



TRANSPARENCY INTERNATIONAL (NEW ZEALAND) INC

2009

(1 July 2008 – 30 June 2009)

ANNUAL REPORT

Chairman's Statement

The Executive Officer's Report outlines our activities for 2009. Paul's comments demonstrate that we have made real progress during the year

Our greater effectiveness/ higher profile has demonstrated what can be done by dedicated people working with slender resources. Our increased activity has, moreover, exposed what real possibilities exist in New Zealand for the exposure of corrupt practices in the public and private sectors.

But what we do -- or more to the point what we cannot do -- comes down to priorities and the availability of resources.

While we receive NZ AID funding for the Pacific Support Program (PSP) we will continue to direct the bulk of our work to support for our Pacific chapters. That is a matter of integrity and transparency.

But, a word of caution. Decision-making on foreign policy issues is going through a period of change. NZAID is back within the Ministry of Foreign Affairs structure. The focus of development policy is shifting from a broadly humanitarian base to trade and investment initiatives. The New Zealand Chapter can work within the new requirements. Our focus has always been on the quality of governance and the effect of corruption on peoples within the South Pacific. Development is a complex issue. In the Pacific, in particular, our emphasis has been on selecting quality personnel and developing a basis for engagement with the Chapters. We also seek to maintain a partnership role with NZAID.

The renewal of the NZAID contract is currently at a critical phase of negotiation. The objective signs appear to be favourable but we await the final outcome.

With the Pacific operational settings broadly in place it is the New Zealand internal agenda that the Board is keen to develop.

In the past year we have demonstrated how TINZ can make an effective input into anti-money laundering legislation, public funding of political parties, parliamentarians' allowances, open government initiatives and monitoring of our international agreements. We now find that we are being contacted by policy advisers to discuss, often at the initiation stage, relevant legislative or transparency proposals. We are delighted to be involved.

It is important to note that as well as the critical input made by Paul Browne we have been able to draw on the skills and knowledge of all members of the Board.

- Trevor Roberts allocated considerable time and knowledge to the anti-money laundering legislation brief. He was supported by Alex Tan, Aaron Lloyd, Ash Johnstone and Natalie Shaw.
- Murray Petrie's comments on open Government, as captured in the Open Budget Survey, displayed a high degree of expertise.

- David Binning's organisation and Sefton Derby's sales ability underpinned the successful breakfast meeting with the Hon Rodney Hide on local government reform. Sefton has also been a key contributor for the development of our 2009 Workplan.
- Rodger Spiller has undertaken a significant initiative of obtaining information on transparency in the top 50 New Zealand private sector firms. A note on this activity is appended to the Report. Alex Tan has worked closely with Roger on analysing this information for presentation to New Zealand audiences.
- Claire Johnstone, as Deputy Chair, has been active in introducing new members to the work of TINZ.
- Marcus Pelto, despite the distance associated with living in Tonga, has continued to provide positive input for the Pacific Support Programme. Aaron Lloyd, is a new member this year but has been a major contributor to TINZ's work through the OECD Survey work he has undertaken on our behalf.
- I pay special tribute to David Macdonald and the Hon Hugh Templeton whose advice I valued during an at times action packed year.
- I also thank Alison Smith, our very dedicated Finance Officer, as well as Jenny Browne whose voluntary work on the Members' Update and the website is much valued

Transparency is an elusive concept and one with which governments have an at times ambiguous relationship. Ideally they would want to clone and control our activities.

Indeed I have adapted a very apt quote from the philosopher George Berkley. He nearly said;

“transparency is the cry of all, but the game of few”

It is the role of TINZ to ensure that we expand the numbers playing the transparency game.

Our meeting takes place in the middle of a huge global financial crisis. The effects of this upheaval will be felt for many years. I thank the Board and Members for their tolerance in allowing me to contribute to the debate as well as on nudging Transparency International to play a more distinctive role on the issue.

What about the future?

If renewed the Pacific Support Programme contract will remain central to our activities. But I want to make a modest proposal. That is, that we make a solid effort to develop a New Zealand-based program involving New Zealand research on New Zealand issues. For this, quite frankly, we need increased resources - particularly staff.

On staff it probably comes down to an acceptable salary. Ideally what we want for TINZ is what we negotiated for the Pacific Chapters. Clearly we are not going to get that sort of deal from government. But if our members want us to press on with our New Zealand agenda we are going to have to make -- as the modern parlance has it -- a step change.

As we see it we must be able to offer a package of outputs which has value to NZ and those organisations with whom we partner. Central to that is the need to identify funding which will underpin the costs of research capacity within Transparency International (New Zealand), including an appropriate salary. If we are to meet the reasonable expectations of our members and achieve the goals and outcomes we adhere to we can only do so by raising our game. Our hope is that we can achieve partnership arrangements with major international accounting firms.

Clearly this is a challenge and one that we will have to get some traction on if we are to make progress. But as I see it, what I have outlined, or some near variation of it, must be our goal.

I am happy to conclude by noting that in recognition of their valued contribution over many years the Board is offering Honorary Life Membership to Michael Morris, the first Chair of Transparency International New Zealand, and to the Hon Hugh Templeton who is responsible for establishing the New Zealand Chapter. I am happy to congratulate them on behalf of the Board and Members.

Gerald McGhie

17 November 2009

Gerald McGhie

Chairman

EXECUTIVE OFFICER REPORT

It has been a busy year and one in which we have made some good progress in raising our profile both in New Zealand and within the wider TI community. The growth in our membership – 27% - is perhaps the best measure of our gradually increasing profile. Regular newsletters, our regularly updated and redesigned website, breakfast and lunch meetings, and the general effort of board and members have been the major contributors to the increased interest in our work. However, general complacency towards corruption and transparency issues remains a significant impediment to our work; a complacency which is dangerously misplaced.

Staff

Paul Browne continues as the Transparency International (New Zealand) Pacific Support Programme Manager (PSP) and is also the Executive Officer of Transparency International (New Zealand). Paul is contracted under the PSP for up to 188 days per annum.

Alison Smith continues as the Transparency International (New Zealand) Pacific Support Programme Financial Officer and is contracted for up to 15 hours per week.

Since June we have also benefited from having Jenny Browne working with us as a volunteer intern. Jenny works for up to 15 hours per week and has taken responsibility for regularly updating the website, preparation of the newsletter, event organisation, and research support.

Office

In June 2009 we moved out of the James Smith Building and our office is now located at Level 4, 49 Boulcott Street. It is a much more comfortable and healthy working environment and one which offers a greatly improved public image.

Pacific Support Programme

The *Transparency International (New Zealand) Pacific Support Programme* remains the main project of Transparency International (New Zealand). The Programme was designed to support the Pacific Island Chapters in their work in addressing corruption and accountability issues in their respective countries. In particular it seeks to have an impact in the chapters' efforts to meet the goal of chapters to reduce corruption in their country and thereby contribute to better governance, improved economic conditions, and reduction in poverty levels.

The programme underwent a redesign in 2007 as a result of a mid-term internal review. The redesigned programme gave particular attention to organisational capacity building of TI Chapters, cross-chapter collaboration, and development of a regional approach to monitoring, evaluation and learning. Major programme activities involved provision of core support to Chapters, capacity building, support for development of civic education projects and operation of inter-chapter visits and speaker tours.

An external review of the Programme was undertaken by Ian Patrick & Associates in April and May 2009. That report was very positive about the Programme and recommended that it continue. Amongst specific recommendations made their report did, however, recommend the Programme “...utilise a more structured and rigorous design model, with particular attention to the following elements;

- *Utilising appropriate planning tools that provide guidance and support assessment of results while being appropriate to the programme’s participatory orientation*
- *Identifying anticipated outcomes and detailed strategies for their achievement, and*
- *Promoting increased efficiencies, where feasible”.*

At the end of June 2009 Letter of Variation 4 was agreed with NZAID which provides for continued funding for a period of up to 9 months while the redesign process is completed. This process began with consultative visits to each chapter in August/September 2009 and a joint Pacific meeting is planned to be held in Wellington in early December 2009.

Planning

The Transparency International (New Zealand) 2009 Workplan was completed in April by the Board and the following resources and competencies were identified as being necessary to achieve the objectives and goals of the Society;

- a) Public credibility – drawing on the strengths of the individuals in TINZ, and from the work we do.
- b) Human resources – in addition to an active and fully engaged Board with specialist expertise, we need on-going staff capacity, particularly a multi-skilled and experienced executive officer, support staffing (especially in finance), and a capacity for domestic research and advocacy. We also need pro bono auditing and occasional legal expertise.
- c) Financial resources – particularly untied funding for our NZ activities.
- d) A knowledge and information base on which to draw – particularly, a knowledge base that sets us apart from others, for example because of our ability to draw on cross-country experience, and our use of unique frameworks (e.g. the National Integrity System) and tools (e.g. the Corruption Perceptions Index). But we also need a capacity for routine monitoring/scanning of events/developments in NZ.
- e) Contacts – in government, the private sector, the media, academia, and other NGOs.
- f) Technical competence - in addition to the competence within our organisation, we need to tap into the expertise amongst the membership, and try to develop a pool of other outside experts that we can draw on for specific issues from time to time or for specific events or outputs.
- g) Office space and equipment for staff, and premises for Board meetings.

The Goals and activities identified in the Workplan, and progress during the first half of the calendar year are reported in the table below. In reporting on our progress on our workplan activities there are three general comments which impact on all the Workplan expectations. Firstly, our progress (or lack of progress) on our planned activities reflects the paucity of HR resources available to Transparency International (New Zealand). Secondly, directors when finalising the workplan, based activity timing on their own

estimated availability, but they are all very busy people and their professional commitments must take precedence and this can significantly change the timing of activities. And lastly, the need to concentrate on our input into TI's global response to the financial crisis has been considered a priority which has impacted on some activity timing.

Delays in some activities, particularly 1.1, 1.6 and 1.8, underscores the limitations of our current research capacity and the importance of improving our resources in this area.

Activity	Deliverables and Timing	Progress
Goal 1: Greater Accountability and Transparency in New Zealand		
1.1 Reviewing progress on the recommendations from the 2003 National Integrity Systems (NIS) survey: <i>stock-take of changes in the components of the NIS (i.e. legislature, judiciary, executive, civil society) since 2003; the extent to which the report's recommendations have been implemented; identification of current priorities for further strengthening transparency and accountability in NZ.</i>	A review report of the 2003 National Integrity System survey will be delivered by September 2009	Unanticipated requests for input to Treasury papers on tax expenditure reporting contributed to delays in getting this activity underway. Timing is now more likely to be mid-2010.
1.2 Anti-Money Laundering: <i>analysing the draft legislation aimed at strengthening anti-money laundering in NZ, discussing the issues with officials, and preparing a TINZ submission to the select committee.</i>	TI Submission to relevant parliamentary sub-committee. Timing to be confirmed.	TI made a submission to the Defence, Trade & Foreign Affairs Select Committee in August 2009. The submission committee was lead by Trevor Roberts and background analysis was provided by Natalie Shaw of S.E.B Strategy. The AML/CFT Act was introduced in October 2009.
1.3 Budget Transparency in NZ: <i>continued advocacy work drawing on the analysis of areas of weakness in the 2008 Open Budget Index Survey of Budget Transparency in NZ.</i>	Annual report delivered through the Center on Budget and Policy Priorities	The project is lead by Murray Petrie. Concerns identified in earlier Open Budget Index (OBI) surveys prompted positive discussion with Treasury. Policy consideration is being given to the points raised by earlier OBI surveys. Murray completed the 2009 Index survey in August.
1.4 Political party funding: <i>drawing on the successful symposium on this subject organised by TINZ in 2007, continue to advocate for greater transparency of party funding.</i>	Submission to government review of electoral campaigning and political party funding by August-September 2009. Liaise with VUW School of Government.	In June, and in conjunction with the Victoria University School of Government, TI hosted a workshop which considered proposed changes to political funding. TI has subsequently made a submission as part of the consultative processes associated with proposed changes.
1.5 Private sector governance and	Private sector report	Alex Tan and Rodger Spiller have

Activity	Deliverables and Timing	Progress
<p>transparency: Key activities: <i>an initial assessment of current private sector governance and management performance and reporting with a view to identifying areas of possible weakness.</i></p>	<p>which recommends areas of activities for TI-NZ. Report to be completed by September 2009</p>	<p>jointly been preparing a private sector report using base data from Centre for Australian Ethical Research (CAER). Their report is expected to be finalised by the end of November 2009.</p>
<p>1.6 Analysis of the Corruption Perceptions Index: <i>An analysis of NZ's current ranking on TI's Corruption Perceptions Index; the validity of the use of NZ's high CPI ranking as a measure of state sector integrity and ethics; and some exploration of why NZ ranks highly on the index.</i></p>	<p>Report delivered by August 2009</p>	<p>There has been no progress on this activity. The anticipated completion date of August 2009 has proved to be extremely optimistic and the analysis timing is now estimated to be mid 2010.</p>
<p>1.7 Monitoring and promoting NZ's compliance with international anti-corruption conventions: <i>preparing a report for the OECD on NZ's compliance with its obligations under the OECD Convention On the Bribery of Foreign Public Officials; attempting to increase awareness of the Convention amongst the private sector in NZ; and monitoring NZ's implementation of the UN Convention Against Corruption.</i></p>	<p>To complete the TI-Secretariat annual questionnaire on OECD compliance by December 2009.</p>	<p>Aaron Lloyd has undertaken the OECD survey for the past two years and will also lead it in 2009.</p>
<p>1.8 State of Governance in New Zealand Report: <i>A summary report that brings together in a concise and readable manner TINZ findings from 1.1 to 1.7 above.</i></p>	<p>Report to form part of the Annual Report to be tabled at the AGM</p>	<p>The summary report has proved more difficult than initially anticipated. The concept is to have the State of Governance Report produced on an annual basis. It will remain an objective for 2010.</p>
<p>Goal 2: Contributing to greater accountability and transparency in the South Pacific</p>		
<p>2.1 Delivering on our commitments under the NZAID contract: <i>To successfully complete our contractual commitments under our current contract with NZAID for the Pacific Support Programme, including completion of the end of contract report and successfully acquitting for funds provided by NZAID.</i></p>	<p>Meeting the commitments of the current contract;</p> <ul style="list-style-type: none"> • Pacific Advisory Group meeting in May 2009 • Programme Manager in-country assessment visits to Vanuatu & Fiji • Final Report to NZAID by 31 July 2009 	<p>The Pacific Support Programme commitments have all been completed.</p>
<p>2.2 Providing quality input to the 2009</p>	<p>Submit comments in response to the external</p>	<p>As reported elsewhere in this report, the External Review</p>

Activity	Deliverables and Timing	Progress
<p>NZAID project external review To coordinate comment from TI-NZ Board and Pacific Advisory Group members to the draft external review that has been undertaken by Dr Ian Patrick. Using the experience jointly developed by TI-NZ and the Pacific Advisory Group members, and with appropriate reference to Dr Patrick's final report, to develop and negotiate a new contract Pacific Support Programme agreement with NZAID.</p>	<p>review draft report. Comments submitted by 23 April 2009.</p>	<p>supported the continuation of the TI-NZ Pacific Support Programme and made a number of recommendations which are being considered as part of the programme redesign.</p>
<p>2.3 Negotiating a new contract with NZAID: Using the External Review as a base to jointly develop and negotiate a new Pacific Support Programme with NZAID. The new programme will draw on the combined strengths of the Pacific Advisory Group members and add value to TI-NZ and to Pacific Chapters</p>	<p>A renewed Pacific Programme agreed with NZAID by July 2009</p>	<p>TI is currently, in consultation with NZAID and Pacific Chapters, redesigning the Programme with a view to reaching agreement on a new 3 year contract. Timing of the agreement is expected to be late 2009 or early 2010.</p>
<p>Goal 3: Building TINZ as a sustainable entity.</p>		
<p>3.1 Using our AGM as the focal point to make a bigger public impact. Greater focus on making the TINZ AGM an event at which the organisation presents a summary of its major findings from the work across the year. High profile publication (see 1.8) and speaker to facilitate media coverage.</p>	<p>October 2009</p>	<p>AGM was postponed to December. We are fortunate to have arranged Hon Chris Finlayson as our guest speaker at the AGM.</p>
<p>3.2 Breakfast Speaker Sessions: Key activities: organise breakfast events with high profile speakers who will be invited to discuss an important aspect of NZ governance</p>	<p>First event for late June 2009. Three events each year. Date for subsequent events to be confirmed.</p>	<p>A breakfast meeting was held late June with Hon Rodney Hide as guest speaker. Around 40 guests attended the event, many from local governments within the wider Wellington region.</p>
<p>3.3 Stepping up our public information and advocacy: (i) Ensuring that all deliverables of 1.1 – 1.8 are accompanied by press releases where necessary; (ii) delivery of new website and production of regular updates; (iii) appointing board members to speak on specific topics. (media releases to be approved by the Chair and/or Board) (iv) placing more articles in the name of TI-NZ Directors or staff in newspapers, journals etc.</p>	<p>-</p>	<p>A new TI-NZ website has been operating since March and it continues to be regularly updated.</p> <p>TI-NZ has spoken to a variety of meetings during the year, both national and international.</p> <p>~ Caux Round Table: Gerald McGhie was invited to represent TI at a Caux Round Table meeting in Switzerland which explored the response to the global finance crisis.</p>

Activity	Deliverables and Timing	Progress
		~ College of Education: Paul Browne addressed students overseas students on transparency in New Zealand as part of their university course.
3.4 Engaging more with our members: <i>Building on the regular Newsletters; involve members more in planning and implementation of our activities; asking for comments and suggestions on the draft Work Plans; encouraging Members to participate in activities; identify membership expertise and interest.</i>	-	As reported elsewhere, the newsletter is now regularly produced and the redesigned website is being maintained on a weekly basis. Members are now regularly contributing to the newsletter and contributing to committees of the board, such as the AML/CFT Select Committee submission.
3.5 Increasing our financial resources: <i>develop comprehensive fundraising and membership strategy based on this work plan and seek increase in members and sponsors for the activities outlined here as well as untied core funding for research/advocacy.</i>	Combined fundraising / membership strategy agreed by Board end-May. Package of core fundraising materials developed by end-June.	Financial resources remain an impediment to our NZ work. The Breakfast Meeting with Rodney Hide was financially successful. Membership renewals have also been successful with only 3 outstanding membership fees.

Governance

The members of the Transparency International (New Zealand) board and the date their term of office expires (in parenthesis) are;

Gerald McGhie - Chair (2010)	Claire Johnstone - Deputy Chair (2010)
David Macdonald (2010)	Murray Petrie (2010)
Sefton Darby (2010)	Alex Tan (2010)
David Binning (2010)	Hugh Templeton (2009)
Marcus Pelto (2009)	Rodger Spiller (2009)
Trevor Roberts (2009)	

Eight board meetings were held during the year. All meetings were held in Wellington and the meeting on 30 April was also open to Members;

17 July 2008	21 August 2008	17 September 2008
16 October 2008	4 December 2008	31 March 2009
30 April 2009	18 June 2009	

Membership

The full membership of the Society as at 19 October 2009 is made up of a total of 51 Members, as follows;

Individual Members (34)

Andrews, John	Hooper, Antony	Pelto, Marcus
Bedggood, Margaret	Jenkins, Simon	Petrie, Murray
Bell, Brian	Johnstone, Ash	Picot, Brian
Binning, David	Johnstone, Claire	Roberts, Trevor
Bradford, Hon Max	Kidd, Hon Doug	Simpkins, Kevin
Browne, Julie	Liyanarachchi, Gregory	Spiller, Rodger
Browne, Paul	Macdonald, David	Templeton, Hon Hugh
Clarke, Tim	Martin, John	Whitcombe, Judy
Ferguson, Lindo	McGhie, Gerald	Wikaira, Chris
Gaskin, Luke	McKee, Juliet	Zirker, Dan
Harris, Paul	Morris, Michael	
Hicks, Colin	Nicholas, Mark	

Business Members (6)

Brother (NZ) Ltd	Office of the Auditor General
Finchley Holdings Ltd	Pricewaterhouse Coopers
NZ Post Ltd	S.E.B. Strategy Ltd

Temporary Individual Members (10)

Brown, Liz	Lloyd, Aaron	Sayers, Guy
Cook, Ian	Luxton, Hon John	Judy Lawrence
Eichbaum, Chris	McKinnell, Tim	
Irwin, Ken	Moore, Howard	

Temporary Business Members (1)

Momentum Consulting Group

The Temporary Members, as approved by the Board during the last 12 months, will become full members if approved at the 2009 AGM.

Secretariat and International

During the report period there have been two TI Secretariat meetings attended by representatives of TINZ. In both cases the Secretariat meetings have allowed the opportunity for holding a Pacific Advisory Group (PAG) meeting of chapters involved in the *TINZ Pacific Support Programme*.

In October 2008 Paul Browne attended the TI *Annual Members' Meeting (AMM)* and *International Anti-Corruption Convention (IACC)* held in Athens. Travel and accommodation costs were met by the Secretariat.

In May 2009 Paul Browne and Gerald McGhie attended the TI Asia Pacific regional Meeting in Canberra. Gerald's fare and accommodation were met by the Secretariat. Paul's fare and accommodation were funded from the Pacific Support Programme.

Acknowledgements

Finally I would like to record my thanks to our Finance Officer, Alison Smith, for her competent support during the year; to our voluntary intern, Jenny Browne particularly for her assistance with our website and newsletter; to our Chair, Gerald McGhie, for his willingness to always make time available for TI issues and for his ongoing support and strategic advice; to Board members who continue to provide sound advice and comment; to staff and board members of Pacific chapters for their support, openness and tireless dedication to anti-corruption activities; and to NZAID, especially Chris Day, for her advice and support in regard to the Pacific Support Programme.

Paul Browne

Executive Officer.