"New Zealand’s high trust public sector is its greatest competitive advantage."

Phil O’Reilly - Chief Executive of Business New Zealand
“Policy Implications of Transparency International Integrity Plus 2013 NZ's National Integrity System Assessment”

The Treasury

Friday, 14 March 2014, 1:30pm-3:00p,

liz.brown@paradise.net.nz mpetrie@esg.co.nz suzanne.snively@paradise.net.nz

www.transparency.org.nz
Today’s Presentation

- TINZ and the TI CPI (Suzanne Snively)
- National Integrity System Assessment (Suzanne Snively)
- Foundations (Liz Brown)
- Pillar Results (Liz Brown)
- Strengths/ Weaknesses (Murray Petrie)
- Six Systems Level Cross Cutting Themes (Murray Petrie)
- Recommendations (Murray Petrie)
- Policy Implications of the Recommendations (Suzanne Snively)
- Questions and Discussion

www.transparency.org.nz
Transparency International New Zealand Incorporated, a Chapter of the international agency, Transparency International in Berlin, actively promotes the highest levels of transparency, accountability, integrity and public participation in government and civil society in NZ, the Pacific Islands and the world.

Our Mission is to promote transparency, good governance and ethical practices -
• In New Zealand’s private and public sectors (whether operating in New Zealand or overseas);
• In the South Pacific; and
• Internationally, as part of the global Transparency International movement.

We are committed to ensuring that:
• New Zealand’s public service and commercial organisations demonstrate ethical, transparent, and corruption free practices,
• New Zealand fully implements international anti-corruption conventions, especially the OECD Convention on Bribery of Foreign Public Officials in International Business Transactions and the United Nations Convention Against Corruption (UNCAC)
• New Zealand’s public and private institutions have full access to non-partisan information on matters relating to corruption and transparency.
• We are able to provide financial and technical support for the anti-corruption and transparency work in the Pacific

www.transparency.org.nz
Transparency International New Zealand Incorporated is governed by a Board of Directors of up to 12 persons elected by Members at the Society’s Annual General Meeting. Directors are appointed for two years. They serve as individuals and not as representatives of their employer.

The current Officers of the Society are:

Patron: Right Honourable Sir Anand Satyanand
Chair: Suzanne Snively
Director: Claire Johnstone
Director: Murray Sheard
Director: Fiona Tregonning
Director: Ian Tuke
Director: Bryce Edwards
Director: Stephen Drain
Director: Suzanne Carter
Director: Stephanie Hopkins
Director: Fuimaono Tuiasau
Director: David McNeill
Director: Daniel King

www.transparency.org.nz
Corruption Perceptions Index

Transparency International’s Corruption Perceptions Index (TI CPI) ranks countries "by their perceived levels of corruption, as determined by expert assessments and opinion surveys."

On 3 December 2013, The Transparency International Secretariat in Berlin released its annual Global Corruption Perceptions Index which ranks the public sector of 177 countries across the world. New Zealand has ranked first or first equal for 10 out of the 20 years of the index. It measures perceptions of the international agencies that do the scoring. New Zealand also scores well on other international indicators including the World Justice Project, the Open Budget Index and the Freedom House Index of Press Freedom (though in this case, NZ ranked 16th).

On 13 November 2012, TINZ set out to discover whether this perception of New Zealand was valid through the 2013 National Integrity System Assessment.

www.transparency.org.nz
New Zealand’s Public Service tops the scoring and the rankings as the least corrupt

• Having a trusted public service is something to celebrate
• It influences everything organisations do
• Public servants should take pride in this
• Respect the legacy of those who came before
• Don’t take it for granted, harder to maintain
• Media, Political Parties, NGOs and the business sector have much to do
• CPI is perceptions- the NIS assessment is about actuality
• It was important to do the assessment rigorously – carried out with a team of over 50 including reviewers and over 35 researchers
NATIONAL INTEGRITY SYSTEM ASSESSMENT

POLICY IMPLICATIONS OF THE FINDINGS ON INDIVIDUAL PILLARS

Liz Brown
Research team manager

www.transparency.org.nz
Divisions of pillar assessments

Capacity
Governance
Role
Treaty of Waitangi

www.transparency.org.nz
Pillar 10 – Political Parties

• The financing of political parties is a problem. There are concerns about the improper influence of donations and unequal private wealth, and also about the indirect state funding provided opaquely to the parties in Parliament, which is used for political campaigning.

• Political parties are generally very separate from civil society, and are not trusted. Their representational and engagement abilities are limited. There is a long term decline in membership and increased reliance on public funding.

• They play a strong role in highlighting and combating impropriety and potentially corrupt practices in public life.
Pillar 11 – Media

• The media is free and independent.
• It is active and successful in informing the public about the activities of the government, as well as uncovering corruption where it might occur in any of the other pillars.
• There is seen to be relatively comprehensive (but not always in-depth) reporting on politics with a fair degree of objectivity.
• The media is not diverse in terms of ownership or content, but the barriers to setting up new media outlets are economic rather than regulatory.
• Public and community broadcasting are not fostered in New Zealand.
• There are some deficiencies in media codes of conduct.

www.transparency.org.nz
Pillar 12 – Civil Society

• The legal environment for civil society organisations is favourable and most civil society organisations are sufficiently resourced to operate, albeit on a short-term planning horizon

• They are generally independent though for some independence is limited by political relationships and funding uncertainty

• The level of transparency is variable and New Zealanders are largely under-informed about the transparency and disclosure they should expect from their CSOs.

• CSOs take on advocacy and public watchdog roles, and some are set up explicitly for this. Many are actively engaged in policy reform initiatives although there is little focus on anti-corruption in view of perceived low levels of corruption in New Zealand.
Pillar 13 – Business

- Businesses are able to operate freely and without undue interference from government or other entities.
- New Zealand has a justified reputation for low levels of corruption in the domestic business sector.
- There is a low level of anti-corruption awareness both domestically and in dealings in offshore markets.
- Some evidence suggests that business people, especially in SMEs, view potentially corrupt or unethical business “norms” in other markets as acceptable as long as they are conducted by third party, in-country agents who do not specifically inform the New Zealand company of their ways of doing business.

www.transparency.org.nz
New Zealand has no dedicated anti-corruption agency. Bribery and corruption are a focus for the Serious Fraud Office but it has no statutory obligation to prioritise them.

Law enforcement agencies meet high standards of independence, integrity and accountability, including in investigation of corruption and bribery matters. Failures and controversies provide impetus for improvement.

Current legislation needs updating to be effective against bribery and corruption.

Neither the SFO nor the Police is specifically funded for or tasked with anti-corruption training and education for the public.
The recent merger that resulted in the creation of the Electoral Commission has produced a well-resourced and robust independent body. It is a highly-respected agency which functions well within its competences.

In some areas, particularly that of political finance regulation, it has limited scope and tools at its disposal but nonetheless carries out its functions adequately.

Problems with elections such as low voter turnout are not the responsibility of the Electoral Commission.
Pillar 7 – Ombudsman

- The Ombudsman has been substantially under-resourced and has a large backlog of cases. It is not clear whether a recently announced funding increase will be sufficient.

- There are high standards of independence, integrity and accountability in practice though some formal integrity mechanisms are missing

- The Ombudsman is an important and effective check on the exercise of administrative power and on the proper use of the official information legislation

- There is no funding or formal remit to carry out educational functions or to assess the quality of agencies’ systems for handling complaints and requests for information.

www.transparency.org.nz
Pillar 8 – Supreme Audit Institution

• The OAG is well resourced and fully independent. It is a trusted institution and an effective watchdog that can set and enforce high standards of audit and integrity of auditors. It is subject to independent financial audit and periodic independent reviews.

• Reports and advice are nearly always delivered on time and made public. Major reports generally receive significant media attention and public officials take its findings seriously. A few reports have a major political impact but many receive only cursory attention in Select Committees and the House.

• The OAG plays a significant role in maintaining New Zealand’s high standards of public financial management. Its criticisms of performance reporting are contributing to improvements in the quality of this reporting.
Pillar 1 – Legislature

- Parliament is generally well resourced and independent of external influence
- Since MMP Parliament has become a more effective check on the Executive but this is still work in progress and is not helped by a backlog of legislation
- Transparency and accountability good, but could be enhanced by extending OIA
- Oversight of fiscal management only moderately good and there is a low level of direct public engagement in the budget process
- Inter-party contestation dominates the parliamentary culture to the detriment of other important parliamentary roles
Pillar 2 – Executive

• The Cabinet system generally provides high transparency of, and accountability for decision-making and implementation, and promotes ministerial integrity

• There is a tradition of effective self-regulation through the Cabinet Manual, comprehensive and coherent laws and reporting of public sector activity to the Legislature, and the independent scrutiny of the Officers of Parliament

• Executive governance of the public sector tends to direct insufficient attention to less publicly observable interests such as public sector capacity, cross-departmental public service coordination, the quality of regulation and the monitoring and evaluation of the longer run impact of policies

• There are perceptions of political patronage in the appointment of Board members of statutory bodies
The Judiciary is generally well resourced and meets high standards of independence, integrity and accountability. Areas for improvement include the appointment process for High Court judges (changes announced) and annual reports to the public. Recent reviews do not primarily focus on the Judiciary but on the administration of justice from the perspective of value for money and customer satisfaction. There is some potential here for conflict between public sector officials and judges over judicial independence and access to the courts.
Pillar 4 – Public Sector

- Resourcing is generally adequate.
- The public sector is independent and free from improper external influence. There is some lack of clarity in the conventions around the relationship between ministers and departments in respect of independent policy advice and major decisions on departmental management.
- The public sector has high integrity and is one of the world’s most transparent, though there is insufficient transparency around achievement of impacts of government regulation and spending.
- It does not currently meet international good practice standards for national environmental reporting.
- The public management system does not demand that major policies be independently monitored and evaluated.
- There are ambitious reforms under way to better protect the public interest in the managerial problem areas identified. Earlier attempts to solve them have proven unsustainable so the lesson from the past is that success requires a multi-faceted systemic approach and should be regularly evaluated.
NATIONAL INTEGRITY SYSTEM ASSESSMENT

From Findings to Recommendations

Murray Petrie
NIS Co-Director
Key Strengths of NZ’s NIS

• Interactions between specific pillars:
  ➢ The judiciary as check on executive action
  ➢ OAG support Parliamentary oversight of public finances
  ➢ Ombudsman as restraint on administrative power, and enforcing rights under OIA
  ➢ Office of Parliamentary Commissioner for the Environment in strengthening transparency and accountability for environmental governance
Key Strengths of NZ’s NIS (2)

• When cases of corruption or unethical behaviour exposed, usually pursued vigorously

• Strengths from the social and political foundations – general culture that does not tolerate corruption, support for democratic institutions, individual rights assured, absence of significant social conflict
Six system level cross-cutting themes

1. Strong culture of integrity, but this coming under increasing pressure.

2. Relative structural dominance of the executive branch
   - No constitutional entrenchment, or second House; weaknesses in Parliamentary oversight.

3. Lack of transparency in number of areas:
   - Political party finances, and lobbying
   - OIA does not cover administration of Parliament
   - Public registers of trusts, and company ownership
   - Public procurement
   - Some gaps with respect to the judiciary
4. Variation in formality of frameworks regulating different NIS pillars.
5. Conflicts of interest not always well managed.
6. NZ would benefit from greater emphasis on prevention of fraud and corruption.
From Findings to Recommendations

- Outside scope: fundamental constitutional issues; policy issues
- Pillar researchers and research team drew from findings in each pillar, identified key strengths and weaknesses of NIS
- Identified cross-cutting themes
- Revisited TINZ 2003 NIS report
- Drew on existing reports and analysis
- Some recommendations general in nature, the NIS assessment not intended/equipped to do detailed new analysis of different reform options
- Considered the international context
- Action-focused, implementable
The core message of the report is that stronger action to promote and protect integrity in NZ is overdue.
• Seven primary recommendations, representing key areas for change.

• Most recommendations are supported by detailed recommendations (over 50 in total).
1. Ministry of Justice to lead development of a comprehensive National Anti-Corruption Strategy, developed in partnership with civil society and the business community, combined with rapid ratification of UNCAC.

3. Transparency and integrity need to be strengthened in a range of priority areas:

a. **Parliament**: coverage of OIA; oversight of executive; quality of laws; lobbying.

b. **Political executive**: independent review of free and frank advice; pro-active release of information; framework for public consultation and participation

c. **Local government**: protocol with central government on regulation; conversation on constitutional place of local government
Recommendation 4

4. Public sector integrity, transparency and accountability need strengthening:
   a. Public procurement.
   b. Public appointments.
   c. State sector integrity: protected disclosures; reporting of misconduct; surveys of public servants.
   d. Fiscal transparency: tax expenditures, Citizen’s Budget; more technical support for Parliament.
   e. Civics education.
5. Support and reinforce the roles of key independent integrity institutions:

a. Electoral management: review public funding of political parties; greater transparency of party finances; strengthen enforcement.

b. Judiciary: publish an Annual Report; increase public access to Court information; enhance transparency of judicial appointments.

c. Ombudsman: promote compliance with OIA; introduce OIA oversight function; review funding
6. Business community, media and NGOs should be more proactive in strengthening integrity as ‘must have’ feature of good governance.

a. Business: raise awareness of corruption risks, and of criminalisation of foreign bribery; training; work with IOD
b. Media: industry regulatory bodies should review their integrity systems; government to publish regular monitoring reports

c. Civil society: review restrictions on public advocacy; inform public on the information they should expect from NGOs.

7. Further research and assessments on:

a. Actual incidence of corruption.

b. Role of structural discrimination.

c. Transparency etc of SOEs and RBNZ.

• Since the 2003 National Integrity System assessment, there have been some welcome areas of strengthening of transparency systems and accountability in New Zealand.
• It is clear that New Zealand remains highly rated against a broad range of indicators of transparency and the quality of governance.
• The 2013 assessment found that a number of areas of concern, weakness and risk highlighted by the 2003 NIS remain in the face of on-going and new challenges to integrity systems.
• The core message of the assessment is that it is beyond time to take the protection and promotion of integrity more seriously and to act now.

And now Suzanne will discuss the policy implications of the NIS
While institutions in the public sector are focused on maintaining integrity systems, there is widespread lack of knowledge about corruption and limited public awareness of the role of anti-corruption organisations (less than 5% of the public have heard of TINZ)

• SFO/TINZ Anti-corruption Training will provide a tool for all, public, private NGOs, large or small, Enterprises to Become as Good as the Public Sector is Perceived

• Based on UK Training programme adapted for New Zealand

• Freely available (available on TINZ website now)

• Focus on organisations who lack their own internal staff training

• Will be continuously improved to reflect increased knowledge of ways to strengthen integrity systems

• The Integrity Plus NIS Assessment provides bases for this
Policy Implications of the Recommendations

(1) **Ratification of UNCAC**: the legislative agenda has re-prioritised (delayed) the Crimes Act but it’s still on the agenda and the Crimes Bill may be introduced as early as next week.

(2) **Open Government Partnership**: Dr Michael Macaulay will represent TINZ at the Forum in Bali May 6/7. The SSC’s Manjula Shivanandan is facilitating NZ’s Action Plan to be published 31 July. Indonesia is hosting a forum of OG partners 6/7 May. The C20 meeting 20/21 June provides another lever to motivate further deepening of the NZ OGP Action plan.
Policy Implications of the Recommendations

(3) **Priority areas to strengthen integrity, Parliament, Cabinet, Local Government:** A forum on the 2013 NZ NIS is planned by the School of Government for May with a focus on strengthening integrity systems for Parliament and Cabinet. For local government, a draft report relating New Zealand’s participation in the LIS pilot is close to completion.

(4) **Public sector integrity, transparency and accountability:** Both the above initiatives address ways of strengthening the permanent public sector, especially in regards to integrity and accountability systems. While procurement is also covered, another initiative addressed procurement in detail is the Anti-corruption Training.
Policy Implications of the Recommendations

(5) Roles of key integrity institutions Work is underway for a major forum on the role and effectiveness of the Electoral Commission planned for May 29th. This is also planned to be a major topic for the SOG Forum in May and there is also an opportunity to address this as part of a discussion being organised by IPANZ, with two related Panel discussions in April and May.

(6) Business, Community, Media more responsive: The Open Government Partnership Action plan provides an opportunity to engage with the business, media and non-government organisations.

(7) Further research and assessments: The OGP also provides a basis for further research on the public, private and civil society sectors for building strong integrity systems.
Strong integrity systems:
• Foster public trust
  – building legitimacy
  – ensuring the sustainability of our institutions
  – engaging citizens’ respect for our institutions
• Supports tax system / tax base
• Trust is an economic as well as a constitutional and social value
• Strong integrity systems support social cohesion – in an increasingly diverse country
Objective:
Keep New Zealand as Good as it’s Perceived

Questions
Thank You

DISCLAIMER
This presentation is for information and discussion purposes. Neither the presenter or Transparency International accept any liability whatsoever for the consequences from the use of this presentation by any party in any circumstances. Comment, including reference to others knowledge, is actively sought and will be considered in future discussion papers and presentations.

www.transparency.org.nz
Analysis: Complacency about Real Opportunities

"New Zealand's high trust public sector is its greatest competitive advantage."

Phil O’Reilly - Chief Executive of Business New Zealand

© 2015 Transparency International. All rights reserved.

www.transparency.org.nz