

21 May 2025

Rt Hon Christopher Luxon  
Prime Minister of New Zealand  
Freepost Parliament  
Private Bag 18 888  
Parliament Buildings  
Wellington 6160

Dear Prime Minister,

We are enclosing some recent research and insights from the McGuinness Institute. The Institute is a non-partisan think-tank based in Wellington, working towards a better long-term future for New Zealand.

### **The 2024 Government Department Strategies Index (the GDS Index)**

Please find enclosed a complimentary copy of the latest *GDS Index Handbook*; it profiles each of the 195 government department strategies (GDSs) in operation as at 31 December 2024. We recommend you actively discuss all strategies that fit under your remit with the relevant chief executive. Some of these strategies should be updated, while others should be archived. We suggest the Index provides an opportunity to ask about the horizon of the strategy, its approach, its consideration of climate change, its costs, benefits and deliverables. GDSs are expensive: they cost taxpayers a great deal of money, yet once created they tend to be forgotten. An active and dynamic policy ecosystem requires proactive and responsive leadership. GDSs are government policy and therefore require your attention.

### **Unlocking Government documents with AI (Think Piece 43)**

Our Think Piece (enclosed) describes an experiment that uses AI to compare New Zealand's Long-term Insights Briefings (LTIBs) and GDSs. What we learned is that AI will provide an exciting opportunity to compare, stress test and align government documents, especially those with large data sets. We compared the *2024 GDS Index* data set (6948 pages of text) with the LTIBs data set (1221 pages). Although AI is still in its infancy and errors do exist, technology is evolving at pace. This technology opens the door to aligning goals and strategies, spotting gaps and inconsistencies, and reducing duplication. It will be useful across all government documents, in particular Cabinet minutes, national risk reports and fiscal updates. AI, managed ethically, should contribute to putting in place a policy ecosystem able to anticipate and prepare for the future. The aim is to be ambitious for a connected, integrated and responsive public policy ecosystem.

### **OECD and anticipatory governance**

Last year I was fortunate to be invited to be one of the 10 members of the Organisation for Economic Co-operation and Development (OECD) Expert Group on Strategic Foresight. This is an exciting opportunity to learn about and share the latest foresight methods with New Zealanders, and support the work of the OECD.

The OECD has found traditional governance models are increasingly under pressure and that governments worldwide are seeking ways to integrate foresight, innovation and continuous learning into the heart of public governance – the OECD refers to this as anticipatory governance. Later this week, the OECD will launch *Anticipatory Guidelines for Public Sector Organisations*. The OECD has already undertaken three reviews of governments applying an anticipatory governance perspective. There is an opportunity for an equivalent review to be undertaken in New Zealand and it is clearly something the Institute would strongly support.

### **The important distinction between risk and uncertainty**

In 1921, economist Frank Knight wrote a book titled *Risk, Uncertainty and Profit*. In the book, Knight drew a distinction between measurable uncertainty (which he called risk) and unmeasurable uncertainty (which he called uncertainty). The distinction focuses on whether outcomes are known (or not). If they are known, decisions tend to be guided by previous insights and the application of technical tools such as risk assessments and risk management (e.g. assessing probability and magnitude). In contrast, true uncertainty is when the inputs and the outcomes are not known or understood. In these cases, decisions are guided more by opinion and ideology and tools such as scenario analysis.

This distinction is particularly important today as we navigate our way forward. The term uncertainty is often used when risk is more appropriate. For instance, the recent escalation of US tariffs created a risk, not uncertainty – most importantly it created a known risk that could be studied and measured, and a strategy could be prepared in advance for every eventuality – the risk was known and measurable.

If we are faced with a risk, we know it can be identified and measured, whereas when faced with uncertainty a different approach is required. Importantly, uncertainties provide opportunities (as well as challenges), hence, uncertainties create space for innovation to occur. To summarise, decisions fail if you treat a risk as an uncertainty (e.g. a failure of analysis) and if you treat uncertainty as a risk (e.g. a failure to innovate).

### **Defence spending**

*In Defence of the Planet* (our Think Piece 42) is enclosed. The Institute's thinking is that developing weapons will emit significant emissions at a time when the planet cannot afford it. The biggest and hardest war New Zealand – and the world – is facing is the climate war. This requires the world to work together to reduce emissions and adapt.

This notwithstanding, it is important New Zealand does increase our defence spending; however, it needs to be strategic. Any increases in defence spending need to be targeted to our needs as a nation and need to minimise emissions as much as possible. Some opportunities for such spending include developing New Zealand's defence capability alongside Australia, utilising drones to protect the ocean, and working globally to support democratic nations currently under attack.

Global uncertainty exists in the defence space and futures scenarios can help us understand cause-and-effect relationships to identify innovative actions and outcomes. The UK Ministry of Defence think tank, Defence Futures, has published *Global Strategic Trends: Out to 2055*. It is well worth a read and is a great example of how to design a process to explore a range of risks and uncertainty (it is applicable beyond defence). Importantly, uncertainty creates space for innovation, and innovation often delivers significant benefits for society. We need to continue to learn, be curious and seek answers on how to move forward.

### **Foresight tools**

Late last year the Institute started a project with the aim of bringing together a set of commonly used foresight tools. One of these tools is colloquially called the animal metaphors. Please find enclosed a set of stickers featuring four animals, which refer to the four different types of knowns/unknowns we face. The stickers have proved to be very popular internationally.

I hope you find the *2024 GDS Index Handbook* and our other insights useful. As always, I would be happy to meet with you and share further observations or research.

Yours sincerely,

Wendy McGuinness  
Chief Executive

### **Attachments**

1. Report: *2024 GDS Index Handbook*
2. Think Piece 43: *Unlocking Government documents with AI*
3. Think Piece 42: *In Defence of the Planet*
4. A pack of foresight stickers: animal metaphors