

New Zealand (NZ) Public Financial Management (PFM): FAQ

1. **NZ PFM introduction:** When and why did NZ start building its extraordinary track record on PFM? Born from financial crises and mismanagement, in the late 1980s and early 1990s, New Zealand laid the foundation for its PFM system.
2. **NZ PFM benefits:** What are the benefits of extraordinary PFM? Managing with the NZ PFM framework provides the numbers to better manage all assets and all debts under government stewardship, which can be five times the size of government debt, for the benefit of all citizens. And, the NZ PFM framework provides information on the financial reality of the largest, most complex political decisions that often hide consequences that are hugely destructive to a country's finances.
3. **NZ PFM framework:** What are important components of NZ's PFM framework? First and foremost, over 30 years NZ has built a culture of using PFM, the total government balance sheet, and Total Government Net Worth (TGNW) for decision-making and financial management. NZ has built a full system of PFM using international standards with timely and insightful financial reporting and projections. This is complemented by financial reporting based on international accounting and auditing standards, produced on a timely monthly and annual basis, and projected key balance sheet numbers.
4. **NZ PFM comparison:** How does NZ's financial reporting compare with those of other governments? Even among AAA-rated composite countries, none have progressed to a culture or full system of PFM similar to NZ. Other countries have formalistically adopted international accounting standards while most remain mired in the chronically flawed and obsolete debt and deficit cash framework.
5. **PFM education:** How important is public education to building an extraordinary track record in PFM? PFM public education is essential in idealized democracies where popular votes have a significant role and beneficial in more autocratic governments where leadership is less contested.
6. **PFM politics:** Is PFM politically agnostic? PFM is politically agnostic as it does not question policy preferences such as debt levels, balance budgets, or MMT, but requires the necessary balance sheet framework and accurate financial numbers to manage governmental entities that are vastly more complex than even the most complex multinational corporation.
7. **PFM critics:** Who would not agree that NZ's PFM framework is valuable and indeed essential for government financial management? Most critiques of PFM come from those who: do not believe better management needs accurate numbers, do not believe a total government balance sheet is an essential tool for managing complex financial organizations, do not see the value in benchmarking peers, and/or who believe that financial management has no role in influencing government political priorities.
8. **3 indicators:** What insights do the 3 indicators offer? The 3 indicators provide insightful analytics on historical performance and performance relative to peer benchmarks. They also move beyond the chronically flawed and obsolete debt and cash deficit framework.
9. **TGNW:** What is Total Government Net Worth (TGNW)? TGNW is all government assets less all government debts. TGNW includes up to 70% of the total government balance sheet that is omitted by the chronically flawed and obsolete debt and cash deficit framework. The 70% includes all government assets, as well as all government non-financial debts such as government employee pensions.
10. **CW1:** What is the rationale for the Citizens' Wealth 1 indicator (CW1)? CW1 provides a uniquely insightful combination of the stock TGNW and the flow GDP. Subtracting TGNW from GDP on a per person basis provides comparative intelligence into value creation or value destruction over a period-in-time or at a point in time. The CW family of metrics was first created by an affiliate of KCPFM, Japonica Partners founder, in the early 1980s and recently a core pillar in Columbia University class B8024 on Understanding Sovereign Risk from Financial Statements and a CEPS taskforce report.

For further information, see Citizens' Wealth Glossary at kazarianfoundation.org.