

# Defence Policy Review Terms of Reference

## Introduction

1. A Defence Policy Review will enable the delivery of a long-term strategy for Aotearoa New Zealand's defence. With a comprehensive strategy, decisions are embedded in explicit, prioritised and ongoing policy objectives. Ministers are empowered to take defence investment decisions within the context of a whole of force approach, incorporating defence requirements and organisational implications. Such a review provides a pathway for purposeful future planning across the Defence, as well as important signalling to domestic industry, partners and the wider international environment on the Government's intentions for Defence.

2. The *Defence Assessment 2021* considered the global strategic environment and its implications, opportunities and challenges for Aotearoa New Zealand's security (ERS-21-MIN-0039 refers).

3. The Assessment concluded that Aotearoa New Zealand's strategic environment has become substantially more challenging, and this trend is likely to accelerate in coming years. It identified two major challenges that we judge will have the greatest impact on Aotearoa New Zealand's security over the next 20 years:

3.1. strategic competition, [REDACTED] s6(a); and

3.2. the intensifying and wide-ranging impacts of climate change.

4. The Assessment proposed Aotearoa New Zealand's defence policy settings should be reviewed, ensuring Defence is best placed to support the ongoing protection and promotion of Aotearoa New Zealand's interests. It suggested a policy shift from a predominantly reactive, risk management-centred approach to one based on more deliberate and proactive strategy, with explicit and prioritised policy objectives.

5. A comprehensive Defence Policy Review presents the means to explore such a policy shift and plan for its implementation across the Defence.

6. The impetus for a comprehensive review has increased in importance even in the few months since delivery of the *Defence Assessment 2021*, given the significant events which have transpired.

7. Russia's invasion of Ukraine, in particular, is an inflection point in global security that further degrades New Zealand's strategic environment. [REDACTED] s6(a)

8. The fundamental direction of the policy recommendations provided in the assessment remains sound, [REDACTED] s6(a), s9(2)(g)(ii)

9.

s9(2)(f)(iv)

10. Government investment in defence capabilities, particularly for more costly assets, require long term planning. The acquisition, life cycle and generation of defence capabilities occurs over the course of decades. Industries that support this life cycle, both domestic and overseas, work to long lead times. Changes to the force structure, associated capabilities, and the systems that train and sustain them to deliver on government policy, require time to pivot to any new strategic direction.

11. A renewed Defence Capability Plan as part of a comprehensive Defence Policy Review will provide government the assurance of a long term capital plan.

### **Authorisation**

12. These Terms of Reference have been approved by Cabinet.

### **Terms of Reference Purpose**

13. These Terms of Reference provide high level guidance on the scope, method, governance, and timeframe of the work that underpins the Defence Policy Review.

### **Scope**

14. A Defence Policy Review is the process by which Defence will develop options for government on defence policy, strategy, capability and resourcing.

15. The comprehensive Defence Policy Review process will cover:

15.1. our strategic outlook;

15.2. our defence interests and policy objectives;

15.3. a strategy for delivering the agreed policy objectives;

15.4. high level design principles to shape future force development and generation to best support our policy and strategy objectives;

15.5. detailed force structure development and generation of options;

15.6. indications of funding requirements to plan, develop, operate and sustain the future force structure;

15.7. defence organisational implications in delivering revised settings, including workforce and infrastructure implications; and

15.8. dependencies between defence policy and strategy, with the wider national security sector and international partner relationships.

## Approach

16. In the past, Defence would publically deliver the final products of the process (a Defence White Paper and Capability Plan) at the review's completion. The approach with the Defence Policy Review is more flexible.

17. This flexible process allows for a variety of products will be produced sequentially and surfaced for Cabinet decision, including for public release if Cabinet so wishes. Each product provides a set of decisions for Cabinet to take, which would then form the basis of a public statement. Combined, these represent the complete Defence Policy Review process.

18. Production of the first and second products, set out in paragraph 20 below, will commence upon Cabinet approval of these Terms of Reference. The products will be delivered to Cabinet for consideration by October 2022 and April 2023 respectively. This enables a shorter timeframe for articulation of high level policy and strategy statements for Defence as well as force structure intentions or principles. It also provides general direction for short term Defence planning.

19. Officials expect that the delivery of the full Defence Policy Review would require up to two years to produce a policy reset and fully costed set of options for a future force structure. Defence will look for opportunities to reduce the timeframe as they progress each milestone.

20. The four potential products would be:

20.1. Product 1: A defence policy and strategy statement – an expression of Government's defence policy interests, objectives and high level strategy, including indications of prioritisation. This assesses the strategic environment and contingencies that Aotearoa New Zealand might face based on current and predicted trends, defines desired policy outcomes and includes elements of strategic planning guidance for employment of the current force in the near term.

Potential decision points: defence policy objectives, high level strategy, and prioritisation.

20.2. Product 2: A set of future force design principles – an expression of Government's intentions for future force structure. It defines the activities and scenarios the future force may be required to undertake based on current and predicted trends. It signals the kind of future capability and structural choices which may be required to realise these. This can form an interim step in the production of a Defence White Paper to develop force structure options.

Potential decision points: design principles and key choices for future force structure.

21. Upon delivery of the defence policy and strategy statement, Cabinet decisions will be sought to proceed with the development of a Defence Capability Plan, and whether Government wishes to consolidate the review in the form of a public Defence White Paper.

21.1. Product 3: *Defence White Paper* – a public statement of Government’s long-term position on, and intentions for, defence policy, strategy, capability, and resourcing. It considers workforce and infrastructure requirements, and matches force structure to policy objectives.

Potential decision points: final defence policy, strategy, capability and funding settings.

21.2. Product 4: *Defence Capability Plan* – Government’s intentions for force structure development, consisting of a costed force, including capital and operating expenditure. Provides capability roadmaps, indicative funding, and proposed time horizons.

Potential decision points: long list and/or shortlist force structure refinement, and the final, fully costed force structure and indicative funding.

22. While the latter two products would be fully costed, they would not signify funding certainty. Final funding decisions remain the preserve of Cabinet upon consideration of individual business cases and through the annual Budget process. These products would provide direction, with associated cost expectations, to guide Defence in its planning.

### **Governance / Oversight**

23. Decisions will be sought from Cabinet at final policy and procedural junctures. Direction will be provided by the Minister of Defence, in consultation with a Ministerial Advisory Panel, at critical stages of the development of products.

24. The Secretary of Defence and the Chief of Defence Force are jointly responsible to the Minister of Defence for the Defence Policy Review.

25. The Secretary of Defence and Chief of Defence Force will also be supported by a governance group, including members invited from the Ministry of Foreign Affairs and Trade, the Department of the Prime Minister and Cabinet (National Security Group, Policy Advisory Group), Public Service Commission, and the Treasury. This group will provide high level governance and direction to the Review. It will also ensure that work on the Defence Policy Review is considered alongside other relevant work being undertaken across the wider security sector.

26. The staged delivery of the Defence Policy Review through four products provides Ministers with clear choices throughout the process and the flexibility to contemplate a range of options in order to offer guidance, and ultimately make decisions across the considerations of policy, strategy, force structure and capability mixes.

### *Cabinet*

27. Cabinet decision will be sought at the following points:

27.1. A Defence Policy Review Consultation Plan.

27.2. Establishment of a Ministerial Advisory Panel.

27.3. A draft defence policy and strategy statement.

- 27.4. A statement of future force design principles.
- 27.5. Commencement of a Defence White Paper and/or a Defence Capability Plan.
- 27.6. A draft Defence White Paper detailed costed options and the final fully costed defence force structure options.
- 27.7. Final draft Defence White Paper and/or Final draft Defence Capability Plan.

*Ministerial Advisory Panel*

28. The Minister of Defence will be supported by an independent ministerial advisory panel throughout the Defence Policy Review process. The responsibilities and composition of the ministerial advisory panel will be the subject of a paper to the Cabinet Appointment and Honours Committee.

**Public Consultation**

29. Consultation during this process will be undertaken in a targeted way in order to gain a range of perspectives. A consultation plan will outline how consultation will be undertaken, based on the intent of each listed product. Engagement with the Treaty partner will be an important element of the consultation plan.

**Timeline**

30. The advice on policy, strategy, capability and funding will be developed in stages. The anticipated timing of key deliverables is below:

#	Defence Policy Review Key Deliverables	Target Date
1	A draft defence policy and strategy statement	October 2022
2	A future force design principles statement	April 2023
3	Defence White Paper Initial Costed Options	s9(2)(f)(iv)
4	Defence White Paper Detailed Costed Options	
5	Draft Defence White Paper, Defence Capability Plan Final Costed Option	

31. The anticipated timeline takes into account the depth of the review in providing a comprehensive reset of defence policy, including a higher degree of cost assurance.

**Funding**

32. All costs related to the development of the Defence Policy Review will be charged against Vote Defence. Personnel resources for the Defence Policy Review will be drawn from within the Ministry of Defence and New Zealand Defence Force.