



Tax Working Group Information Release

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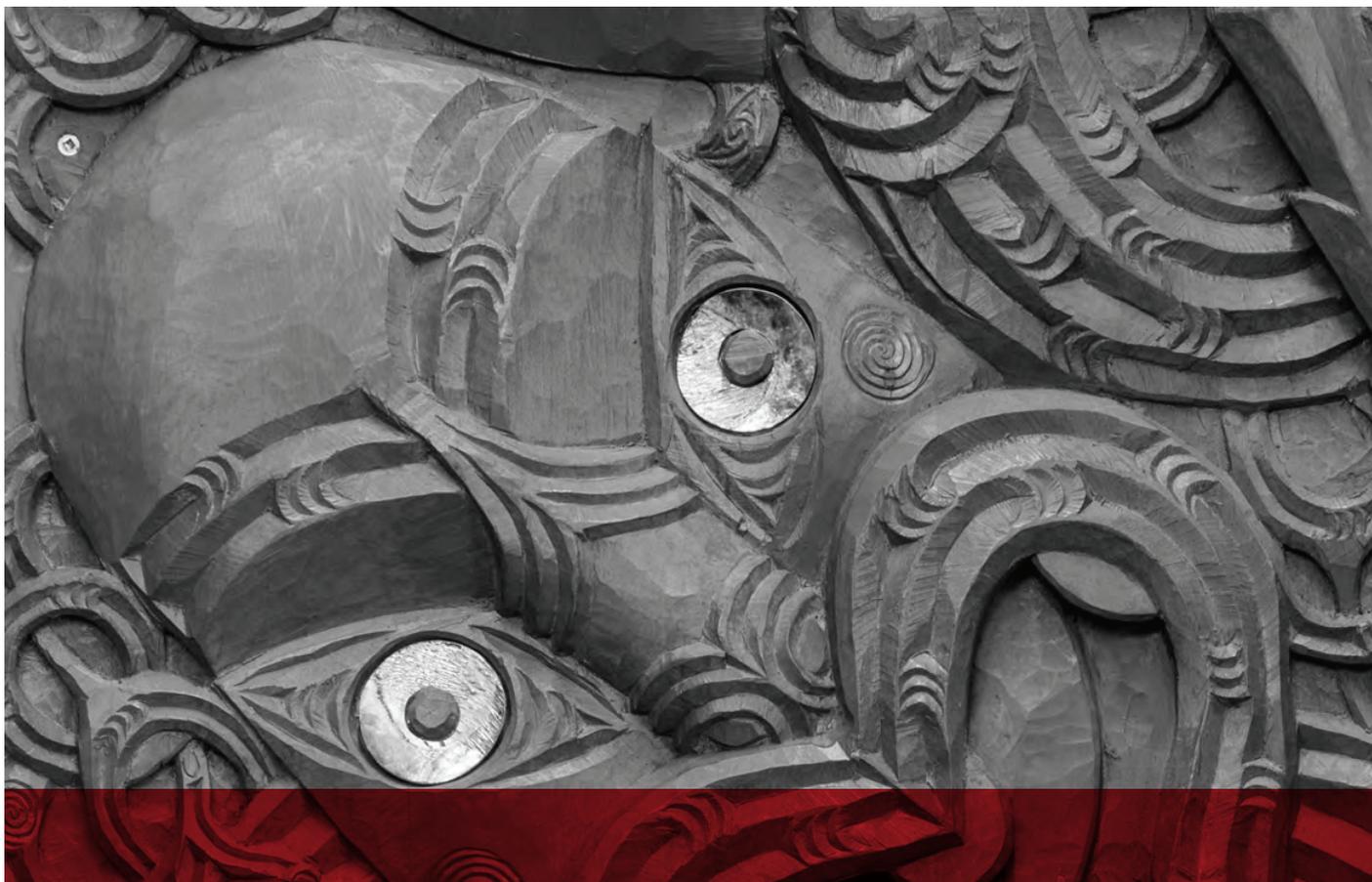
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HE ARA WAIORA

RECOMMENDATIONS
FOR ADVANCEMENT

UC  AOTAHI

November 2018

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This paper was written by Sacha McMeeking, Hamuera Kahi and Komene Kururangi.

Kei Te Awhewhe Tāke,

Mokori anō kia mihi koutou e whakarite rautaki ana e noho mātamua ai ko te whakaaro Māori, ko ngā tikanga Māori, ko te kaupapa Māori hei tūāpapa mō ā koutou mahi e haere ake nei. Ki te hoki whakamuri tātou ki ngā kōrero a Mātāpūputu mā, ko te kotahitanga te whakaaro nui. Mā ēnei āhuatanga e tutuki ai tēnei moemoeā.

Mō koutou e whakakōkiri nei i ēnei tū āhuatanga, tēnei mātou e tuku nei i ngā whakamānawa anō nei he uamairangi. Ka mihi rā.



EXECUTIVE SUMMARY

Aotahi, the School of Māori and Indigenous Studies at the University of Canterbury has been engaged by Treasury, through the Secretariat to the Tax Working Group (the Secretariat), to provide independent advice on the development of He Ara Waiora, the emergent tikanga framework supporting the Tax Working Group.

This paper is intended to initiate a productive dialogue with the Crown about converting the good intent in the process to date for *He Ara Waiora* into practical progress. The thoughts within this paper are aimed at providing the basis for discussion, rather than being definitive positions or proposals. We would welcome the opportunity to discuss these further with the Tax Working Group and the Treasury.

We have reviewed responses from Māori, as well as facilitating a think tank process with Māori academics and practitioners, and consider that at this time predominant Māori views include:

- adopting a tikanga framework is a meaningful and timely undertaking that is to be commended and encouraged;
- a tikanga framework overlaps with the purpose and scope of the Living Standards Framework (LSF), as it is properly a macro framework that could/should apply to all Crown policy;
- He Ara Waiora is a valuable starting point for a tikanga framework that requires further development.

Māori participants have also noted that while the values and approach within He Ara Waiora may be somewhat unfamiliar within a policy context, their application is common practice within the Māori sector and accordingly, there is a high degree of confidence that a practicable framework with clear guidance can be developed for and with government.

We consider that He Ara Waiora will deliver pervasive public benefit to NZ Inc, including but not limited to Māori, for two reasons. First, it will enable values to be integrated into public policy, an outcome that has been sought through various Royal Commissions and policy processes for close to 50 years, and has recently become focal in the LSF work programme. Secondly, He Ara Waiora provides a framework that aligns with, and is likely to provide practical guidance for implementing, recent public policy literature and discourse about complex adaptive systems and systems-thinking to address 'wicked' policy problems.

We recommend that He Ara Waiora is:

- led by government from Treasury within the LSF work programme, with linkages to the DPMC Policy Project;
- further developed through a research and engagement programme that maintains the momentum to date, to ensure the goodwill that He Ara Waiora has attracted is sustained;
- tested and refined through application in the TWG final report, ETS review, Welfare Expert Advisory Group, Charities Review and any further imminent substantive review programmes; and
- integrated into the standard policy development process used across government, once it has been sufficiently tested and endorsed.

This brief report has been prepared under significant time constraints and as such is inevitably incomplete and inelegant in parts. We value the opportunity to contribute to the work of the TWG and would welcome the opportunity to contribute to the development of He Ara Waiora.

BACKGROUND

In summary, the engagement process on He Ara Waiora has involved the following steps:



In November 2017, the Tax Working Group (the TWG) was established to examine the New Zealand tax system and provide recommendations to improve the fairness, balance, and structure of the tax system. The Group ran a public consultation in March/April 2018, which included seeking feedback on the question:

How could tikanga Māori support a future-focused tax system? (see <https://taxworkinggroup.govt.nz/sites/default/files/2018-04/twg-fact-tax-and-te-ao-maori.pdf>)

During this time, Hinerangi Raumati (as a member of the TWG) held 15 hui across the North Island with key Māori stakeholders (including national bodies, SME networks, and private sector specialists).

There was a range of support for considering how the tax system could reflect Māori values, including tikanga Māori, and in keeping with the principles of the Treaty of Waitangi.

Following submissions, two tikanga framework consultation hui were held in Wellington and Auckland, attended by some of the Māori organisations who had provided

written submissions and Māori academics. The key purpose of the hui was to determine the value a tikanga framework could have, as well as the kinds of key tikanga concepts that would be most applicable to achieve the purpose. A skeleton tikanga framework based on feedback from submissions was socialised at the hui.

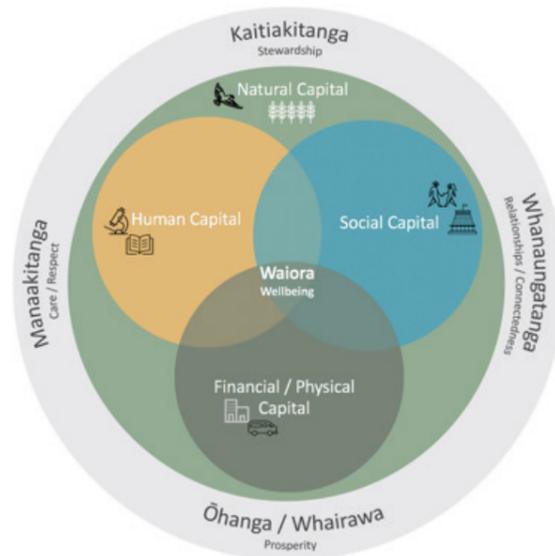
Following the hui, the Secretariat further developed the tikanga framework and tested the draft model with a think tank of Māori academics and practitioners in August 2018. He Ara Waiora was subsequently tested with Māori through a nationwide engagement process on the interim report of the Tax Working Group, which involved five hui, attended predominantly by representatives of, and advisors to, Māori organisations.

The views in this report have been informed by:

- Reviewing all written submissions received on the tikanga framework;
- Reviewing reports on all consultation hui held with Māori;
- Participating in consultation hui, as possible; and
- Facilitating the think-tank on the draft framework.

HE ARA WAIORA

He Ara Waiora aims to articulate aspirational principles to guide the taxation system, as depicted below:



Waiora anchors the framework in a conception of human wellbeing, that is connected to the four capitals within the LSF and expressed through four tikanga derived values of wellbeing: kaitiakitanga (stewardship of all our resources), manaakitanga (care for others), ōhanga (prosperity) and whanaungatanga (the connections between us).

These principles aim to provide purposive direction to the specific design principles for the tax system, including:

- efficiency
- equity and fairness
- revenue integrity
- fiscal adequacy
- compliance and administration costs, and
- coherence

MĀORI VIEWS

Our analysis of Māori engagement with He Ara Waiora identifies the following predominant views:

- Strong support for the aspiration to develop a tikanga framework and acknowledgement of the genuine intention and engagement process;
- Recommendations to strengthen the tangible guidance the framework is able to provide for policy development;
- Constructive debate regarding which tikanga derived values ought to be included in the framework; and
- Caution expressed about distorting tikanga within Crown processes.

In Principle Support

Throughout the engagement processes Māori consistently supported the relevance and role of a tikanga framework. Key themes include that:

- tikanga provides a framework for incorporating values into policy analysis that will ultimately contribute to fairer, more durable and equitable policy outcomes for all New Zealanders. While there was a particular emphasis on fairness and equity for Māori, there was also recognition that incorporating values based analysis would deliver pervasive public benefit. A number of Māori organisations discussed their approach to values-based decision making, extrapolating that explicit consideration of values leads to decisions better able to deliver outcomes that matter for their constituents;
- a tikanga framework is a meaningful and appropriate reflection of Te Tiriti o Waitangi, reflecting our continuing maturation as a nation to embrace and embody the spirit and intent of our founding constitutional document;

- New Zealand values have been shaped by tikanga Māori, and that while the provenance of tikanga resides with Māori, tikanga derived values have a strong resonance with contemporary New Zealand; and
- applying a tikanga derived approach ought to lead to tangible changes in policy outcomes, and that the true measure of the efficacy of a tikanga derived approach is the extent to which it facilitates greater fairness and outcomes with meaning for the community.

It was also consistently recognised that seeking to adopt a tikanga framework is a courageous and meaningful undertaking, that should be acknowledged for its transformative potential and the genuine intent underpinning it.

Recommendations to Enable Application

He Ara Waiora was considered by Māori participants to be a constructive and progressive foundation for a tikanga framework, however, there was broad agreement that it is not yet sufficiently developed. The key weaknesses identified were that:

- The framework currently identifies aspirational values, but does not provide guidance for how to apply those values, which is likely to result in a 'performance gap', whereby the aspirational values are displaced by more tangible policy criteria or objectives and ultimately result in the positive outcomes of incorporating values being un/under- realised;
- There is dissonance between the aspirational tikanga values and the design principles of the tax system (efficiency, revenue integrity etc), which will lead to a trade offs based analysis that is inconsistent with the purpose of adopting a tikanga framework; and

- The inclusion of tikanga derived values in the absence of an integrated tikanga framework creates material risks of misinterpretation and undermining the integrity of tikanga.

The principal recommendation for change was to ensure that the tikanga framework was designed to have cascading and tangible guidance to the purpose, performance measures and outcomes elements of policy design. The main rationale for this recommendation was that tiered and cascading application was the only meaningful safeguard against the 'performance gap' and risk of distorting tikanga. Three approaches were specifically identified, only the first of which was developed in detail by participants:

- Adopting the kawa, tikanga, ritenga and āhukatanga framework promulgated by Associate Professor Mānuka Henare;
- Adopting the Whare Tapa Whā model developed by Tā Mason Durie; and
- Developing wellbeing outcome targets that give expression to tikanga derived values.

Associate Professor Mānuka Henare's framework was applied to the taxation system in the following way:

KAWA (foundational principle)

Description of a moral imperative, that could be something akin to: New Zealanders live a life they value, with specific recognition of Māori living the lives that Māori value and have reason to value.

TIKANGA (principles, ethics & values)

Tikanga values such as tika, pono, aroha, mana motuhake, manaakitanga, kaitiakitanga and the like. Please note, the specific values require more discussion and consideration. The values included should be informed by historical and contemporary practices associated with kāinga, mahinga kai, koha and other approaches to collecting and distributing goods for community wellbeing.

In the application of the framework below, we interpret tikanga as framing objectives that give effect to a specific value.

RITENGA (behaviours & enactment)

Tangible performance and behavioural expectations that give effect to kawa and tikanga, both within policy processes and the behavioural outcomes of people/entities within the scope of the policy.

In the application of the framework below, we interpret ritenga as criteria that provide greater specificity to the tikanga objectives, and in doing so, create behaviour guidelines.

ĀHUATANGA (attributes, traits, & characteristics)

Āhukatanga embodies attributes and characteristics, that we apply in the framework through a suite of indicators that we consider to reflect the tikanga and ritenga.

In our view, it is critical to the success and integrity of a tikanga framework that it has cascading elements such as those in Dr Henare's model. Further below, we endeavour to demonstrate how this model could apply to generic and live policy processes. However, we note that this is one model amongst a number and that a sound process to adopt a cascading model should involve further exploration and testing.



Feedback on Terms

The terms used in He Ara Waiora, namely waiora, kaitiakitanga, manaakitanga, whanaungatanga and ōhanga/whai rawa were drawn from the submissions received, but may require further consideration, particularly if they are incorporated into a cascading framework and/or if the tikanga framework is elevated to the LSF work programme, as is recommended in this paper.

The tikanga derived values that were most frequently cited by participants were kaitiakitanga, whanaungatanga and manaakitanga. Additional values identified included:

- Tauututu
- Whakapapa
- Ūkaipōtanga
- Tino rangatiratanga
- Whakatipuranga
- Tika
- Pono
- Aroha

There was a consistent emphasis that adopting Māori language terms for values would not deliver enhanced policy outcomes in the absence of a cascading framework that ensured practical and appropriate application of the values.

Notes of Caution

A number of participants noted risks in using a tikanga framework for Crown policy, principally those stated above regarding the need for tikanga be applied as more than a rhetorical device. It was also expressly noted that there is a risk of tikanga being conflated with the four capitals in the LSF, which would contort and disaggregate the meaning and integrity of tikanga.

We consider that these risks can be addressed through an integrated tikanga framework that has a cascading operation and is developed in partnership with Māori, within the LSF work programme.

RATIONALE FOR BROADER APPLICATION OF HE ARA WAIORA

We recommend that He Ara Waiora should continue to be developed as a policy methodology within the LSF work programme for the following reasons:

- While the TWG was commended for having taken the initiative, it was firmly stated that the purview of a tikanga framework ought to be far beyond matters of tax. Māori strongly expressed the view during the TWG engagement processes that tikanga Māori should have a place in designing all policy and administrative solutions across government. The LSF work programme is designed to have a pervasive operation across all government policy, and is therefore the appropriate 'home' for He Ara Waiora;
- The alignment between the values in He Ara Waiora and the aspirations of the LSF create a risk of confusion, analytical tension and duplication if they are not explicitly integrated as a workstream. Many Māori participants took the opportunity to comment on the LSF during the TWG engagement, noting that the LSF does not currently reflect a Māori world view, and that there was a risk of the four capitals being inappropriately superimposed on tikanga values;
- The shared objective of the LSF and He Ara Waiora is to embed distinctly New Zealand values into the policy development process. The LSF work programme is currently grappling with adapting OECD measures to give expression to New Zealanders expectations of meaningful indicators across the four capitals. We consider that a tikanga framework would enrich and deepen the clarity and appositeness of the LSF to the distinctive New Zealand context, particularly by enlightening

the inter-relationship between the four capitals and weaving in a cultural capital dimension to the framework (noting that whether it is an additional 'fifth capital' or interwoven into the four existing capitals requires further work).

As a broader context, we note that incorporating values into decision making processes is a growing priority for policy makers and business. In the policy context, there is a growing body of practice and commentary on the positive and important role of values shaping policy processes and policy responses. New Zealand has been actively exploring the integration of values into our policy for over 50 years, with greater or lesser degrees of transparency and efficacy. The various Royal Commissions concerning social policy¹ have particularly explored the role of values in constructing wellbeing outcome standards. Within this context, the LSF is the continuation of a distinctly NZ Inc approach to policy development that is well supported by a growing body of international practice, which should be both encouraging and emboldening with regard to incorporating tikanga to ensure that it is truly capable of becoming a distinctively New Zealand approach.

In the more immediate context of the maturation of the Treaty relationship and adoption of the UN Declaration on the Rights of Indigenous Peoples (UNDRIP), seeking to implement a tikanga framework across Crown policy is also arguably timely and consistent with solidifying normative commitments. Our preliminary view is that a tikanga framework for policy would be a proactive mechanism that enhances the way Treaty and UNDRIP principles are given effect to in tangible policy outcomes, and notably, be an internationally leading approach to embracing the UNDRIP.

¹ 1972 Royal Commission report, Social Security in New Zealand and 1988 Royal Commission on Social Policy

PRELIMINARY VIEWS ON THE APPLICATION OF HE ARA WAIORA

To support consideration of the application of a tikanga framework across Crown policy, and demonstrate that such a framework is practicable, we offer some preliminary views on how a tikanga framework could apply in:

- generic policy development processes;
- one recommendation from the TWG interim report; and
- one capital within the LSF.

In framing views on the practical application of a tikanga framework, we emphasise that we have positioned a values framework as an analytical lens that encourages the exploration of values based inputs into the policy design process, rather than as determinative of particular outcomes. We consider that using values as an analytical framework will materially influence and enhance the policy process, ensuring that the Executive and other senior decision makers benefit from broader and deeper analysis, without compromising the perceived latitude of Executive discretion or the ability of the civil service to provide free and frank advice. We note that some commentators may suggest that a values framework should have a stronger role in framing or constraining the scope of possible policy outcomes. While we recognise this is a valid position that warrants further consideration, it is our view that the most helpful advice at this stage is an approach to policy development that provides decision makers with visibility of the way values were considered in the policy process and the potential impact of policy options on particular values.

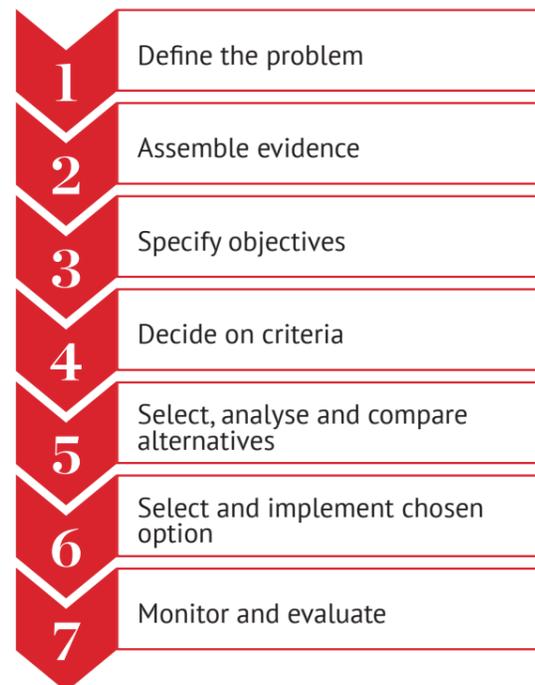
Policy Process

We consider that a tikanga framework could be incorporated into the policy development process in two possible ways:

- Adaptation of the existing policy development process to take into account a tiered tikanga framework; or
- A new policy development process that is informed by tikanga driven processes.

Adaptation of the Existing Policy Development Process

The current policy development process is modelled on the Bardach policy pathway and involves, broadly, the following steps:



In the table below, we demonstrate how Associate Professor Henare’s cascading model could apply to this type of policy development process. We consider that the application of a tikanga framework should result in a broader analysis that encompasses the interests of all New Zealanders, as well as elucidating issues and interests of distinct relevance to Māori. The following analysis therefore seeks to illustrate the benefit of a tikanga framework to the the policy development process for the wider public good.

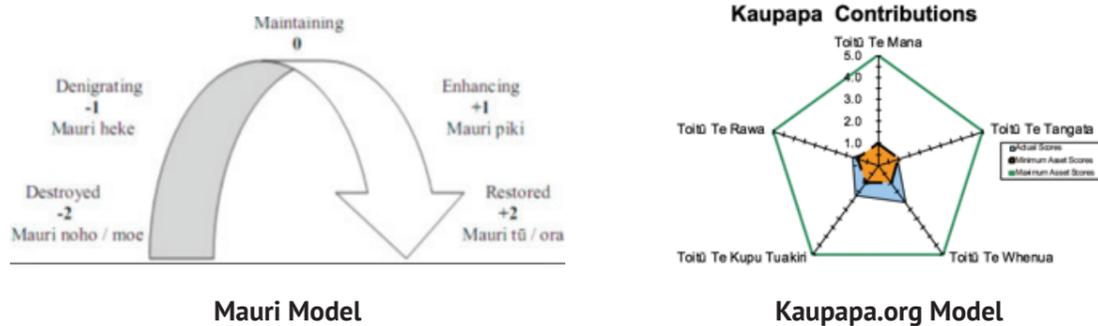
We also note that the linear Bardach model of policy development has questionable suitability for complex or ‘wicked’ problems, which increasingly characterise the policy landscape. Recent public policy literature tends to favour exploration of complex adaptive systems and systems thinking to better engage with complexity and interdependency. We have not considered this approach to policy development in the paper, but consider that a tikanga framework is inherently aligned to systems thinking and is likely to provide a helpful structure to understand interdependencies and complexities within policy issues. We would welcome to explore the application of a tikanga framework to this emergent model of policy development.



Existing Policy Step	Principal Change	Kawa	Tikanga	Ritenga	Āhukatanga	Suggested Policy Tool
1 Define the problem	Broader and deeper problem definition.	The problem would be defined with explicit reference to the 'moral imperative'. The problem definition and identification of policy objectives would be developed in parallel through a process of dynamic interplay. Problem definitions will have greater depth than current practice. It is also likely to result in divergent 'moral imperatives' of various stakeholders being more explicitly recognised at an earlier stage.	Incorporating tikanga based values at this stage would have varying impacts depending on which values are adopted. As a general principle, this is likely to result in a more comprehensive analysis of inter-dependencies and contextual factors than currently occurs. This could be supported by a standardised analytical tool to work through how the problem is perceived by different stakeholders.	Considering how the behavioural practices of different stakeholders have shaped the problem is likely to result in more nuanced and specified analysis.	Will involve considering indicators of the problem with reference to indicators that reflect the policy outcomes. Consistent with the view that indicators of success should be identified at the beginning of initiatives.	<ul style="list-style-type: none"> Stakeholder mapping tool that identifies divergent moral imperative and values, as well as reflects interdependencies between stakeholders.
2 Assemble evidence	Broader suite of evidence that includes behavioural and perception elements.	Consideration of the 'moral imperatives' of various stakeholders would broaden the range of material evidence collated and considered, potentially standardising data collection from key stakeholders.	Incorporating tikanga based values at this stage will provide structure to the type of evidence collected and would similarly depend on which values are adopted within the tikanga framework. This could be supported by a standardised analytical tool.	Ritenga would require structured collection of evidence on the practices/ behaviours of key stakeholders.	Āhukatanga would encourage collection of evidence on indicators and outcomes that have previously been considered.	<ul style="list-style-type: none"> Values based data collection tool to ensure evidence is collected on behavioural and perception aspects to the problem. Could include behavioural microsimulation modelling.
3 Specify objectives	Values based approach to defining objectives.	Objectives would be framed with reference to the 'moral imperatives' held by stakeholders, and would need to provide a solution to points of divergence.	Objectives are also directly connected to the adopted tikanga values, with the stated aim of enhancing values based outcomes, which would be comparable to the LSF four capitals encouraging active consideration of objectives across multiple dimensions.	Ritenga encourages specific consideration of how the objectives could be enacted in a tangible sense.	Āhukatanga encourages identification of indicators or measures that would give effect to the kawa and tikanga.	<ul style="list-style-type: none"> Interpretative tool for applying tikanga derived objectives to policy objectives.
4 Decide on criteria	Values frame criteria.	The criteria would be directly correlated to the 'moral imperatives' held by various stakeholders, identifying points of resonance and dissonance for greater visibility.	Criteria would be developed that reflect the adopted values. For example, a whanaungatanga criteria could be in the vein of 'the policy strengthens trusting relationships' or 'the policy supports new relationships to develop (bridging social capital). We consider tikanga based criteria would result in a broader suite of criteria being adopted, many of which have more practical relevance to communities.	Ritenga would encourage incorporating criteria that have regard for the behaviour change implications and likelihood of the proposed policy.	Āhukatanga would ensure strong correlation between criteria and indicators, both outcome and process.	<ul style="list-style-type: none"> Interpretative tool for developing tikanga aligned criteria.
5 Select, analyse and compare alternatives	Evaluation against values based and behavioural criteria.	Consideration of the 'moral imperatives' of various stakeholders would broaden and deepen the framework against which alternatives are tested.	Incorporating tikanga based values at this stage could broaden the type of solutions that are considered and would ensure that all solutions are evaluated against values based criteria, as described above in relation to whanaungatanga.	Ritenga would encourage structured comparison against behavioural drivers of key stakeholders.	Āhukatanga would ensure a structured comparison against indicators and outcomes that reflect kawa and tikanga.	<ul style="list-style-type: none"> Standardised tool for values based evaluation of policy options. Could include behavioural microsimulation modelling.
6 Select and implement chosen option	Greater visibility of values alignment/ impact for decision makers.	The main outcome for decision making would be greater visibility of the relative impact of the options on moral drivers and values, as well as a clearer narrative for how and why the preferred option was selected.	Incorporating tikanga derived values would similarly increase the visibility of a wider suite of factors in decision making, and could be supported by a standardised presentation tool that depicts the relative strength of the various options against values based factors. Two examples used by a number of Indigenous collectives is depicted further below.	Ritenga would enhance visibility of the foreseeable behavioural implications of the preferred approach, supporting greater awareness of implementation challenges.	Āhukatanga would ensure a robust evaluation framework is in place before the implementation begins, including both outcome and process indicators.	<ul style="list-style-type: none"> Standardised tool that increases visibility of values alignment/ impact for decision makers.
7 Monitor and evaluate	More robust evaluation framework that is values aligned.	The monitoring and evaluation approach would include tracking the evolution in 'moral imperatives' held by various stakeholders.	Monitoring and evaluation would incorporate indicators which reflect the adopted values. Using the whanaungatanga example above, tracking changes in trusting relationships or the formation of new relationships (bridging social capital).	Ritenga would encourage incorporating criteria that have regard for the behaviour change implications and likelihood of the proposed policy.	Āhukatanga would ensure a comprehensive evaluation framework to monitor and evaluate the policy.	<ul style="list-style-type: none"> Standardised evaluation tool and indicator database for ongoing monitoring that reflects tikanga.

In summary, we consider that adopting a tikanga framework is both practicable and would enhance the quality of the policy development process. In our view, there are some existing tools which could be used to support easy application and that a suite of tools could be readily developed to support smooth implementation of tikanga across Crown policy. We particularly note that applying tikanga in this way is business as usual for Māori and some non-Māori organisations, and that any uncertainties regarding the efficiency or ease of implementing a tikanga framework can be addressed in a subsequent tool development work programme.

Examples of existing tools, which support the application of tikanga as an analytical framework supporting greater visibility of the full impact and implications of a decision without seeking to direct that decision, are the Mauri Model and the spider diagram available at kaupapa.org:



Both of these models use indicators derived in kawa and tikanga to score prospective decisions in a way that enables visibility of the values alignment. The Mauri Model allows for positive and negative scoring of one dimension of a proposed decision. The kaupapa.org model provides for multi-dimensional analysis across a number of values. Tools such as these could be readily adapted to a policy context to ensure civil servants have sufficient guidance to engage in robust analysis and also to ensure consistency of approach and depth across departments. We reiterate that while this type of analysis might be unfamiliar to the some within government, for many Indigenous practitioners is common and embedded practice.

New Policy Development Process

We also note that a new policy development process could be designed which draws on tikanga to shape the journey toward decision making. We have not had sufficient time to consider how such a process could be designed, but we note that tradition based decision making processes involved distinct steps and approaches that could inspire or be adapted for a new policy making process.

APPLICATION OF HE ARA WAIORA TO CURRENT POLICY MATTERS

To further support consideration of the practical application of a tikanga framework, the further sections of this paper engage with current policy processes. For the purposes of clarity, we use the five values contained in He Ara Waiora, while noting that we do not necessarily consider these values to be the most appropriate.

For the purposes of efficiency, we only apply the tikanga framework in one step of the policy development process: evaluating a proposed policy intervention against the tikanga framework. We term this the 'condensed tikanga framework', which we use for illustrative value.

The policy processes we apply the tikanga framework to include:

- TWG interim recommendations regarding capital income; and
- LSF natural capital component.

We note that in our preliminary application of a tikanga framework, we have sought to ensure that both the wide public good value and specific application to Māori interests is demonstrated.

We would welcome the opportunity to extend the analysis across the TWG interim recommendations and full LSF framework, as well as other substantial policy review processes including:

- TWG full recommendations
- LSF full framework
- WEAG
- ETS
- Charities

TWG Interim Recommendations Concerning the Future of Taxation

As an example of how a tikanga framework could apply to the work of the TWG, we assess one element of the interim report: the extension of tax regarding capital income against the condensed tikanga framework. We first provide a preliminary overview of how a tiered, cascading tikanga framework could guide tax policy and then apply this approach to the interim recommendations regarding capital income.

Kawa The existing moral imperative could be defined in terms of fairness and equity concerning the collection of tax revenue.

A moral imperative which is informed by tikanga is likely to broaden to:

- Emphasise the relationship between the collection and distribution of tax revenue, with an implicit or explicit reference to balance and reciprocity (taututu);
- Invoke reference to the purpose of taxation to support the flourishing of human potential; and
- Recognise that fairness and equity should enable all people to live lives they value.

We consider exploring tikanga could enhance analysis of the principles and complexities of contemporary tax, including the types of income that could/should be taxed, the relationship between collection and distribution of tax revenue and the role of taxation in human behaviour change.

	Tikanga Objectives	Ritenga Criteria	Āhuatanga Indicators
Manaakitanga	Reciprocal relationship between tax burden and benefit of tax distribution, that results in greater fairness and equity for all members of the community (ie tax system is equally mana enhancing).	<ul style="list-style-type: none"> • Tax distribution reflects community values and protocols, for example, vulnerable and priority segments within the community (drawing on distribution of mahinga kai practices). • Tax collection takes into account the life circumstances of individuals and whānau (drawing on mahinga kai practices regarding sustainable take). • Contributions to 'public good' outcomes are recognised within the tax system (eg koha of time & resources to community purposes). 	<ul style="list-style-type: none"> • Benchmarked equity audit of tax distribution. • Indicators that benchmark comparative tax burden across segments of the community. • Indicators that benchmark comparative benefits of tax revenue distribution across segments of the community. • Indicators that tax system incentivises voluntary contributions to the public good (eg koha to community outcomes).
Whanaungatanga (connections)	<p>That the tax system respects and strengthens familial and community connectivity, cohesion and resilience, including:</p> <ul style="list-style-type: none"> • Supporting whānau to have choice and autonomy over how they want to live as a collective unit. • Supporting individuals and whānau to choose the nature and intimacy of relationships with their communities. • Supporting the sense of national solidarity. 	<ul style="list-style-type: none"> • Tax collection considers the relationship between individuals and collectives, eg exploration of 'tuku' practices (eg whānau member assuming responsibility for another's tax obligations). • Tax collection is assessed for impact on collectively held assets (tangible and intangible). • Tax distribution is assessed for impact on relationships and trust within communities and between communities and government (and related criteria that are likely to be identified through social capital criteria and indicators). • Tax distribution is assessed for contribution to community infrastructure/ institutions that support collective aspirations and relationships. • Tax distribution process has regard for mana motuhake and wider community participation in/influence over public good outcomes. • Tax system contributes to sense of national identity and pride. 	<ul style="list-style-type: none"> • Perceived and actual ability to transfer assets within communities as desired. • Indicators that illustrate collectivised tax burdens (eg regional tax revenue, lwi tax revenue etc) to enable transparency about relative reciprocity at a collective level. • Perception indicators regarding perceived legitimacy and fairness of tax policy.
Kaitiakitanga (environmental stewardship)	That there is a reciprocal relationship between gaining benefit from the natural environment and contributing to the environment through the 'public good' redistribution from the tax system.	<ul style="list-style-type: none"> • Tax collection recognises the inherent value of the natural environment. • Tax collection recognises intergenerational relationships with the natural environment (eg long term assessment of costs and gains). • Tax collection encourages positive and reciprocal relationships between people and the environment. • Tax distribution recognises the state of environment and human relationships with the environment. 	<ul style="list-style-type: none"> • Equity audit of tax distribution takes into account environmental outcomes/ state of the environment. • Tracking relationship between environmental tax revenue and distribution. • Monitoring of business and community interactions with environment against tax incentives (ie efficacy measure of behaviour change resulting from tax policy).
Ōhanga/Whai Rawa (prosperity)	That the tax system contributes to whānau, community and national intergenerational prosperity, and the potential to generate prosperity.	<ul style="list-style-type: none"> • Tax system recognises and seeks to enhance whānau financial security and wealth creation potential. • Tax system recognises and seeks to enhance community assets and infrastructure (including kāinga and pā etc.). • Tax system recognises social, cultural and financial value of assets (eg Māori land should be taxed according to cultural significance and inalienability). • Tax system provides equitable support to all sectors of the economy to pursue innovation and wealth creation. • Tax system recognises and supports positive business contributions to environment, community and nation (eg business contributions to the public good). • Enhanced economic prosperity contributes to greater community vitality (eg more use of and people living near to marae). 	<ul style="list-style-type: none"> • Equity audit of tax distribution takes into account community assets and infrastructure. • Monitoring distribution and uptake of innovation and wealth creation supports. • Accounting for business and individual contributions to the public good. • Various measures of economic growth. • Various measures of community vitality. • Intergenerational financial security and wealth generation potential within whānau/ families.

A preliminary assessment of the capital gains tax within a tikanga framework is summarised below. It is noted that a full assessment would require mapping against various stakeholders and more careful evaluation than has been possible within the time constraints.

Tikanga	Preliminary Assessment	Tikanga	Preliminary Assessment
<p>Manaakitanga (care for others)</p>	<p>The interim recommendations concerning capital income propose that the policy is revenue neutral by directing the tax collected from capital income to addressing poverty within our communities. We consider that the linking of the collection and distribution of tax is positively aligned to the value of manaakitanga. We recommend that the criteria and indicators set out above contribute to further development of the distribution policy, particularly including an equity audit that enables benchmarking over time.</p> <p>We also note that manaakitanga could encourage specific consideration of land value increases which are a result of intergenerational sweat equity, in contrast the land valuation of comparable assets which have had value enhancements over a short period of time.</p>	<p>Kaitiakitanga (environmental stewardship)</p>	<p>The policy has a weak correlation with this value due to the disconnection between the collection and distribution of tax revenue, with environmental behaviour change and outcomes. Whether there should be a strong correlation should perhaps be assessed with a wider consideration across all of the TWG recommendations and specifically questioning whether it is appropriate for kaitiakitanga to primarily be recognised through the environmental taxes recommendations.</p> <p>We also note that kaitiakitanga would encourage a broader assessment of value attaching to land and natural resources capital assets, and perhaps encourage setting capital gains liabilities that take into account social, cultural and financial value. For example, Māori land with significant biodiversity values and elevated cultural significance should arguably have a different land valuation than comparable land without biodiversity or cultural values.</p>
<p>Whanaungatanga (connections)</p>	<p>It is recognised that the operation of the roll over clause must be carefully considered and calibrated to best serve family and community needs and aspirations. We consider that the value of whanaungatanga would encourage consideration of the following:</p> <ul style="list-style-type: none"> • The emotional and financial resilience of individuals and the family as a whole in the case of succession; • Intergenerational assets, which are held predominantly but not exclusively by Māori, would be identified by a whanaungatanga analysis as a distinct asset class that may warrant special consideration in the construction of the roll over provisions. The primary challenge is that assets which have been held by a single owner for an extended time horizon (eg Māori and general land held in a Trust/other entity) would have a potentially debilitating calculation of capital gain due to the low historical value compared to contemporary value. • Māori asset acquisition and transfer is also likely to be identified as a distinctive issue to be addressed in any roll over provision. For example, many Iwi authority intend or are exploring transferring assets received through Treaty Settlements to hapū collectives. Most commonly, hapū are distinct legal entities outside the 'Group' umbrella that would permit asset transfer without liability under a typical roll over provision. However, the whanaungatanga relationships between Iwi and hapū suggest that a bespoke accommodation should be made within the roll over provision, perhaps allowing for a 'Group' to include Iwi-hapū relationships that provide for a collective of customary owners to be recognised as a 'Group', irrespective of whether they are legally separate entities. 	<p>Ōhanga/Whai Rawa (prosperity)</p>	<p>We consider that Ōhanga encourages consideration of whānau and community prosperity and would encourage reflection on the following factors:</p> <ul style="list-style-type: none"> • Intergenerational financial security, which is heavily influenced by transfer of wealth and assets between generations. • Community infrastructure and institutions which support greater community autonomy over their development and prosperity. <p>We note that the intended linking of tax collection and distribution has the potential to make tangible contributions to family and community prosperity, subject to the nature of the distribution policy.</p> <p>We also note that Māori economic development is particularly impacted by the nature of the roll over clause, as described above under whanaungatanga. A standard roll over clause could severely constrain Māori economic development as it would in effect prevent the transfer of assets within kin groups that would ultimately lift economic and holistic community prosperity. For example, an Iwi authority may have received a commercial asset in Settlement with the intention of devolving that asset to a hapū collective once sufficient economies of scale have been achieved within the tribal collective. Under a standard roll over clause, this devolution would attract a capital gains liability as hapū tend to be legally distinct entities.</p>

We note that this preliminary assessment is somewhat superficial as it has been completed without prior values based analysis of the problem and potential options. We would expect a full analysis would produce additional tangible insights and recommendations.

Living Standards Framework

The relationship between a tikanga framework and the LSF could be structured in one of three ways:

- Adding a fifth ‘capital’ termed ‘cultural capital’; or
- Substituting a tikanga derived taxonomy in place of the four capitals; or
- Interweaving tikanga elements into the existing four capitals.

We consider that all of these models have merit that warrant further consideration, but for illustrative purposes, this paper considers solely the third option.

The LSF work programme is currently seeking to supplement the OECD indicators across all four capitals with indicators that are distinctly relevant to and an expression of New Zealand values. The third option could support the development of a range of bespoke indicators. We note that the key difference between the existing and illustrative tikanga indicators is objective versus subjective inputs. The existing indicators are heavily reliant on objective/physical indicators. Tikanga derived indicators, in contrast, are primarily subjective because they engage with inter-dependencies and interactions. We recognise

that subjective indicators are more difficult to integrate into a repeatable and efficient data collection programme, but believe there are a range of methodologies which ensure subjective indicators are practicable and sufficiently robust to ensure reliable benchmarking over time. We also strongly believe that including subjective indicators is inevitable if the objective is to incorporate New Zealand values.

Set out below are some illustrative tikanga indicators for natural capital. We have not addressed the remaining three capitals due to time constraints, but would welcome the opportunity to do so.

Natural Capital

The existing indicators within the LSF are under development and likely to include OECD indicators pertaining to air and water quality and the like. They may also include monetised measures of natural capital drawing on international economic-environmental accounting models.

Our preliminary view on indicators that give expression to tikanga derived values is set out in the table below:

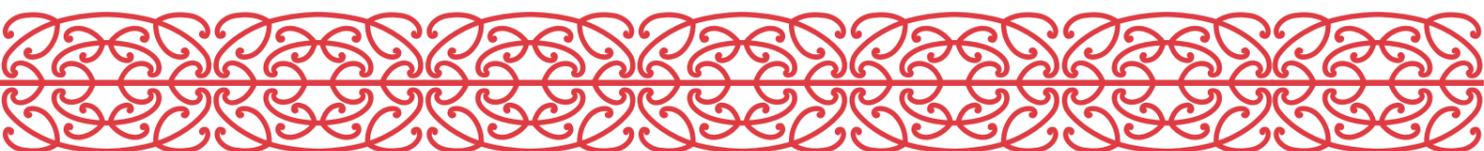
Manaakitanga	Whanaungatanga
<ul style="list-style-type: none"> • Ability of all segments to interact with the environment as they aspire to. • Relationship with the natural environment enhances sense of personal and community identity. • Ability to collect food and other resources (mahinga kai) from the natural environment. • Perpetuate and celebrate cultural practices that interact with the environment, including contemporary expressions of ancestral practice. 	<ul style="list-style-type: none"> • Relationships between users and decision makers concerning the natural environment. • Trust and confidence in decision making regarding the natural environment. • Knowledge of ancestral relationships with the natural environment, kawa, purakau etc, and that knowledge enhances sense of personal and community identity, resilience and connectivity.
Kaitiakitanga	Ōhanga/Whai Rawa
<ul style="list-style-type: none"> • Sense of living relationship with the environment-including tracking number, type and import of particular interactions with the natural environment. • Status of sites of significance. • Availability of people to practice kaitiakitanga. • Abundance of natural materials (biodiversity and broader). • Human practices progressively increase positive contribution to natural environment outcomes (eg increasing waste neutral households etc). • Individual, community and collaborative leadership in positive contributions to natural environment. • Respect and use of mātauranga Māori, as well as other knowledge systems, to inform and influence environmental management. 	<ul style="list-style-type: none"> • Natural environment supports current and future generations economic development aspirations. • Commercial use of natural environment embraces reciprocity (with whenua) and benefit sharing with local community (based on strong, trusting relationships). • Ability of natural environment to support communities/ kainga in places that people want to live.

We note that this preliminary identification of indicators requires further refinement, and we believe with the benefit of deeper analysis, it would be possible to develop classes of indicators similar to the financial/physical capital indicators that distinguish between indicators that:

- Are relevant to current and future wellbeing
- The ‘stock’ of the capital
- ‘Flow’ indicators
- Risk indicators

We are also confident that with deeper analysis the indicators would likely be simplified.

We note for completeness that there are indicators Māori are likely to expect to be included within a tikanga framework that do not comfortably align with the values in He Ara Waiora, such as indicators pertaining to mana motuhake.



PROCESS CONSIDERATIONS FOR EXTENDING HE ARA WAIORA

In our view, He Ara Waiora has strong support amongst Māori, a wide public benefit for NZ Inc and is consistent with existing Crown policy to broaden the role of values public decision that warrants its further development.

To develop He Ara Waiora we recommend that it is resituated to the LSF work programme on the grounds that a tikanga framework should, like the LSF, have a pervasive operation across all Crown policy. We also consider the comparative organisational strength at framework and analytical thinking within Treasury is important for its effective development and that there could be synergies with the DPMC policy project that could be leveraged.

To ensure that He Ara Waiora is a robust and practicable framework that attracts strong support from Māori and the wider community, we recommend that the development process includes the following components:

- That there is engagement with Iwi and Māori organisations to identify their practical insights into applying tikanga into decision making processes, supported by an analytical research component that consolidates existing tikanga frameworks and associated systems and tools used by Māori organisations;
- That there is engagement with experts in tikanga and the application of tikanga frameworks to explore and test the appropriate model for a tiered cascading tikanga framework as well as the tikanga derived values that ought to be included in a macro-tikanga framework. This process should in our opinion be supported by the consolidation and analysis of existing tikanga frameworks, as well as exploration of historical precedents which provide guidance for the application of tikanga to decision making processes;
- That the working draft tikanga framework is applied and tested within live policy processes including the further stages in the TWG, WEAG, ETS and imminent charities review, in a way that supports the development and testing of policy tools to assist in the implementation of a tikanga framework; and
- That the alignment of the tikanga framework with the LSF is tested with Māori communities through an engagement process comparable to the engagement led by the TWG to date.



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