



**Government Defence
Integrity Index**



2020



Country Brief:

NEW ZEALAND

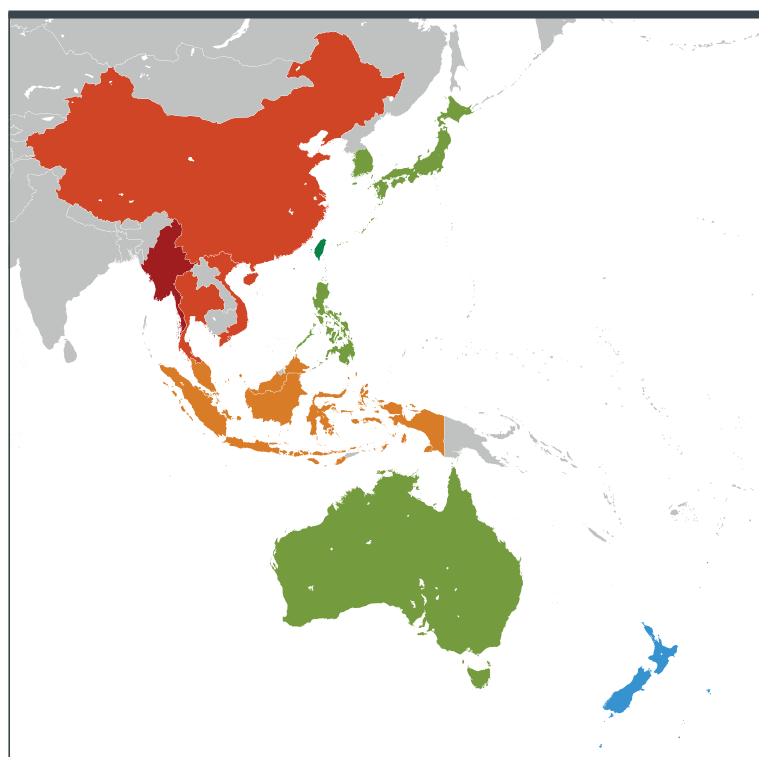


NEW ZEALAND

New Zealand faces distinct economic and political challenges as a result of the COVID-19 pandemic. Despite being lauded as a rare success story in its response to the virus,¹ strict lockdowns and restrictions have led to an economic downturn. Alongside this, the coronavirus' impact on national security could also be significant. As a small trade-based state, the biggest threat to New Zealand is posed, not by any one individual state, but by the erosion of the international rules based order.² The pandemic has intensified these geopolitical trends and exacerbated a range of security challenges that threaten New Zealand's security.³ Instability in the Asia-Pacific region and rising Sino-Australian tensions are also undermining regional stability, and New Zealand is walking a tightrope between maintaining a strong trade relationship with its largest export market, while carving out space to criticise human rights violations.⁴

Moreover, New Zealand's response to climate change in the Pacific is likely to be heavily reliant on the military for disaster relief operations, as outlined in the defence strategy.⁵ To respond to these challenges, New Zealand's defence spending is set to increase by 11% for 2021-22.⁶ This spend is being driven in part by significant acquisitions of new equipment and capabilities for the New Zealand Defence Force (NZDF).⁷ New Zealand's extremely robust defence governance standards, however, help to minimise corruption risk throughout the sector. External oversight of defence is effective, while transparency is strong throughout, including with regards to financial management. Procurement is also well managed and corruption vulnerability is low, as it is with regards to military operations and personnel management, although whistleblowing mechanisms need improvement.

Member of Open Government Partnership	Yes
UN Convention Against Corruption	Ratified in 2015
Arms Trade Treaty	Ratified in 2014



Asia-Pacific

The Asia-Pacific region is home to some of the biggest military and economic powers in the world, as well as critical financial and trade hubs, natural resources and around 60 per cent of the world's population, and the region has become a major area of geopolitical rivalry. The continuing deterioration of Sino-American relations is having widespread implications for countries in the region. Security challenges presented by an increasingly assertive China, the continuing threat posed by North Korea and the protracted insurgencies in Thailand, the Philippines, Myanmar, Indonesia and Malaysia will also remain key concerns moving forward, as will emerging security threats related to cyberwarfare and the impact of climate change. However, Asia-Pacific has huge variations in the quality of defence governance mechanisms, which will determine how well defence institutions can respond to these challenges. It is home to both New Zealand, the highest scorer in the index, and Myanmar, one of the lowest. Though challenges are extremely varied across the sample, corruption risks are particularly pronounced in relation to financial management and procurement, where defence exceptionalism remains pervasive and exempts the sector from standard reporting and publishing standards. Operations too are highly vulnerable to corruption, while personnel management and policymaking are considered significantly more robust.

¹ Natasha Frost, 'New Zealand, After Holding Virus at Bay, Unveils Reopening Strategy', *New York Times*, 12 August 2021.

² New Zealand Government, *Strategic Defence Policy Statement*, 2018.

³ Nicholas Dynon, 'New Zealand's Defence Ministry Sizes Up the International Security Environment', *The Diplomat*, 22 September 2020.

⁴ Tess McClure, "'A Matter of Time': New Zealand's Foreign Minister Warns China 'Storm' Could be Coming", *The Guardian*, 24 May 2021.

⁵ New Zealand Government, *Strategic Defence Policy*.

⁶ John Grevatt, 'New Zealand's Defence Budget Returns to Growth', *Janes*, 21 May 2021.

⁷ John Grevatt, 'New Zealand Announces Major Increase in Defence Spending', *Janes*, 31 May 2019.



NEW ZEALAND

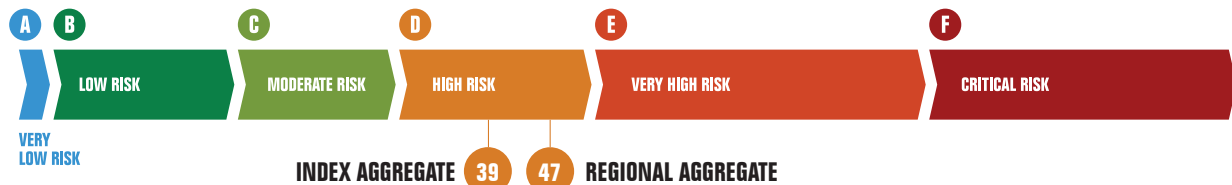
Overall scores

The size of the colour band corresponds to number of countries that fall into that category.

NEW ZEALAND SCORE VERY LOW RISK

A

85



A > 83-100 VERY LOW

B > 67-82 LOW

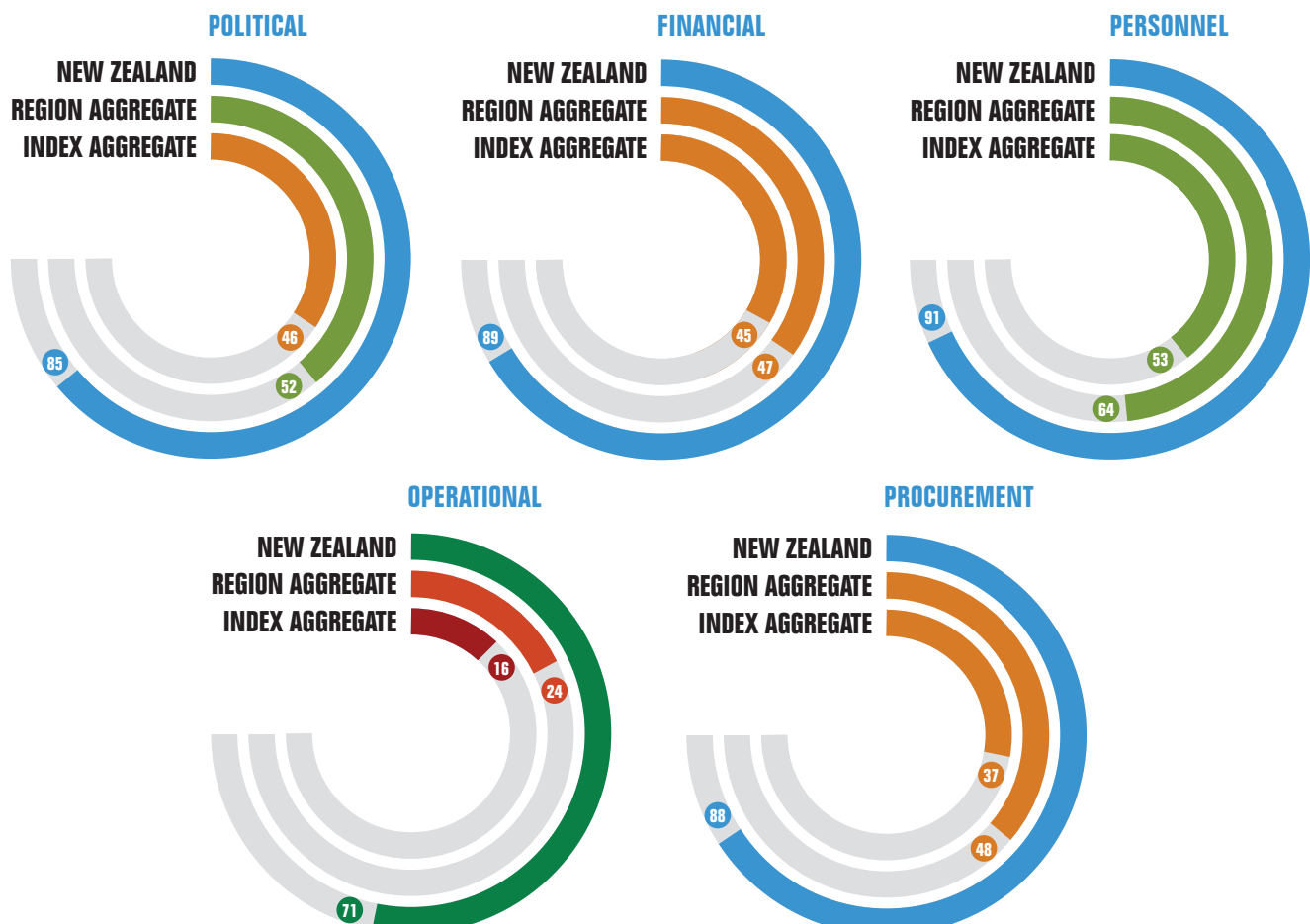
C > 50-66 MODERATE

D > 33-49 HIGH

E > 17-32 VERY HIGH

F > 0-16 CRITICAL

Risk Comparison





NEW ZEALAND

Parliamentary Oversight

Legislative oversight of budget (Open Budget Survey, 2019)	81/100
Military expenditure as share of government spending (SIPRI, 2020)	3.3%
Committee members with defence expertise (%)	25% (2 of 8)
# of meetings/year	30 (2018); 27 (2019)
Last review of defence policy/strategy	2020 (MoD Statement of Intent)

Despite New Zealand's political system being commonly regarded as one of the highest-quality democracies in the world,⁸ the suspension of parliament at key stages of the coronavirus pandemic over the past year has drawn criticism for curtailing parliamentary oversight.⁹ With regards to defence in particular, parliamentary control is enshrined in the Constitution Act 1986, which grants parliament the power to make laws and scrutinise government expenditure and management.¹⁰ Parliament has been active in debating defence issues and scrutinising specific policy areas, including on operations.¹¹ In practice, oversight of defence is exercised by the Foreign Affairs, Defence and Trade Committee (FADTC), which conducts annual reviews of the Ministry of Defence (MoD) and the NZDF, along with budget reviews, annual hearings on defence's financial performance, and inquiries.¹² The FADTC also provides opinions on areas of improvement to the government and monitors the government's progress on implementing these findings in its Annual Reviews.¹³ Nevertheless, the effectiveness of oversight is limited by a few factors. Firstly, weak expertise and limited resources for the committee can limit the quality and depth of scrutiny.¹⁴ There is also no evidence of the FADTC conducting any long-term investigations into defence issues and its scrutiny appears generally limited to the annual review and estimates processes.¹⁵ Financial control, however, is exercised by audit institutions. The NZDF's internal audit function is designed to identify financial management issues, irregularities, and fraud.¹⁶ While internal audit records can be requested by the FADTC,¹⁷ this is rarely done in practice, with the committee generally relying on the Office of the Auditor-General (OAG) assessments. The OAG has full powers to review military spending and conducts financial and performance audits. Reports are made publicly available and shared with the FADTC, and the OAG provides advice to the committee during the defence budgeting process.¹⁸ Evidence shows that the OAG's audit recommendations are generally addressed by the MoD and NZDF, although OAG annual reviews have identified some areas where implementation lags.¹⁹

Financial Transparency

Defence-related access to information response rates	(1) % granted full or partial access: 98%
	(2) # subject to backlog: 1
Defence-related complaints to ombudsman/commissioner #	10 (January – December 2020)
Does the commissioner have authority over the MoD?	Yes
Audit reports on defence (2018-2020) #	Data is not accessible.
Open Budget Index (IBP, 2019)	87/100
World Press Freedom Index (RSF, 2021)	8th out of 180.

New Zealand's public sector is perceived to be one of the least corrupt in the world, due to the presence of strong independent institutions such as the OAG, but also to high levels of transparency in government operations and financial management.²⁰ This transparency extends largely to defence, with planned and actual spending information readily available to the public and oversight institutions. The defence budget comprises two appropriations or 'Votes': Vote Defence Force and Vote Defence. Broadly speaking, the former covers salaries, training costs and military preparedness,²¹ while the latter includes funding for procurement and equipment refurbishment.²² However, the votes do not contain comprehensive and disaggregated information across all defence functions, as areas such as R&D and personnel are not fully detailed. Further financial details are provided in the Annual Reports of the MoD²³ and NZDF,²⁴ with both containing detailed financial statements that outline actual expenditures and revenue over the financial year. Supplementary Estimates, which are published during the financial year,²⁵ also contain comprehensive data on spending lines and budget comparisons are released alongside them, with explanations included in the MoD and NZDF's annual reports. Budget reliability is also enhanced by the prohibition of off-budget expenditure under the Public Finance Act,²⁶ meaning that all defence expenditures are included in budget forecasts and estimates and there is no evidence of defence spending occurring outside of the remit of the Act. Finally, access to information is regulated by the Official Information Act (OIA), which sets out the parameters for accessing defence information.²⁷ Defence institutions appear to be responsive to information requests, illustrated by the low number of complaints to the Ombudsman for inadequate response to OIA requests. Nevertheless, it should be noted that some journalists have pointed to issues with the current legislation that allows government departments to unduly delay the processing of requests and even charge requesters for information, particularly during the coronavirus pandemic where delays to OIA requests have increased.²⁸

⁸ Bertelsmann Stiftung, 'New Zealand Report', *Sustainable Governance Indicators 2020*, p. 1.

⁹ Luke Malpass, 'COVID-19: Why Was Jacinda Ardern Able to Suspend Parliament and What Happens Next?', *Stuff*, 25 August 2021.

¹⁰ Government of New Zealand, Constitution Act, 1986, Part 3, Section 15. See also, *Public Finance Act*, 1989, Section 1A.

¹¹ House of Representatives, 'Oral Question: 6. Question No. 6 – Defence', 20 August 2019.

¹² House of Representatives, 'Foreign Affairs, Defence and Trade'.

¹³ House of Representatives, '2019/20 Annual Review of the Ministry of Defence and New Zealand Defence Force', *Report of the Foreign Affairs, Defence and Trade Committee*, March 2021.

¹⁴ Bertelsmann Stiftung, 'New Zealand', p. 53.

¹⁵ House of Representatives, 'Current Papers'.

¹⁶ NZDF, 'CDF Directive 41/2020 – Management of Fraud in the NZDF', 9 August 2019 (internal only).

¹⁷ House of Representatives, 'Standing Orders 2017 – Chapter Four: Powers of Committee', S196, p. 46.

¹⁸ Office of the Auditor-General, 'Vote Defence and Vote Defence Force', *Briefing to the Foreign Affairs, Defence and Trade Committee*, 2019/20, 13 June 2019.

¹⁹ Office of the Auditor-General, 'New Zealand Defence Force: Annual Review 2018/19', *Briefing to the Foreign Affairs, Defence and Trade Committee*, 12 December 2019, p. 6.

²⁰ Bertelsmann Stiftung, 'New Zealand', p. 36.

²¹ Treasury, 'Vote Defence Force – External Sector – Estimates 2020/21', May 2020.

²² Treasury, 'Vote Defence – External Sector – Estimates 2020/21', May 2020.

²³ Ministry of Defence, *Annual Report 2020*, 2020, p. 85.

²⁴ NZDF, *Annual Report 2020*, 2020, p. 120.

²⁵ Treasury, 'Vote Defence Force – Supplementary Estimates, 2020/21', May 2021.

²⁶ NZ Government, *Public Finance Act*, 1989, Section 4 & 5.

²⁷ NZ Government, *Official Information Act*, 1982.

²⁸ Reporters Without Borders, 'New Zealand', 2020 World Press Freedom Index.



NEW ZEALAND

Personnel Ethics Framework

Whistleblowing legislation	Public Disclosures Act (2000)
# defence-sector whistleblower cases	Data is not publicly available.
# Code of conduct violations	Military: Data is not publicly available.
	Civilian: Data is not publicly available.
Financial disclosure system	# submitted: Data is not publicly available.
	# of violations: Data is not publicly available.

Though New Zealand's defence personnel management standards are amongst the strongest in the world, an independent review into allegations of bullying and harassment in the NZDF has revealed some areas where improvements are needed to strengthen ethics and anti-corruption frameworks.²⁹ Military personnel are subject to the Armed Forces Disciplinary Act, which contains anti-corruption provisions,³⁰ while the NZDF Code of Ethics also reinforces integrity standards.³¹ Civilian personnel are subject to the Public Service Commission's Standards of Integrity that set out standards related to bribery and corruption and provide guidance on how to proceed when confronted with such issues.³² With regards to enforcement, anti-bribery provisions and breaches of the code of ethics are generally acted upon, although the independent review raised some doubts over the effective management of bullying and harassment cases.³³ Anti-corruption efforts have been strengthened by the NZDF's Fraud Prevention protocol which has aimed to formalise and streamline efforts to identify and prosecute personnel responsible for fraud and corruption in defence.³⁴ However, there remains a gap at the training level. Specific training is not routinely included as part of personnel inductions and anti-corruption training is geared more towards staff in particular roles, such as finance and procurement. Aside from this, processes related to recruitment and promotion, are all highly formalised, effective, and relatively transparent. Payment systems are also largely robust and effective. Though the OAG has identified some deficiencies with payroll systems,³⁵ this has so far not resulted in any issues with the accuracy and disbursement of soldiers' pay. One area where improvements remain crucial, however, is whistleblowing. Despite being regulated under the Public Disclosures Act 2000, an independent review has pointed to a culture of silence that is damaging personnel's willingness and ability to report wrongdoing.³⁶ According to the review, the weakness of whistleblowing mechanisms facilitated the spread of bullying and harassment in the NZDF, which could undermine corruption reporting in a similar way.

Operations

Total armed forces personnel (World Bank, 2018)	9,400
Troops deployed on operations #	31 in Egypt (MFO), 12 in South Korea (UNCMAC), 9 in Iraq (Anti-IS Coalition), 6 in Israel (UNTSO), 3 in South Sudan (UNMISS)

While New Zealand has a modest operational footprint abroad, its contribution to United Nations peacekeeping and Western-led military operations is long-standing.³⁷ New Zealand is also one of the few countries in the world where anti-corruption safeguards are present on military operations, and the only country to have established a framework as extensive as this. Out of the military's three joint doctrine publications, corruption is identified as a strategic issue in two of them. NZDDP-4.0 Defence Logistics outlines the risks associated with contracting in the host nation and establishes the need to conduct corruption risk assessments,³⁸ while NZDDP-3.21 on Stabilisation Operations focuses extensively on governance issues and anti-corruption measures as part of such deployments.³⁹ With a strong strategic basis for anti-corruption, training and forward planning functions both integrate corruption risk mitigation measures. Commanders receive pre-deployment training on financial management, ethics, and rule of law in order to help them identify and mitigate corruption risk in the field. Operational planners are also able to mainstream anti-corruption through Standard Operating Procedures that address areas of operations that are particularly vulnerable to corruption, including contract and financial management.⁴⁰ Moreover, the NZDF has routinely deployed security officers and auditors with a remit that includes corruption risk monitoring, although anti-corruption is not always their primary function and there is no evidence that this corruption monitoring function is systematic.

²⁹ Debbie Teale and Carol MacDonald, *Independent Review on the New Zealand Defence Force's Progress on the Action Plan for Operation Respect*, Wellington, Ministry of Defence, June 2020.

³⁰ NZ Government, *Armed Forces Disciplinary Act*, 1971, Part 2, Section 54.

³¹ New Zealand Defence Force, 'Defence Force Order 09/2003: NZDF Code of Ethics', 2003.

³² Public Service Commission, 'Standards of Integrity and Conduct', June 2007.

³³ Teale and MacDonald, *Independent Review*, p. 19.

³⁴ NZDF, 'CDF Directive 41/2020 – Management of Fraud in the NZDF', 16 December 2020.

³⁵ Office of the Auditor-General, 'Ministry of Defence and the New Zealand Defence Force', Annual Review briefing to the Foreign Affairs, Defence and Trade Committee, 2016/17 Financial Year, 14 December 2017, p. 14.

³⁶ Teale, and MacDonald, *Independent Review*, pp. 1-2, 51.

³⁷ Ministry of Defence, 'Deployments Map', 2021.

³⁸ New Zealand Defence Force, NZDDP-4.0 Defence Logistics, 2nd ed., Wellington, Headquarters New Zealand Defence Force, 2020, 2.19.

³⁹ New Zealand Defence Force, *NZDDP-3.21 Stabilisation Operations: The Military Contribution*, Wellington, Headquarters New Zealand Defence Force, 2015.

⁴⁰ New Zealand Defence Force, *NZDDP-3.0: Campaigns and Operations*, 2nd ed., Wellington, Headquarters New Zealand Defence Force, 2015, 5.01-25.



NEW ZEALAND

Defence Procurement

Military expenditure (US\$ mil) (SIPRI, 2020)	3,008
Open competition in defence procurement (%)	Data is not publicly available.
Main defence exports – to (SIPRI, 2016-20)	Peru, Papua New Guinea
Main defence imports – from (SIPRI, 2016-20)	South Korea, Netherlands, United Kingdom, United States, Germany

Recent years have seen New Zealand devote increasing resources to defence procurement. Already, between 2019 and 2020 the procurement budget increased by 63%,⁴¹ while currently, under the 'Vote Defence' budget appropriation, it is again scheduled to increase by 25% for 2021-2022.⁴² Significantly, however, New Zealand does not have specific legislation covering defence acquisition, with all defence purchases covered under regular procurement legislation.⁴³ The entire procurement cycle is highly formalised. Assessment of needs is done in accordance with the Defence White Paper 2016 and in line with objectives identified in the Strategic Defence Policy Statement 2018.⁴⁴ Planned investments resulting from these documents are set out in the Defence Capability Plans⁴⁵ and

individual projects are delivered in accordance with the Defence Capability Management System (CMS) which covers all six stages of an assets' life cycle.⁴⁶ This ensures that procurement, and therefore capabilities are closely tied to strategic objectives and policies, and helps to prevent the acquisition of redundant or unnecessary systems. All procurements are required to comply with the Government Procurement Rules, which operate in conjunction with the CMS, and specify that all suppliers must be given equal opportunity to bid for contracts.⁴⁷ Exceptions to this can be made for national security purposes, although recourse to single-sourcing is required to be justified and is subject to the same evaluation standards as open tenders.⁴⁸ For instance, the FADTC and OAG have questioned ministers on the selection of non-competitive tendering procedures,⁴⁹ although neither has the power to directly cancel a contract. However, once the FADTC submits a report to parliament, the government is obliged to respond although it is not compelled to adhere to the recommendations. In the past, the OAG has identified "deficiencies with expenditure systems and control" within the NZDF, which hint at potential corruption risk in the acquisition process, and not all issues have been corrected, according to the OAG review.⁵⁰ It should also be noted that the MoD does not publish all the information related to the financing packages of major arms deals. Even when contract documents are released under access to information request, such as those concerning the procurement of P-8A aircraft, costing details are frequently redacted.⁵¹

⁴¹ Grevatt, 'New Zealand Announces Major Increase'.

⁴² Grevatt, 'New Zealand's Defence Budget'.

⁴³ Government Procurement, 'Statutes Related to Contracting'.

⁴⁴ Ministry of Defence, *Defence White Paper*, 2016; *Strategic Defence Policy*, 2018.

⁴⁵ Ministry of Defence, *Defence Capability Plan*, 2019.

⁴⁶ Ministry of Defence, *Statement of Intent*, p. 45.

⁴⁷ Government Procurement, 'Rule 3: Non-discrimination and offsets'.

⁴⁸ Government Procurement, 'Rule 14: Exemption from open advertising'.

⁴⁹ Foreign Affairs, Defence and Trade Committee, '2019/20 Estimates for Vote Defence and Vote Defence Force'.

⁵⁰ Office of the Auditor-General, 'New Zealand Defence Force Annual Review, 2018/19', *Briefing to the Foreign Affairs, Defence and Trade Committee*, 12 December 2019.

⁵¹ Ministry of Defence, 'Defence Force Future Air Surveillance: Approval to Purchase the Boeing P-8A Poseidon Aircraft,' 22 August 2018.

Version 1.0, October 2021

GDI data collection for **New Zealand** was conducted March 2020 to April 2021. The narrative discussion in this GDI brief was produced at a later time with the most recent information available for the country, which may not be reflected in the GDI country assessments or scores.



NEW ZEALAND 2020 GDI Scorecard

		Grade	Score
Political Risk		A	85
Q1	Legislative Scrutiny	A	100
Q2	Defence Committee	C	54
Q3	Defence Policy Debate	A	100
Q4	CSO Engagement	A	100
Q5	Conventions: UNCAC / OECD	A	88
Q6	Public Debate	A	88
Q7	Anticorruption Policy	NEI	
Q8	Compliance and Ethics Units	A	100
Q9	Public Trust in Institutions	NS	
Q10	Risk Assessments	A	83
Q11	Acquisition Planning	A	92
Q12	Budget Transparency & Detail	A	88
Q13	Budget Scrutiny	A	88
Q14	Budget Availability	A	100
Q15	Defence Income	A	100
Q16	Internal Audit	A	88
Q17	External Audit	A	88
Q18	Natural Resources	A	92
Q19	Organised Crime Links	A	100
Q20	Organised Crime Policing	A	100
Q21	Intelligence Services Oversight	C	63
Q22	Intelligence Services Recruitment	A	100
Q23	Export Controls (ATT)	B	67
Q76	Lobbying	F	0
Financial Risk		A	89
Q24	Asset Disposal Controls	B	75
Q25	Asset Disposal Scrutiny	A	100
Q26	Secret Spending	C	50
Q27	Legislative Access to Information	B	75
Q28	Secret Program Auditing	A	100
Q29	Off-budget Spending	A	100
Q30	Access to Information	B	75
Q31	Beneficial Ownership	A	100
Q32	Military-Owned Business Scrutiny	A	100
Q33	Unauthorised Private Enterprise	A	100
Q77	Defence Spending	A	100
Personnel Risk		A	91
Q34	Public Commitment to Integrity	A	92
Q35	Disciplinary Measures for Personnel	A	100
Q36	Whistleblowing	B	75
Q37	High-risk Positions	A	83
Q38	Numbers of Personnel	A	92
Q39	Pay Rates and Allowances	A	100
Q40	Payment System	A	100
Q41	Objective Appointments	A	83
Q42	Objective Promotions	A	100
Q43	Bribery to Avoid Conscription	NA	
Q44	Bribery for Preferred Postings	A	100
Q45	Chains of Command and Payment	A	100
Q46	Military Code of Conduct	A	94

OVERALL COUNTRY SCORE

VERY LOW RISK

A

85



		Grade	Score
Personnel Risk		A	91
Q47	Civilian Code of Conduct	A	94
Q48	Anticorruption Training	B	67
Q49	Corruption Prosecutions	B	75
Q50	Facilitation Payments	A	100
Operational Risk		B	71
Q51	Military Doctrine	C	63
Q52	Operational Training	A	100
Q53	Forward Planning	A	88
Q54	Corruption Monitoring in Operations	D	42
Q55	Controls in Contracting	C	63
Q56	Private Military Contractors	NS	
Procurement Risk		A	88
Q57	Procurement Legislation	A	100
Q58	Procurement Cycle	A	100
Q59	Procurement Oversight Mechanisms	A	83
Q60	Potential Purchases Disclosed	A	100
Q61	Actual Purchases Disclosed	A	88
Q62	Business Compliance Standards	B	75
Q63	Procurement Requirements	A	100
Q64	Competition in Procurement	NEI	
Q65	Tender Board Controls	A	88
Q66	Anti-Collusion Controls	C	58
Q67	Contract Award / Delivery	A	88
Q68	Complaint Mechanisms	A	100
Q69	Supplier Sanctions	A	100
Q70	Offset Contracts	A	100
Q71	Offset Contract Monitoring	NA	
Q72	Offset Competition	NA	
Q73	Agents and Intermediaries	NEI	
Q74	Financing Packages	C	50
Q75	Political Pressure in Acquisitions	NS	

KEY

NEI Not enough information to score indicator
NS Indicator is not scored for any country
NA Not applicable



ti-defence.org/gdi

GDI@transparency.org

Transparency International UK
Registered charity number 1112842
Company number 2903386

Transparency International Defence and Security (TI-DS) is a global thematic network initiative of Transparency International. It is an independent entity and does not represent any national TI Chapters. TI-DS is solely responsible for the 2020 iteration of the Government Defence Integrity Index (GDI) and all associated products, including the GDI Country Briefs.

Acknowledgements

We would like to thank the UK Foreign Commonwealth and Development Office (FCDO) and the Ministry of Foreign Affairs of the Kingdom of the Netherlands for their generous financial support of the production of the Government Defence Integrity Index. Thanks are also extended to the many country assessors and peer reviewers who contributed the underlying data for this index.

Series editor: **Stephanie Trapnell**, *Senior Advisor*

Author: **Matthew Steadman**, *Research Officer*

Project Manager: **Michael Ofori-Mensah**, *Head of Research*

Design: **Arnold and Pearn**



Foreign, Commonwealth
& Development Office



Ministry of Foreign Affairs of the
Netherlands