



NEW ZEALAND DEFENCE FORCE DEVELOPS A BALANCED AND SUSTAINABLE DEFENCE PLAN

Catalyze helped by:

- Designing the process to engage the appropriate stakeholders
- Providing a robust and validated methodology
- Facilitating the framework and process steps
- Supporting NZDF and the Government in a collective decision-making process, enabling high-level trade-offs

BACKGROUND

The New Zealand Ministry of Defence (MoD) sets defence policy and the New Zealand Defence Force (NZDF) is responsible for achieving the policy aims within that budget. In practice close co-operation and planning is required to achieve those aims.

THE CHALLENGE

The Defence White Paper 2010 set the strategic vision for the NZDF through to 2035, identifying the policy settings and the suite of military capabilities the NZDF would require to deliver on the Government's expectations. The next big challenge was funding. In order to make defence as affordable as possible, the NZDF initiated a savings programme targeting around 15% of total appropriation in annual recurring savings. Even with full delivery of the NZDF savings programme, the White Paper identified that further investment would be needed by the Government over time. The Government had already quantified the significant long term funding gap in defence as a \$537 million shortfall in operational funding by 2021 and a \$4 billion shortfall in capital funding by the mid 2020s.

The next step was to cost every element of defence capability required to deliver the desired outputs set out in the White Paper. That piece of work was the DMRR, or Defence Mid-point Rebalancing Review, and it needed to make clear what the trade-offs between funding, defence capability and defence policy would be. Cabinet directed officials to analyse different levels of funding tracks for the future and assess what level of military capability and equipment was achievable for each funding track. This required a rigorous process that would offer clear options all of which provided optimised capability for alternative levels of investment. The NZDF decided to use a transparent process, which would engage a wide range of stakeholders.

HOW CATALYZE HELPED

Catalyze made an initial set of recommendations:

- Treat the whole of Defence as a portfolio of options
- Start from a zero-base, with all options off the table
- Use a multi-criteria approach to establish a common metric for value
- Focus on capabilities (as opposed to equipment or people)

With guidance from Catalyze the NZDF team then developed a structure of 'towers and tiles' with each individual tower representing a capability area, and the tiles representing a specific capability. A team for each tower developed the tiles, which as far as possible were self-contained, and each tile was then costed.

In parallel with this, Catalyze worked with a senior group to develop the criteria to be used, asking the basic question "How does the NZDF add value?" Five key criteria were defined, and Ministers signed off these definitions.

The criteria and the tiles were then brought together at a 3-day Decision Conference with a wide range of key stakeholders, including the service Chiefs and senior officials from outside the defence community. Each tile was scored against each of the criteria, and the criteria were weighted relative to each other. As a result of this work each capability tile now had an associated value-for money ratio, enabling trade-offs.

The Decision Conference outcomes informed a set of scenario workshops, which used military judgement to ensure that the highest value defence force was optimised within alternative levels of future funding. These coherent options were put to the Government for decisions.

ENABLING EFFECTIVE DECISIONS

The DMRR process is now complete and in Budget 14 the Government announced it was investing \$100.9 million in 2014/2015 in the first stage of an allocation of \$535.5 million operating funding for the NZDF over the next four years. In the words of Defence Minister Dr. Jonathan Coleman:

"So in simple terms, after costing all the elements of defence capability that we have and that we are planning to add between now and 2029/30, we have now a clear picture of exactly what defence outputs can be delivered for a given level of future funding."

"The DMRR process was robust, analytically sound, and data-driven. It has been identified as an exemplar for other Government departments to follow. A combined effort by NZDF, MoD, Treasury and DPMC over almost a year has delivered exactly what the Government wants to see from defence - a clear and detailed long term vision on how to deliver on the Government's expectations set out in the White Paper."

At Catalyze we are transforming the way the world makes decisions that matter, bringing clarity and confidence to every decision. We help organisations create and execute decision-making processes which focus on the best possible outcome; engaging people, breaking down barriers, creating understanding of different perspectives, and making best use of resources.

Catalyze was founded in 2001 in conjunction with the London School of Economics and Political Science, applying techniques built on robust and validated decision theory. We support global clients from offices in Australia, New Zealand and the UK.

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Hon Dr Jonathan Coleman, Minister of Defence and Minister of State Services

In October 2014 Catalyze received a Minister of Defence Award of Excellence to Industry for ‘the provision of superior services to Defence’.

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