



COVERSHEET

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| Minister | Hon Dr Shane Reti | Portfolio | Science, Innovation and Technology |
| Title of Cabinet paper | Going for Growth – Enabling AI uptake across the economy | Date to be published | 7 August 2025 |

List of documents that have been proactively released

| Date | Title | Author |
|--------------|---|--|
| June 2025 | Going for Growth – Enabling AI uptake across the economy | Office of the Minister of Science, Innovation and Technology |
| 30 June 2025 | Going for Growth: Enabling AI Uptake Across the Economy CAB-25-MIN-0216 Minute | Cabinet Office |

Information redacted

NO

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Office of the Minister of Science, Innovation and Technology

Cabinet Economic Policy Committee

Going for Growth – Enabling AI uptake across the economy

Proposal

- 1 This paper seeks your agreement to launch New Zealand’s first Artificial Intelligence (AI) Strategy. This Government is fully supportive of increased innovation with AI. We need a clear domestic, and international signal that New Zealand is supporting the uptake of AI to lift productivity, embrace innovation, and increase competitiveness across the economy for the benefit of all New Zealanders. This strategy is that signal.

Relation to government priorities

- 2 Pillar Four of Going for Growth (Innovation, Technology and Science) sets out our ambition to accelerate uptake of AI across the economy. The Coalition Government’s Q2 Action Plan for New Zealand includes the publication of an AI Strategy. An AI Strategy will support this Government’s ambitions to grow our economy, to increase living standards and opportunities for all New Zealanders.
- 3 AI has the potential to increase productivity in the public service. My colleague, the Minister for Digitising Government, has the lead for work in this area.

Executive Summary

- 4 AI can support economic growth by lifting productivity, making efficiencies, and enabling innovation and job creation. A recent report by Accenture and Microsoft predicted that generative AI alone could add up to \$75 billion in value to the New Zealand economy by 2038, increase GDP by 15% above baseline forecasts, and free up 275 hours per worker annually to focus on higher-value tasks.
- 5 We believe that business is best placed to decide how to incorporate AI into their operations, rather than through direct government intervention. I am therefore proposing that government take a light touch, principle-based approach to enable AI innovation to flourish across the economy.
- 6 This AI Strategy puts flesh on Cabinet’s June 2024 agreement on a strategic approach to AI [ECO-24-MIN-0119 refers]. It is framed around the OECD AI Principles (Appendix 1). It details our commitment to an enabling regulatory environment, cooperating internationally on the development of AI, providing AI guidance to businesses, strengthening AI R&D, and encouraging the development of Kiwi AI capabilities.
- 7 The Strategy (Appendix 2) highlights actions the Government is already taking to demonstrate its support for AI, including increasing AI uptake within the public sector. I propose that this Strategy is released in tandem with the forthcoming Responsible AI Guidance for Business, which together will encourage businesses to embrace AI for productivity gains and contribute to economic growth.

A Strategy is needed to unlock AI opportunities

- 8 AI is being rapidly adopted by the private sector across the economy. However, there remains groups still hesitant to embrace the opportunities that AI represents and low levels of public trust in AI. New Zealand's interrelated challenges include:
 - 8.1 Rates of AI adoption are growing from a low base, and studies indicate that these rates are lagging our international peers. In 2024, a Datacom survey shows that many larger firms are now using some form of AI, whilst a New Zealand Institute of Economic Research survey revealed that 68 percent of New Zealand small and medium businesses have no plans to evaluate or invest in AI technology.
 - 8.2 Public trust in AI remains low. The Ipsos *AI Monitor 2024* found that of 32 countries, New Zealand ranked second highest on levels of concern about AI products and services.
 - 8.3 Challenges are being felt keenly in some sectors. Public consultation by the Ministry for Culture and Heritage on the Government's proposed creative and cultural strategy Amplify in late 2024 emphasised a need to protect intellectual property from AI threats – a global issue where norms are still developing.
 - 8.4 Difficulties with AI talent development and retention. There have been limited efforts to date to develop a domestic pipeline of AI talent, and retaining highly skilled tech talent remains a challenge.
- 9 New Zealand currently performs poorly relative to our small, advanced economy comparators on global AI-readiness indices, harming our ability to attract AI talent or investment. Two prominent indices – the Oxford Insights Government AI Readiness Index and Stanford Global AI Vibrancy Indicator – rank New Zealand 40th (of 188) and 35th (of 36), respectively. One of the key aspects assessed by many of these indices is whether a country has a strategy for AI.
- 10 A Strategy can help boost New Zealand's credibility internationally as an attractive location for digital innovation and as a partner in global AI governance fora. New Zealand is the only OECD country without an AI strategy.
- 11 I propose that Cabinet authorise me to finalise and publish the attached national AI Strategy.

The Strategy clarifies our commitment to an enabling environment for AI

- 12 To support New Zealand to grasp the opportunity from AI, the Strategy sets out our commitment to:
 - 12.1 Creating and maintaining an enabling regulatory environment, with New Zealand's rules no more restrictive than comparator countries in the OECD
 - 12.2 Working with international partners on global rules to support the responsible use and development of AI technologies
 - 12.3 Providing guidance to businesses on how AI applies to New Zealand law and, where necessary, amending legislation to manage or resolve unintended problems between AI and existing legislation

- 12.4 Fully supporting increased innovation with, and investment in AI in New Zealand, including through the New Zealand Institute for Advanced Technology
- 12.5 Encouraging the development of Kiwi AI capabilities, including through increased support for STEM education.
- 13 New Zealand has existing legal frameworks in areas such as privacy, consumer protection and human rights that enable us to take a principles-based, technology-neutral approach to regulate AI use. We will continue to use these regulations, and they should be adhered to by businesses. As noted above, we can update our frameworks, based on evidence, as needed to manage issues, especially to better support innovation or provide guardrails. We also have a variety of flexible guidance options to support responsible AI innovation and use. Consistent with our Cabinet agreement in June 2024, we will use such approaches in preference to developing standalone AI laws.

The Government is providing confidence for an AI powered future

- 14 New Zealand already has many of the components needed to begin the transition to an AI-enabled economy. There is a growing landscape of organisations working and investing in AI technologies at all levels. We need to accelerate this, and give confidence to the public, encourage investors, innovators and business that New Zealand is the right place to go to use, develop and invest in AI. New Zealanders will need to develop trust and give social licence to the use of AI.
- 15 I have framed the AI Strategy around the OECD AI Principles, whose policy recommendations help guide policy to enable innovative and trustworthy AI. This approach also supports our alignment on AI with our international partners. The five main principles are an enabling policy environment, building Kiwi capacity, fostering the AI ecosystem, cooperating internationally, and strengthening AI R&D.
- 16 The Strategy has been developed with support from the Digitising Government Portfolio, which has responsibility for uptake of AI in the Public Service. AI provides significant opportunities for Government service delivery as well as improving productivity, driving efficiency, and delivering better value for money. The Minister for Digitising Government is leading an AI work programme by directing the Government Chief Digital Officer to drive the safe and responsible use of AI in the Public Service. This includes releasing the Public Service AI Framework and Responsible AI Guidance for the Public Service which align with this Strategy, and leading work across agencies to scale up government's use of AI.
- 17 The Government has a role to play in putting the right policy settings in place, clearly communicating its plans with respect to AI, and leading by example in the public sector. Much of the rest is up to different parts of our society, like business and academia, to innovate and experiment. I consider the Strategy – in conjunction with other actions, such as the Science System reforms including the actions of the soon to be established New Zealand Institute for Advanced Technology – puts the right foundations in place to get New Zealand moving on AI.
- 18 MBIE's forthcoming Responsible AI Guidance for Business will be as practically important as the strategy is symbolically important. To help businesses work with AI this voluntary resource will help companies think through good business foundations for trustworthy AI (e.g. governance, procurement, cyber security, privacy etc) and AI specifics (e.g. data and

modelling, human-in-the-loop decision-making). I am happy to share this operational MBIE document with any Minister who is interested.

Cost-of-living Implications

- 19 There are no cost-of-living implications directly arising from this proposal. Increased use of AI across the economy has the potential to lift productivity and grow economic prosperity.

Financial Implications

- 20 There are no immediate financial implications arising from the publication of the Strategy. Government activity related to the Strategy is either delivered within baselines, or through separate appropriations.
- 21 Greater AI use in the Public Service could improve efficiency and value for money.

Legislative Implications

- 22 There are no legislative implications from this proposal.

Impact Analysis

Regulatory Impact Statement

- 23 The impact analysis requirements do not apply to this proposal as no regulatory changes are proposed.

Climate Implications of Policy Assessment

- 24 A Climate Implications of Policy Assessment is not required for this proposal.

Population Implications

- 25 AI could have disproportionate impact on some population groups. Agencies' work on AI would undertake analysis of population impacts as applicable. New Zealand's approach to adopting and developing AI is in accordance with the OECD's AI Principles, including respecting the rule of law, human rights and democratic values, including fairness and privacy, as well as robustness, security and safety.
- 26 As a general-purpose technology, greater AI adoption may change parts of the labour market. MBIE, in coordination with Business New Zealand and the NZ Council of Trade Unions, has agreed to establish metrics and monitor workforce trends.

Human Rights

- 27 This proposal does not present inconsistencies with the New Zealand Bill of Rights Act 1990 and the Human Rights Act 1993.

Use of External Resources

- 28 No contractors or consultants were engaged in the preparation of this paper, or in the development of the Strategy.

Consultation

- 29 The Strategy was developed by MBIE with input from key agencies: GCDO, DPMC, MFAT, MoE, StatsNZ, and MoH.
- 30 I instructed MBIE officials to undertake targeted consultation on a draft of the Strategy with selected external groups (including universities, Crown Research Institutes, industry, and peak bodies) in April. There was broad consensus that an AI Strategy was necessary, though many called for more direct government intervention through more intensive policy development and investment in national capabilities and infrastructure.
- 30.1 The AI Forum – New Zealand’s peak body for the AI ecosystem – provided a range of views reflecting its diverse membership, including from industry, academia, and a Māori AI advisory panel. On balance there has been a positive response to the development of a strategy and to its content and our targeted consultation efforts.
- 31 The following agencies were consulted: Accident Compensation Corporation, Callaghan Innovation, Commerce Commission Crown Law, Department of Conservation, Department of Corrections, Department of Internal Affairs, Department of Prime Minister and Cabinet, Financial Markets Authority, Government Chief Digital Office, Health New Zealand, Inland Revenue Department, Intellectual Property Office of New Zealand, Land Information New Zealand, Maritime NZ, Ministry for Culture and Heritage, Ministry for Ethnic Communities, Ministry for Pacific Peoples, Ministry for Primary Industries, Ministry for Regulation, Ministry for the Environment, Ministry for Women, Ministry of Defence, Ministry of Education, Ministry of Foreign Affairs and Trade, Ministry of Health, Ministry of Housing and Urban Development, Ministry of Justice, Ministry of Social Development, National Cyber Security Centre, New Zealand Customs Service, New Zealand Defence Force, New Zealand Intelligence Community, New Zealand Police, New Zealand Qualifications Authority, New Zealand Trade and Enterprise, NZ Transport Agency, Office of the Privacy Commissioner, Oranga Tamariki, Parliamentary Counsel Office, Public Service Commission, Social Wellbeing Agency, Stats NZ, Te Puni Kōkiri, Tertiary Education Commission, and the Ministry of Disabled People.
- 32 At the request of the Office of the Privacy Commissioner, this comment has been included: *As the Privacy Commissioner, I support the ambition to responsibly harness AI technology for the benefit of New Zealanders. This Cabinet paper sets out key barriers to that aim, including low public trust and limited business readiness. In my view those barriers reflect uncertainty about risks and regulatory requirements. In a global survey of attitudes to AI by the University of Melbourne and KPMG across 47 nations, New Zealanders were the least likely to have a high acceptance of AI. Four out of five New Zealanders did not see current regulation of AI as adequate. While the proposed work programme and AI strategy cover the potential upside from AI tools well, they miss the chance to fully consider risks, concerns, and barriers to uptake. For example, I am yet to see work analysing where existing regulations work well, and where existing or emerging gaps in our safeguards drive public concern. While we do not need specific AI regulation at this stage, in my view there are known regulatory gaps which put New Zealand behind peer nations in AI readiness. Updating our Privacy Act would be one achievable near-term step to address public concern and enable beneficial and trusted use of AI tools over the coming decade, and my Office is happy to help with understanding the issues and options.*

Communications

- 33 It is important for the purposes of overseas rankings and the need to attract foreign capital, that the Government take a public position in respect to its approach to AI.
- 34 I propose to instruct my officials to finalise the materials, with a view to publication shortly after Cabinet.

Proactive Release

- 35 I intend to proactively release this paper.

Recommendations

The Minister of Science, Innovation and Technology recommends that the Committee:

- 1 note that in June 2024, Cabinet agreed a strategic approach to AI in New Zealand, which recognised that increased uptake and use of AI in New Zealand can help deliver better outcomes for people in New Zealand and promoted the OECD AI Principles as a key direction [ECO-24-MIN-0119 refers];
- 2 note that the Coalition Government's Q2 Action Plan includes a commitment to publish an AI Strategy;

A strategy is needed to unlock AI opportunities

- 3 note that New Zealand performs poorly on AI-preparedness indices relative to small economy comparators and is the only OECD country without an AI Strategy, negatively impacting global perceptions of New Zealand as a location for digital innovation and AI investment;
- 4 note that the AI Strategy provides a signal to the private sector that New Zealand is an economy conducive to investment into and use of AI. The Minister for Digitising Government will be coming to Cabinet in the coming months with tangible actions to drive uptake of AI across the public service;
- 5 agree that the Government, through the AI Strategy, signal that New Zealand is taking a light touch, principle-based approach to AI to enable innovation and economic growth;

The Strategy clarifies our commitment to an enabling environment for AI

- 6 agree that the AI Strategy will state our commitment to:
 - 6.1 Creating and maintaining an enabling regulatory environment, with New Zealand's rules no more restrictive than comparator countries in the OECD
 - 6.2 Working with international partners on global rules to support the responsible use and development of AI technologies
 - 6.3 Providing guidance to businesses on how AI applies to New Zealand law and, where necessary, amending legislation to manage or resolve unintended problems between AI and existing legislation

- 6.4 Fully supporting increased innovation with, and investment in AI in New Zealand, including through the New Zealand Institute for Advanced Technologies
- 6.5 Encouraging the development of Kiwi AI capabilities, including through increased support for STEM education;

The Government is providing leadership for an AI powered future

- 7 note that the AI Strategy is framed around the five OECD AI policy principles and sets out government actions providing leadership for increased AI use and investment across the economy;
- 8 agree that the Minister of Science, Innovation and Technology publish the finalised AI Strategy;

Financial implications

- 9 note Government activity related to the Strategy is either delivered within baselines, or through separate appropriations;

Communications

- 10 authorise the Minister of Science, Innovation and Technology to make further, minor amendments to finalise the materials.


Authorised for lodgement

Hon Dr Shane Reti

Minister of Science, Innovation and Technology

Appendix 1: Definitions

For the purposes of the Strategy, we are utilising the OECD definition of AI: A machine-based system that, for explicit or implicit objectives, infers, from the input it receives, how to generate outputs such as predictions, content, recommendations, or decisions that can influence physical or virtual environments.

| OECD AI Principles | |
|---|---|
| <p>This Strategy is derived from the OECD AI Policy Recommendations, which help policymakers ensure that national AI policy maximises benefits and minimises risks. Behind these recommendations are the OECD AI Principles. Together these form the first intergovernmental standard on AI, designed to ensure that AI use is innovative, trustworthy, and respect human rights and democratic values.</p> | |
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| AI Policy Recommendations | AI Values-based Principles |
| <ol style="list-style-type: none"> 1. Investing in AI research and development 2. Fostering an inclusive AI-enabling ecosystem 3. Shaping an enabling interoperable governance and policy environment for AI 4. Building human capacity and preparing for labour market transformation 5. International co-operation for trustworthy AI | <ol style="list-style-type: none"> 1. Inclusive growth, sustainable development and well-being 2. Human rights and democratic values, including fairness and privacy 3. Transparency and explainability 4. Robustness, security and safety 5. Accountability |

Appendix 2: Advancing New Zealand Towards an AI Powered Future – New Zealand’s Strategy for Artificial Intelligence

Attached.