

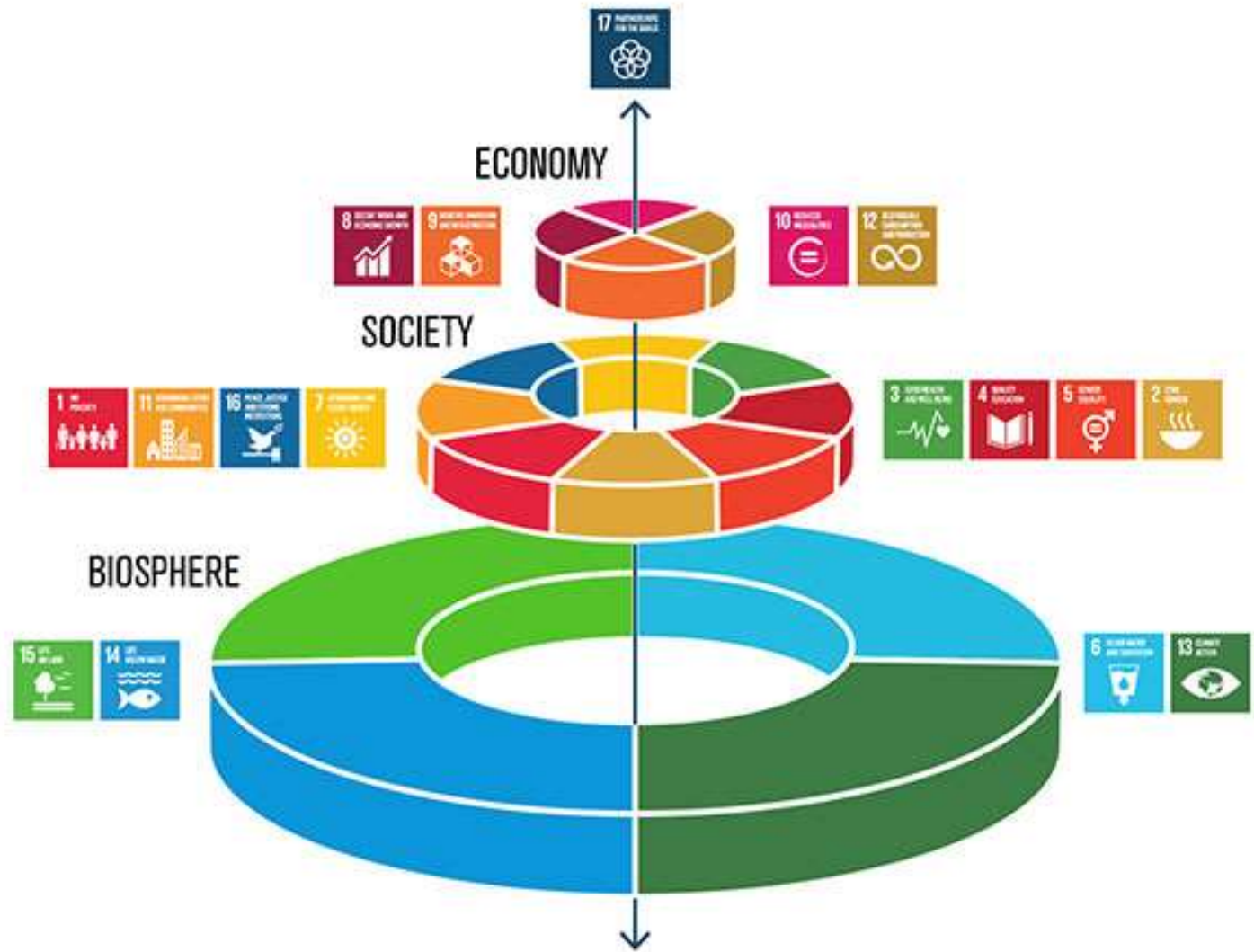
# ***Governing for Sustainable Wellbeing***

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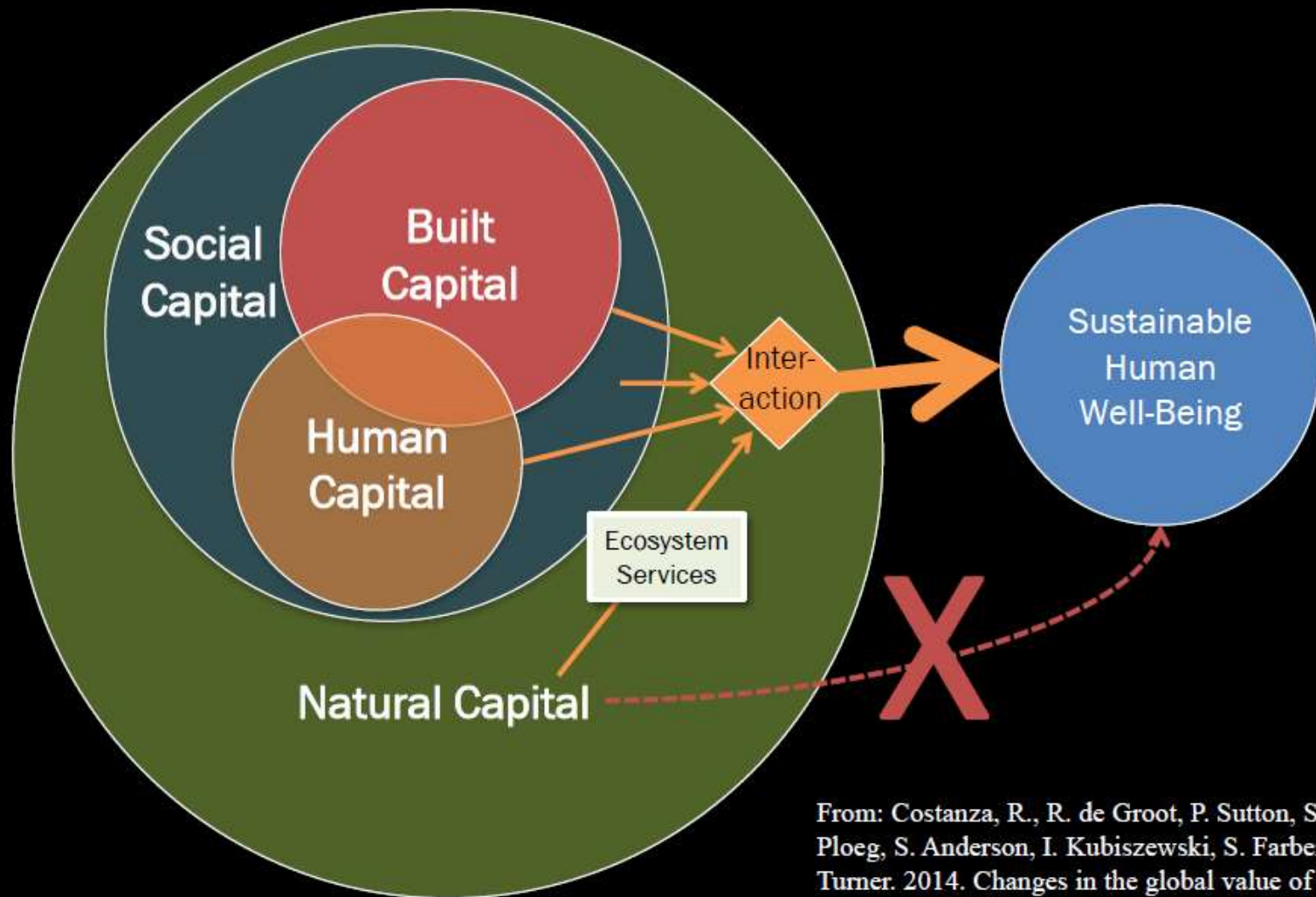
**Figure 1. The 17 Sustainable Development Goals**



Source: United Nations.



It is the **sustainability of WELLBEING** that matters



From: Costanza, R., R. de Groot, P. Sutton, S. van der Ploeg, S. Anderson, I. Kubiszewski, S. Farber, and R. K. Turner. 2014. Changes in the global value of ecosystem services. *Global Environmental Change* 26:152-158.

# Wellbeing

Being able to live the lives individuals and communities value.

The ultimate purpose of public policy is to help people live better lives, now and into the future; that is, to enhance individual and community wellbeing on a sustained basis.

# Objective of Public Policy

To improve **wellbeing** on a sustainable basis – looking after both the current and future generations.

# Relevance of Covid-19

- If you want to make a radical change to public policy, you start by changing the national conversation / discourse first – Covid-19 has been a catalyst for this change around the world.
- In some cases, Covid-19 has also served as a catalyst for the convergence of divergent interests towards imagining a different world – e.g. a world that does not depend so much on tourism in Queenstown (New Zealand).

# Governing for Sustainable Wellbeing



Key outputs:



a long-term focus in policy making



inclusive decision-making mechanisms that aggregate the wisdom, expertise, and experiences of all stakeholders



institutions that enable and encourage (and indeed mandate) an integrated environmental, social, and economic approach to public policy



a suitable supporting funding infrastructure



adaptive time consistency (i.e. ongoing alignment of public policy with collective wellbeing, as the preferences of society evolve over time).



# Delivery Mechanisms

1. Clearly separate the short-term (three year) management role of Government, from the long-term stewardship role of Parliament.
2. On behalf of the public, current and future, Parliament specifies intergenerational wellbeing as the core objective of public policy. Furthermore, through appropriate legislation, it declares that each government will be held accountable for pursuing public policies that promote intergenerational wellbeing.
3. To operationalise step 2, Parliament sets the long-term (environmental, social, and economic) objectives (and associated targets) aligned with shared and sustainable (intergenerational) wellbeing.
4. It does so under advice from an independent office for wellbeing (IOW) (mirroring the Parliamentary Commissioner for the Environment) – directly accountable to Parliament.
5. In implementing steps 3 and 4, Parliament ensures, through appropriate collaborations with local and regional Councils, that regional and local voices are reflected in setting wellbeing objectives and priorities.
6. The implementation of steps 3 and 4 is also informed by the input from a What Works Wellbeing network of NGOs, local and regional government representatives, academics, and so on, working collaboratively to generate policy informing information based on engagements with communities, other sources of data, and research – very much based on the UK model.

# Delivery Mechanisms - continued

7. A **multi-party Parliamentary Governance Group (PGG)** acts as the governance group for the IOW.
8. **Distinctive role of the IOW** is to monitor, on behalf of Parliament, progress towards the long-term wellbeing objectives that have been prioritised. The IOW has the resources which are capable of assessing the long-term wellbeing impacts of the government's strategic infrastructure investments.
9. Parliament legislates that **the government will set short-term targets towards achieving the long-term targets** set under step 3 and each year, as part of its annual Budget, will provide a report on how it is progressing against those targets.
10. Both the long-term monitoring by the IOW referred to under steps 7 and 8, and the short-term policies and reporting undertaken by the government under step 9, will refer not only to national averages but also to the **distribution of various wellbeing measures across various segments of society**.
11. A **dedicated investment manager associated with each long-term outcome** (say, child poverty), and reporting to the IOW, plays the public sector stewardship role. Cost-Benefit Analyses, using wellbeing as the currency, provides the main analytical tool for the interactions between these investment managers and the IOW.
12. Where it is deemed appropriate by the IOW that the delivery of a certain long-term outcome requires substantive community ownership and participation in the achievement of that outcome, **a community-based manager and budget holder** (typically part of local / regional government), accountable to the IOW, is established.

# Funding

1. Long-term investments in ecosystems are eventually funded through taxes or levies (Pay as You Go – PAYGO) or “Social Insurance” (i.e. public saving in various forms to fund future needs and contingencies) – Save as You Go (SAYGO). An interim funding mechanism may be to borrow and pay, but both the principal of the debt and interest accrued on it will eventually be funded through PAYGO or SAYGO mechanisms.
2. We know that if the real return on capital is higher than the real growth rate of the economy, **funding long-term investment expenditures via SAYGO is intergenerationally more efficient and equitable** than doing so via PAYGO. In New Zealand, we already have a SAYGO machinery established, in the form of the NZ Superannuation Fund. That would provide a great vehicle for funding investments on enhancing the resilience of key infrastructures.
3. Funding would be provided through a “strategic” portfolio allocation (say 20%) from the NZ Superannuation Fund. To accommodate this, all we need to do is to amend the NZ Superannuation and Retirement Income ACT 2001, to include a clause to the effect that: “The Fund remains a long-term, growth-oriented, global investment fund. However, its strategic portfolio allocation recognises that its reason for being is broader than simply funding superannuation, but also includes a long-term, wellbeing oriented, investment activities of the state.”

# Investment Manager

- In terms of the step relating to a dedicated investment manager associated with each long-term outcome (in this case systemic investments that generate sustained employment growth while enhancing environmental quality), the **New Zealand Infrastructure Commission** is ideally set up to play that role.
- The critical change that is required in the thinking of the Commission is to include in the definition of “**infrastructure**”, **environmental, social, and economic infrastructure** that serves intergenerational wellbeing – not just economic infrastructure.

# Platform for Intergenerational Wellbeing

**Sustainability ...**

... underpinned by **resilience**

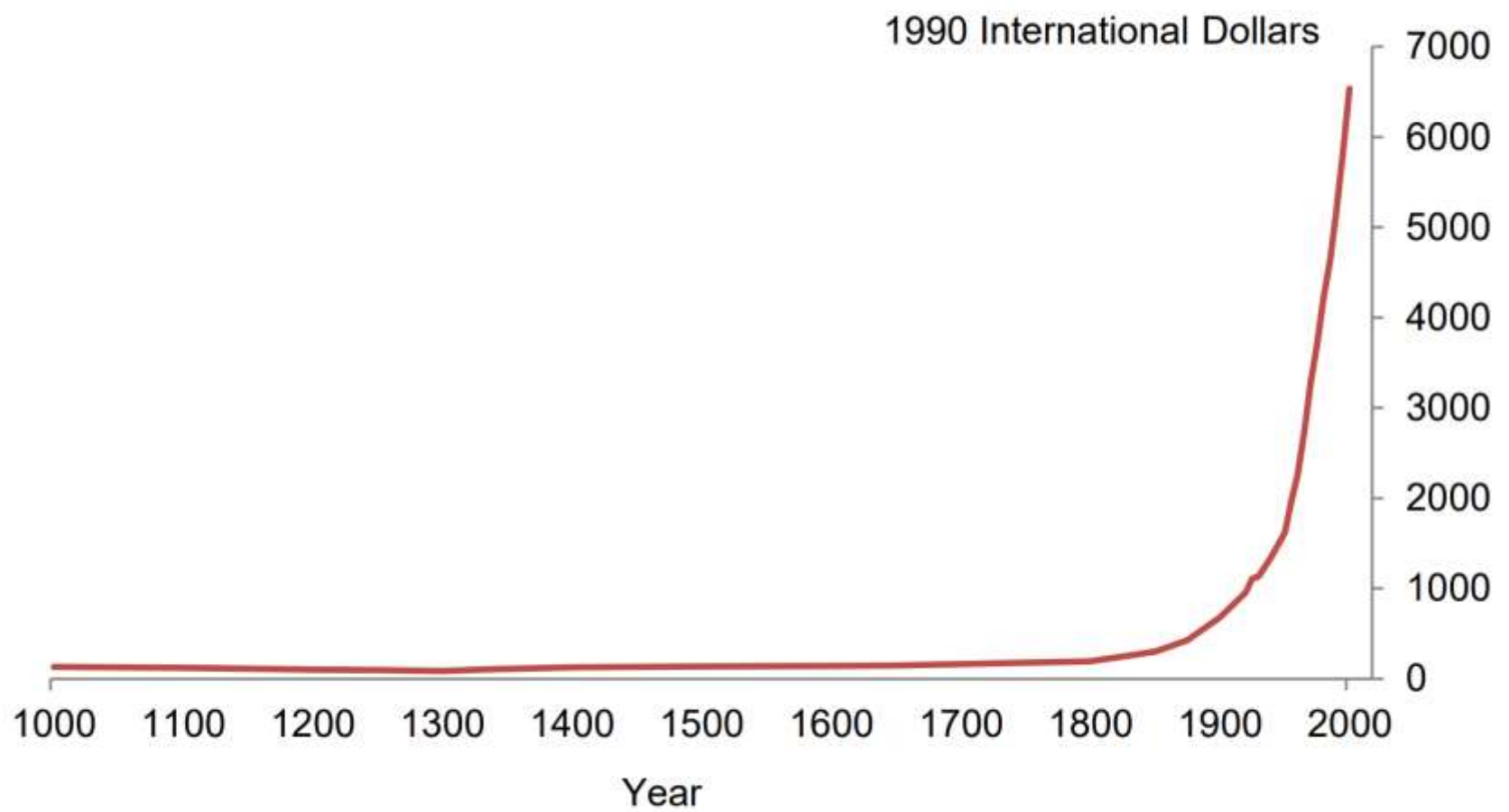
# Resilience

the ability to prepare and plan for,  
absorb, recover from, and more  
successfully adapt to adverse events

# Policy Focus

- In a world of fundamental uncertainty, where the future is unknown, the bridge between wellbeing and sustainability is provided by **resilience**.
- Resilience has two dimensions:
  - Absorbing shocks – **surviving**.
  - Adapting and flourishing in the aftermath of shocks – **thriving**.

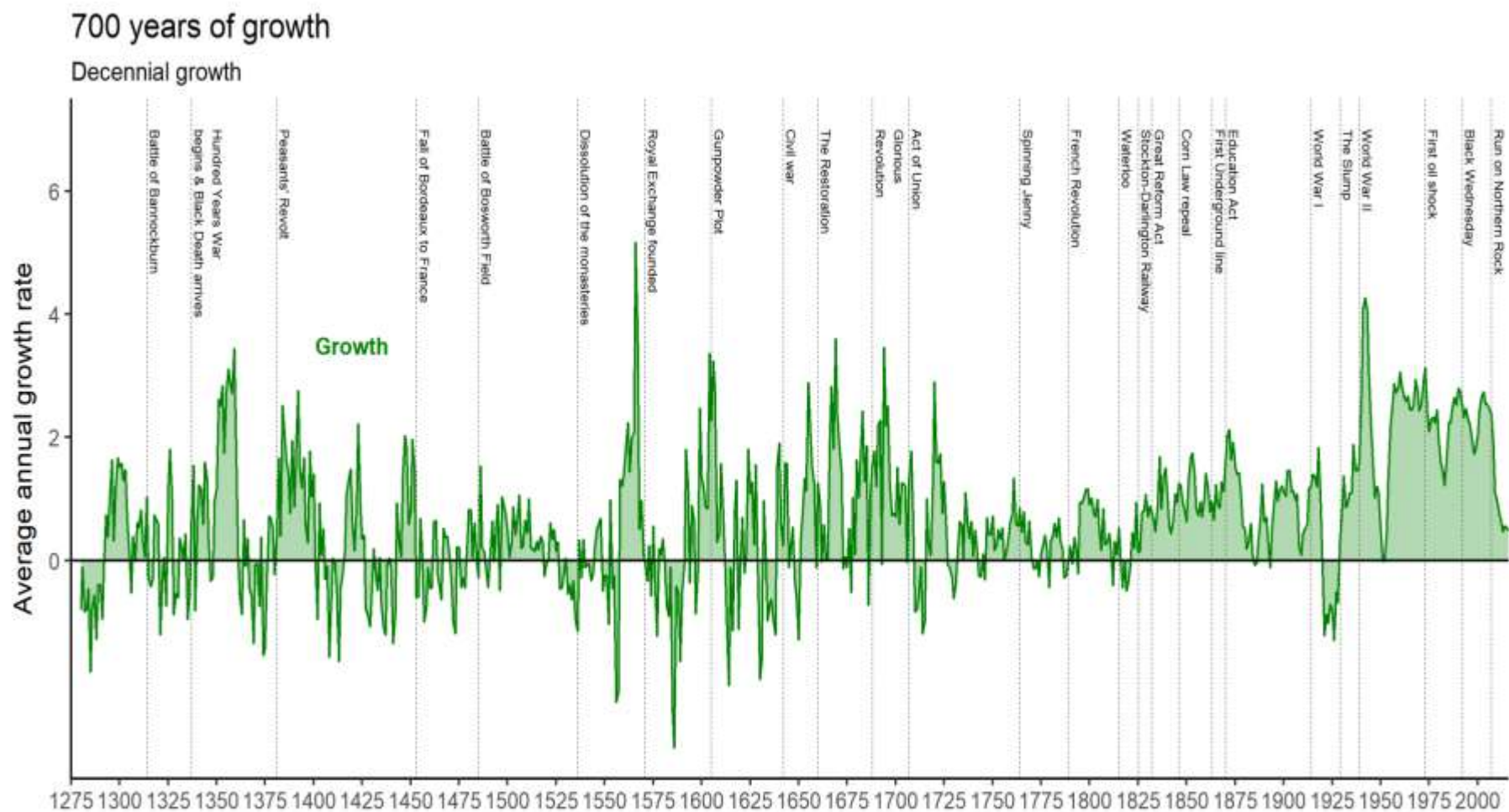
**Chart 1: World GDP per head since 1000 AD**



Sources: De Long (1998).



**Chart 4: Long-run UK GDP growth**



The chart plots average annual growth in GDP per capita over the preceeding ten years

Sources: Broadberry and Wallis (2017) and Bank calculations.

## **Policy Prioritisation – a set of complementary strategies that serve intergenerational wellbeing**

- A “leave no one behind” strategy delivered by ensuring a basic income, housing, health services, and education for everyone.
- Sustained employment creation through long-term complementary private and public investments in environment-friendly industries – government provides the ecosystems, private sector undertakes the investments.
- A complementary human-capital investment strategy that builds the skill base for productive employment in such industries.
- An education system that builds a long-term national support for such a strategy – in schools as well as society at large.