

**“Policy Implications of Transparency
International Integrity Plus 2013 NZ's National
Integrity System Assessment”**

The Treasury

Friday 14th March 2014

1:30pm- 3:00pm

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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

Who is TINZ?

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

Who is TINZ?

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

What is this TI CPI?

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.

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

Rule of
Law

Sustainable
developmen
t

Quality
of Life

NATIONAL INTEGRITY SYSTEMS

Legislature

Executive

Judiciary

Public Sector

Law Enforcement/ Anti-corruption

Electoral Management

Ombudsman

Audit Institution

Political Parties

Media

Civil Society

Business

Political, Social, Cultural, Economic Environmental, Treaty of Waitangi

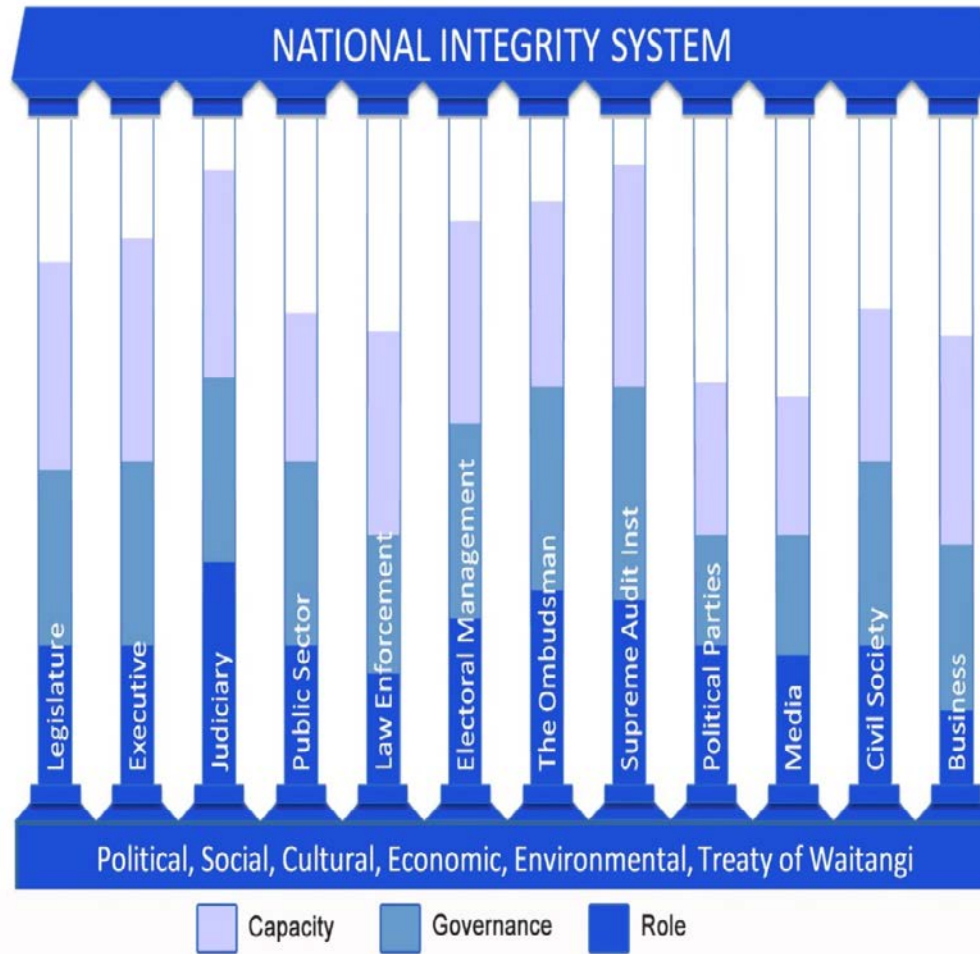
Divisions of pillar assessments

Capacity

Governance

Role

Treaty of Waitangi



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

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

Pillar 5 and 9 – Law Enforcement /anti-

- 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

Pillar 6 – Electoral Commission

- 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.

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

Pillar 3 – Judiciary

- 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

Six system level cross-cutting themes

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

Recommendations

The core message of the report is that stronger action to promote and protect integrity in NZ is overdue.

Recommendations

- Seven primary recommendations, representing key areas for change.
- Most recommendations are supported by detailed recommendations (over 50 in total).

Recommendations 1 and 2

- 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.
- 2. Government should put forward an ambitious National Plan of Action for the Open Government Partnership**, after wide public consultation.

Recommendation 3

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.

Recommendation 5

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

Recommendations 6 and 7

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.

d. Public education on the Treaty of Waitangi.

Progress to Build Strong Integrity Systems Matter

- 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

Policy Implications of the NIS Recommendations

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 NIS 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 NIS 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 NIS 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

Policy Implications of the NIS

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

Public Sector Reporting and Strong Integrity Systems

•Questions

Objective:

Keep New Zealand as Good as it's Perceived

Thank You

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Comment, including reference to others knowledge, is actively sought and
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Analysis: Complacency about Real Opportunities

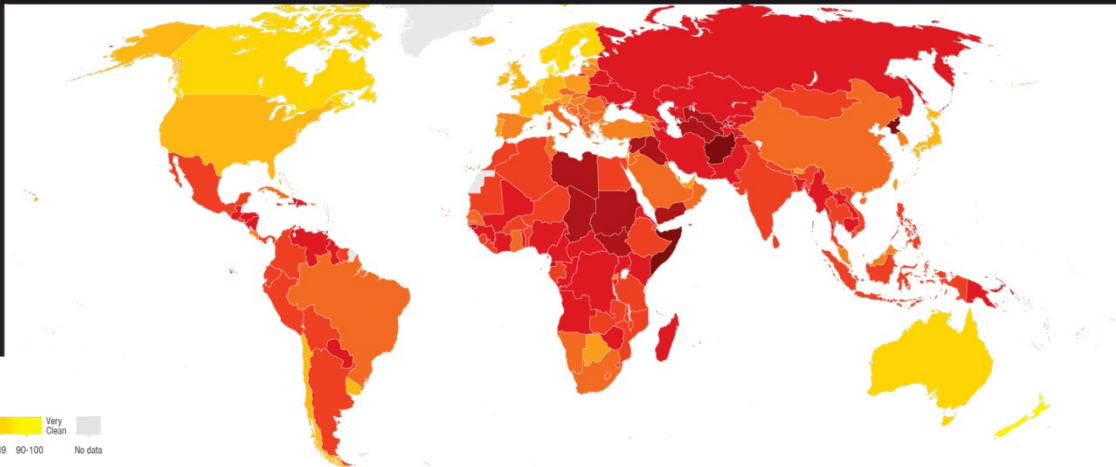
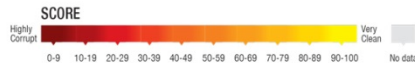
"New Zealand's high trust public sector is its greatest competitive advantage."

Phil O'Reilly - Chief Executive of Business New Zealand



CORRUPTION PERCEPTIONS INDEX 2013

The perceived levels of public sector corruption in 177 countries/territories around the world.



1	New Zealand	91	21	Ireland	72	RANK	COUNTRY/TERRITORY	SCORE	61	Oman	47	RANK	COUNTRY/TERRITORY	SCORE	94	Suriname	36	RANK	COUNTRY/TERRITORY	SCORE	140	Kazakhstan	26	RANK	COUNTRY/TERRITORY	SCORE
1	Denmark	91	22	Bahamas	71	41	Cape Verde	58	61	Slovakia	47	80	Greece	40	102	Ecuador	35	119	Timor-Leste	30	140	Laos	26	169	Cambodia	20
2	Finland	89	22	Chile	71	41	Dominica	58	63	Cuba	46	82	Swaziland	39	102	Moldova	35	123	Belarus	29	140	Uganda	26	169	Eritrea	20
3	Sweden	89	22	France	71	43	Lithuania	57	63	Ghana	46	83	Burkina Faso	38	102	Panama	35	123	Dominican Republic	29	144	Cameroon	25	169	Venezuela	20
4	Norway	86	28	Saint Lucia	71	43	Slovenia	57	63	Saudi Arabia	46	83	El Salvador	38	102	Thailand	35	123	Guatemala	29	144	Central African Republic	25	163	Chad	19
5	Singapore	86	28	Austria	69	45	Malta	56	66	Jordan	45	83	Jamaica	38	106	Argentina	34	123	Togo	29	144	Iran	25	163	Equatorial Guinea	19
6	Switzerland	85	28	United Arab Emirates	69	46	Korea (South)	55	67	Macedonia (FYR)	44	83	Liberia	38	106	Bolivia	34	123	Azerbaijan	28	144	Nigeria	25	163	Guinea-Bissau	19
7	Netherlands	85	28	Estonia	68	47	Hungary	54	67	Montenegro	44	83	Mongolia	38	106	Gabon	34	127	Comoros	28	144	Papua New Guinea	25	163	Haiti	19
8	Australia	81	28	Seychelles	54	47	Costa Rica	53	69	Italy	43	83	Peru	38	106	Mexico	34	127	Gambia	28	144	Ukraine	25	167	Yemen	18
9	Canada	81	30	Qatar	68	49	Latvia	53	69	Kuwait	43	83	Trinidad and Tobago	38	106	Niger	34	127	Lebanon	28	150	Guinea	24	168	Syria	17
10	Luxembourg	80	31	Botswana	64	49	Rwanda	53	72	Romania	43	83	Zambia	38	111	Ethiopia	33	127	Madagascar	28	150	Kyrgyzstan	24	168	Turkmenistan	17
11	Germany	78	31	Bhutan	63	49	Cyprus	63	72	Bosnia and Herzegovina	42	91	Malawi	37	111	Kosovo	33	127	Mali	28	150	Paraguay	24	168	Uzbekistan	17
12	Iceland	78	33	Portugal	62	52	Mauritius	52	72	Brazil	42	91	Morocco	37	111	Tanzania	33	127	Nicaragua	28	153	Angola	23	171	Iraq	16
13	United Kingdom	76	33	Puerto Rico	62	52	Malaysia	50	72	Sri Lanka	37	114	Egypt	32	127	Pakistan	28	127	Pakistan	28	154	Congo Republic	22	172	Libya	15
14	Barbados	75	33	Saint Vincent and the Grenadines	62	55	Turkey	50	72	Sao Tome and Principe	42	94	Algeria	36	114	Indonesia	32	127	Russia	28	154	Democratic Republic of the Congo	22	173	South Sudan	14
15	Belgium	75	36	Israel	61	55	Georgia	49	72	Serbia	42	94	Armenia	31	116	Albania	31	136	Bangladesh	27	154	Tajikistan	22	174	Sudan	11
16	Hong Kong	75	36	Taiwan	61	57	Lesotho	49	72	South Africa	42	94	Benin	31	116	Nepal	31	136	Côte d'Ivoire	27	154	Burundi	21	175	Afghanistan	8
17	Japan	74	38	Brunei	60	57	Bahrain	48	72	Bulgaria	41	94	Colombia	36	116	Vietnam	31	136	Guyana	27	157	Myanmar	21	175	Korea (North)	8
18	United States	73	38	Poland	60	57	Croatia	48	77	Senegal	41	94	Djibouti	36	119	Mauritania	30	136	Kenya	27	157	Zimbabwe	21	175	Somalia	8
19	Uruguay	73	40	Spain	59	57	Czech Republic	48	77	Tunisia	41	94	India	36	119	Mozambique	30	136	Honduras	26	157					
							Namibia	48	80	China	40	94	Philippines	36	119	Sierra Leone	30	136								