THE Helen Clark FOUNDATION
Mahi a Rongo

SHINING A LIGHT: IMPROVING TRANSPARENCY

in New Zealand's political and governance systems

A REPORT BY PHILIPPA YASBEK

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ABOUT
MAHI A RONGO | THE HELEN CLARK FOUNDATION

Mahi a Rongo | The Helen Clark Foundation is an independent public policy think tank based in Auckland, at the Auckland University of Technology.

It is funded by members and donations. We advocate for ideas and encourage debate; we do not campaign for political parties or candidates. Launched in March 2019, the foundation produces research and discussion papers on a broad range of economic, social, and environmental issues.

OUR PHILOSOPHY

New problems confront our society and our environment, both in Aotearoa New Zealand and internationally. Unacceptable levels of inequality persist. Women's interests remain under-represented. Through new technology we are more connected than ever, yet loneliness is increasing, and civic engagement is declining. Environmental neglect continues despite greater awareness. We aim to address these issues in a manner consistent with the values of former New Zealand Prime Minister Helen Clark ONZ, who serves as our patron.

OUR PURPOSE

The Foundation publishes research that aims to contribute to a more just, sustainable, and peaceful society. Our goal is to gather, interpret, and communicate evidence in order to both diagnose the problems we face and propose new solutions to tackle them. We welcome your support. Please see our website www.helenclark.foundation for more information about getting involved.

HE MIHI
ACKNOWLEDGEMENTS

In creating this report, I have stood on the shoulders of many giants in the field who have been toiling on these issues for years. The OECD, the Financial Action Taskforce, and Transparency International New Zealand have all done important work on these issues for many decades. Despite their thinning ranks, dogged journalists have uncovered really important stories about lobbying and political donations in New Zealand. Without their reports, articles and writing, my task would have been impossible.

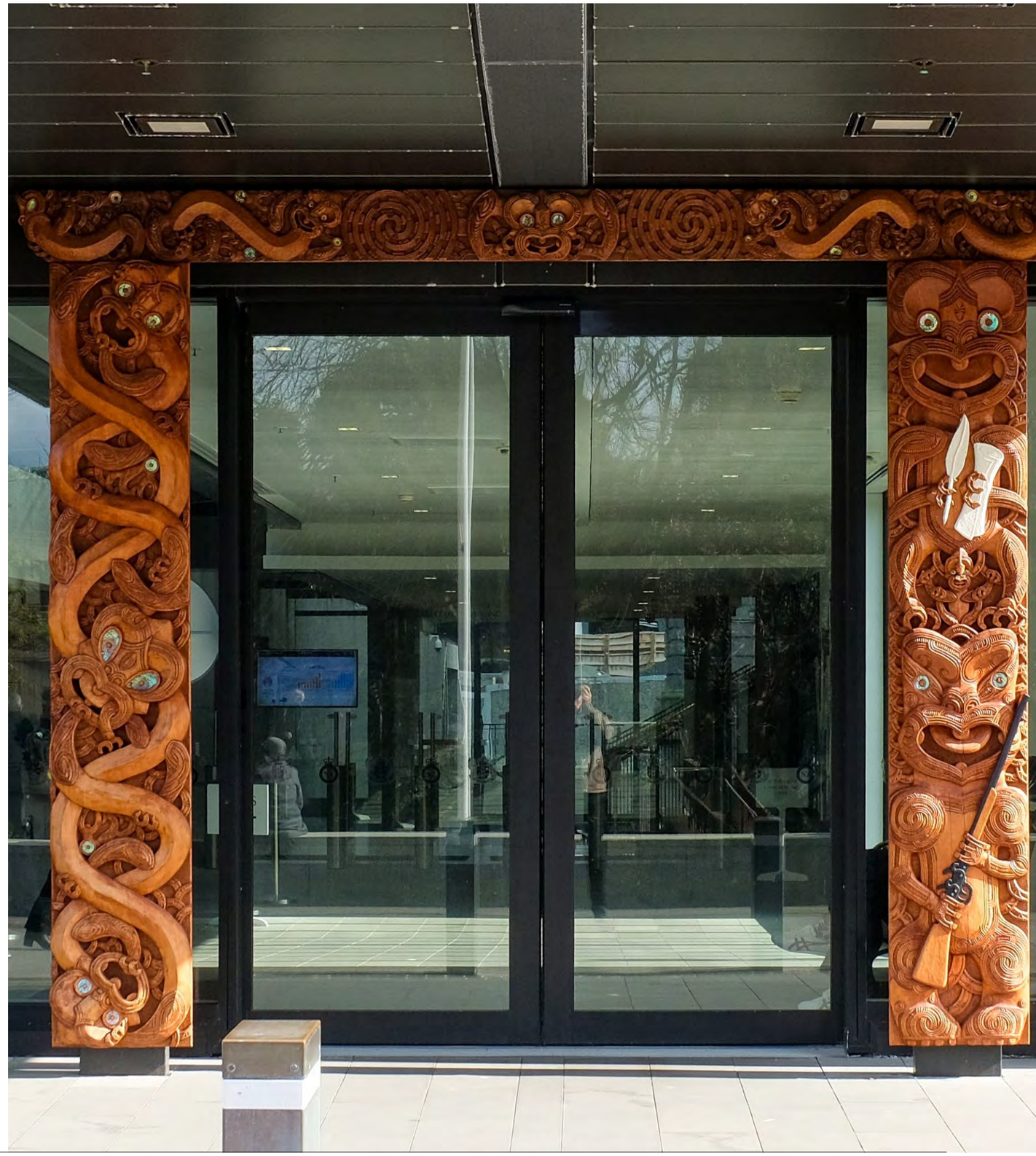
I would like to acknowledge the helpful conversations I had with the following people: Sarah Helm, Tracey Bridges, Max Rashbrooke, Julie Haggie, Suzanne Snively, Faye Langdon, Matt Rašković, and Kenneth Sim and Wu Wei Neng at the Chandler Institute of Governance. They provided me with a diverse range of viewpoints and may not agree with everything in this report.

Suzanne Snively, Max Rashbrooke, Julie Haggie, Matt Rašković, and Daniel Smolic and the Susan McKinnon Foundation all kindly provided feedback on drafts of the report. Any errors or omissions are my own.

Thank you to Steven Price for his advice and all the journalists who answered my questions. In particular, Guyon Espiner provided helpful information and insights.

I would also like to thank my colleagues at Mahi a Rongo | The Helen Clark Foundation for their support, particularly Executive Director Murray Bruges, Deputy Director Kali Mercier, Chair Peter Davis, and Patron, the Rt Hon Helen Clark. The Foundation also relies greatly on our partners at AUT for the support that allows us to continue this important work – ngā mihi nui.

This report would not have been possible without the generous support of the Chandler Foundation. The Chandler Foundation did not specify the focus or the content of this report and the views I have expressed are mine alone. I would like to thank the Chandler Foundation for its support.



FOREWORD

It may seem somewhat strange for a former National Attorney-General to be writing an introduction to a report which is to be published by the Helen Clark Foundation. I have two responses to this. First, Helen Clark is one of our most significant and successful Prime Ministers. Her Foundation does important work and I am very impressed by the quality of this report. Secondly, the issues raised by this report are very serious non-party political issues. It is in the interests of all New Zealanders that these issues are kept constantly under review.

Countries like New Zealand are always in danger of resting on their laurels when discussing important issues such as corruption and the rule of law. Some years ago, Gordon Brown's Attorney-General, Baroness Scotland, formed the Quintet of Attorneys-General, being the Attorneys-General of England and Wales, the United States, Canada, Australia, and New Zealand. At one of the early meetings of the Quintet, I raised a question about whether we as Attorneys-General should address our responsibility in promoting the rule of law. Consider how in recent years the rule of law has come under immense pressure, even in some of our oldest democracies. So we can never take the rule of law for granted. It is a fundamental part of a liberal democracy, and one which is to be cherished at all times.

So too with transparency in government. Corruption is an insidious cancer. It is not enough for democracies like ours to pay lip service to principles of transparency and steps which need to be taken against corruption. New Zealand must critically examine these issues on a regular basis. That is why this article is so important and why it raises very serious questions about New Zealand's current commitment to transparency. The report examines five important questions:

- **Political lobbying** – advocating to politicians on a particular issue.
- **Political donations and election funding** – how political parties fund their campaigning.
- **Official information** – how official information is made available to the public.
- **Foreign bribery** – the payment of bribes by New Zealand companies when operating overseas.
- **Beneficial ownership** – understanding who actually owns or benefits from corporate entities, trusts, and the like.

Look at just two of these issues. First political lobbying. Is it appropriate for an MP, who has held office as a cabinet minister, to leave Parliament and almost immediately become a lobbyist lobbying his or her former colleagues? This is the kind of issue which has arisen in this country in the last few years. Other jurisdictions have very strict rules on lobbying but New Zealand is far too informal when it comes to regulation of lobbying. We need to raise our standards. The recommendations made in the report are in my opinion very sound and need to be followed.

Another important issue raised by the report concerns the Official Information Act. We pride ourselves on the Official Information Act 1982, a venerable piece of legislation which enables access to information held by the Government. The Act has been updated from time to time but one area where there needs to be serious consideration concerns the lack of penalties for non-compliance. The report refers to, for example, Australian State laws which impose penalties for individuals and organisations for offences such as giving a direction contrary to the Act, failure to identify information, concealing or altering records, and obstructing the exercise of functions under the Act. Given the continual misuse of Official Information Act procedures by Ministers and Government departments, I think the time for considering penalties is appropriate here in New Zealand.

Another major question raised by the report concerns whether Parliamentary Services should be subject to the Official Information Act. It should be.

So these issues are very important non-party political issues. It is in the public interest that the questions raised by this report are kept constantly under review. We can never take our democracy for granted. We can never rest on our laurels when it comes to the rule of law and transparency. Ritual incantation of the importance of these topics is not enough. Paying lip service to transparency is inadequate. What is needed is a thorough review of our laws relating to the topics which have been raised by this report and change, if necessary, should be implemented as quickly as possible.

I commend the author of this very important work and strongly suggest that its contents be carefully considered by those in Government and Parliament and that, if change is required, then it happens.

Hon Christopher Finlayson KC

EXECUTIVE SUMMARY

Low levels of corruption are part of New Zealand's self-identity. We also rely on our lack of corruption as part of our stable business environment. Unfortunately, New Zealand has been slipping down the international corruption rankings with declining scores on various measures.

This report is focused largely on a specific corruption risk: access money. Access money is a reward extended by business actors to powerful officials, to access exclusive and valuable privileges. Access money can appear to stimulate economic activity by enriching those who are rewarded by politicians. In fact, access money distorts the allocation of resources, breeds systemic risks, and exacerbates inequality. There is a strong belief that access money is a problem in New Zealand with 65% of New Zealanders agreeing that our "economy is rigged to advantage the rich and powerful".

There are issues that threaten to increase different forms of corruption and undermine trust in our institutions.

Increasing income and wealth inequality, combined with changes in political norms, has increased political access for wealthy political party donors. Vested interests are seen as influencing political decision-making, undermining trust in our political institutions. This is exacerbated by the lack of transparency around lobbying and political donations. Some of our integrity systems, particularly in the political realm, have evolved via social norms, rather than formal rules. This creates opportunities for those willing to break the norms, because there are few legal consequences.

This report is focused on five domains the central government can change.

LOBBYING

Lobbying refers simply to attempts to influence public decision-making and can be an important part of the process by which decision-makers become informed on issues. New Zealand is unusual among our comparator countries in having almost no regulation of professional lobbying. There are a number of issues that experts have highlighted with lobbying in New Zealand over the last few decades:

- Undue influence of particular groups on policy, to the detriment of the public good.
- Lobbyists have access to decision-makers that ordinary people do not enjoy.
- The revolving door between senior government roles, ministerial advisory roles, and those lobbying these same government decision-makers.

In its recent review of New Zealand's economy, the OECD highlighted the poor regulation of lobbying and our revolving doors as factors that do not foster a level playing field. This report recommends implementing the Health Coalition Aotearoa's *A Balance of Voices: Options for the regulation of lobbying in New Zealand* recommendations on lobbying, with specific legislation, a register of contact with lobbyists, a stand down period, and a mandatory code of conduct for lobbyists.

POLITICAL DONATIONS

New Zealand's political party funding systems are open to abuse. Some donors have expectations of a quid pro quo for their large donations. Perceptions of corruption, as well as actual corruption, undermine trust in any system. Weaknesses in the current law prompted an Independent Electoral Review (IER), and this report endorses the Review Panel's recommendations on financing and election advertising and offers some further suggestions for third-party promoters. The IER recommends allowing only registered electors to make donations, limiting the size of donations, improving disclosure of donations, and strengthening the offence provisions in the law.

The Fast-Track Approvals Bill offers a case study on issues with both lobbying and political party funding. The report recommends strengthening Cabinet's conflict of interest processes, in response to the Bill, as well as signing up to the Extractive Industries Transparency Initiative.

OFFICIAL INFORMATION

The Official Information Act (OIA) provides important information about lobbying activity in Government. The OIA does not work as well as it could because its practice has become increasingly politicised and it lacks incentives. The report makes a number of recommendations for improving the OIA, including endorsing the Law Commission recommendations, introducing penalties into the Act, and extending its coverage to Parliamentary Services.

FOREIGN BRIBERY

New Zealand has reasonably strong protections against domestic bribery but relatively weak measures to stop New Zealand firms engaging in bribery and corrupt practices overseas. The OECD and Transparency International have made a number of recommendations for New Zealand to play its part in combating foreign bribery. This report recommends implementation of the recommendations.

BENEFICIAL OWNERSHIP

The 'beneficial owner' of a corporate entity is the natural person who ultimately owns or exercises control over the corporate entity. Complex ownership structures are used to obscure the identity of beneficial owners, to enable money laundering, facilitate the payment of bribes or political donations, or hide lobbying activity. The Financial Action Taskforce (FATF), the OECD, and other international bodies have all recommended that New Zealand establish a registry of beneficial ownership. We recommend that this is implemented and that trusts should also be covered by this legislation.

CONCLUSION

New Zealand is gradually slipping in international measures of corruption and we risk this trend continuing, or even accelerating, if we, as a country, shrug our shoulders and do nothing. A lack of corruption is important for our sense of identity as well as our competitive advantage. Unfortunately, the perception of corruption around political party funding and lobbying is far worse than the ideal to which we aspire. If the political system is seen as rigged in favour of insiders, if we fail to improve trust and confidence in political decision-making, we risk seeing the rise of populist leaders who are prepared to sweep away democratic norms.

Too frequently, policy changes in New Zealand occur in response to crises. Often the crises are the result of known weaknesses in our laws and institutions. Crises are costly and damaging to people's lives. Sometimes the damage is irreparable. Rather than doing too little, too late, this report proposes simple changes now that can reduce the risks and perceptions of corruption in New Zealand, and forestall a future crisis.

INTRODUCTION

Corruption is the "misuse of authority for personal or organi(s)ational gain" (Ashforth & Anand, 2003). It is difficult to observe corruption directly, so it is often measured by perceptions (Transparency International, 2023). Perceptions of corruption can have similar effects to corruption itself by driving a "culture of distrust" (Melgar et al., 2010, p.120).

A number of strategies can be used to prevent corruption. These include (Sauve et al., 2023):

- setting clear rules/laws and enforcing these
- creating or reinforcing an anti-corruption culture
- using risk management tools such as audits
- transparency-related approaches.

These strategies can be combined in different ways, depending on both the issue and the context. Some of these tools have broader benefits than just combating corruption. Cultures of integrity in politics and government are a set of practices that build trust to enable good decision-making, hold decision-makers to account, and fight corruption (Chandler Institute of Governance, 2024). Transparency International defines transparency as "shedding light on shady deals, weak enforcement of rules and other illicit practices that undermine good governments, ethical businesses and society at large" (Hall, 2020).

New Zealand has done well on corruption measures but is declining

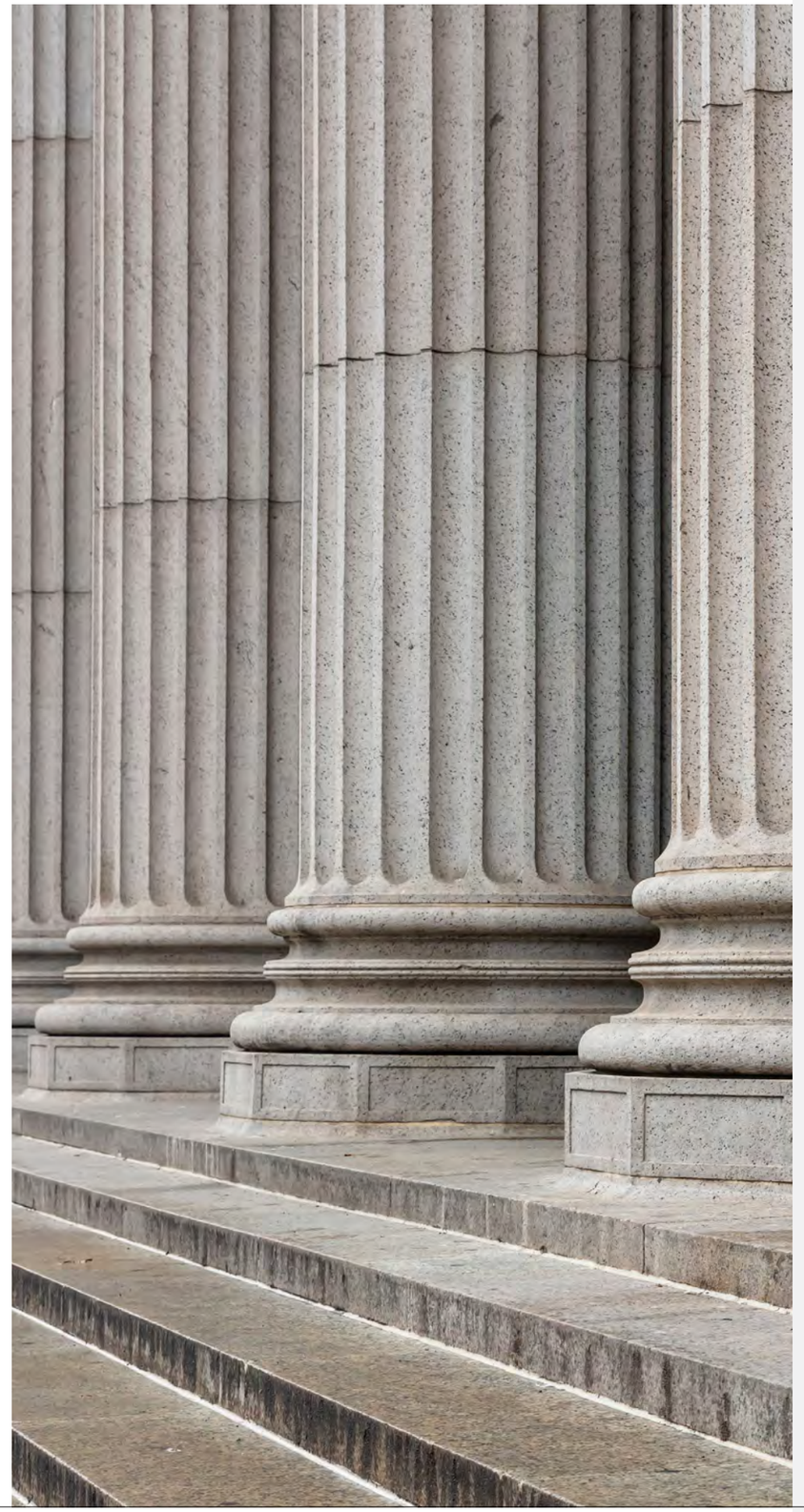
The perception of low levels of corruption is part of New Zealand's self-conception as a small, honest country where everyone gets a (relatively) fair deal, where police and justice systems are largely corruption-free, where organised crime is still very low, and where family connections aren't necessary to be recruited into the public service or to win a public procurement bid. New Zealand has relatively high levels of trust, as measured by independent surveys (OECD, 2024a), and this trust is driven partly by our perceived lack of corruption. Trust is the glue that makes many of our institutions function well (Warboys, 2024). However, trust in our institutions breaks down if people perceive them as being biased towards powerful, well-connected groups.

Transparency is seen as an integral part of New Zealand's identity. The New Zealand Story Group is an entity set up by the government to "protect, enhance and promote Brand New Zealand to expand our country's reputation and value internationally". They list one of our values as "Pono: Acting with integrity, honesty and transparency" (New Zealand Story Group, 2024a). They produce a toolkit that includes helpful infographics for people wanting to tell the New Zealand story. One of these shows New Zealand being "3rd out of 180 nations for corruption transparency"[1] (New Zealand Story Group, 2024b).

New Zealand has often been first in Transparency International's Corruption Perceptions Index. Recently New Zealand dropped to second, and now sits at third (Transparency International, 2023). This has not been just a decline in our relative ranking but a decline in our overall score. New Zealand reached a high of 91 in 2013–2015 and has since sunk to the current low of 85. What is causing this decline, does it matter, and is there anything that can be done about it? Will there come a point when New Zealand falls so low in the rankings that we no longer talk about it as a matter of pride?

Our integrity and relatively low corruption support New Zealand's stable business environment, which, in turn, is a source of competitive advantage. We need to maintain and enhance our reputation in this area to remain competitive. New Zealand has very high ease of doing business rankings[2] (World Bank Group, 2019), which derives in no small part from transparency and integrity. As a very small market at the bottom of the world, we have to make it straightforward to do business here, otherwise we risk not attracting the trade and investment we need to maintain living standards. This is of course a double-edged sword. If the ease of business trumps all else, this can have a negative impact on our low corruption levels. Important regulations that are needed to promote transparency may have been deferred because they are seen as another regulatory impost on businesses.

1. The term 'corruption transparency' is confusing.
2. New Zealand topped the World Bank Ease of Doing Business rankings 2017–2020, but this index has been discontinued due to data manipulation by lower ranked countries (World Bank Group, 2021).



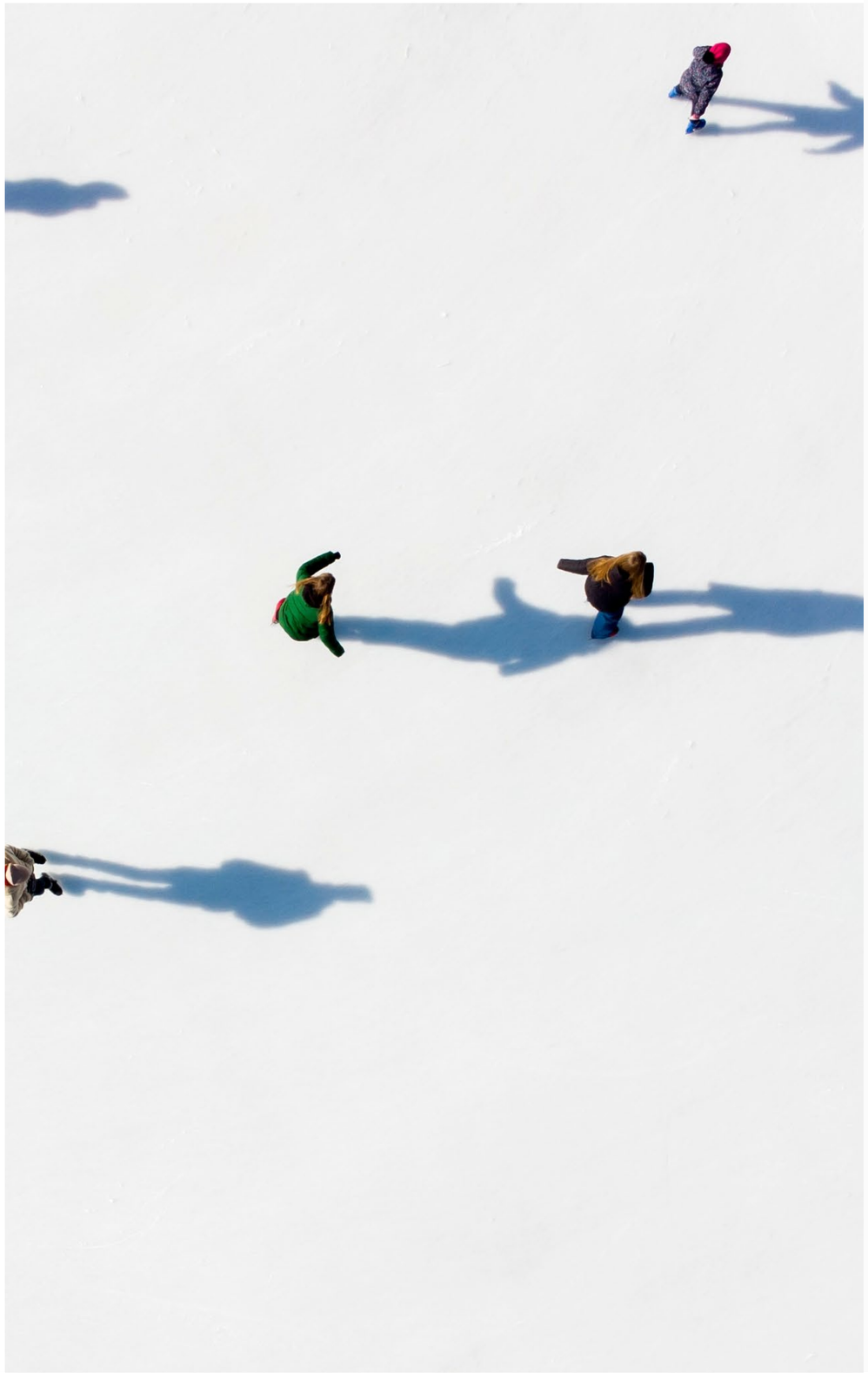
Corruption is an umbrella term that can be broken down into different categories

It is useful to consider what is meant by corruption in the New Zealand context. The word conjures images of bribes and suitcases of cash but it can be more pervasive and more subtle. Yueng Yueng Ang (2019) has a framework that unbundles public corruption on the basis of whether the corruption involves two-way exchanges between state and social actors (including, but not limited to bribery) and the one-sided corruption of theft (such as embezzlement or extortion). The other dimension of corruption is whether it involves elite political actors, such as politicians and leaders, or non-elites: frontline providers of public services. This division creates a 2X2 matrix:

FIGURE 1:
CATEGORIES OF CORRUPTION

	NON-ELITES	ELITES
INVOLVES THEFT	$ Petty theft	$$ Grand theft
INVOLVES EXCHANGES	$ Speed money	$$ Access money

"**Petty theft** refers to acts of stealing, misuse of public funds, or extortion among street-level bureaucrats. **Grand theft** refers to embezzlement or misappropriation of large sums of public monies by political elites who control state finances. **Speed money** means petty bribes that businesses or citizens pay to bureaucrats to get around hurdles or speed things up. **Access money** encompasses high-stakes rewards extended by business actors to powerful officials, not just for speed but to access exclusive, valuable privileges" (Ang, 2019).



All corruption is damaging to societies and economies but the different types cause different levels and types of damage. Theft is the most damaging as it drains public coffers with no benefit, subverts the rule of law, and generally deters quality investment. Speed money is less harmful than theft, but it still functions as a tax on citizens and businesses. Speed money is particularly harmful to poor people who can't afford these payments. Access money can appear to stimulate economic activity by enriching those who are rewarded by politicians. In fact, access money distorts the allocation of resources, breeds systemic risks, and exacerbates inequality (Ang, 2019).

The harms of access money tend to be seen most in a crisis, such as the 1997 East Asian financial crisis and the 2008 US financial crisis. "Crony capitalism was not the sole cause of these events, but it was undoubtedly a precipitating factor" (Ang, 2019). Crony capitalism also undermines trust in government.

Access money is an issue in developed countries, including New Zealand

Indexes such as the Corruption Perceptions Index bundle together the many forms of corruption and aggregate the results of single question surveys that talk generically about corruption. In addition, the majority of the data used in the indexes is from surveys of perceptions. As a result, these indices provide little insight into the specific forms of corruption in New Zealand and other developed countries. These indexes probably also under-measure some forms of corruption in New Zealand and other developed countries because they generally do not capture 'access money'. Many of these practices are not necessarily illegal (Ang, 2019). This reinforces the impression that "corruption is [only] something that happens to less fortunate people in poor nations" (Glaeser & Goldin, 2006).

This report uses the Ang framework because it highlights systemic risks that may be missed if only thinking about corruption as a whole. There are other frameworks for categorising forms of corruption, such as Michael Johnston's Syndromes of Corruption, which is based on both institutional strength, and economic and political opportunity. Ang's access money category is very similar to Johnston's influence markets. Both occur in developed countries with relatively strong institutions.

There is definitely a strong belief that access money is a problem in New Zealand with 65% of New Zealanders agreeing that our "economy is rigged to advantage the rich and powerful" (Ipsos, 2024). The OECD has pointed to this issue, in less emotive language, and suggested that more be done to regulate lobbying (OECD, 2024b).

The 2013 New Zealand National Integrity System Assessment engaged over 30 specialist researchers and four review processes to carry out a more comprehensive assessment of the key pillars that drive integrity (and, in this way, prevent corruption). The pillars include institutions outside central government – the media, political parties, civil society, and business. Local government, The Treaty of Waitangi, and pillars shaping the natural environment were also assessed by the 2013 NIS. This thorough assessment concluded that this country does indeed achieve high levels of integrity. The biggest challenge was complacency, reflected in limited attention paid to the determinants of corruption (Transparency International, 2013).

Emerging issues could exacerbate corruption

Complacency is a significant challenge in New Zealand. A 'she'll be right' attitude means that known risks and emerging issues are ignored until it is too late. There are a number of developments and emerging trends that threaten to increase levels of different forms of corruption and undermine trust in our institutions. These come from a variety of sources:

- Increasing income and wealth inequality, combined with changes in political norms, have increased political access for wealthy political party donors. Vested interests are seen as influencing political decision-making, undermining trust in our political institutions (Ipsos, 2024). This is exacerbated by the lack of transparency around lobbying and political donations.
- The increasing diversity of New Zealand's population, and in particular migration from countries with different types, levels, and cultures of corruption, creates challenges and risks to our cultures of integrity (Sahin & Sahin, 2010).
- As the Panama Papers revealed, New Zealand has been, and to some extent remains, a desirable location to invest the laundered funds that arise from corruption and crime in other countries (Beckford et al., 2016). It is somewhat ironic that this impact reflects our reputation for transparency: when the laundered money is moved on to other destinations, it is less likely to attract scrutiny from other regulators.
- Some of our integrity systems, particularly in the political realm, have evolved via social norms, rather than formal rules. For example, lobbyists in New Zealand have no specific forms of regulation. This creates opportunities for those willing to break the norms, because there are few legal consequences. The risks associated with norm-breaking are becoming more obvious.

New Zealand can also export corruption. There are global efforts to reduce corruption by creating penalties for companies in their home countries when they engage in corrupt activity abroad. New Zealand has only criminalised the payment of certain types of bribes by New Zealand companies operating overseas. They can still pay speed money with no risk of legal repercussions in New Zealand.

This report focuses on five key issues for central government

This report covers five domains where risks are growing but where, with further action, it is possible to improve the overall integrity and transparency of New Zealand's political and economic systems significantly. The five domains are:

- political lobbying – advocating to politicians on a particular issue
- political donations and election funding – how political parties fund their campaigning
- official information – how official information is made available to the public
- foreign bribery – the payment of bribes by New Zealand companies when operating overseas
- beneficial ownership – understanding who actually owns or benefits from corporate entities, trusts, and the like.

The first two domains relate directly to the issue of access money, which manifests through lobbying and political donations. The third domain of official information is critical to understanding how access money functions (and exposing other forms of abuse and corruption). The report includes foreign bribery because our current laws enable New Zealand businesses to engage in speed money corruption with impunity in other countries. The last domain of beneficial ownership is included because the lack of this information is used to hide sources of access money. It also enables the proceeds of grand theft to be laundered in New Zealand.

There is also purely private sector corruption: fraud and deception that does not involve the government, except in its law enforcement role. Many of the controls that prevent fraud and bribery are important in both public and private contexts. This report does not focus on private sector corruption. For a comprehensive overview of New Zealand's National Integrity System, see Transparency International's work on this (Transparency International New Zealand, 2019).

This report has focused on central government. There is much greater information available on central government as this is where most of the attention, particularly of our (shrinking) media, Ombudsman's Office, and Controller and Auditor-General, is focused. It is much more difficult to know about levels of corruption in local government because it is made up of 78 different councils and much of their activity is not covered by independent media. Of the Serious Fraud Office's current, publicly mentioned cases, about 12% involve local government.[3] Corruption and transparency in local government is an important area for future work.

3. Three of the 25 cases mentioned on the SFO website involved local government. This is the author's analysis of information found at https://sfo.govt.nz/media-cases/cases/.

LOBBYING[4]

Governing is the act of making decisions that weigh up competing interests. Good decision-making (and good governance) require that relevant perspectives have been aired and are known to decision-makers. Many decisions government makes involve the balancing up of broader and more diffuse public interests and benefits against narrower and more easily identifiable private interests.

The word 'lobby' originally referred to the public entrance of the British Houses of Parliament. It was here that MPs talked to non-members. From there the term came to be used for people asking legislators to change the law in their favour. The term 'lobbying' was first recorded in the 1830s for petitioners of the US Congress (Poole, 2021).

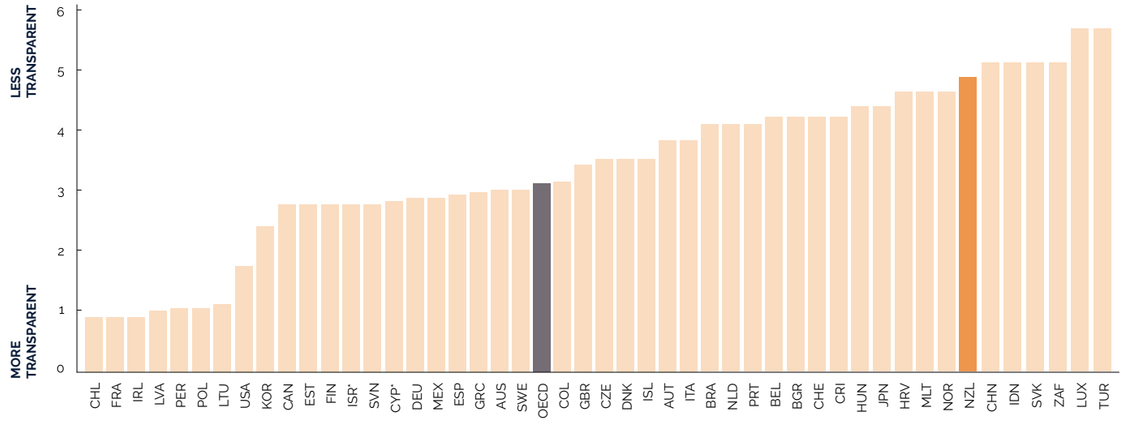
Lobbying refers simply to attempts to influence public decision-making and can be an important part of the process by which decision-makers become informed on issues. Citizens having access to their representatives is a norm of representative democracy and lobbying can be seen as an extension of this. Lobbyists can bring valuable information to public debates. Lobbying can be harmful if it is done unethically or non-transparently, or if there are serious imbalances in access to decision-makers.

New Zealand has almost no regulation of lobbying

It is difficult to fully understand the scale and practice of lobbying in New Zealand because, other than Cabinet Ministers' published official diaries, there are no easily accessible public records of lobbying activity.[5] New Zealand is unusual among our comparator countries in having almost no regulation of professional lobbying (Rashbrooke, 2024). The OECD creates a transparency index with 0 at "more transparent" and 6 at "less transparent". Countries at the top of the scale, like France, Chile, and Ireland score 0.86. New Zealand is much less transparent with a score of 4.93 out of 6. The only OECD countries that are worse are Slovakia, Luxembourg, and Turkey (OECD, 2024c).

4. The author engages in unpaid lobbying activity for Gun Control NZ.
5. The publication of Ministerial diaries only covers meetings and excludes phone calls or text exchanges. The OIA gives some insights, but is slow and requests are generally limited in scope to avoid being declined on substantial collation grounds.

FIGURE 2:
OECD LOBBYING REGULATION INDEX



There are many issues with lobbying in New Zealand

Experts have highlighted a number of issues with lobbying in New Zealand over the last few decades:[6]

- Undue influence of particular groups on policy, to the detriment of the public good. Many decisions that government has to make balance diffuse harms or benefits to the general population, against more easily identifiable gains or losses to specific, easily identified groups or industries. Even if the diffuse benefits (or harms) substantially outweigh the losses (or gains) to a small group, it can be difficult for decision makers to prioritise the broader public good over the narrow interest group.

- Lobbyists have access to decision-makers that ordinary people do not enjoy. In general, people in New Zealand are able to meet their local MP, and community groups may be able to obtain a meeting with a Minister about an issue that directly affects them. Professional lobbyists are often able to communicate directly with Cabinet Ministers and extend corporate hospitality to Ministers and their staff (Espiner, 2023a; 2023b).

- There is a revolving door between senior government roles, ministerial advisory roles, and those lobbying these same government decision-makers. The revolving door is problematic because people are able to take confidential inside information, contacts, and relationships from one role to another. This creates perceived or real conflicts of interest. These moves are generally revealed by the media. Those leaving government generally claim either to have no conflict of interest or to have processes in place to manage any conflicts of interest. Potential conflicts or conflict management processes are seldom publicly revealed. Those entering government, particularly Cabinet, will have somewhat more robust conflict of interest management processes through the Cabinet Manual and Cabinet Office processes (Cabinet Office, 2023).

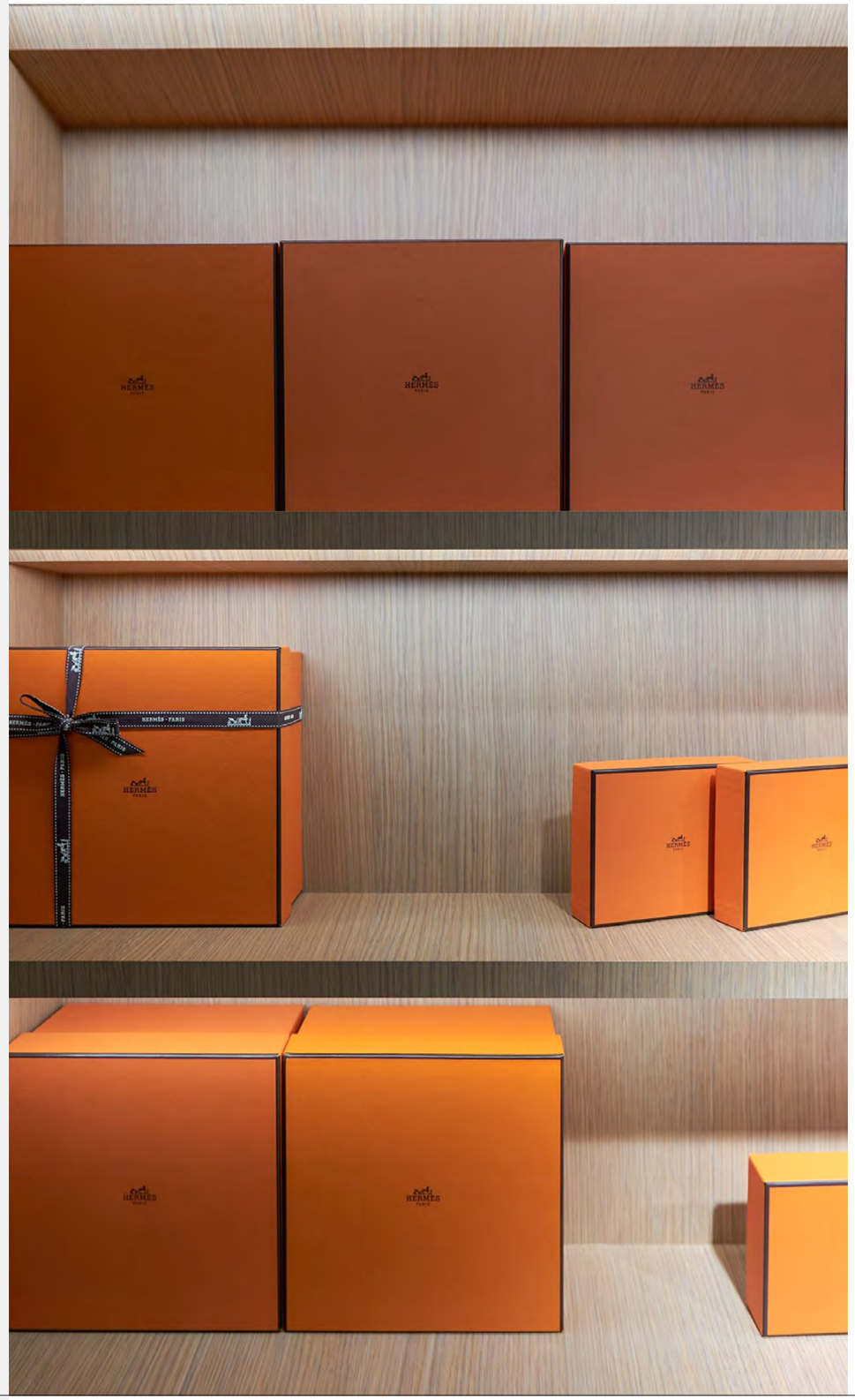
6. Specific examples of these issues can be found in Rashbrooke (2024).

These issues with lobbying occur in governments of all political stripes and with people with affiliations to a wide range of political parties.

Most of what we know about lobbying is where there is a written record of one form or another. There is also a large amount of lobbying that happens without written records. Lobbyists frequently organise hospitality: drinks, dinners, functions, and events, where the conversation is more relaxed and free-flowing, as well as unrecorded. The information uncovered by investigative journalist Guyon Espiner, through Official Information Act requests, provides hints of this kind of socialising and hospitality (Espiner, 2023a; 2023b).

Much of this hospitality occurs below the threshold at which it would need to be declared in the *Register of Pecuniary and Other Specified Interests of Members of Parliament*, which has a $500 threshold for gifts.[7] While $500 may not be an enormous amount of money for somebody on a ministerial salary, gifting is highly influential on people's behaviour. Gifting has been shown to create obligations of reciprocity, even when the gift has little financial value (Cialdini, 2007). For this reason, the threshold for reporting gifts should be much lower. The equivalent threshold is lower in both the Canadian and Australian Parliaments. This would also make it easier for all MPs to refuse gifts, on the grounds that they are above a certain threshold. It could also change the culture around giving gifts to politicians, which would be welcome. A lower threshold would also capture far more information about lobbyist hospitality. A lower threshold would create a greater compliance burden on MPs, but the transparency benefits would be worth it. An alternative would be to require publication of all MPs' diaries and not just Ministers' diaries.

7. Gifts include meals and other forms of hospitality and entertainment.



In some cases, lobbying activity may be completely coincidental with no causal connection or influence between the lobbying and subsequent decisions. The decision-makers involved may sincerely believe that lobbying has no influence on their decisions. But studies have shown that those who are the targets of lobbying are often more influenced by it than they believe (Katz et al., 2020). Whether this influence is based on the arguments put forward by lobbyists or by norms of reciprocity, or by both, is a moot point.

The businesses and organisations that invest large sums in lobbying clearly believe that it works or they would not invest so much in it. There is evidence from the USA that businesses that invest in corporate political activity obtain economic advantages (Lux et al., 2010).

The OECD has repeatedly recommended that New Zealand regulate lobbying

The OECD has published general recommendations on transparency and integrity in lobbying (OECD, 2010), but New Zealand is not in conformance with those. In its recent review of New Zealand's economy, the OECD highlighted the poor regulation of lobbying and our revolving doors as factors that create an uneven playing field. They note that there is scope to enhance the regulation of lobbying and ensure these regulations are applied evenly. The OECD also acknowledged poor practice around conflicts of interest and emphasised that politicians and officials need to adhere to the rule of law and the highest ethical standards, including proactively declaring conflicts and recusing themselves where conflicts exist (OECD, 2024b). In a subsequent report, the OECD recommended tighter standards for lobbying and declaring conflicts of interest, including a mandatory registry for interest groups, a cooling-off period for public officials leaving office, and enhanced conflict of interest rules (OECD, 2024b).

In response to concerns about lobbying practice, the previous government announced work on policy options to regulate lobbying, as well as some shorter-term measures, including removal of Parliamentary swipe card access for lobbyists, support to develop a voluntary code of conduct, and changes to the Cabinet Manual (Hipkins, 2023). Swipe card access has since been restored to some lobbyists and, in an unprecedented move, their identities are being kept secret (Espiner, 2024). The voluntary code is being developed by the Ministry of Justice (2024b). A voluntary code is close to useless because it will only reveal the activity of more ethical lobbyists. The Ministry of Justice was undertaking work on the policy options and was due to report to Ministers on these at the start of 2024 with options for public consultation (Ministry of Justice, 2023). As at August 2024, no announcements have been made. The Ministry of Justice updates in 2024 (2024a; 2024b) now only refer to "the Ministry's report to the Minister of Justice on the Lobbying Project" rather than specifically to the work on policy options.

In 2023, the Health Coalition of Aotearoa commissioned Max Rashbrooke to recommend a regulatory system for lobbying. His report surveys different countries' approaches to regulating lobbying and highlights the five elements of lobbying regulation that are considered essential (Rashbrooke, 2024).

RECOMMENDATION

01[8]

Implement the Health Coalition Aotearoa's *A Balance of Voices: Options for the regulation of lobbying in New Zealand* report recommendations with:

- a Regulation of Lobbying Act 2024
- an online and publicly accessible register in which lobbyists have to make quarterly returns detailing their contacts with Designated Public Officials (DPO)s
- a stand-down period of three years in which former DPOs cannot lobby government on issues where they had official dealings
- a mandatory code of conduct for lobbyists, and lobbying-related provisions added to existing codes of conduct for DPOs
- the creation of an independent Crown entity, either a narrowly focused Lobbying Commission or a more wide-ranging Integrity Commission, with the power to levy fines, prosecute law-breakers, and generally enforce the above provisions.

Deliberative democracy processes ensure the views of a range of citizens inform decisions and can be a useful counterbalance to professional lobbying.

RECOMMENDATION

02

Open up democratic processes to deeper participation by citizens through deliberative democracy and mechanisms such as citizens' assemblies.

03

Lower the threshold for declaring gifts in the Register of Pecuniary and Other Specified Interests of Members of Parliament.

04

Include in the Register of Pecuniary and Other Specified Interests of Members of Parliament all gifts (above the threshold value) offered to MPs and refused.

05

Require DPOs to publish on a quarterly basis any gifts they have received (or been offered and declined).

8. The numbering of all recommendations reflects the recommendations made in this report. Some of this report's recommendations are restatements of recommendations from other reports. .

POLITICAL PARTY
AND ELECTION FUNDING

"New Zealand's global reputation as a high trust/high integrity nation is built on many solid foundations. Political party financing is not one of them" (Macaulay, 2021).

The Commonwealth has distilled three core principles that underpin international standards and practice for election and party funding (Commonwealth Secretariat, 2020):

- Regulation should promote a level playing field to ensure fair competition.
- Regulation should provide for transparency to help combat corruption.
- Regulation should require accountability to ensure compliance with the law.

Unfortunately, New Zealand's electoral law and practice do not currently measure up as well as they could against these principles.

Small donations are an important part of engagement with the electoral process. However, small donations in New Zealand (defined as less than $5,000) total much less than larger donations from businesses and a few wealthy individuals (Walters, 2024).

As in nearly all democracies, individuals and organisations may seek to influence policy by donating to political parties. Both major parties have advertised opportunities to meet Ministers (such as at an event), in exchange for donations to the party.[9] This tactic has also been used by these parties when in opposition (though it is not access to Ministers but rather to party spokespeople) (Vance, 2022).

Donations to political parties over $5,000 are generally publicly disclosed through reporting to the Electoral Commission. However, parties sometimes use strategies such as donation splitting (Independent Electoral Review, 2023) and "independent" entities (Trevett & Houlahan, 2008) in what many commentators and experts believe are deliberate efforts to obscure their funding sources.

9. In some cases, the price of admission is not a political donation but structured as a payment for a service, such as conference attendance, or the cost of a meal.

Donors (seem to) expect a quid pro quo for their large political party donations

Larger and/or undeclared donations may lead to the perception that parties offer policies or favours in exchange for cash. Multiple political parties, from across the political spectrum, and over a long period of time, have been accused of granting party donors inappropriate favours and policy interventions. Some donors also believe they can get specific political outcomes by donating to specific parties.[10] There are also donors, who donate to political parties on the basis of their personal beliefs, without any expectation of personal or organisational benefit.

The reporting and information on party donations is based on a variety of information sources, including court cases, whistleblowers, and leaks. Few of the examples come from information filed with the Electoral Commission. This is strongly suggestive of a lack of transparency in the current system.

Even if nothing illegal occurs, the perception that policy and other favours are obtainable in return for political donations is corrosive. This perception can undermine trust in our political institutions regardless of the legality of the donation or the intent behind it (Melgar et al., 2010). Concerns about political parties and election funding are not new. Perceptions of weaknesses in the law prompted the previous Government to commission the Independent Electoral Review (IER) in 2022.

The Independent Electoral Review made a number of recommendations to restore trust

The IER's final report was released in January 2024. The IER recommended changes to the election funding and advertising system to reduce the influence of large donors and promote greater transparency in our elections. The current Government immediately rejected some of its recommendations and has said it "would make a formal response to the review in due course" (Goldsmith, 2024). No response has been made at the date of publication.

RECOMMENDATION

06

Adopt the Independent Electoral Review recommendations on political finance and election advertising, in particular:

- allowing only registered electors to make donations and loans to political parties and candidates
- limiting the total amount a registered elector may give by way of donations and loans to each political party and its candidates to $30,000 per electoral cycle
- requiring greater disclosure of donations during elections
- requiring the public disclosure of all donors who give more than $1,000 in a year to a political party or candidate
- introducing offence provisions in the Electoral Act to restrict cooperation and collusion between third-party promoters and political parties
- prohibiting registered third-party promoters from using money from overseas persons to fund electoral advertising during the regulated period. This measure reduces the risk of foreign interference in New Zealand's elections.

While this report endorses the IER's recommendations, there are a few areas on which the Independent Electoral Review did not comment, or where it could have made stronger recommendations. The remainder of this section makes further recommendations that build on the IER report.

Donations should be disclosed more frequently

Modern political parties campaign throughout the three-year electoral cycle. The idea of the 'permanent campaign' was popularised by US political strategist Sidney Blumenthal in the 1980s (Blumenthal, 1982). With the rise of modern media and the demise of old party machines, politicians are in permanent campaign mode.[11] Given this ongoing campaigning, and ongoing decision-making by politicians, there should be monthly disclosure of all political party donations. There is currently very delayed annual disclosure of most donations outside the regulated pre-election period and this reduces transparency. In Queensland, donations are generally published within seven days, and within 24 hours during an election period. In Victoria, donations are published within 28 days.

10. Specific examples are provided in Rashbrooke & Marriott (2022).

11. For a frank discussion, see for example *The Spinoff*, Staff writers, 2018.

RECOMMENDATION

07 **Require monthly disclosure of political party donations.**

08 **Expand the definition of election advertising to include all communications and marketing expenses.**

The definition of advertising costs used in the legislation is too narrow and does not include the full extent of modern campaigning, marketing, and communications. Costs that are excluded include:

- payments to social media influencers
- polling and focus groups (which are commonly used to create and refine messaging)
- public relations and communications activity, including activities such as media liaison and development of media releases
- celebrity endorsements and appearance fees.

The definition of election advertising should be expanded to include all communications and marketing expenses. It may be that expanding the definition of advertising costs requires the proposed spending limits to be increased somewhat. It is particularly important to have this expanded notion of advertising costs when it comes to the regulation of third-party promoters. Third-party promoters frequently seek to influence the public without necessarily using paid advertising.

Third-party promoters also need to be regulated

Third-party promoters are people or groups that are neither candidates nor political parties, but who run election advertising during an election campaign.[12] Unregistered third parties are legally restricted to spending no more than $14,700 on election advertising. Registered third parties can legally spend up to $367,000 on election advertising. This registered third-party spending only has to be reported to the Electoral Commission if it exceeds $100,000. Offshore people cannot be registered as third parties, but there are no limits on their ability to donate to domestic third parties.

Restrictions on direct donations to political parties are likely to increase the amount of money being spent by third parties. Third parties also create significant opportunities for offshore actors wishing to influence New Zealand elections. The funding limits on third parties are also not realistic because multiple third parties can be set up by an individual or group, each spending close to the limit.

While many New Zealanders may look askance at the role of money in other countries' election systems, our system provides few formal safeguards against the influence of money. The key difference is the volume of money, not the rules. Special interest groups spend large amounts of money in US elections.

Spending by third-party promoters is much less transparent and harder to scrutinise in New Zealand.

The amount being spent by third-party promoters has rapidly increased in recent years. $147,000 was declared in the 2020 election. Nearly $2 million was declared in the 2023 election (Edwards, 2024). While there is transparency about which groups are fronting these campaigns, it is not possible to determine where these groups get their funding from. This undermines transparency and public faith in the electoral system.

12. The Helen Clark Foundation registered as a third-party promoter in the 2020 referendum on cannabis legalisation.

RECOMMENDATION

09

Implement the Independent Electoral Review recommendations (2023) on third-party promoters:

- requiring registered third-party promoters to keep records of election campaign donations
- requiring registered third-party promoters that spend more than $100,000 on election expenditure during the regulated period to also disclose donors who donate over $30,000 in total during an electoral cycle, if the donation has been used for election expenditure.

Third-party promoters should also declare the names of donors to their political campaigning, in the same way as if they were party donations. Only registered voters should donate to these political campaigns, with the same restrictions as if they were donating to a political party (no more than $30,000 in a three-year cycle, full public disclosure of donations over $1,000).

The third-party promoter should not spend more on a political campaign than it receives in donations to that campaign. This measure is to prevent a third-party promoter from spending its reserves or funding from other sources on a campaign and thus effectively obscuring the source of its funding.

RECOMMENDATION

10

Require third-party promoters to declare the names of donors to their political campaigns, following the same rules as if they were party donations.

11

Only allow registered voters to donate to third-party promoters' political campaigns with the same restrictions as are recommended for donating to a political party (no more than $30,000 in a three-year cycle, full public disclosure of donations over $1,000).

12

Limit third-party promoters to spending no more on a political campaign than they receive in donations to that campaign.

Online advertising has some unique risks

Online advertising is different from traditional media. It can be micro-targeted, which makes it less visible and 'transparent' to the broader community. Greater transparency measures are needed for online advertising.

RECOMMENDATION

13

Adopt Transparency International New Zealand's (Ferrer, 2020) recommendations for additional regulation of online political campaigning, in particular:

- requiring those who sell advertisements directly or indirectly online to keep a public, searchable register of published election advertisements targeting New Zealanders, including detailed information on demographic micro-targeting, ad reach, cost, and source of payment
- requiring parties, candidates, and third-party promoters to provide more detailed accounts of online ad buys and the medium of expenditure in their expense returns
- requiring itemised expense reports of all Parliamentary Service-funded advertising.

POLITICAL DONATIONS AND LOBBYING – THE FAST-TRACK APPROVALS BILL[13]

The Fast-Track Approvals Bill provides a streamlined decision-making process for infrastructure and development projects with significant regional or national benefits. This case study explores how the processes outlined in the Fast-Track Approvals Bill create significant risks of abuse and perceptions of corruption. In the author's view, some projects are important enough to be fast-tracked, but not through the proposed processes. For example, responding to emergencies, mitigating and adapting to climate change, resolving the housing crisis, and creating or rebuilding more resilient infrastructure may all merit processes outside existing planning laws.

The Fast-Track Approvals Bill is very unusual in that it gives decision-making power over projects with potentially substantial private benefit to a small group of Ministers (Parliamentary Commissioner for the Environment, 2024). Generally, most of our current constitutional frameworks give Ministers the ability to make policy decisions and determine overall direction and strategy on broad topics. In nearly all cases, the decision-making authority over specific projects is granted to independent decision-makers. This was part of the aim of New Zealand's public sector reforms, to separate policy and operational decisions and ensure that decisions are made at the appropriate level (Walker, 1996). The general, high-level strategic decisions are rightly political decisions. Decisions about how the law should apply to specific projects have been reserved for specialists because these judgements are often technical and require specialised expertise. These types of specific decisions also often have large financial implications for individual businesses and create incentives for corruption. Experts consider that this Bill inappropriately gives Ministers very specific decision-making powers over projects with significant private benefits, with attendant risks of corruption (Smith, 2024).

Even if the Ministerial decision-makers act appropriately, the amount of power that would be invested in them by this Bill would still create strong perceptions of the potential for corruption. Perceptions of corruption can be almost as damaging as actual corruption, because they reduce trust in our political systems (Melgar et al., 2010), which exacerbates many of the challenges we face as a country.

13. The Ministers responsible for the Fast-Track Approvals Bill have mused about potential changes to the Bill and its name but no press release or Supplementary Order Paper has been released documenting these proposals. This discussion is based on the Bill as referred to Select Committee on 7 March 2024 but it is subject to change.

There have been perceptions of impropriety surrounding the Bill, many of which fall into the 'access money' category described in the introduction. Reporting suggests potential beneficiaries of the law have donated to and/or lobbied political parties who have been involved with the law (Green & Dexter, 2024). There has also been lobbying of Ministerial decision-makers by potential beneficiaries. The author is not suggesting there is necessarily anything illegal about this lobbying and donation activity, but at the least, these activities raise perception issues around potential beneficiaries of legislation having a degree of influence over its development.

Experts are concerned that the Fast-Track Approvals Bill presents considerable risks that Ministers could be disproportionately swayed by lobbying efforts. As the Parliamentary Commissioner for the Environment (2024) says:

"Placing resource allocation designed to deliver private benefits entirely in the hands of Ministers is fraught with risks. Businesses will inevitably conclude that instead of investing in making themselves more productive to gain access to resources, they would be better off investing in lobbying. Where public resources are at stake, the asymmetry of access to political decision makers and panels becomes particularly problematic."

The Controller and Auditor-General (2024) has also highlighted concerns about the Fast-Track Approvals Bill's impact on transparency and accountability. He notes that while the Cabinet Office Manual sets out the expectations and processes for how Ministers should manage conflicts of interest, there is no legal requirement to comply with it. He has suggested there should be strengthened and binding processes for dealing with conflicts of interest.

RECOMMENDATION

14

Strengthen the Cabinet Manual's conflict of interest policies and codify these in legislation.

The Fast-Track Approvals Bill specifically makes projects that develop natural resources, such as minerals and petroleum, eligible to access its provisions. Extractive industries are particularly prone to corruption. The OECD (2016a) found that one in five cases of trans-national bribery involve extractive industries. To mitigate some of these risks, if the Fast-Track Approvals Bill is passed with specific eligibility for extractive projects, New Zealand should sign up to the Extractive Industries Transparency Initiative (EITI), joining peer countries such as Germany, Norway, the Netherlands, and the United Kingdom. The EITI seeks to promote open and accountable management of oil, gas, and mineral resources. The EITI Standard requires information along the extractive industry value chain, from the point of extraction to how the revenue makes its way through the government and its contribution to the economy. This includes how licences and contracts are allocated and registered, who the beneficial owners of those operations are, what the fiscal and legal arrangements are, how much is produced, how much is paid, where the revenue is allocated, and contributions to the economy, including through employment (EITI, 2024).

RECOMMENDATION

15

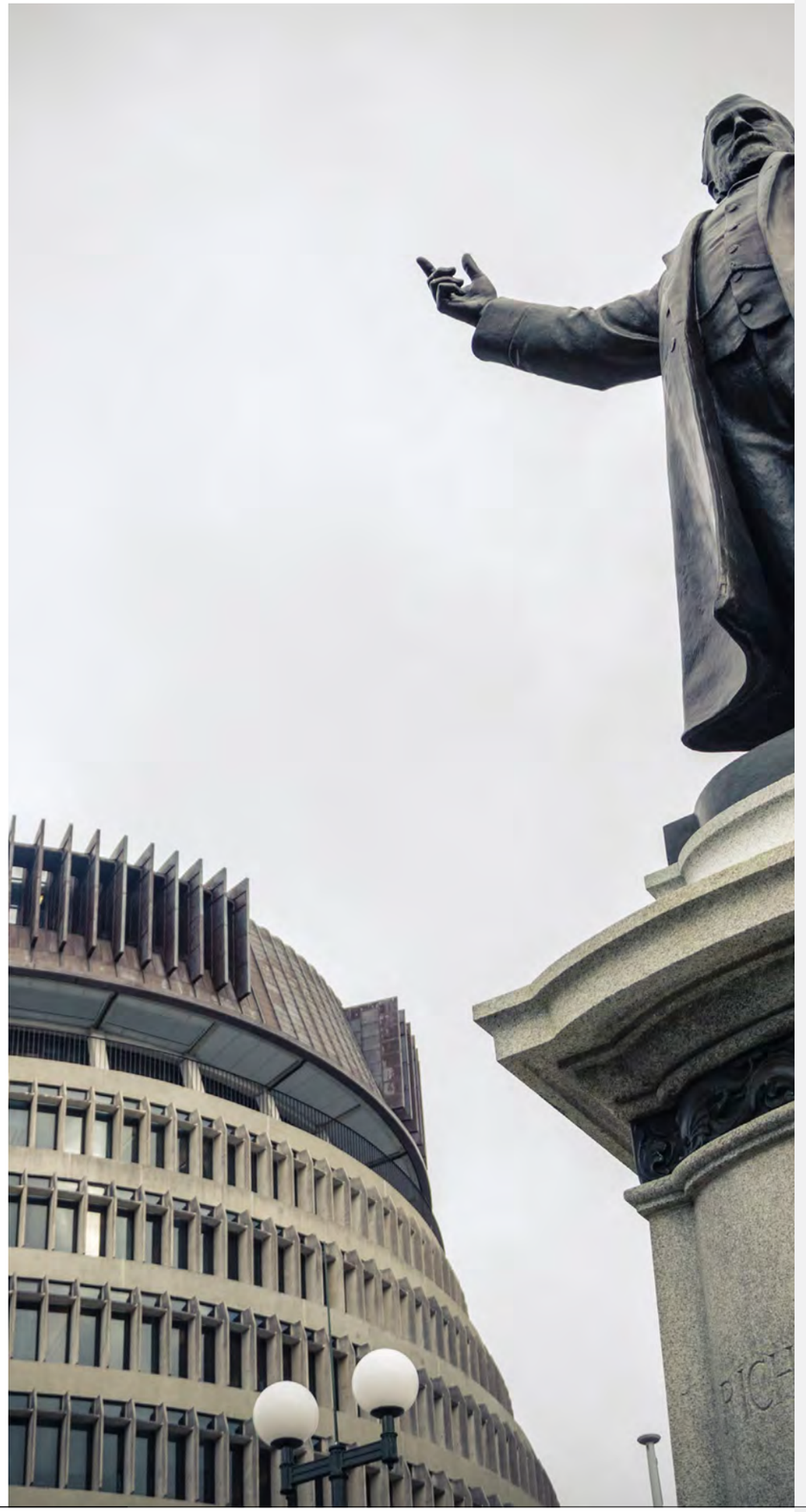
Sign up to the Extractive Industries Transparency Initiative.

OFFICIAL INFORMATION

The Official Information Act 1982 (OIA) is a 42-year-old law that enables access to information held by the government. This access is a fundamental element of enabling accountability and scrutiny of government, as well as of ensuring that the public is better informed and able to participate in political and policy processes.

New Zealand was a pioneer in introducing the OIA, but similar (and often improved) legislation now exists in most advanced democracies. The Local Government Official Information and Meetings Act 1987 has provisions that mirror the OIA, and so this analysis covers both pieces of legislation.

In 2012, the Law Commission published an extensive review of the OIA: *The Public's Right to Know* (2012a). The report made extensive recommendations for updating and modernising the legislation, but those recommendations were largely ignored by the then-government. Since then, there have been concerted efforts by the Ombudsman and the Public Service Commission to improve practices around the OIA and require the proactive release of information. In 2019, the Ministry of Justice undertook public consultation on the OIA, but the then-government did not undertake any further work on this topic.



The OIA provides important information but it does not work as well as it could

As discussed in the sections on lobbying, the OIA is often an important source of information about the nature of lobbying that occurs. Improvements can be made to the OIA that will improve transparency on lobbying, as well as on political and policy processes more generally. The OIA is used in many other ways and for many other purposes, but it is probably the most important tool for transparency in the workings of government. The Law Commission (2012a) has said that it is "central to New Zealand's constitutional arrangements".

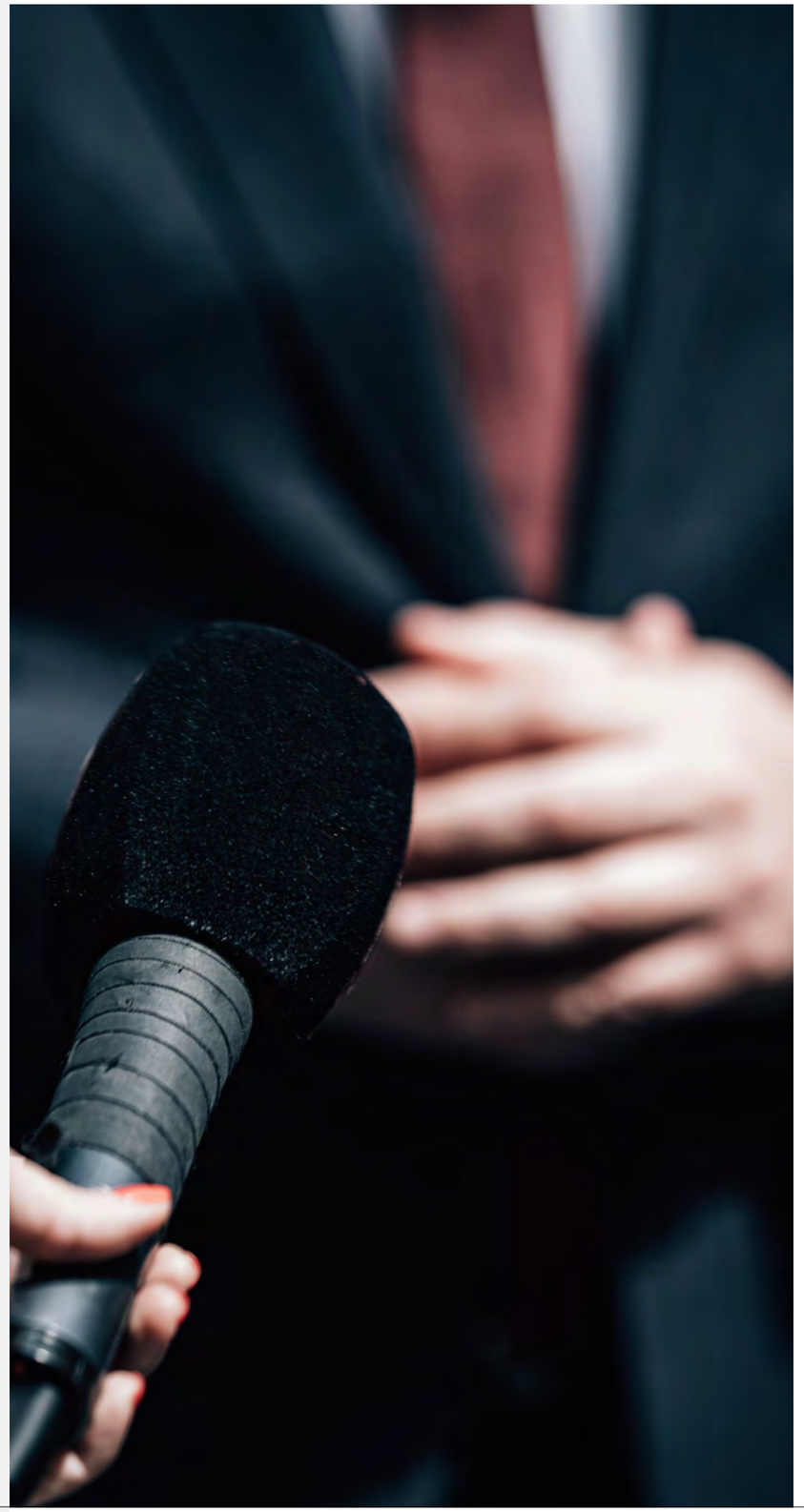
The most frequent complaints from users of the OIA are about delays in the release of information (beyond statutory timeframes) and a presumption towards withholding, despite the legislative framework (Ministry of Justice, 2019a). Delays can have many causes but they frequently amount to de facto refusals to release information in time for crucial decision-making or media scrutiny.

Experts cite many reasons for these issues with the OIA (Ministry of Justice, 2019a). This report highlights three reasons that explain these problems: the professionalisation of (political) communications, the changing nature of the relationship between Ministers and the public service, and the lack of enforceable provisions or penalties in the OIA.

Professionalisation of (political) communications has changed OIA practice

Internationally, there is an increasing trend for politicians to be more media savvy and media-trained (Davis, 2017). Politicians and their staff are much more aware of how the media works and adept at managing and working with the media (Edwards, 2016). Observers complain of politicians who now robotically repeat talking points rather than answering direct questions.[14] Another aspect of this trend is an increased desire to control information flows and limit the information released through the OIA (Ellis, 2016).

This professionalisation trend is mirrored in the public service, which has expanded its employment of public relations and communications staff (Pennington, 2019). This professionalisation has led to changes such as treating journalists' queries as OIAs, instead of as a media inquiry that would generally be responded to within a day as had been long-standing practice. By making journalists use the OIA for relatively basic questions, the Minister or department delays the response, often in the hope that the issue will no longer be current when a response is finally provided (Patterson, 2019).



The changing relationship between Ministers and the public service has affected OIA practice

Over time, the relationship between Ministers and the public service has changed. There has been a shift from a public service with deep expertise, providing free and frank advice, to a public service that acts more like a secretariat to the government of the day, implementing but not shaping their decisions. The fixed terms of chief executives also create a greater degree of dependence on Ministers (Chapple, 2019). These changes have all contributed to public servants having difficulty in standing up to the demands of Ministerial advisors.

A 'no surprises' policy is set out in the Cabinet Manual: "In their relationship with Ministers, officials should be guided by the 'no surprises' principle. As a general rule, they should inform Ministers promptly of matters of significance within their portfolio responsibilities, particularly where these matters may be controversial or may become the subject of public debate" (Cabinet Office, 2023).

Under the 'no surprises' approach (perhaps more accurately 'no embarrassment'), officials provide Ministerial offices with a list of all OIA requests received by the Department. Ministerial offices then scrutinise these lists for potentially risky requests. In this way, Departments frequently 'consult' Ministerial offices on the release of information that was drafted and signed out entirely by the department – though 'consult' is something of a euphemism for 'receive instructions on how to handle a request'. Ministers' offices frequently take it upon themselves to become arbiters on the release of all potentially politically sensitive information by a Department, based on assessments of political risk rather than on the letter of the law (Ellis, 2016).

The transfer provisions of the OIA also enable officials to transfer politically sensitive requests to the relevant Minister's office by claiming that the request is "more closely connected with the functions of … the Minister" (section 14(b)(ii)). This transfer can be done despite all the relevant information having been generated by the Department. This type of transfer is sometimes done by Departments to avoid responsibility for release decisions that may have political consequences (Ellis, 2016).

14. See for example Currie (2023).

RECOMMENDATION

16 **Limit the scope for transferring requests to Ministers under the Official Information Act. This should only be done for information generated inside the Ministerial office and for Cabinet papers.**

17 **Amend the Official Information Act so that Ministerial offices cannot be consulted on departmental releases.**

18 **Include provisions in the Official Information Act that emphasise the independence and autonomy of public servants in making decisions under the Act and clearly limit the role of Ministers and their offices.**

A lack of penalties exacerbates the flouting of the OIA

As a young public servant, the author was told by older colleagues that there are no consequences for not following the OIA, but that we did it because it was the right and ethical thing to do. A public servant, faced with countervailing pressures to withhold (such as the Minister's office yelling at them on the phone) (Ministry of Justice, 2019b) has no incentive to do the right thing, except for their conscience and the unlikely prospect of an Ombudsman review. A penalties regime is sorely needed in the Act. Creating consequences for doing the wrong thing encourages people to do the right thing.

Australian state laws have penalties of fines for individuals and organisations for offences such as giving a direction contrary to the Act, failing to identify information, concealing or altering records, and improperly obstructing or influencing the exercise of functions under the Act. In New Zealand the Ombudsman has summarised the relevant penalties as follows (2019):

- "The Australian Capital Territory legislation establishes offences of making a decision contrary to the Act, giving a direction to act contrary to the Act, failing to identify information, and improperly influencing the exercise of functions under the Act. The penalty is $ AUD15,000 for an individual and $AUD 75,000 for an organisation."
- "The New South Wales legislation establishes offences for acting unlawfully or directing an unlawful action, improperly influencing a decision, and destroying, concealing or altering records to prevent disclosure. The penalty is $AUD 11,000."
- "The Tasmanian legislation establishes offences for deliberately obstructing or unduly influencing a decision maker in the exercise of their decision-making power under the Act, and deliberately failing to disclose information which is the subject of a request, in circumstances where the information is known to exist, other than where non-disclosure is permitted in accordance with the Act or any other Act. The penalty is $AUD 7950.32."
- "The Queensland legislation establishes offences for directing someone to make the wrong decision or to act contrary to the Act, and providing false or misleading information to the Information Commissioner. The penalty is $AUD 13,055."

The Ombudsman (2019) has advocated for the introduction of penalties to New Zealand's OIA.

RECOMMENDATION

19 **Add penalty provisions to the Official Information Act, with fines for individuals (at a similar level to the Australian provisions) acting contrary to the legislation.**

20 **Create liability for departmental chief executives under the Official Information Act, in a similar way to the health and safety legislation.**

21 **Include offences in the Official Information Act for people who improperly seek to influence decision-making on the release of information under the Act.**

22 **Implement the Law Commission's recommendations on improving the Official Information Act. Their recommendations are summarised as follows:**

- Improved access to OIA guidance
- Overhauling the grounds for withholding
- Improved guidance on consultation and transfers of requests
- Improved guidance on the protection of privacy
- Giving the public interest test for release of information more prominence
- Improvements to deal with frivolous and vexatious requests
- Making it easier to request material and provide assistance to requesters
- Improvements to the complaints process
- Enabling enforcement of Ombudsman's recommendations
- A duty to proactively release information.

Parliamentary Services needs to be included in the OIA

Parliamentary Services is currently excluded from the OIA. The Law Commission (2010) has recommended it be included in its coverage, in a similar way to the coverage of the United Kingdom Parliament by their freedom of information laws. The Commission recommends that the OIA should be extended to cover information held by the Speaker in their role with ministerial responsibilities for Parliamentary Service and the Office of the Clerk; the Parliamentary Service; the Parliamentary Service Commission; and the Office of the Clerk in its departmental holdings. The OIA should not apply to:

- proceedings in the House of Representatives, or Select Committee proceedings; and internal papers prepared directly relating to the proceedings of the House or committees
- information held by the Clerk of the House as agent for the House of Representatives
- information held by members in their capacity as members of Parliament
- information relating to the development of parliamentary party policies, including information held by or on behalf of caucus committees
- party organisational material, including media advice and polling information.

MPs and political parties receive significant funding from the taxpayer via Parliamentary Services. While there is some voluntary disclosure of elements of this expenditure, it is not sufficient. The OIA should be expanded to include Parliamentary Services within its remit, to provide greater transparency on this publicly funded political activity.

RECOMMENDATION

23 **Make Parliamentary Services subject to the Official Information Act, as proposed by the Law Commission.**

FOREIGN BRIBERY

Bribery is the exchange of cash (or other gifts) in return for favourable decisions from an official.

In the framework outlined in the introduction, it is sometimes called speed money. Bribery is harmful because it functions as a tax on individuals and businesses, increasing their costs. It impacts poorer people particularly hard, if they are unable to access services because they cannot afford a bribe. Bribery also leads to poor decision-making and distortions in the economy. Above all, it undermines trust in government institutions. There is a strong self-reinforcing feedback loop between perceptions and the reality of bribery (Takacs Haynes & Rašković, 2021).

New Zealand has reasonably strong protections against domestic bribery and relatively little bribery of public officials (World Justice Project, 2023). However, not all countries have similar legal frameworks and business cultures that protect against bribery. To help combat bribery at a global level, the OECD put in place the Anti-Bribery Convention (1997), which came into force in New Zealand in 2001. The Convention requires signatory countries to criminalise bribery of foreign public officials by their citizens or corporate entities. This is the only international treaty that affects the global 'supply-side' of corruption by creating penalties for the businesses that pay bribes.

However, New Zealand has not fully implemented all the OECD recommendations and therefore has not given full effect to the Convention (OECD, 2016b). Transparency International has also reviewed enforcement of the OECD Anti-Bribery Convention and finds New Zealand has limited enforcement of foreign bribery laws (Dell & McDevitt, 2022). Transparency International has made a number of recommendations for New Zealand to play its part in combating foreign bribery, which this report endorses.

RECOMMENDATION

24

Implement the Transparency International recommendations on preventing foreign bribery, especially:

- establish comprehensive mechanisms to ensure transparency of New Zealand companies and trusts, including beneficial ownership information (covered further in the next section)
- introduce a positive requirement for commercial entities to prevent foreign bribery by introducing an offence of failure to prevent bribery (see The (UK) Bribery Act 2010, Section 7)
- remove the 'routine government action' (facilitation payments) exemption from Section 105C of the Crimes Act
- introduce clear and specific legislative protection for auditors (and others) who report suspicions of bribery to the relevant authorities
- remove the requirement of Attorney General consent to foreign bribery prosecutions
- give greater priority to the investigation of foreign bribery and enforcement of Sections 105C, 105D, and 105E of the Crimes Act.

BENEFICIAL OWNERSHIP

Substantial sums of money are laundered in New Zealand

The New Zealand Police's Financial Intelligence Unit (FIU) (2019) estimates that criminal activity in New Zealand generates about $1.4 billion annually for laundering. The United Nations Office on Drugs and Crime (2024) estimates that 2–5% of global GDP is proceeds of crime, some of which is laundered by offshore criminal entities. The FIU identifies known threats from both transnational organised crime groups with links to New Zealand and groups without links to New Zealand who seek to move their money through New Zealand. They also point to the known risk of money laundering networks moving money through New Zealand.

The basic techniques of money laundering are straight-forward. Launderers never do things in their personal name. Instead, they use complex arrangements of companies (and other corporate entities) and trusts to hide their activities. The same types of arrangements can be used for other criminal activities such as the financing of terrorism. When overseas entities report money laundering to New Zealand, 60% of the reports are for New Zealand companies, while a smaller proportion are for New Zealand trusts (New Zealand Police Financial Intelligence Unit, 2019). The vast majority of New Zealand's corporate entities and trusts are engaged in legitimate activity and it is difficult to know the exact scale of an illegal problem.

Transparency of beneficial ownership helps deter criminal activity

Identifying the beneficial owners of corporate entities makes it much more difficult to use companies and trusts to launder money, finance terrorists, or hide the source of political donations. The 'beneficial owner' of a corporate entity is the natural person(s)[15] who ultimately owns or exercises control over the corporate entity. This is different to the legal owners, which may be another company or an intermediary such as a nominee shareholder. Identifying beneficial owners can be complicated when there are complex ownership structures and multiple layers of ownership. This complexity and layering is a tactic often used to deliberately obscure ownership (Financial Markets Authority et al., 2012).

Transparency around beneficial ownership helps to prevent (or more easily detect) criminal activity. It also enables businesses to transact more confidently with each other by reducing the risks of engaging in business with entities that have owners with criminal connections.

Under the current law around political donations, foreign citizens are limited in their ability to donate directly to New Zealand political parties, but they can set up a New Zealand company, which can make large donations. Understanding the beneficial ownership of companies and trusts enables much greater transparency in political party funding and lobbying activities.

Companies should have to disclose beneficial ownership information

The Financial Action Taskforce (FATF) is an intergovernmental organisation founded by the G7 to combat money laundering and terrorism financing. The FATF has recommended that New Zealand make available beneficial ownership information on legal persons, particularly limited liability companies and partnerships (FATF, 2021). This was recommended in the 2013 National Integrity System Assessment and endorsed again by Transparency International New Zealand (2022). It is also a goal of New Zealand's Current Action Plan under the Open Government Partnership (2023). This information could be made available by requiring every company to add the information to the Companies register, which can be easily done when annual returns are filed. The then government announced in 2022 that it would draft a Bill to implement this recommendation, with a draft Bill due in 2023 (Cabinet, 2021). Progress on this appears to have stalled.

15. A natural person is a human being. Legal people include companies and other corporate entities.

RECOMMENDATION

25

Draft and enact legislation to require and publish beneficial ownership information for companies and partnerships.

This report also recommends that New Zealand join the Extractive Industries Transparency Initiative, which sets the global standard for disclosure and transparency in extractive sector governance, including requiring beneficial ownership disclosure.

Beneficial ownership information is also needed for trusts

Trusts are another type of entity that can be misused for money laundering and other criminal activity. Trusts are very common in New Zealand, with about 330,000 active trusts and about 100,000 inactive trusts (Inland Revenue, 2022). New Zealand is considered to have high per capita use of trusts (Law Commission, 2012b).

In its review of trust law in 2011, the Law Commission (2012b) considered, but did not recommend the registration of trusts. However, in the decade since then, more information has come to light on more pernicious abuses of trust law.

Foreign trusts have been used for money laundering, as demonstrated by the Panama Papers, a set of documents released in 2016 about entities created by a Panamanian offshore law firm, Mossack Fonseca. Reporters found that a number of the shell corporations created by Mossack Fonseca were used for illegal purposes such as fraud, tax evasion, and the avoidance of international sanctions (Wikipedia, 2024b). New Zealand trusts were among those used by Mossack Fonseca and as a result of those revelations, a number of changes were made requiring disclosure of foreign trusts in New Zealand (Shewan, 2016).

Domestic trusts pose a money laundering risk and lack any form of transparency

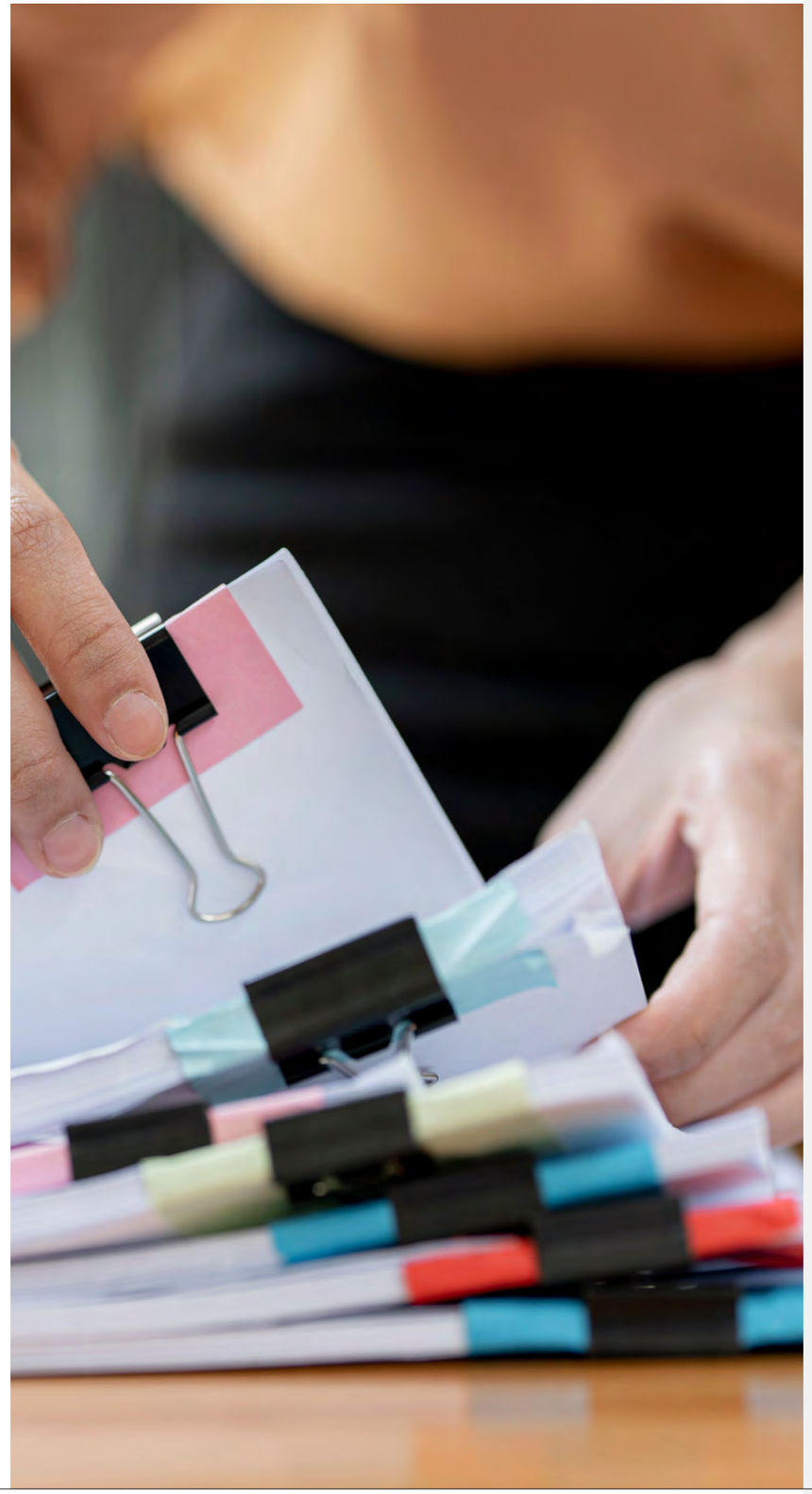
The New Zealand Police Financial Intelligence Unit (2019) has highlighted that domestic trusts are also at risk of being used for money laundering:

"Analysis of 47 properties subject to criminal proceeds recovery action by the New Zealand Police Asset Recovery Unit (ARU) identified a number of professional services used to launder funds through trust accounts; purchasing of real estate; creation of trusts and companies; management of trusts and companies; management of client affairs; and transfer ownership of assets to third parties. In all of these cases, there was no evidence of complicity on the part of the gatekeeper professionals involved. Hiding the ownership of property was the most common money laundering method, generally by putting property in the name of a trust set up by a lawyer."

The New Zealand Police Financial Intelligence Unit has specifically highlighted the risks around trusts being used to hide beneficial ownership. It points to the low levels of transparency around trusts creating significant vulnerability for trusts to be used for money laundering or terrorist financing. A lack of transparency means regulators struggle to monitor trusts (New Zealand Police Financial Intelligence Unit, 2019).

The Intergovernmental Financial Action Taskforce has also recommended that New Zealand improve the transparency of trusts and make available up-to-date information about the beneficial ownership of trusts, including consideration of a register of trusts (FATF, 2021). Transparency International New Zealand (Hunt, 2022) and Tax Justice Aotearoa (2022) have also called for a public register of trusts in New Zealand, revealing the identities of the settlors, trustees, and beneficiaries (and the beneficial owners, if any of those are not natural people).

Many people choose to set up trusts because they want a greater degree of privacy and confidentiality around their business dealings. The shadows created by this privacy and confidentiality create excellent hiding places for those with criminal intent. A greater degree of transparency is needed to ensure trusts are not abused for nefarious ends.



RECOMMENDATION

26

Reduce the risk of trusts in New Zealand being used for criminal purposes by referring this issue to the Law Commission, with a request to review the Financial Action Taskforce's recommendations on trust transparency.

CONCLUSION

"How did you go bankrupt?" Bill asked.

"Two ways," Mike said. "Gradually and then suddenly."[16]

New Zealand is gradually slipping in international measures of corruption and we risk a more sudden decline if we shrug our shoulders and do nothing. A lack of corruption is important for New Zealand's sense of identity as well as our competitive advantage. Perceptions of corruption around political party funding and lobbying are growing. This report has made a number of suggestions to reduce the use of access money and make our political systems fairer. If the political system is seen as rigged, if we fail to improve trust and confidence in political decision-making, we risk seeing the rise of populist leaders who are prepared to sweep away democratic norms. First gradually, and then suddenly.

New Zealand has many important institutions that create greater transparency. The Official Information Act 1982 is part of that infrastructure. It is, however, showing signs of its age and needs some maintenance and renewal to keep working for another 40 years.

The risks and pressures created by overseas corruption and money laundering are substantial and it is doubtful that New Zealand's current systems and processes are sufficient to counter them. The last significant reforms in this area were prompted by the revelations of the Panama Papers. This report proposes improvements to both our measures to prevent foreign bribery and increase the transparency of beneficial ownership to mitigate these risks.

'She'll be right' can be a common response when problems and issues are pointed out in New Zealand. Too frequently, policy changes in New Zealand occur in response to crises, rather than when the evidence and international best practice clearly show a need for improvement. Often the crises are the result of known weaknesses in our laws and institutions. Crises are costly and damaging to people's lives. Sometimes the damage is irreparable. Rather than doing too little, too late, this report proposes simple changes now that can reduce the risks of corruption in New Zealand, and forestall a future crisis.

16. Hemingway (1926).

RECOMMENDATIONS
MADE IN THE REPORT

LOBBYING

Recommendation 1: Implement the Health Coalition Aotearoa's *A Balance of Voices: Options for the regulation of lobbying in New Zealand* report recommendations with:

- a Regulation of Lobbying Act 2024
- an online and publicly accessible register in which lobbyists have to make quarterly returns detailing their contacts with Designated Public Officials (DPOs)
- a stand-down period of three years in which former DPOs cannot lobby government on issues where they had official dealings
- a mandatory code of conduct for lobbyists, and lobbying-related provisions added to existing codes of conduct for DPOs
- the creation of an independent Crown entity, either a narrowly focused Lobbying Commission or a more wide-ranging Integrity Commission, with the power to levy fines, prosecute law-breakers, and generally enforce the above provisions.

Recommendation 2: Open up democratic processes to deeper participation by citizens through deliberative democracy and mechanisms such as citizens' assemblies.

Recommendation 3: Lower the threshold for declaring gifts in the Register of Pecuniary and Other Specified Interests of Members of Parliament.

Recommendation 4: Include in the Register of Pecuniary and Other Specified Interests of Members of Parliament all gifts (above the threshold value) offered to MPs and refused.

Recommendation 5: Require all DPOs to publish on a quarterly basis any gifts they have received (or been offered and declined).

POLITICAL PARTY FUNDING

Recommendation 6: Adopt the Independent Electoral Review recommendations on political finance and election advertising, in particular:

- allowing only registered electors to make donations and loans to political parties and candidates
- limiting the total amount a registered elector may give by way of donations and loans to each political party and its candidates to $30,000 per electoral cycle
- requiring greater disclosure of donations during elections
- requiring the public disclosure of all donors who give more than $1,000 in a year to a political party or candidate
- introducing offence provisions in the Electoral Act to restrict cooperation and collusion between third-party promoters and political parties
- prohibiting registered third-party promoters from using money from overseas persons to fund electoral advertising during the regulated period. This measure reduces the risk of foreign interference in New Zealand's elections.

Recommendation 7: Require monthly disclosure of political party donations.

Recommendation 8: Expand the definition of election advertising to include all communications and marketing expenses.

Recommendation 9: Implement the Independent Electoral Review recommendations (2023) on third-party promoters:

- requiring registered third-party promoters to keep records of election campaign donations
- requiring registered third-party promoters that spend more than $100,000 on election expenditure during the regulated period to also disclose donors who donate over $30,000 in total during an electoral cycle, if the donation has been used for election expenditure.

Recommendation 10: Require third-party promoters to declare the names of donors to their political campaigns, following the same rules as if they were party donations.

Recommendation 11: Only allow registered voters to donate to third-party promoters' political campaigns with the same restrictions as are recommended for donating to a political party (no more than $30,000 in a three-year cycle, full public disclosure of donations over $1,000).

Recommendation 12: Limit third-party promoters to spending no more on a political campaign than they receive in donations to that campaign.

Recommendation 13: Adopt Transparency International New Zealand's (Ferrer, 2020) recommendations for additional regulation of online political campaigning, in particular:

- requiring those who sell advertisements directly or indirectly online to keep a public, searchable register of published election advertisements targeting New Zealanders, including detailed information on demographic micro-targeting, ad reach, cost, and source of payment
- requiring parties, candidates, and third-party promoters to provide more detailed accounts of online ad buys and the medium of expenditure in their expense returns
- requiring itemised expense reports of all Parliamentary Service-funded advertising.

Recommendation 14: Strengthen the Cabinet Manual's conflict of interest policies and codify these in legislation.

Recommendation 15: Sign up to the Extractive Industries Transparency Initiative.

OFFICIAL INFORMATION

Recommendation 16: Limit the scope for transferring requests to Ministers under the Official Information Act. This should only be done for information generated inside the Ministerial office and for Cabinet papers.

Recommendation 17: Amend the Official Information Act so that Ministerial offices cannot be consulted on departmental releases.

Recommendation 18: Include provisions in the Official Information Act that emphasise the independence and autonomy of public servants in making decisions under the Act and clearly limit the role of Ministers and their offices.

Recommendation 19: Add penalty provisions to the Official Information Act, with fines for individuals (at a similar level to the Australian provisions) acting contrary to the legislation.

Recommendation 20: Create liability for departmental chief executives under the Official Information Act, in a similar way to the health and safety legislation.

Recommendation 21: Include offences in the Official Information Act for people who improperly seek to influence decision-making on the release of information under the Act.

Recommendation 22: Implement the Law Commission's recommendations on improving the Official Information Act. Their recommendations are summarised as follows:

- Improved access to OIA guidance
- Overhauling the grounds for withholding
- Improved guidance on consultation and transfers of requests
- Improved guidance on the protection of privacy
- Giving the public interest test for release of information more prominence

RECOMMENDATIONS
MADE IN THE REPORT

- Improvements to deal with frivolous and vexatious requests
- Making it easier to request material and provide assistance to requesters
- Improvements to the complaints process
- Enabling enforcement of Ombudsman's recommendations
- A duty to proactively release information.

Recommendation 23: Make Parliamentary Services subject to the Official Information Act, as proposed by the Law Commission.

FOREIGN BRIBERY

Recommendation 24: Implement the Transparency International recommendations on preventing foreign bribery, especially:

- establish comprehensive mechanisms to ensure transparency of New Zealand companies and trusts, including beneficial ownership information
- introduce a positive requirement for commercial entities to prevent foreign bribery by introducing an offence of failure to prevent bribery (see The (UK) Bribery Act 2010, Section 7)
- remove the 'routine government action' (facilitation payments) exemption from Section 105C of the Crimes Act
- introduce clear and specific legislative protection for auditors (and others) who report suspicions of bribery to the relevant authorities
- remove the requirement of Attorney-General consent to foreign bribery prosecutions
- give greater priority to the investigation of foreign bribery and enforcement of Sections 105C, 105D, and 105E of the Crimes Act.

BENEFICIAL OWNERSHIP

Recommendation 25: Draft and enact legislation to require and publish beneficial ownership information for companies and partnerships.

Recommendation 26: Reduce the risk of trusts in New Zealand being used for criminal purposes by referring this issue to the Law Commission, with a request to review the Financial Action Taskforce's recommendations on trust transparency.

GLOSSARY

Access money	High-stakes rewards extended by business actors to powerful officials, not just for speed but to access exclusive, valuable privileges.
Beneficial owners	The people who actually ultimately own or benefit from corporate entities, trusts.
Bribery	The exchange of cash (or other gifts) in return for favourable decisions from a bureaucrat.
Corporate entity	A legal structure, such as a company, that is separate and distinct from its owners.
Corruption	The misuse of authority for personal or organisational gain.
Creditor protection	Putting one's assets beyond the reach of people to whom one owes money.
Foreign bribery	The payment of bribes by New Zealand companies when operating overseas.
Grand theft	Embezzlement or misappropriation of large sums of public monies by political elites who control state finances.
Income splitting	A policy of dividing income earned by one person with their partner (or family), so they can benefit from the lower tax rate.
Lobbying	Advocating to politicians on a particular issue.
Money laundering	Concealing the origin of money obtained from illegal activities by converting it into a legitimate source.
Natural person	A human being, as opposed to a legal person such as a company or other corporate entity.
Official information	Information gathered or generated by the government.
Petty theft	Acts of stealing, misuse of public funds, or extortion among low-level bureaucrats.
Quid pro quo	Literally Latin for 'something for something', a favour or advantage granted in return for something.
Revolving door	The movement of people between roles as legislators or regulators, and roles as lobbyists or employees of regulated industries.
Speed money	Petty bribes that businesses or citizens pay to bureaucrats to get around hurdles or speed things up.
Third-party promoters	People or groups that are neither candidates nor political parties but run election advertising during an election campaign.
Transparency	When activities are done in an open way so people can trust they are honest and fair.
Trust	(Legal definition) An arrangement where a person (a trustee) holds property for the good of one or more beneficiaries.

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