular requirement varied significantly between asset classes, which is not always apparent from the headline rating. Some agencies chose not to provide any explanatory information for their attestations, making it difficult to understand the real level of asset management maturity across government.

The wording of some expectations likely skews the level of compliance reported by agencies. Expectation 2.2, for example, states that "agencies act as stewards of public assets on behalf of the government". Because this expectation is so broadly stated and so difficult to measure, agencies are more likely to report that they comply with it.

It also isn't clear why agencies attest high compliance with some expectations, but not others. The high reported rate of compliance with basing decision-making on costs, risks and performance seems unlikely to be fully compatible with the low reported rate of compliance relating to maintaining robust asset registers and asset management plans.

**The poor quality of asset information makes it difficult for agencies to manage assets effectively.** The Commission's own research on central government asset management, published in November 2024, found that there is significant variation between agencies in the comprehensiveness and quality of their asset management information and planning practices.

In the health sector, for example, the existing District Health Board asset registers will need to be consolidated, with considerable work likely required to reconcile inconsistent data structures between them. And in the justice sector, asset criticality ratings are often missing.[263]

Without knowing the criticality and condition of assets, it is almost impossible to optimise investment in maintenance and renewals, and to ascertain when upgrades or new assets may be required to continue service delivery.

## 15b. Are non-financial asset values recorded in the government financial accounts?

### Institutional design

| IMF indicative scoring thresholds | | | |
|---|---|---|---|
| No score given | Low | Medium | High |
| Insufficient information to score performance. | There is no legal or regulatory requirement that government financial statements provide systematic information about fixed assets. | There is a legal or regulatory requirement for inclusion of some fixed assets in the government financial accounts, but not for revaluation of these assets on a regular basis. | There is a legal or regulatory requirement that most fixed assets be included in the government financial statements and revalued regularly. |

**Central government agencies are required to report on non-financial asset values.** Under the Public Finance Act 1989, government departments are required to produce and publish annual financial accounts in accordance with "generally accepted accounting practice" (GAAP).

[263] New Zealand Infrastructure Commission, Te Waihanga (2024). Taking care of tomorrow today: Asset Management State of Play.

By law, GAAP (which is the accounting standards issued by the External Reporting Board (XRB),[1] requires financial accounts to follow a 'cost model' or a 'revaluation model'. Under the revaluation model, assets must be revalued regularly to ensure the asset values represent fair value. For some asset classes where value changes are insignificant, the government has set an accounting policy that revaluation should occur every three to five years. [264]

The Treasury has also issued accounting guidance to departments on the revaluation approach that should be used when dealing with different asset classes.[265]

### Effectiveness

| IMF indicative scoring thresholds | | | |
|---|---|---|---|
| No score given | Low | Medium | High |
| Insufficient information to score performance. | Few (less than 25% of) government fixed assets are included in the government accounts. | Many (25–75% of) government fixed assets are included in the government accounts. | Most (more than 75% of) government fixed assets are included in the government accounts and revalued regularly. |

**Central government financial statements include reporting on non-financial asset values.** The Financial Statement of the Government of New Zealand account for non-financial asset values, broken down into sectors (state highways, electricity generation, electricity distribution, aircraft, specialist military, cultural and heritage, rail network, other plant and equipment).[266]

**The financial statements of central government agencies are subject to independent audits, providing assurance of their accuracy.** The Auditor-General audits the Financial Statements of the Government of New Zealand and reports annually on key findings.

In its audit report, the Auditor-General reports on how central government agencies have valued assets whose "complexity and uncertainty pose significant risks to the reliability of the assets' valuation". They note that although state highways and railways are challenging to value accurately, the government's disclosures and valuations appear to be appropriate. The Auditor-General also examines central government reporting on electricity generation assets, finding that these disclosures and valuations are also reasonable.[267]

## 15c. Is the depreciation of fixed assets captured in the government's operating statements?

### Institutional design

| IMF indicative scoring thresholds | | | |
|---|---|---|---|
| No score given | Low | Medium | High |
| Insufficient information to score performance. | There is no legal or regulatory requirement for recording of depreciation of fixed assets in government accounts. | There is a legal or regulatory requirement that depreciation of fixed assets be recorded in government accounts based on statistical estimates. | There is a legal or regulatory requirement that depreciation of fixed assets be recorded in government accounts based on asset-specific assumptions. |

[1] Financial Reporting Act 2013.
264 External Reporting Board. (2022). PBE IPSAS 17 Property, Plant and Equipment.
265 The Treasury. (2024). Treasury Instructions 2024.
266 New Zealand Government (2023) Financial Statements of the Government of New Zealand
267 Office of the Auditor-General. (2024). Our audit of the Government's financial statements and our Controller function.

**Depreciation is recorded in the Financial Statements of the Government of New Zealand.**[268] As with non-financial asset values, the Public Finance Act 1989 requires central government (both as a whole and at the individual agency level) to produce and publish annual financial accounts in accordance with "generally accepted accounting practice" (GAAP).[269] The Government must therefore comply with the relevant XRB standards, which require the reporting of depreciation in a manner that reflects asset-specific patterns of usage and service.[270]

**Depreciation is also recorded in the financial statements produced by agencies.** The NZTA financial statement, for example, explains that it calculates depreciation on a straight-line basis,[271] and Health NZ calculates depreciation according to the estimated lifespan for separate asset classes.[272]

The Treasury has also published guidance to agencies on calculating depreciation.[273]

### Effectiveness

| IMF indicative scoring thresholds | | | |
|---|---|---|---|
| No score given | Low | Medium | High |
| Insufficient information to score performance. | Depreciation is less than 1% of fixed assets. | Depreciation is 1–2% of fixed assets. | Depreciation is more than 2% of fixed assets. |

**New Zealand's capital-intensive agencies all report depreciation rates higher than 2% of fixed assets.** The Commission has reviewed depreciation annual reports produced by capital-intensive agencies (**Table 14**). NZTA reports the lowest rate of depreciation at 2.4% for state highways, with the Ministry of Justice reporting the highest rate at 6.3%.

Table 14. Depreciation rates for capital-intensive agencies.

| | Depreciable asset value[274] ($m) | Depreciation ($m) | Rate |
|---|---|---|---|
| Health New Zealand[275] | 12,616 | 761 | 6.0% |
| New Zealand Defence Force[276] | 13,301,395 | 559,303 | 4.2% |
| Department of Corrections[277] | 4,154,278 | 203,061 | 4.9% |
| NZTA (state highways)[278] | 41,744 | 1,020 | 2.4% |
| Kāinga Ora[279] | 13,455 | 439 | 3.3% |
| Ministry of Education[280] | 27,067,044 | 1,295,176 | 4.8% |
| Ministry of Justice[281] | 1,363,077 | 86,176 | 6.3% |

268 New Zealand Government. (2023). Financial Statements of the Government of New Zealand.
269 Public Finance Act 1989.
270 External Reporting Board. (2022). PBE IPSAS 17 Property, Plant and Equipment.
271 New Zealand Transport Agency. (2023). Financial statements and audit reports.
272 Health New Zealand. (2023). Te Whatu Ora – Health New Zealand – Annual Report 2022-2023.
273 The Treasury. (2007). Valuation Guidance for Property, Plant and Equipment, Including Specialised Items in the Health and Education Sectors.
274 Based on the total cost or valuation of assets reported in agencies' financial statements, minus the value of land.
275 Health New Zealand. (2024). Annual Report Pūrongo-ā-tau 2023/24.
276 New Zealand Defence Force. (2024). Pūrongo ā tau Annual Report 2024.
277 Department of Corrections. (2024). Annual Report.
278 New Zealand Transport Agency. (2024). NZ Transport Agency Waka Kotahi annual report 2024.
279 Kāinga Ora. (2024). Te Pūrongo ā-tau Annual Report 2023/24.
280 Ministry of Education. (2024). Annual Report 2024.
281 Ministry of Justice. (2024). Ministry of Justice Annual Report 1 July 2023 to 30 June 2024.

*Source: Infrastructure Commission analysis of asset values and depreciation stated in agencies' annual reports.*

**Although government agencies are required to report depreciation in their financial statements, this does not necessarily lead to adequate funding for asset renewals.** Assets are periodically revalued, meaning that agencies may find that they require additional depreciation funding to cover unexpected cost increases, particularly given recent construction cost inflation.

The government does not currently provide top-up funding to cover additional depreciation costs. Agencies must seek therefore additional funding through the Budget process, which may result in a shortfall of funding for asset renewals if Budget bids are not funded. This also results in agencies 'top-slicing' operational appropriations to top up their depreciating funding, reducing funding available for frontline services.

Depreciation funding is not strictly ringfenced. In some cases, depreciation funding has been used to fund new assets as well as replacement assets. This may lead to deferred renewals, as funding is being used to grow rather to renew the asset base.

# Conclusion

**Good infrastructure investment and asset management decisions are essential** to ensure that we get the best out of our infrastructure spending. In central government, these decisions are guided by our Public Finance System, including the Investment Management System.

**International comparisons suggest that New Zealand's public investment management lags its peers in some areas.** The consequences are visible locally in the form of cost overruns and delays on public infrastructure projects and declining asset condition for infrastructure like roads and hospitals.

**We examine the performance of central government investment and asset management against best practice principles**. We use the IMF's *Public Investment Management Assessment* framework to guide our review. This enables us to understand whether we have the right policies in place and whether we are implementing them effectively.

## Our key findings

### We have strengths and weaknesses

**We assess our performance in the planning, allocation, and implementation stages** of the infrastructure investment lifecycle. Each stage is important for ensuring best value from public investment:

- The Planning stage is focused on ensuring public investment is fiscally sustainable and effectively coordinated
- The Allocation stage is focused on ensuring public investment is directed to the highest-value projects and programmes
- The Implementation stage is focused on ensuring projects are fully funded, transparently monitored, and effectively managed.

**Table 15** summarises what we have learned about what's currently working well and what needs to be improved at each stage.

Table 15: Key findings from our self-assessment against PIMA criteria

| Planning stage | |
|---|---|
| **What's working well?** | **What needs to be improved?** |
| **Fiscal rules**: Successive Governments have applied the fiscal sustainability principles in the Public Finance Act 1989, and central government debt-to-GDP ratios have generally met fiscal sustainability targets. These can help ensure that we have long-term certainty about fiscally sustainable public investment.<br><br>**Project appraisal (policy design):** The Treasury publishes best-practice guidance on business case development and cost benefit analysis for new capital investment. If consistently applied, these can help to ensure we get best value from new public investment. | **National and sectoral planning:** Long-term investment planning is not required for central government agencies, and there is a weak link between investment intentions and fiscal strategy. This makes it harder to develop investment plans that can be funded within available resources.<br><br>**Coordination between central and local government entities:** While there are policies in place that support coordination of investment, they are implemented inconsistently, often due to a disconnect between funding and planning decisions made under different legislation.<br><br>**Project appraisal (implementation):** Many capital investment proposals seeking Budget funding do not comply with business case and cost benefit analysis guidance. This makes it harder to target investment towards the areas of highest need. |
| **Allocation stage** | |
| **What's working well?** | **What needs to be improved?** |
| **Budgeting for investment:** The full expected cost of new projects is appropriated when they are funded through the Budget, and funding is protected from being transferred to other activities without a subsequent Budget decision.<br><br>**Budgeting comprehensiveness:** While we do not fully comply with all PIMA criteria, we achieve the core intent of this pillar through comprehensive budget forecasts that include all forecast expenditure, regardless of whether decisions are made through the budget or delegated to arms-length entities. | **Multi-year budgeting:** Budgets are typically set on an annual basis, making it hard for agencies to plan ahead for multi-year investment programmes. Capital investment forecasts are not reliable guides to future spending.<br><br>**Maintenance funding:** Maintenance and renewal funding is not set based on any standard methods, and there is evidence of under-investment leading to declining asset condition.<br><br>**Project selection:** The quality of information feeding into this advice on new capital investments is often poor, including incomplete or missing business cases, and evaluation frameworks change frequently. It is unclear whether spending is being prioritised to the highest-value areas. |
| **Implementation stage** | |
| **What's working well?** | **What needs to be improved?** |
| **Availability of funding:** When money is appropriated for projects, it is available in practice. Central government does not face any cashflow or financing issues that would prevent budgeted investment from proceeding. | **Management of public assets:** Central government agencies are required to have asset registers and asset management plans, enabling them to understand their assets and required maintenance, renewal, and risk mitigation needs. However, compliance with these requirements is limited. |

## We need to improve long-term investment and asset management planning

**Central government lacks multi-year investment plans, and multi-year budgets to fund them effectively.** Long-term planning and long-term funding go hand in hand; the lack of one makes it harder to do the other. The end result is that central government agencies are straitjacketed by yearly budget cycles that inhibit them from planning effectively beyond the current financial year.

**Central government imposes long-term planning requirements on local government that it does not impose on itself.** Under the Local Government Act 2002, councils are required to develop ten-year Long-Term Plans detailing the level of capital expenditure they have budgeted for different needs, including additional demand and asset replacement. No such requirements exist for most central government agencies.

**The absence of long-term investment planning requirements has led to an inconsistent patchwork of plans and strategies.** Some agencies have voluntarily developed investment plans and strategies, but there are no common standards, requirements, or scenarios for these documents.

**The year-to-year Budget funding process reduces the feasibility of long-term planning.** In most cases, agencies must 'bid' for new capital funding through the annual Budget process. Multi-year appropriations provide only a very limited form of multi-year budgeting, because they are used to fund the specific initiatives rather than an agency's overarching multi-year investment plan.

**Multi-year budgeting is an important weakness in the current investment system.** The annual Budget cycle prevents agencies from setting up more efficient multi-year supply and procurement arrangements, reduces each agency's negotiating power, and promotes an inefficient 'hockey stick' of investment delivery towards the tail end of each financial year. Rolling, multi-year budgets could enable agencies to plan and sequence their investment pipeline more efficiently, negotiate with suppliers more effectively, and build up a delivery cadence.

## Project appraisal and selection practices need to be lifted

**Central government often makes important funding decisions without fully understanding a project's costs and benefits.** In recent years, most of the Budget bids reviewed by the government's Investment Panel have had either missing or inadequate business cases. And only a small minority of investment proposals reviewed by the Budget Investment Panel came with robust cost-benefit analyses.

**Officials rely on an evaluation methodology that changes every year.** Officials base their investment advice to Ministers, in part, on scoring funding bids against a Budget evaluation framework that looks at how investment proposal aligns with current priorities. But the evaluation framework changes significantly from year to year and is not published in advance of the Budget process.

**It's hard to make good choices without good information.** Without high-quality business cases, rigorous economic appraisal, and consistent scrutiny of fundings bids, it's difficult for Ministers to make evidence-based decisions about which projects should be built. Projects should be rigorously appraised, and subjected to robust selection criteria, to ensure we allocate funding to the highest-value projects.

## We need to budget for maintenance and renewals and monitor assets better

**The first rule of asset management is to understand your assets. But it's clear that many central government agencies don't.** In June 2024, 75% of capital-intensive agencies self-reported that they do not currently have asset registers that meet the requirements set out in the circular, and 63% said that they do not have asset management plans that inform strategic, tactical, and operational choices.

**Maintenance and renewals needs are poorly understood and inconsistently quantified.** Central government agencies do not follow a standard methodology for determining their maintenance and renewals needs. Also, there is currently no central reporting process or requirements to identify funding gaps between depreciation and asset renewal requirements for government agencies.

**It isn't possible to assess how much most agencies are spending on maintenance and renewals.** Central government publishes very limited information on maintenance and renewals. For agencies that rely on Crown funding, maintenance spending is generally covered through their baseline appropriations, which cannot be disaggregated down to different activities or projects. Nor are agencies required to report on their historic, planned, or actual spending on maintenance and renewals. This makes it virtually impossible to track what each agency has been allocated, or to compare between agencies or over time.

**The best evidence we have points to significant underfunding of maintenance and renewals.** Research undertaken by the Infrastructure Commission in 2024 found evidence that historic spending levels were lower than required. Also, in 2024, renewal spending on state highways was equal to around 35% of reported depreciation, suggesting that government is not spending enough to renew these assets at the pace they are wearing out.

# Appendix A: Cabinet Office circulars

## Cabinet Office circulars set out minimum requirements for asset management

In New Zealand, the Cabinet Office is responsible for issuing 'circulars' setting out official expectations and requirements on matters relating to the operation of central government. Cabinet Office circulars do not constitute legislation, but central government agencies are nevertheless expected to comply with them. These Circulars are usually referred to by a reference number; CO (23) 9, for example, refers to the ninth circular issued by the Cabinet Office in the year 2023.

Over the last fifteen years, a succession of four Cabinet Office circulars have sought to impose minimum requirements for investment and asset management practices in central government:

- CO (23) 9 - Investment Management and Asset Performance in Departments and Other Entities[282]
- CO (19) 6 - Investment Management and Asset Performance in the State Services[283]
- CO (15) 5 - Investment Management and Asset Performance in the State Services[284]
- CO (10) 2 - Capital Asset Management in Departments and Crown Entities: Expectations[285]

Each circular completely superseded the one that preceded it. This means that if a requirement was present in a previous circular, but is not present in the current circular, it is no longer binding.

## The requirements prescribed in Cabinet Office circulars have changed over time

The Infrastructure Commission has reviewed the four Cabinet Office circulars on investment and asset management, to identify how the requirements prescribed in these circulars have changed over time.

We found that Cabinet Office requirements for investment and asset management have shifted significantly over the last fifteen years, varying from one circular to the next. While there is substantial common ground across the circulars, particularly at the thematic level, there has also been a significant degree of 'churn' in the requirements that agencies have been expected to follow.

Some requirements have been made stricter over time, for example in relation to risk profile assessments, and new requirements have been introduced on topics such as asset registers and resilience. But numerous requirements have been dropped, notably those relating to multi-year investment plans and benefits realisation. Inconsistent expectations make it more difficult for good practices to become established and embedded.

The following tables shows how the requirements contained in Cabinet Office circulars have changed over time, grouped by PIMA stages and pillars. **Dark green** indicates a new requirement that was introduced in that year's circular, or an existing requirement that was significantly changed compared with the previous circular. **Pale green** indicates an existing requirement that was carried over from the previous circular without significant changes. **Dark red** indicates a dropped requirement – a requirement that is not present in that year's circular, but which was present in the previous circular. **Pale red** indicates a requirement that is not present in that year's circular and was not present in the previous circular either.

[282] Cabinet Office. (2023). CO (23) 9: Investment Management and Asset Performance in Departments and Other Entities.
[283] Cabinet Office. (2019). CO (19) 6: Investment Management and Asset Performance in the State Services.
[284] Cabinet Office. (2015). CO (15) 5: Investment Management and Asset Performance in the State Services.
[285] Cabinet Office. (2010). CO (10) 2: Capital Asset Management in Departments and Crown Entities: Expectations.

## ‘Planning’ stage requirements in Cabinet Office circulars over time

| PIMA pillar(s) | Requirement | Which Cabinet Office circulars include this requirement? CO (10) 2 | CO (15) 5 | CO (19) 6 | CO (23) 9 |
|---|---|---|---|---|---|
| 2. National and sectoral planning | Agencies must report capital investment intentions to Treasury | REQUIREMENT INTRODUCED | Yes | Yes | Yes |
| | Agencies must develop multi-year ‘investment plans’ | No | REQUIREMENT INTRODUCED (Now specifies that capital-intensive agencies must have 10-year plans; others must have 4-year plans) | REQUIREMENT CHANGED (Now specifies that agencies must have 'multi-year investment plans') | REQUIREMENT DROPPED |
| | Agencies’ multi-year investment plans must reveal the impact of investment on future asset performance | No | REQUIREMENT INTRODUCED | REQUIREMENT DROPPED | No |
| | Agencies must use the government's ‘investment strategy’ as a guide to investment management | No | REQUIREMENT INTRODUCED | REQUIREMENT DROPPED | No |
| 4. Appraisal<br>10. Selection | All investment proposals requiring Cabinet approval must adhere to business case guidance | REQUIREMENT INTRODUCED | Yes | Yes | Yes |
| | Agencies should be able to develop good-quality business cases using their own internal capabilities | REQUIREMENT INTRODUCED | REQUIREMENT DROPPED | No | No |

| PIMA pillar(s) | Requirement | Which Cabinet Office circulars include this requirement? CO (10) 2 | CO (15) 5 | CO (19) 6 | CO (23) 9 |
|---|---|---|---|---|---|
| | Agencies must produce Risk Profile Assessments for investment proposals and submit these to the Treasury | **REQUIREMENT INTRODUCED** (Applies to proposals 'which expose [gov't] to significant risks') | **REQUIREMENT CHANGED** (Now applies to all significant investments in multi-year plans) | Yes – no significant change from previous circular | **REQUIREMENT CHANGED** (Now applies to all proposals) |
| 5. Alternative financing<br>11. Procurement | Agencies must engage early with Cabinet on PPP proposals | **REQUIREMENT INTRODUCED** | **REQUIREMENT DROPPED** | No | No |
| | Agencies must consider alternative procurement options including PPPs | **REQUIREMENT INTRODUCED** (Applies to proposals with WOLC >$25m) | **REQUIREMENT CHANGED** (Now applies to any significant investment) | As in previous Circular, but PPPs not explicitly mentioned | **REQUIREMENT DROPPED** |
| | Agencies must develop all PPP proposals in consultation with the Treasury | **REQUIREMENT INTRODUCED** | Yes | Yes | **REQUIREMENT DROPPED** |
| | For all large and high-risk investment proposals, agencies must submit a “commissioner’s statement” (signed by their CE) attesting that they considered alternative procurement options | **REQUIREMENT INTRODUCED** | **REQUIREMENT DROPPED** | No | No |

*Source: Infrastructure Commission analysis.*

## ‘Allocation’ stage requirements set out in Cabinet Office circulars over time

| PIMA pillar(s) | Requirement | Which Cabinet Office circulars include this requirement? CO (10) 2 | CO (15) 5 | CO (19) 6 | CO (23) 9 |
|---|---|---|---|---|---|
| 6. Multi-year Budgeting | CEs and Boards must submit high-quality investment performance info to the Treasury to inform the Fiscal Strategy | No | **REQUIREMENT INTRODUCED** | Yes | Yes |
| | The Treasury must report to Cabinet on aggregate capital intentions to help inform the Budget process | **REQUIREMENT INTRODUCED** | **REQUIREMENT DROPPED** | No | No |
| 9. Maintenance funding | Agencies must ensure they accumulate sufficient funding to appropriately provide for the assets needed to deliver services | No | **REQUIREMENT INTRODUCED** (Specifies "depreciation funding") | **REQUIREMENT CHANGED** (Now specifies "balance sheet capacity") | **REQUIREMENT CHANGED** (Now specifies that agencies must use depreciation funding to ensure intended level of service) |

*Source: Infrastructure Commission analysis.*

## ‘Implementation’ stage requirements set out Cabinet Office circulars over time

| PIMA pillar(s) | Requirement | Which Cabinet Office circulars include this requirement? CO (10) 2 | CO (15) 5 | CO (19) 6 | CO (23) 9 |
|---|---|---|---|---|---|
| 13. Portfolio management<br>14. Project implementation | Investment proposals with high-risk Risk Profile Assessments must undergo Gateway assurance | **REQUIREMENT INTRODUCED** | Yes | Yes | Yes |
| | Agencies must report to Cabinet within 12 months of in-service date, on actual level of benefits realised vs Cabinet approved proposal | **REQUIREMENT INTRODUCED** (but only for large (>$25m) and high risk Cabinet-approved investments) | **REQUIREMENT CHANGED** (Now applies to any Cabinet approved investment) | Yes – no significant change from previous circular | **REQUIREMENT DROPPED** |
| | The Treasury must periodically commission independent assessments of investment management capabilities and practices within agencies | No | **REQUIREMENT INTRODUCED** | Yes | Yes |
| | Agencies must develop assurance plans for investments | No | **REQUIREMENT INTRODUCED** | Yes | **REQUIREMENT DROPPED** |
| | Monitors will apply investment management guidance (eg CO Circulars) as part of monitoring agencies’ performance | No | **REQUIREMENT INTRODUCED** | Yes | **REQUIREMENT DROPPED** |
| | The Treasury will report on performance of Cabinet-approved investments, including an evaluation of benefits realised | No | No | **REQUIREMENT INTRODUCED** | **REQUIREMENT DROPPED** |
| | Agencies will be subject to Investor Confidence Ratings which will affect how they may spend depreciation, required level of assurance, etc | No | **REQUIREMENT INTRODUCED** | Yes | **REQUIREMENT DROPPED** |

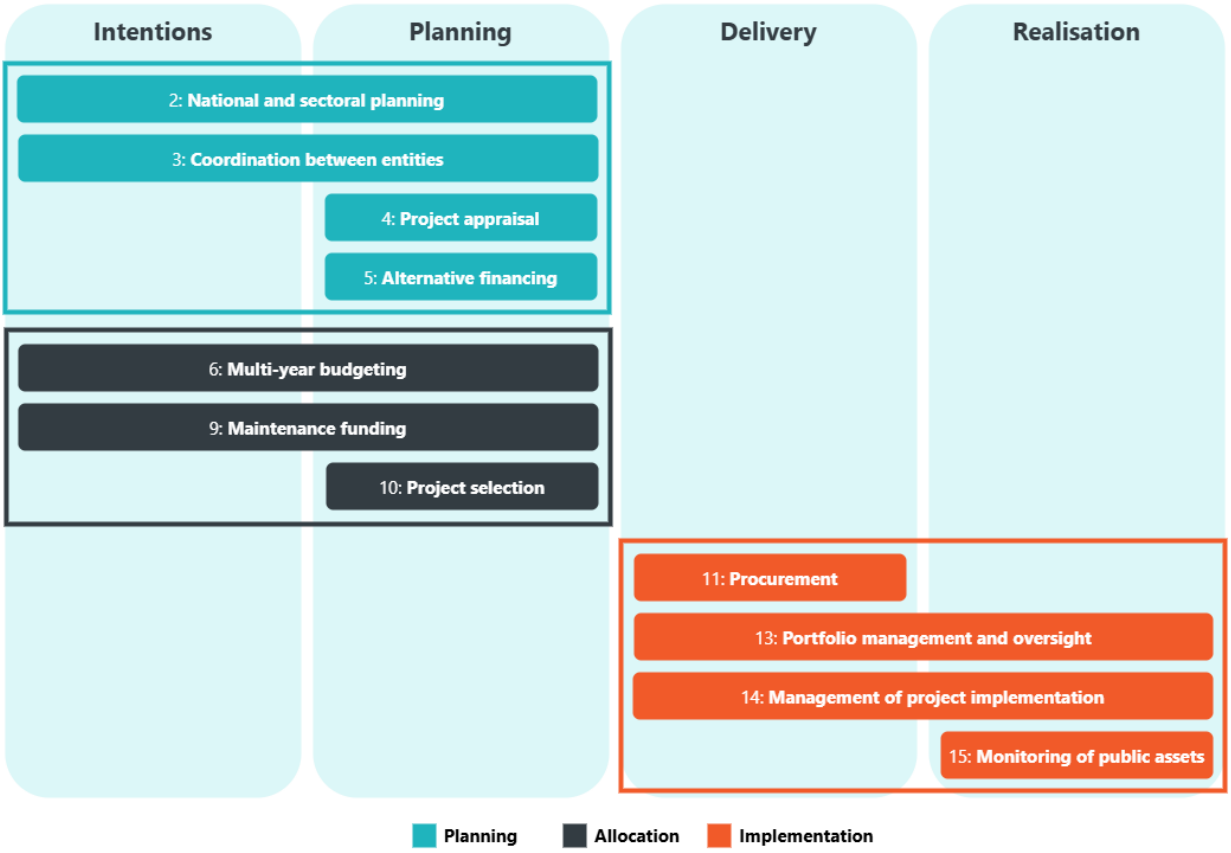
| PIMA pillar(s) | Requirement | Which Cabinet Office circulars include this requirement? | | | |
|---|---|---|---|---|---|
| | | CO (10) 2 | CO (15) 5 | CO (19) 6 | CO (23) 9 |
| 15. Management of public assets | Asset management is intended to achieve an objective | **REQUIREMENT INTRODUCED** ("Agencies must manage assets effectively over the whole of their expected lifespan") | Yes – no significant change from previous circular | **REQUIREMENT CHANGED** ("Agencies must manage assets to ensure they deliver intended levels of service") | Yes – no significant change from previous circular |
| | Agencies must demonstrate asset management performance appropriate to scale of assets under their management | **REQUIREMENT INTRODUCED** (Only applies to capital-intensive agencies) | **REQUIREMENT CHANGED** (Now applies to all agencies) | Yes | Yes |
| | Agencies must capture (and use) indicators of past and projected asset performance, and include asset indicators in annual reports | No | **REQUIREMENT INTRODUCED** | Yes | **REQUIREMENT CHANGED** (Now says that agencies must use these indicators when making decisions) |
| | Agencies must have asset management plans that inform their strategic, tactical, and operational decision-making | No | No | **REQUIREMENT INTRODUCED** | Yes |
| | Agencies must maintain asset registers - recording asset condition, criticality and risk exposure information | No | No | No | **REQUIREMENT INTRODUCED** |
| | Asset management practices must consider whether assets are resilient to significant risks (eg climate change, demographic) | No | No | No | **REQUIREMENT INTRODUCED** |

*Source: Infrastructure Commission analysis.*

# Appendix B: PIMA pillars relative to IMS stages and products

New Zealand's Investment Management System defines four lifecycle stages of investment, whereas PIMA defines three stages containing five pillars each. **Figure 23** illustrates how PIMA stages and pillars map onto all four IMS lifecycle stages.

**Figure 23: Comparison of IMS lifecycle stages and PIMA pillars**




*Source: Infrastructure Commission analysis.*

There are several PIMA pillars that do not directly correspond to the four IMS project lifecycle stages: fiscal targets and rules (pillar 1), budget comprehensiveness and unity (pillar 7), budgeting for investment (pillar 8), and availability of funding (pillar 12). These pillars are addressed by the wider Public Finance System rules.