



# Wellbeing budgets and the environment: A promised land?

## Frequently asked questions

### What is this report about?

This report looks at what we know and don't know about the link between the environment and wellbeing, and how this has been incorporated into decisions about government spending.

Since 2019, the New Zealand Government has presented its annual budgets as being 'wellbeing budgets'. The fundamental premise of a wellbeing budget is that the money government spends should be targeted towards things that matter to our wellbeing – rather than traditional economic measures of success, like gross domestic product.

Wellbeing budgets explicitly include additional measures of success, such as social, cultural and environmental dimensions of wellbeing. How the environment is accounted for in this process is crucially important to whether we can stem the tide of environmental issues now and in the future.

The report is based on a detailed review of the way the environment was incorporated into the wellbeing analysis process of the last three budgets.

### Why does this matter?

Problems like climate change, freshwater quality and biodiversity collapse are persistent and require sustained effort across society to prevent further decline.

Sustained effort often requires sustained funding. Money the Government spends each year is key to alleviating the pressures of these environmental issues. How the budget process allocates money has long lasting impacts on whether or not we can make a dent in fixing these problems.

### What do you mean by wellbeing?

There is disagreement about what the term wellbeing means and what it should mean. This is further complicated when wellbeing is distributed through time.

Rather than arguing for a particular understanding of wellbeing we have tried to understand how the Government talks about wellbeing, then talk about it in a similar way. This does not necessarily mean we think that the way the Government talks about wellbeing is the right way.

We have also tried to draw attention to the different ways that wellbeing is understood – including in te ao Māori – and the consequences of these differences for how the environment and wellbeing are understood together.

For example, a Western view of wellbeing is typically anthropocentric and debate continues around the extent to which concepts such as the intrinsic value of nature should be incorporated.

Within te ao Māori, there is also no distinction between current and intergenerational wellbeing. Wellbeing today is wellbeing in the future, and it is not simply about how much of the environment is left for future generations but how much improvement today is needed for the future.

The report includes an account of Māori wellbeing ethics and how these relate to environmental issues. In a supplementary essay, five core concepts are analysed in relation to wellbeing economics: mauri, whakapapa, utu, tauutuutu and tapu. The sacredness or tapu of an entity is at the heart of a Māori view of wellbeing. Like the idea of the intrinsic value of nature, this is not easily incorporated into current wellbeing budgets.

### **How is the environment linked to wellbeing?**

An environment supplying clean air, water and food supports healthy lives. A degraded and polluted environment undermines and jeopardises our own wellbeing now and into the future.

Greenspace in cities provides for our physical and mental health, forests supply timber for our homes, wetlands purify our water and we visit estuaries for mahinga kai. However, there is much more to the relationship between the environment and wellbeing than simply what nature provides us.

For Māori there is no compartmentalisation of human wellbeing and environmental wellbeing – they are one and the same, where people are connected to the environment through whakapapa. Māori wellbeing is human orientated, but not human centric, as it shifts the importance to the connections of all things, not just to the individuals themselves.

### **What did the review find?**

While a connection between the environment and wellbeing seems obvious, putting a dollar value on its worth or measuring its contribution to wellbeing is another matter entirely.

The report found that valuing the services the environment provides is extremely challenging because of the inherent complexity of the environment. Some dimensions are non-renewable, some aspects are necessary to support life and others are tied to thresholds or tipping points beyond which the environment cannot recover. This makes it difficult to slot the environment into a budget process that has evolved to make decisions about costs and benefits based on monetary terms.

Further complicating the matter is the fact that many environmental problems are long term and intergenerational with few quick fixes available. The report found that advice generated in the wellbeing budget process has focused more on short-term outcomes rather than preventing future damage and preserving resources for future generations.

This deficiency is driven in part by the fact that the economic tools currently used in the budget process to account for environmental costs and benefits are not up to scratch.

## **Does centring the budget process on wellbeing benefit the environment?**

Not necessarily. While the aspiration is admirable, it is not clear that using wellbeing to guide decisions makes it easier to prioritise environmental spending.

In their current form, wellbeing budgets are not capable of delivering on their promise to make informed trade-offs between investing in wellbeing now and investing in wellbeing for the future – at least in the context of environmental considerations.

Every budget – whether it is labelled a wellbeing budget or not – should do a better job of evaluating its impact on the environment. This report found that simply having the environment as part of a wellbeing budget is not sufficient. We need better information and tools to analyse and consider that information.

## **What does the Commissioner recommend?**

The Commissioner recommends several changes to the budget process to improve the way environmental considerations are handled and communicated.

They include:

- expanding the tools available in the budget process to more accurately value the environment, such as improving wellbeing analysis templates
- improving the quality of information available in the budget process to reflect what is known about future environmental risks, such as updating wellbeing indicators to reflect limits and benchmarks
- ensuring that the long-term nature of environmental impacts is not ignored, such as by modifying the social discount rate
- enhancing the communication of information about the positive and negative environmental impacts of spending proposals throughout the process, including to ministers.

If implemented, this will allow investment decisions to more accurately reflect the value derived from the environment and its links to wellbeing now and in the future. It will also prevent environmental initiatives being dismissed in favour of those backed up by more readily available data.

## **How much money are we talking about anyway?**

The Government has budgeted to spend a total of \$147 billion for the 2021/22 financial year. In principle, the budget process applies to all of this money. In practice, the vast bulk of government spending carries over year to year, running services such as schools and hospitals and funding transfers such as superannuation. In 2019, this accounted for about 98 per cent of government expenditure.

Most of the attention (and subsequent analysis in regards to wellbeing) is focused on new spending proposals, which account for a tiny fraction of total expenditure.

The focus of the Commissioner's review is on new spending, but also touches on the ongoing review of baseline funding of the natural resource sector.

It is not clear how much money the Government spends annually on the environment. The most recent data from Stats NZ estimated that approximately \$550 million is spent each year protecting the environment, but this is a gross underestimate. We don't really know with any precision.

### **Why did the Commissioner decide to undertake this review?**

In the course of his [review of reporting on the state of New Zealand's environment](#), the Commissioner became aware of how environmental initiatives were disadvantaged by the poor state of environmental information.

Environmental data can help us make evidence-based decisions about the things New Zealanders care about: action to enhance the environment, prevent future damage and preserve resources for future generations. Without good information, it is difficult for decision makers to prioritise the most urgent and cost-effective interventions.

The Commissioner's provisional conclusion is that however budgets are constructed, the complex requirements for wellbeing budgets are no guarantee that the case for tackling long-term environmental issues will be better framed.

This review is the last of three reports about environmental information that the Commissioner has undertaken, starting with the 2019 review of environmental reporting, followed by a 2020 [review of publicly funded environmental research](#).

In 2022, the Commissioner will provide a follow-up synthesis report to draw together these three reports and provide Parliament with advice about whether it has the right information, adequate research and a budget-setting process that can support a sustained focus on tackling the biggest environmental challenges facing Aotearoa New Zealand.