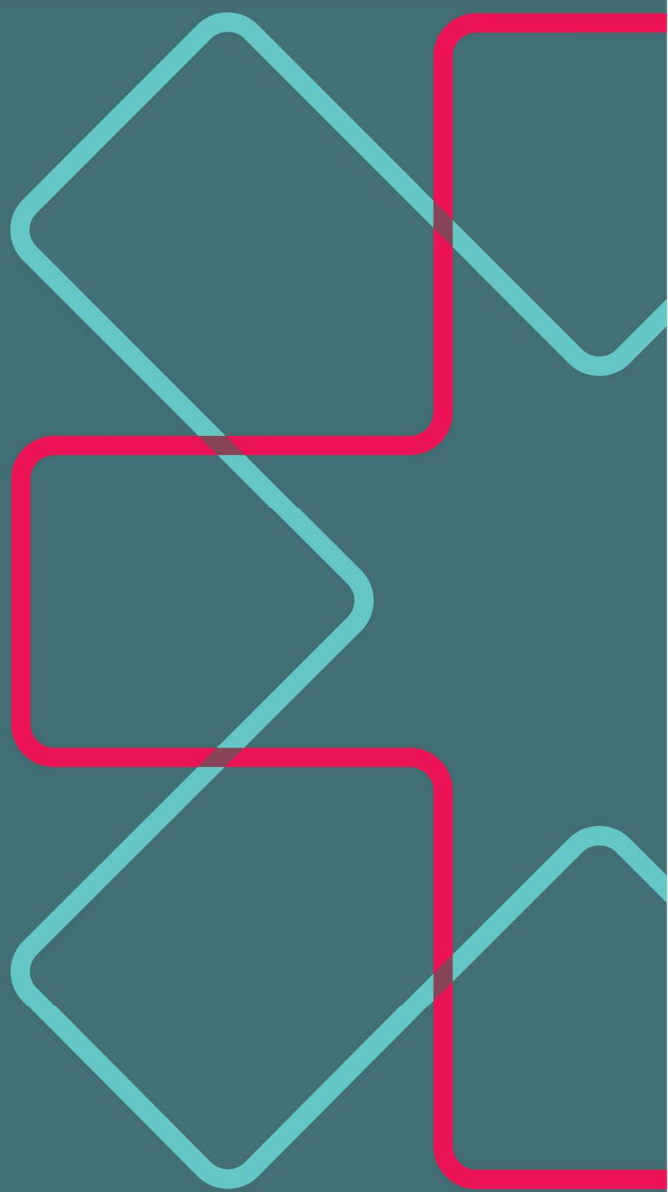


Evaluability Assessment report

International Climate Finance Strategy | Tuia te Waka a Kiwa
Final Report



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Preface

This report has been prepared for the Ministry of Foreign Affairs and Trade by Donella Bellett from MartinJenkins (Martin, Jenkins & Associates Ltd).

For over 30 years MartinJenkins has been a trusted adviser to clients in the government, private, and non-profit sectors in Aotearoa New Zealand and internationally. Our services include organisational performance, employment relations, financial and economic analysis, economic development, research and evaluation, data analytics, engagement, and public policy and regulatory systems.

We are recognised as experts in the business of government. We have worked for a wide range of public-sector organisations from both central and local government, and we also advise business and non-profit clients on engaging with government.

Kei te āwhina mātau ki te whakapai ake i a Aotearoa. We are a values-based organisation, driven by a clear purpose of helping make Aotearoa New Zealand a better place. Our firm is made up of people who are highly motivated to serve the New Zealand public, and to work on projects that make a difference.

Established in 1993, we are a privately owned New Zealand limited liability company, with offices in Wellington and Auckland. Our firm is governed by a Board made up of Partners Nick Davis, Allana Coulon, Richard Tait, Sarah Baddeley, and Nick Carlaw, as well as Independent Director Sophia Gunn and Independent Chair David Prentice.

About the evaluability assessment



Government significantly expanded its climate finance commitment —evaluation of the ICFS needs to be timely and robust

The International Climate Finance Strategy | Tuia te Waka a Kiwa (ICFS) 2022-2025 document was clear about the urgency of responding to climate change and that the New Zealand government needed to do more.

Climate change is a profoundly destabilising issue that poses unprecedented risks to global well-being, prosperity and security ...

... our commitment to provide NZ\$1.3 billion of climate finance to developing countries between 2022 and 2025 is a significant step up in our climate change and development efforts.¹

Such a significant commitment requires both scrutiny and assessment to ensure the government and partner countries get maximum value from the ICFS—from the commitment itself, and to inform the design of future climate-related commitments.

To achieve this, the Ministry of Foreign Affairs and Trade (MFAT) has used their internal Monitoring, Evaluation and Learning (MERL) processes to develop a MERL approach for the ICFS. This includes a high-level Theory of Change for the ICFS, headline indicators, a performance dashboard, a workplan (that is intended to change and develop over time), and MERL frameworks for individual activities funded through the ICFS.

¹ New Zealand Foreign Affairs and Trade | Manatū Aorere, *Aotearora New Zealand International Climate Finance Strategy, Tuia te Waka a Kiwa, 2022-2025*, page 11.



ABOUT THE EVALUABILITY ASSESSMENT—ENSURING MFAT AND THE ICFS ARE ‘EVALUATION READY’

MFAT asked MartinJenkins to conduct an evaluability assessment to assess whether MFAT and the ICFS are ‘evaluation ready’ and to make recommendations for improvements to the existing MERL workplan and approach if necessary.

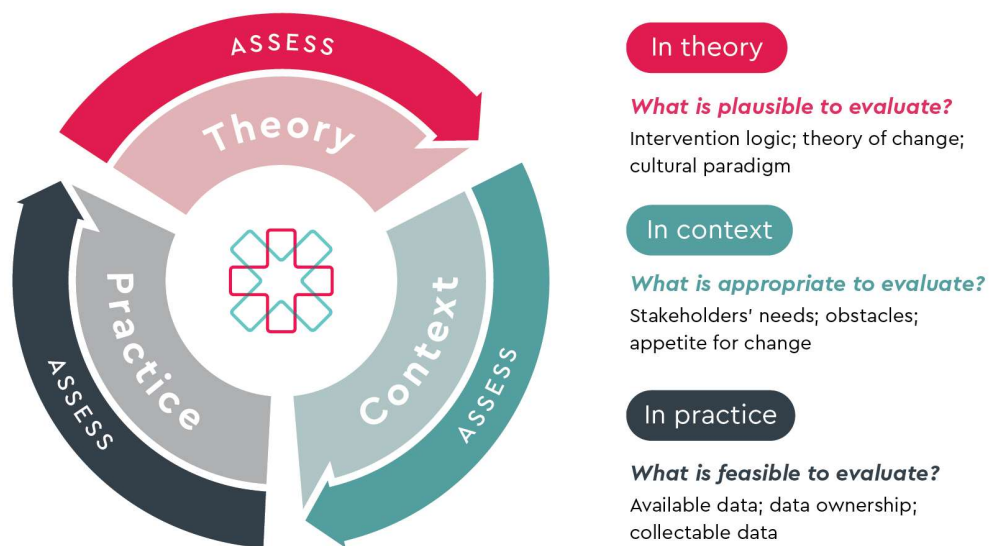
We applied our evaluability assessment framework to assess MFAT’s existing MERL products² and were asked to focus on:

- strengthening the Theory of Change
- recommending timing and questions for planned formative and outcomes evaluations
- recommending any changes needed to improve data and reporting, and
- advising on any risks or challenges.

The evaluability assessment was carried out between October 2023 and January 2024 in partnership with MFAT’s MERL team. It was informed by interviews with internal stakeholders, document review, and internal stakeholder workshops.

This report presents a summary of our findings and recommendations followed by more detailed information and feedback for each of the three parts of our evaluability assessment framework—theory, context, and practice.

Figure 1. MartinJenkins’ Evaluability Assessment framework



² All the MERL products listed above were in scope for our assessment except for MERL frameworks for individual activities funded through the ICFS.



Note that this evaluability assessment is separate to the Climate Finance Portfolio Assurance Programme being led by KPMG. The Assurance Programme has a broader brief, aiming to embed a risk-based assurance approach across the ICFS. It includes a Monitoring and Evaluation Review (completed in September 2023) with a follow up Monitoring and Evaluation Review scheduled to report in December 2024.

Our report acknowledges the importance of addressing the recommendations made by the Assurance Programme to improve MERL data quality and reduce risk. It is important that the difference in scope and purpose of the Assurance Programme and planned evaluations are understood (this is discussed in detail on page 25).



Summary

Overview of the main findings and recommendations from the evaluability assessment



MFAT is well placed to conduct a robust evaluation of the ICFS

The International Climate Finance Strategy | Tuia te Waka a Kiwa (ICFS) is a high-profile, complex strategy supported by a large commitment. It is important that it be tightly monitored, that assessment be front-loaded with a formative evaluation, and that portfolio-level outcomes be captured, explored, and evaluated.

The overarching finding of the evaluability assessment is that the ICFS can be robustly evaluated at the portfolio level if our recommendations are implemented, and adequate MERL support and resource continue to be provided by MFAT.

As MERL activity will continue over a long period (at least the next two and half years) it will be important to reassess evaluability and design at regular intervals, to ensure changing information needs continue to be met.

THEORY—WHAT IS PLAUSIBLE TO EVALUATE?

The ICFS is complex but the theory and logic is sound

The ICFS has multiple goals, outcomes, engagement principles, and preferences. The evaluability assessment delivered a strengthened Theory of Change (Appendix 1) that unpacks this complexity to show the most important features and expected outputs and outcomes. The Theory of Change has been strengthened by:

- identifying critical enablers (that need to precede outcomes)
- adding overarching and specific outputs for the ICFS, and
- describing how the ICFS operates and how it differs from other MFAT work programmes.

Having this stronger Theory of Change will enable more robust evaluation—it is now clear what needs to be tested and assessed. It was developed with internal stakeholders using an iterative process, to maximise buy-in and agreement.

The detailed report outlines clear purposes for key MERL activities (formative evaluation, case studies, and outcomes evaluation), designed to test the Theory of Change.



Recommendations to improve the quality and usefulness of evaluation

1. Delay planned evaluations by six months

- Overall, we agree with the sequence and focus of monitoring and evaluation set out in the existing MERL workplan but recommend that the formative evaluation be delayed until December 2024 and the outcomes evaluation until June 2026.
- Delaying the formative evaluation by six months until December 2024 means that findings will still be available in time to inform process improvements (the ICFS will still have 12 months left to run), while also improving the quality of the formative evaluation:
 - more information will be available to inform the evaluation; the number of closed activities will rise from 126 (38%) to 161 (48%)^{3 4}
 - data will be higher quality (MFAT will have more time to implement *Assurance Programme* recommendations to improve data), and
 - there will be a more realistic timeframe to collect data and conduct the formative evaluation.
- Delaying the **outcomes evaluation by six months until June 2026** gives a more realistic timeframe for outputs and outcomes to be achieved and for an evidence base to be built.
 - The timing recommendation was reached by balancing stakeholder expectations for timely feedback with giving as much time as possible for the ICFS to achieve outputs and outcomes; a delay of six months means the number of closed activities will rise from 216 (65%) to 250 (75%).
 - A delay also means better alignment to when outcomes are expected to be achieved (that is, following the completion of the ICFS in December 2025).

2. Consider a subsequent impact evaluation in 2027

- It is widely agreed that ICFS impacts (the strategic long-term outcomes in the Theory of Change) are expected to take time to achieve and are unlikely to be fully realised in time for an outcomes evaluation, even if it is delayed until June 2026. It is also likely that some medium-term outcomes in the Theory of Change will still be becoming apparent, after June 2026.
- We recommend the outcomes evaluation assesses whether there would be value in conducting a subsequent impact evaluation. The decision should be made considering the political appetite for ongoing feedback, new programming objectives and availability

³ All activity completion data (and analysis of completion data) was provided by MFAT using estimated closing dates for activities in the Climate Finance Portfolio as at March 2024. MFAT's analysis was based on a total of 332 activities; note that one of these activities had no estimated closing date). Also note that closing dates are estimates only, and are subject to change over the course of the activities' lifecycles.

⁴ Of the total 332 activities included in MFAT's analysis, 68 (20%) are funded from High Commission and Embassy Funds. MFAT does not typically evaluate activities from these funds (due to the small number and discretionary nature of the activities), however they have included them in their analysis as they are included in other analyses of the MFAT Climate Portfolio.



of funding for additional evaluation, and the anticipated value-add from an additional year's worth of outcomes data.

- There should be good data to inform an impact evaluation by June 2027. By this date 11 (48%) of activities should have been closed for at least 2.5 years, allowing ample time for this group of activities to achieve their intended outcomes and produce impact.

3. Conduct three case studies in 2025, one on each of the three critical enablers

- The existing MERL workplan included annual case studies on a range of potential topics. We recommend that effort be focused on the three critical enablers identified in the Theory of Change:
 - partner capacity and capability
 - partner-led delivery of activities, and
 - equitable and inclusive design and delivery of activities.
- The critical enablers have been identified as necessary for the achievement of the ICFS outcomes. In-depth case studies on each of the critical enablers in 2025 will ensure MFAT understands the strength and role of the critical enablers, in time to make any necessary improvements before the end of the ICFS.
- Conducting the case studies in 2025 has the additional advantage of ensuring feedback and information continues to be collected and made available between the formative evaluation (June 2024) and the outcomes evaluation (June 2026).
- If there is a need for early feedback on any of the critical enablers, data collection could begin in the second half of 2024 (following the formative evaluation), for reporting in early 2025.

CONTEXT—WHAT IS APPROPRIATE TO EVALUATE?

The ICFS is subject to high scrutiny and there are multiple drivers and audiences for MERL

A distinctive feature of the ICFS is the higher than usual level of scrutiny it is subject to (compared to other MFAT programmes and portfolios). MERL needs to provide evidence of outcomes, support learning and continuous improvement, and test the value and effectiveness of the ICFS. Information and evidence is needed for multiple audiences including Cabinet and ministers, stakeholders within MFAT, and implementation partners and partner governments.

The evaluability assessment delivered key evaluation questions for the planned evaluations (the questions are listed from page 27).

Recommendations to improve the quality and usefulness of evaluation

- 4. Clearly communicate the scope of portfolio-level evaluation and manage expectations carefully**



- Monitoring and evaluation of the ICFS needs to complement and not overlap other activities providing oversight of the ICFS. The MERL team needs to consistently and clearly communicate the purpose and scope of portfolio-level MERL, and how it differs to:
 - MERL for individual ICFS investments, and
 - the Assurance Programme.
- Expectations about evaluation of outcomes need to be carefully managed.
 - Stakeholders agree that outcomes will take time to achieve and that medium and long-term outcomes are unlikely to be evident before the ICFS end date.
 - By the time of the outcomes evaluation there should be a good, and growing, evidence base about emerging outcomes at both strategic short-term and medium-term levels (in the Theory of Change).
 - Strategic long-term outcomes and impact will be best assessed by an **impact evaluation**.

5. Prioritise key areas of inquiry to answer policy questions that are relevant at the time

- It is not possible for every aspect of the ICFS to be rigorously and comprehensively evaluated, so the focus needs to be on understanding the value of the portfolio (rather than individual investments) and the effectiveness of key design features (such as the preferences and principles). Additional insight and richness will be added through case studies on the three critical enablers.
- Detailed evaluation design needs to precede each stage of evaluation (formative, case studies, and outcomes), and the Climate Portfolio Steering Group (CPSG) will need to agree what the priority areas of interest or focus should be at the time.
- The MFAT MERL team should provide advice to ensure evaluation questions and focus areas reflect the diverse preferences, principles, and outcomes of the ICFS.

PRACTICE—WHAT IS FEASIBLE TO EVALUATE?

MFAT is aware of data quality issues and is actively working to address them

Issues with the consistency and quality of ICFS outcomes and output data are well known by MFAT and the CPSG. MFAT is actively addressing recommendations to improve data quality made by the *Assurance Programme*, performance reporting to the CPSG includes discussion of data gaps and how they're being addressed, and the MERL team is working with activity managers to improve data capture and quality. Limitations in existing data are also being addressed by using mixed-methods and multiple data sources.

A key challenge and risk for portfolio-level MERL is the burden that can be placed on partners by evaluation. Important lessons were identified from the evaluation of the Climate Change Programme, it is important that MFAT takes these lessons into account when planning evaluation activities involving partners.



Recommendation to improve the quality and usefulness of evaluation

6. Develop new measures to enable the strengthened Theory of Change to be properly tested

- Strengthening the Theory of Change has identified additional functions, outputs, critical enablers, and outcomes—new measures or feedback need to be captured to enable them to be monitored and evaluated.
- The evaluability assessment recommends specific areas needing new measures or feedback (see Table 4 on page 33):
 - **additional measures or indicators to track and regularly report to CPSG:** support for partners; investments that produce outputs of interest; partner capacity and capability; partner-led delivery; equitable and inclusive design and delivery; partner goals (and progress); equity of benefits; partner access to other finance and support.
 - **ongoing, systematic feedback to be collected to inform evaluation:** partner feedback on support; quality of governance; features of partner-led and inclusive design and delivery; partner feedback on value of ICFS delivery; feedback on critical enablers; partners’ evidence-bases; government relationships; embedding and sustainability of changes.
- Detailed evaluation design will need to continue to develop **success criteria** for these (and existing measures, especially qualitative ones) so that there is agreement about what ‘good’ looks like, to underpin evaluative judgements.

In total, we have made six recommendations to improve the evaluability of the ICFS— they are listed below for ease of reference:

Recommendations to improve the quality and usefulness of evaluation:	1. Delay planned evaluations by six months (we recommend formative evaluation be delayed until December 2024, and outcomes evaluation until June 2026).
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	2. Consider a subsequent impact evaluation in 2027.
	3. Conduct three case studies in 2025, one on each of the three critical enablers.
	4. Clearly communicate the scope of portfolio-level evaluation and manage expectations carefully.
	5. Prioritise key areas of inquiry to answer policy questions that are relevant at the time.
	6. Develop new measures to enable the strengthened Theory of Change to be properly tested.



Detailed findings

From our assessment of theory, context,
and plausibility of evaluating the ICFS



Theory—what is plausible to evaluate?

The ICFS is complex but the theory and logic is sound:

The ICFS has multiple goals, outcomes, engagement principles, and preferences. The evaluability assessment delivered a strengthened Theory of Change that unpacks this complexity to show the most important features and expected outputs and outcomes.

Multiple evaluations are needed, beginning with a formative evaluation and ending with an outcomes evaluation (with further evaluation to be considered after this).

Recommendations:

1. Delay planned evaluations (formative and outcomes) by six months.
2. Consider a subsequent impact evaluation in 2027.
3. Conduct three case studies in 2025, one on each of the three critical enablers.

About this section:

- A key deliverable of the evaluability assessment was a strengthened Theory of Change for the ICFS. A robust Theory of Change is essential for ensuring evaluation readiness.
 - The new Theory of Change is in Appendix 1. It builds on MFAT’s existing high-level Theory of Change and we worked closely with the MERL team to develop the further detail that was needed. The development was informed by programme documentation, and interviews and workshops with internal stakeholders. The process was thorough and designed to produce a well-tested Theory of Change that stakeholders understand and agree with.
- This section also considers when key evaluations would best be conducted. This part of the assessment was informed by review of MFAT’s existing MERL workplan as well as interviews with internal stakeholders, and review of data on when ICFS funded activities are estimated to close.



WHY A STRENGTHENED THEORY OF CHANGE WAS NEEDED

A robust Theory of Change is needed:

- to clearly communicate what the ICFS is designed to do and achieve: the outputs it will produce, and the changes and outcomes that can be directly linked to the strategy, and
- to anchor robust MERL
 - agreeing intended outputs and outcomes (and linkages between them) means they can now be monitored to track whether the ICFS is being implemented as intended, and
 - evaluation can test the intended Theory of Change and see whether it ‘holds’—for example, are the expected outputs and outcomes being produced; are there unintended outcomes; and what is the value of the outcomes, and who for?

The existing high-level Theory of Change served its purpose, providing the detail needed to begin development of MERL products for the ICFS.

- The ICFS strategy document only has high-level outcomes for the strategy—four long-term goals (and 12 associated outcomes).
- The MERL team added the expected Strategic Short-Term Outcomes (SSTOs), enabling them to develop headline indicators (and other measures) to begin to capture and track ICFS activities and investments. The SSTOs and headline indicators were approved by the Climate Portfolio Steering Group (CPSG) in December 2022.

However, the existing high-level Theory of Change didn’t provide any detail about what comes before the SSTOs, meaning there was no agreement about the theory that links climate-finance investments and the changes needed to successfully produce the SSTOs.

About the strengthened Theory of Change

The new Theory of Change completes the picture by filling in the following gaps:

- identifying three critical enablers for achieving the SSTOs and the intended outcomes (these could also be described as assumptions)
- identifying overarching and specific outputs that are expected to be directly produced by the ICFS, and
- providing a clear description of the ICFS—funding, resourcing, and operation, including how it differs from MFAT’s existing International Development Cooperation (IDC) work programme and other investments.

The new, strengthened Theory of Change is appended to this report (Appendix 1) and there is a detailed explanation of each layer in Appendix 2.

Key points to note about the new Theory of Change are:

- all stakeholders were in agreement about the drivers and rationale for the ICFS, but it was much harder to agree a concise picture of operation and implementation



- the ICFS design is complex and different stakeholders identified different aspects as important priorities, and
- a key benefit of the new Theory of Change is that it provides a simpler explanation of the ICFS that can be used to communicate its intent, including how the strategy relates to other IDC work, and what its distinctive features are.
- existing quantitative headline indicators are included in the new Theory of Change; we added overarching ICFS output and outcomes statements to ensure the theory captures the aggregate portfolio-level outputs and outcomes that need to be achieved (in addition to the outcomes that separate investments will achieve), and
- detailed evaluation design will need to continue the development of the Theory of Change, in order to define success criteria and produce detailed descriptions of expected outputs.

Further development of the Theory of Change will be continued by MFAT, including when the ICFS comes to an end in December 2025, to ensure it captures how the ICFS was actually implemented.

MULTIPLE EVALUATIONS ARE NEEDED, BEGINNING WITH FORMATIVE AND OUTCOMES EVALUATIONS

The ICFS is a high-profile strategy supported by a large commitment. It is important that it be tightly monitored, and that assessment be front-loaded with a formative evaluation. To be of maximum value, evaluation of the ICFS needs to:

- focus on areas that are not already being reviewed by the *Assurance Programme*
- explore the value of new and distinctive features, and
- assess progress towards outcomes.

Overall, we agree with the sequence and focus of key evaluations set out in the existing MERL workplan. In addition, the value of conducting a subsequent impact evaluation should be considered (this is discussed below, on page 22).



We recommend:

- formative evaluation
 - the main purpose of the formative evaluation would be to assess implementation to date, and to identify any necessary improvements to ensure delivery of outcomes and increase impact, and
 - because stakeholders will have questions about the progress of the ICFS, the formative evaluation should also, to the extent possible, gather early feedback on progress towards outcomes, so that an assessment can be made about whether the ICFS is on track to achieve impact; expectations will need to be carefully managed (see page 26) as there will only be limited evidence of outcomes at this stage.
- **case studies**⁵ on each of the **three critical enablers** in the strengthened Theory of Change
 - the Theory of Change shows the importance of the following critical enablers for the achievement of outcomes:
 - partner capacity and capability
 - partner-led delivery, and
 - equitable and inclusive design and delivery.
 - the purpose of the case studies would be to ensure MFAT understands the operation and role of the critical enablers, in time to make any necessary improvements before the end of the ICFS; as with the formative evaluation, this will also help ensure delivery of outcomes and increase impact.
- **outcomes evaluation** assessing whole-of-portfolio progress towards achieving ICFS outcomes and impact to date
 - the purpose of the outcomes evaluation would be to assess whole-of-portfolio progress towards achieving the SSTOs and medium-term outcomes as shown in the Theory of Change, as well as identifying contributions to the strategic long-term outcomes and overall impact to date
 - again, expectations will need to continue to be carefully managed about what can reasonably be expected to have been achieved by the time of the outcomes evaluation, and
 - the need for a subsequent impact evaluation should be considered as part of the outcomes evaluation (this is discussed below, on page 22).

Recommended key evaluation questions for each of the three key evaluation stages are provided in the following section from page 27).

⁵ Note that the existing MERL workplan framed the case studies in a different way, it included planned “outcomes case studies (anchor/country/modality/co-benefits) – in-depth analysis of progress towards outcomes in selected Portfolio areas; and partner monitoring visits to collect data on partner country insights, investment progress, New Zealand’s contribution to change and improvements”.



EVALUATION TIMING

Recommendation 1: delay planned evaluations by six months

Evaluations need to be carefully timed to provide maximum utility to MFAT and other stakeholders. They need to be conducted early enough to provide timely feedback and answer stakeholder questions, but not before the ICFS is sufficiently advanced so that it can be properly evaluated.

Although the full ICFS portfolio was launched in 2022,⁶ implementation of the ICFS is still not complete. Lengthy implementation was expected and is in line with expectations for delivery in the international development sector and for delivery through partner-led modalities (where MFAT has less influence over implementation spend and timing).

The table below shows the number of ICFS activities likely to be closed at key evaluation dates—it demonstrates that evaluation will be informed by data from significantly more ICFS activities if evaluations are delayed by six months.

Table 1: Number of ICFS activities estimated to be closed at key evaluation dates (out of an estimated total of 332 activities in the Climate Portfolio, as at March 2024)

ICFS activities estimate	Key evaluation dates	Closed activity # (estimate)	Proportion of total (n: 332)	Notes
Number of activities estimated to be closed, in time for formative evaluation:	June 2024: Original formative evaluation date	126	38%	
	December 2024: Recommended formative evaluation date	161	48%	Compared to the original formative evaluation date: 28% more activities are estimated to be completed by December 2024
Number of activities estimated to be closed, in time for outcomes evaluation:	December 2025: Original outcomes evaluation date	216	65%	
	June 2026: Recommended outcomes evaluation date	250	75%	Compared to the original outcomes evaluation date: 16% more activities are estimated to be completed by June 2026
Number of activities estimated to be closed after potential outcomes evaluation dates:	December 2026: One year after the strategy end date	275	76% (A further 56 activities [24%] have an estimated close date later than December 2026)	Compared to the recommended outcomes evaluation date: 10% more activities are estimated to be completed, by December 2026.

Source: data supplied by MFAT, extracted from Enquire in March 2024.

⁶ The additional \$800m of climate finance was allocated in January 2022 with the launch of the ICFS in August 2022.



Formative evaluation—our recommendation is to delay until December 2024

Assuming that funding can be secured, we recommend that the formative evaluation be conducted in the first half of the next financial year (June-November 2024, reporting in December 2024)—delaying formative evaluation findings by approximately six months.

Delaying the formative evaluation by six months will mean:

- more information will be available to inform the evaluation
 - Table 1 (above) shows that the number of closed activities will rise from 126 (38%) to 161 (48%), the greater number of closed activities will give more examples of implementation to assess and a longer implementation timeframe overall, as well as better insight to portfolio progress (such as outputs and early outcomes that may be emerging)
- there will still be a year of ICFS implementation for the CPSG to use findings to make any changes or improvements that are needed
 - findings will be available in December 2024, the ICFS runs until December 2025
- there will be more time to implement *Assurance Programme* recommendations to improve data
 - recommendations from the *Assurance Programme* are designed to reduce the risk of ineffective portfolio MERL by improving measures, data processes, and reporting of quality data⁷.
- a more realistic timeframe to collect data and conduct the formative evaluation
 - a clear lesson from the Climate Change Programme suite of evaluations was that evaluation of an investment portfolio takes considerable time; the current indicative timeline would only allow one month for planning and commissioning, and two months for data collection; based on the experience of the Climate Change Programme evaluations, this would not be sufficient for a portfolio the size of the ICFS.

Table 2 (below) presents additional practical considerations for the planned and recommended formative evaluation dates—for funding, commissioning, and reporting.

Table 2: Comparison of timing options for the formative evaluation

ICFS activities estimate	Completion by June 2024 (planned date)	Completion by December 2024 (recommended date)
Evaluation funding availability	Yes—for spend by end of 2023/24 financial year	No—will need to be secured; existing 2023/24 funding can be used to design the evaluation

⁷ KPMG *Climate Portfolio Assurance Programme, Monitoring and Evaluation Review* (September 2023), page 3.



ICFS activities estimate	Completion by June 2024 (planned date)	Completion by December 2024 (recommended date)
Evaluation timelines—commissioning and reporting	Very tight timeframes: <ul style="list-style-type: none"> • March commissioning, final design, planning, set-up • April-May data collection (two months) • June reporting 	Achievable timeframes: <ul style="list-style-type: none"> • April commissioning • May-June final design, planning, set-up • July-November data collection (five months) • December reporting

Outcomes evaluation—our recommendation is to delay until six months after the ICFS end date (delay until June 2026)

An outcomes evaluation was originally planned for completion by December 2025, to coincide with the ICFS end date.

- We recommend that evaluation of outcomes be delayed for six months, with data collection beginning at the ICFS end date and reporting by June 2026. Delaying the outcomes evaluation means that significantly more ICFS-funding activities will have been completed:
 - Table 1 (above) shows that the number of activities estimated to be closed will rise from 216 (65%) in December 2025 to 250 (75%) in June 2026, up from six months earlier.
- A delay also means better alignment to when outcomes are expected to be evident:
 - as part of this evaluability assessment, internal stakeholders gave consistent feedback that it would be premature to conduct an outcomes evaluation before the end date of the ICFS, to reflect the time needed for delivery and for climate-related outcomes to be achieved, and
 - a similar view was expressed by the *Assurance Programme* which noted that long-term outcomes are unlikely to be observable during the lifetime of any individual ICFS activity.⁸

A delay of six months is recommended to balance:

- stakeholder (especially Cabinet and ministers’) expectations for feedback on outcomes as soon as possible, with
- giving as much time as possible for the ICFS to achieve outputs and outcomes so that the evaluation has sufficient data and evidence from completed activities.

Expectations will need to be carefully managed to ensure the purpose and limitations of the outcomes evaluation is understood (that it will focus on SSTOs and medium-term outcomes, as well as identifying contributions to the strategic long-term outcomes, rather than providing a final picture of outcomes and impact).

⁸ KPMG *Climate Portfolio Assurance Programme*, Monitoring and Evaluation Review (September 2023), page 15.



Recommendation 2: consider a subsequent impact evaluation in 2027

The current MERL plan finishes with an outcomes evaluation, in advance of when the strategic long-term outcomes (and some of the medium-term outcomes) are expected to be achieved, even if the outcomes evaluation is delayed until June 2026.⁹

For this reason, we recommend the outcomes evaluation assesses whether there would be value in conducting a subsequent impact evaluation. An impact evaluation would focus on the broader longer-term effects of the ICFS by assessing contribution to its four ultimate goals. The decision would need to consider:

- government and other stakeholder interest in learning more about longer-term outcomes and impact, eighteen months after the end of the ICFS
- new programme objectives following the ICFS end date (December 2025) and whether there was funding available for further evaluation of the ICFS, and
- whether further evaluation would provide sufficient additional value (which would be dependent on the quality and quantum of additional outcomes data that would be available around June 2027).

There should be good data to inform an impact evaluation in June 2027. By this date:

- 216 (65%) of activities should have been closed for at least 2.5 years, allowing ample time for this group of activities to achieve their intended outcomes and produce impact.

Recommendation 3: conduct three case studies in 2025, one on each of the critical enablers

The existing MERL workplan includes plans for annual case studies on a range of potential topics. As outlined above, we recommend that the case studies focus on the three critical enablers in the Theory of Change:

- partner capacity and capability
- partner-led delivery of activities, and
- equitable and inclusive design and delivery of activities.

We recommend that the three case studies be commissioned and planned in late 2024 and conducted and reported throughout 2025. If there is a need for early feedback on any of the critical enablers, data collection could begin in the second half of 2024 (following the formative evaluation), for reporting in early 2025.

This would mean information and feedback would continue to be made available between the formative evaluation (December 2024) and the outcomes evaluation (June 2026):

- for CPSG, MFAT and partners to inform ongoing implementation and drive improvements to enable ICFS outcomes, and

⁹ The strategic long-term outcomes and medium-term outcomes as shown in the Theory of Change.



- to provide Cabinet and ministers information and evidence about what works, and examples of outcomes in advance of the final evaluation.

Context—what is appropriate to evaluate?

The ICFS is subject to high scrutiny and there are multiple drivers and audiences for MERL. MERL needs to provide evidence of outcomes, support learning and continuous improvement, and test the value and effectiveness of the ICFS. Information and evidence is needed for multiple audiences including Cabinet and ministers, stakeholders within MFAT, and implementation partners and partner governments.

The evaluability assessment delivered key evaluation questions for the formative evaluation, case studies, and outcomes evaluation.

Recommendations:

4. Clearly communicate the scope of portfolio-level evaluation and manage expectations carefully.
5. Prioritise key areas of inquiry to answer policy questions that are relevant at the time.

About this section:

- A key deliverable of the evaluability assessment was advice on evaluation design, in particular, the scope and key evaluation questions.
- The evaluability assessment did this by reviewing the drivers for portfolio-level MERL, what other review activities are underway, and what key stakeholders need to know.
 - Full evaluation design is out of scope for this evaluability assessment. The next stage of evaluation design will need to further develop and prioritise evaluation questions and identify methods for answering evaluation questions.



THERE ARE MULTIPLE DRIVERS AND AUDIENCES FOR EVALUATION OF THE ICFS

Evaluation can be conducted for different reasons. For the ICFS, the key drivers are:

- to provide evidence of outcomes
- to support learning and continuous improvement, and
- to test the value and effectiveness of the ICFS.

Information, evidence, and feedback is needed by multiple audiences, for different purposes. The key audiences for evaluation of the ICFS are outlined in the table below.

Table 3: MERL audiences—information needed and when it is needed

Audience	What information is needed for	Timing
Climate Portfolio Steering Group (CPSG)	<ul style="list-style-type: none"> • To inform investment decisions, and • To support ongoing implementation and to ensure investments are on track to produce the expected outputs and outcomes. 	<ul style="list-style-type: none"> • CPSG will continue to meet monthly until at least December 2025. • CPSG are likely to have higher information needs in 2025 (the final year of the ICFS) to inform any decisions needed around reprioritisation of uncommitted or unused funds, or if any course correction is required.
Cabinet and ministers	<ul style="list-style-type: none"> • Accountability and transparency around spend and whether value is being realised. 	<ul style="list-style-type: none"> • Scheduled Cabinet report backs—the final scheduled report back is February 2024. • If any additional funding is needed (for example for MERL activity that is not currently funded) this will need to be signalled for inclusion in Budget processes by the end of a calendar year (approximately December 2024 and December 2025).
Pacific Development Group	<ul style="list-style-type: none"> • Design of future programmes or investments. 	<ul style="list-style-type: none"> • As needed.
Climate Portfolio team, and activity managers	<ul style="list-style-type: none"> • To inform support that partners need to spend funding, build capability and capacity, complete activities, and generate quality data. 	<ul style="list-style-type: none"> • Ongoing, throughout the life of the ICFS.
Implementation partners and partner governments	<ul style="list-style-type: none"> • To learn about what works, and • To understand progress. 	<ul style="list-style-type: none"> • Ongoing, throughout the life of the ICFS.



Recommendation 4: clearly communicate the scope of portfolio-level evaluation and manage expectations carefully

As noted in the Theory of Change, a distinctive feature of the ICFS is the higher than usual level of scrutiny it is subject to (compared to other MFAT programmes and portfolios). In addition to portfolio-level MERL, there is MERL for individual investments being made through the ICFS, and a comprehensive *Assurance Programme*. It is important that the MERL team continues to clearly communicate the purpose and scope of portfolio-level MERL, and how it differs to these other activities.

Communication of scope

Portfolio-level MERL needs to complement, not overlap:

- MERL for individual ICFS investments:
 - **Purpose:** each investment is required to develop its own Theory of Change and MERL framework and to capture its own outputs and outcomes in AMAs and close-out reports.¹⁰
 - **How this informs and relates to portfolio-level MERL:** ICFS Performance Dashboards collate and report the headline indicators produced by individual investments funded through the ICFS, to track the cumulative progress of the ICFS. The Performance Dashboards are a primary input to portfolio-level monitoring.
 - Note that there are some challenges with this: the *Assurance Programme* noted that headline indicators are not being captured by all activity-level MERLs; MFAT have agreed to make it clear where there are gaps in data being reported in performance dashboards.¹¹
- the Assurance Programme:
 - Purpose:
 - the Assurance Programme is designed to embed a risk-based assurance approach across the ICFS and focuses on ICFS management and delivery, and
 - assurance differs from evaluation—evaluation focuses on assessing and understanding value and impact.
 - **How this informs and relates to portfolio-level MERL:** the assurance activities are designed to provide assurance throughout the life of the ICFS through till the end of 2025; portfolio-level evaluation needs to be timed and designed to take advantage of the *Assurance Programme*:

¹⁰ Assessing evaluability and ensuring quality of individual investments' MERL frameworks is outside of the scope of the current project.

¹¹ KPMG *Climate Portfolio Assurance Programme*, Monitoring and Evaluation Review (September 2023), page 11. The review notes that headline indicators haven't been consistently used for activities that were set up prior to the establishment of the portfolio-level MERL framework.



- *Assurance Programme* recommendations should improve the quality and timeliness of output and outcomes data, enabling better portfolio-level monitoring and improved evaluability
- formative evaluation of the ICFS should be informed by *Assurance Programme* findings, freeing up resource to focus on topics not already covered by an *Assurance Programme* review, and
- outcomes evaluation of the ICFS should follow the end of the *Assurance Programme*, so all relevant review findings can be incorporated, and to avoid any overlap in researcher or reviewer effort (to avoid duplication and unnecessary burden—for example, partners having to provide related information more than once).

Managing expectations

Expectations about evaluation of outcomes need to be carefully managed.

- Stakeholders agree that outcomes will take time to achieve and that medium and long-term outcomes are unlikely to be evident before the ICFS end date. While both the **formative evaluation** and **case studies** will provide opportunities to assess outputs and progress towards outcomes in advance of the end of the strategy, outcomes-related findings will only be indicative and emerging at these stages.
- By the time of the **outcomes evaluation** there should be a good, and growing, evidence base about emerging outcomes at both strategic short-term and medium-term levels (in the Theory of Change). However strategic long-term outcomes will take longer to achieve, a clear picture of the contribution of the ICFS to strategic long-term outcomes is unlikely to be available when the outcomes evaluation is undertaken.
- Strategic long-term outcomes and impact will be best assessed by an **impact evaluation**.



Recommendation 5: prioritise key areas of inquiry to answer policy questions that are relevant at the time

The ICFS is big and ambitious and there are many possible areas of inquiry—key areas of inquiry will need to be prioritised

It is not possible for every aspect of the ICFS to be rigorously and comprehensively evaluated, so the focus needs to be on understanding the value of the portfolio (rather than individual investments) and the effectiveness of key design features (such as the preferences and principles). Additional insight and richness will be added through case studies on the three critical enablers.

Detailed evaluation design will need to identify options for each stage of evaluation (formative, case studies, and outcomes), and CPSG will need to agree their priority areas of interest. This should be shaped by policy interests relevant at the time and the amount of funding available. Over the two-year evaluation period, MFAT should aim to include evaluation activities that include a focus on a mix of the following key features of the ICFS focus, design and preferences:

- Pacific countries
- adaptation investments
- biodiversity investments
- partners or investments that leverage the three critical enablers in the Theory of Change, and
- different types of partners.

Key evaluation questions

Recommended formative evaluation questions:

- 1 Is the ICFS being implemented as intended? What is working well and what could be improved?
 - a. Funding use: Are things on track for all funding to be spent by the end of 2025? Are allocation targets being met? What can we learn about the use of the different funding modalities (for example, patterns of use for different preferences, partners, or goals)?
 - b. Operation: Are roles and responsibilities clear? Are there any process issues or challenges that need to be addressed—for example in decision-making and governance, activity management, or reporting?
- 2 To what extent are key foundations (the critical enablers) of the ICFS in place?
 - a. Functional enablers (see the implementation layer in the Theory of Change, Appendix 1)—how well are they operating and/or being used? What effect are they having on implementation, are they adding value?
 - b. Critical enablers—is the importance of the enablers understood, and how are they being supported and put in place? How well established are they? Where they are in place, what effect are they having?
- 3 What progress has been made to date?



- a. What activities have been completed? What outputs and outcomes have been achieved, who for? Is the progress as expected?
- 4 Is the ICFS on track to achieve its intended SSTOs? When?
- a. What changes or improvements need to be made to ensure outcomes?
 - b. Are the intended outcomes still relevant? Are there any changes to policy or design that need to be addressed?

Recommended questions for case studies on the critical enablers:

1. How well established is the critical enabler, what is its status?
 - a. What evidence is there that it is in place? Is it growing over time?
2. What inputs, resources or conditions are needed to support the enabler?
 - a. Are there any gaps, barriers or constraints that need to be addressed?
3. What effect is the critical enabler having on the quality of outputs and outcomes?
 - a. How is the critical enabler amplifying outcomes over time (or are there indications that it will, if so, when)?
 - b. What examples or case studies can be found to demonstrate the value of the critical enablers? What lessons can be learnt and applied elsewhere?
 - c. Are any additional supports or changes needed to maximise the value of the critical enablers for producing outcomes?

Recommended outcomes evaluation questions:

1. Did the ICFS produce its intended outputs and outcomes?
 - a. Outputs:
 - i. Was the ICFS used to fund more and better climate-related activity? Did the right activities get completed (are completed activities aligned to the ICFS goals and preferences?)
 - ii. Are outputs valued by partners and partner countries? Did partners get more climate finance, deliver more climate interventions, have greater say in how to use climate finance, and get more support to achieve their outcomes?
 - iii. What mix of headline indicators were produced by which investments? Were more or less than was expected produced (for any of the headline indicators)?
 - b. Critical enablers:
 - i. What effects did the critical enablers have on the quality of outputs and outcomes?
 - c. Outcomes:



- i. What outcomes were produced for partners and partner countries? Who or what benefitted, and under what circumstances?
 - Did partner capacity and capability improve? What improvements or supports are still needed?
 - What was the value of the preference for partner-led delivery? How did this change outcomes?
 - What was the value of the preference for equitable and inclusive design and delivery? Were outcomes equitable?
 - ii. What mix of SSTOs were produced by which investments? Were more or less than was expected produced (for any of the SSTOs)? Were there any SSTOs that were not produced?
 - iii. What outcomes did the ICFS produce for government relationships with partners (including other governments and donors)?
 - iv. What evidence is there of medium-term outcomes? To what extent can observed changes be attributed to the ICFS?
- 2. What unintended outcomes (positive or negative) were produced by the ICFS?
- 3. What were the key factors or mechanisms that influenced the outcomes of the ICFS?
 - a. What role did the functional enablers and critical enablers play?
 - b. What can be learnt from the ICFS and applied to other programmes or portfolios?
- 4. How sustainable are the outcomes of the ICFS?
- 5. Is there a need for a subsequent impact evaluation? What questions or information needs would it meet? Would it provide sufficient added value (over and above the outcomes evaluation)?



Practice—what is feasible to evaluate?

MFAT is aware of data quality issues and is actively working to address them

Issues with the consistency and quality of ICFS outcomes and output data are well known by MFAT and the CPSG. MFAT is actively addressing recommendations to improve data quality made by the Assurance Programme, performance reporting to the CPSG includes discussion of data gaps and how they're being addressed, and the MERL team is working with activity managers to improve data capture and quality.

A key challenge and risk for portfolio-level MERL is the burden that can be placed on partners by evaluation.

Recommendations:

6. Develop new measures to enable the strengthened Theory of Change to be properly tested.

About this section:

- A key deliverable of the evaluability assessment was to make recommendations to improve the data collection for the ICFS and to identify challenges.
- The evaluability assessment did this by reviewing dashboards and reporting and getting feedback from internal stakeholders on data challenges and issues.

STAKEHOLDERS WANT RICH INFORMATION TO UNDERSTAND THE VALUE OF THE ICFS FOR PARTNERS AND COMMUNITIES

The MERL framework includes both quantitative indicators and measures, and qualitative insights. The combination of mixed-methods is well designed and appropriate for the ICFS.

Interviews with internal stakeholders confirmed the value of qualitative feedback for properly understanding the impact (and emerging impact) of the ICFS for partners and the climate. It is important that evaluation inputs include indigenous, local and traditional knowledge and voices, and human stories told in creative, mana-enhancing ways (for example using videography or alternative data-sharing methods). In addition to feedback about the climate, stakeholders are interested in information and feedback about relationships, wellbeing, equity, and partnership.

Portfolio-level monitoring is already underway

The suite of monitoring products developed for the ICFS is designed to provide the CPSG with regular information about the progress of the ICFS. There are three dashboards that continue to be refined to meet the needs of the CPSG, and to incorporate newly available data and data improvements.



- Pipeline Dashboard: produced monthly by the Climate Portfolio team—committed expenditure across different lenses (by strategic outcomes and goals, by sector, adaptation compared to mitigation), and pipeline of investment (showing proportion of investment at different project stages).
- Progress Dashboard: produced monthly by the Climate Portfolio team—commentary on overall progress, financial summary (actual, committed in contract, and forecast), and top risks and top issues.
- Performance Dashboard: produced quarterly by the MERL team—only limited performance data on a sub-set of ICFS outcomes is currently available; time series data will be added as it becomes available.

Together, the dashboards provide key information the CPSG needs to monitor the rate and state of key components of ICFS implementation of the ICFS—strategic funding allocation, funding use, and some outcomes data. The usefulness of monitoring data will improve over time as more activities progress and report on outcomes. Recommended changes to ICFS monitoring are discussed below (page 32).

Evaluation of the ICFS will draw on the monitoring data to report an evidenced-based picture of ICFS implementation and outputs which can then be assessed to judge its quality (and for the formative evaluation, identify any necessary changes).

Known data issues are being addressed

Issues with the consistency and quality of ICFS outcomes and output data are well known by MFAT and the CPSG:

- the *Assurance Programme* included an assessment of the adequacy of the headline indicators for capturing meaningful outcomes for the ICFS; the review concluded that they were generally fit-for-purpose, but noted some gaps in strategic alignment and that there needs to be clearer guidance to ensure comparability of qualitative measures; the report includes recommendations to improve measures, and the gathering, reporting and aggregation of data,¹² and
- performance reporting to the CPSG presents regular updates on data challenges and quantifies existing data gaps.

The MERL team is working to address known issues by continuing to improve performance reporting, working with activity managers to improve the quality and consistency of data about outcomes, and by improving data capture processes.

Some data issues will remain, in particular (as noted by the *Assurance Programme*) the lag caused by partner performance reports that are provided on an annual or biannual basis.¹³ This limitation

¹² KPMG *Climate Portfolio Assurance Programme*, Monitoring and Evaluation Review (September 2023), page 4. MFAT's Management Response summarises the response to the recommendations – MFAT agree with the majority of the recommendations and partially agree with the remainder. Where agreement is partial, MFAT notes why and how they intend to mitigate the identified risks.

¹³ KPMG *Climate Portfolio Assurance Programme*, Monitoring and Evaluation Review (September 2023), page 15.



is being addressed by ensuring MERL is informed by multiple data sources using different types of data, rather than reliance on partner reports.

PORTFOLIO-LEVEL MERL TAKES CONSIDERABLE RESOURCE AND CAN BE A BURDEN FOR PARTNERS

A key issue raised by multiple internal stakeholders was the challenge of evaluating such a large portfolio of investments, with multiple partners across multiple countries. The recently completed suite of Climate Change Programme evaluations (a much smaller programme of work than the ICFS) demonstrated how challenging this can be, and there are clear lessons to be learnt. Key lessons include:

- timing is important, outcomes evaluation may need to be delayed—sufficient time needs to have elapsed to see evidence of outcomes (outcomes will not necessarily have been produced by the end of a programme or strategy)
- the amount of resource to conduct an evaluation of this type is considerable—no matter how well set up a MERL framework is, having multiple partners and activities means data and feedback will take many forms and will need to be cleaned, synthesised, and aggregated; much of this is likely to be manual work
- in-country fieldwork is time-consuming and can place a big burden on governments and partners; fieldwork needs to be planned well in advance and supported by quality relationships and communications; additional time and resource is likely to be needed to properly include community and indigenous perspectives, and
- activity managers need ongoing and proactive support to properly implement and use MERL frameworks, and to capture meaningful and timely feedback and outcomes.

Recommendation 6: develop new measures to enable the strengthened Theory of Change to be properly tested

Strengthening and expanding the Theory of Change for the ICFS has identified additional functions, outputs, enablers, and outcomes—new measures or feedback need to be captured to enable these to be monitored and evaluated.

The table below sets out the new measures and feedback needed. Detailed evaluation design will need to continue to develop success criteria for these (and existing measures, especially qualitative ones) so that there is agreement about what ‘good’ looks like, to underpin evaluative judgements. This is out of scope of the evaluability assessment.



Table 4: New measures that are needed to test the strengthened Theory of Change

Area needing measures	Develop indicators, consider adding to Performance Dashboard	MERL team to seek regular feedback from CPSG	Systematic feedback to be collected to inform evaluation
Implementation, functional enablers	<ul style="list-style-type: none"> • Support provided to partners to ensure outcomes. <ul style="list-style-type: none"> – Who is receiving support, project type, nature of support. 	<ul style="list-style-type: none"> • Quality and use of reporting on funding use and outcomes. <ul style="list-style-type: none"> – MERL products and processes, including dashboards. 	<ul style="list-style-type: none"> • Feedback from partners on quality of support. • Feedback on quality of governance and support for policy and operations.
Investment outputs	<ul style="list-style-type: none"> • Investments that produce outputs of high interest. <ul style="list-style-type: none"> – For example type of investment that produces a certain mix of outputs. 	N/A	<ul style="list-style-type: none"> • Insight into design and delivery in partnership. • Insight into design and delivery that is inclusive. • Feedback from partners on the value that they are getting from climate finance being delivered through the ICFS.
Critical enablers to achieve ICFS goals and intentions	<ul style="list-style-type: none"> • Increases in partner capability and capacity. • Partner-led delivery —rate and how this is achieved (including role of MFAT). • Equitable and inclusive design and delivery. 	N/A	<ul style="list-style-type: none"> • Feedback on benefits and features of partner-led delivery. • Feedback on benefits and features of equitable and inclusive design. • Feedback on state of the enablers.
SSTOs	<ul style="list-style-type: none"> • Partner goals and their progress toward them. • Equity of benefits. • Increases in partner access to other finance and support. 	N/A	<ul style="list-style-type: none"> • Feedback on improvements in partners’ evidence base. • Feedback on improvements to government relationships.
Medium-term outcomes		N/A	<ul style="list-style-type: none"> • Degree to which changes are embedded and sustained.



Appendix 1

Strengthened Theory of Change



1 DRIVERS & OPPORTUNITIES

Climate change threatens wellbeing and security, and the Pacific is uniquely vulnerable.

Climate finance can help reduce risks, capture opportunities, and build resilience.

Climate change is a profoundly destabilising issue that poses unprecedented risks to global wellbeing, prosperity and security.

Pacific countries are some of the most vulnerable to climate change and are already experiencing its effects.

Pacific countries face a climate finance gap of almost US\$1b annually.

New Zealand supports other countries' efforts to slow climate change and to build resilience through our *International Development Cooperation* (IDC) programme. One of

the ways the IDC does this is by providing climate finance in the Pacific and elsewhere.

Climate finance can help reduce risks, address opportunities, build resilience, improve equity of outcomes, and accelerate climate change

mitigation. Climate finance is also provided by other donors and aid programmes.

2 ABOUT THE INTERNATIONAL CLIMATE FINANCE STRATEGY (ICFS)—INPUTS & RESOURCING

The ICFS runs from 2022 to 2025:

- Strategy document outlines multiple expectations and parameters for design, delivery and impact
- Funding of NZ\$1.3b+

Strategy delivery is supported by:

- IDC resources, expertise and partner relationships
- Resources, expertise, and relationships of implementation partners, communities, and NGOs.

As party to the *Paris Agreement*, the New Zealand Government announced a scale-up in its climate finance commitment to NZ\$1.3b for the period 2022-2025 (from the previous commitment level of NZ\$30m) and launched the ICFS.

The ICFS document outlines expectations and parameters for its design, delivery, and impact:

- **four goals and 12 outcomes** (three outcomes are specified for each goal)
- at least 50% of funding is to be invested in **the Pacific**, and at least 50% is to be invested in **adaptation**
- **vision and principles** for engagement

- **other preferences:** responding to loss and damage (when needed if adaptation options are exhausted), acting at scale, collaboration, being partner-led, equity and inclusion, encouraging innovation and accepting risks, and supporting biodiversity, oceans and nature.

The ICFS is supported by the MFAT's *Pacific Development Group* (PDG) and delivered by the IDC using new and existing resources and processes. ICFS climate finance is distributed using a range of modalities already used by the IDC.

NZ \$1.3 BILLION+ OF FUNDING IS MADE UP OF:

- **NZ\$500m+ baseline funding** (includes spend in the commitment period on activities begun in the previous period)
 - Activities are guided by *Four Year Plans* (consulted with partner countries and regional organisations) and multilateral or multi-country approaches (to support collective or regional drivers).
 - Included are some activities started under the *Climate Change Programme* (CCP) 2019-2023 —the flagship climate programme in the previous period prior to the launch of the ICFS.
- **NZ\$800m (new funding) for a blend of community, bilateral, regional, multilateral, and multi-country activities**
 - Allocation, spend and delivery of the NZ\$800m is supported by the IDC Policy Team and a new Climate Portfolio Team.
- **NZ\$40m (new Departmental funding)**
 - Provided to support successful delivery of the commitment (particularly the new NZ\$80m) and achieve the step-change expected by government.

3 IMPLEMENTATION OF THE ICFS—HOW IT OPERATES

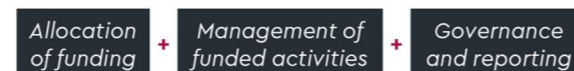
The ICFS is implemented by the PDG through the IDC, using IDC systems and processes.

The ICFS:

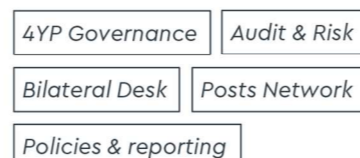
- is interdependent on and integrated with the IDC
- has new and additional features (compared to the existing IDC work programme) to support successful delivery and achieve a step-change.

EXISTING IDC PROGRAMMES AND FUNDING, PLANS AND PARTNERSHIPS

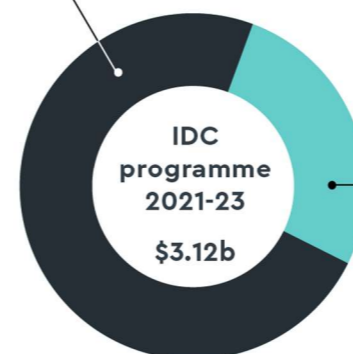
- 1 IDC operation and support for developing countries:



- 2 IDC systems and processes:



- 3 Different investment modalities to meet partners' priorities and requirements:

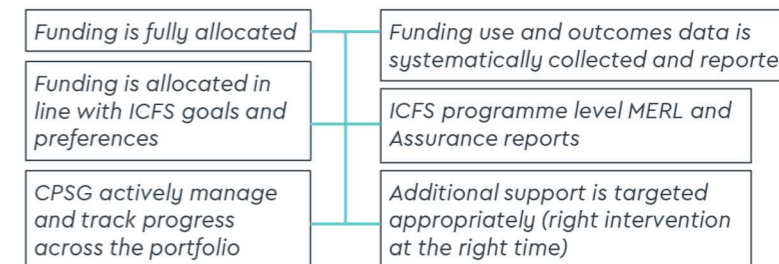


ICFS \$1.3B CLIMATE FINANCE – including \$800m new funding

The new funding has new and distinctive **operational enablers** ...

- 1 **Strategic funding allocation** —balanced portfolio, aligned to goals and preferences
- 2 **ICFS -level governance** and additional support for policy and operations
- 3 **Higher scrutiny** and focus on reporting for outcomes
- 4 **Additional support for partners** to deliver activities

... and specific delivery **outputs** to be monitored and tracked:



Theory of Change (part 2)

International Climate Finance Strategy (ICFS) | Tuia Te Waka A Kiwa

4 ICFS INVESTMENT OUTPUTS

Activities are designed and delivered with or by partners.

Design and delivery is inclusive.

Climate-related outputs are produced, with different mixes of outputs produced by different activities.

Note: listed outputs are the ICFS headline indicators

Partners get more climate finance, deliver more climate interventions, have greater say in how to use climate finance, and get more support to achieve their outcomes.

Outputs at the partner country level include:

- delivery or acceleration of NDC
- delivery or acceleration of NAPs
- reduced use of fossil fuels
- CO₂ emission reduction or avoidance

- individual benefits from resilience building activities
- strengthening of natural resources and natural ecosystems
- mitigation or avoidance of climate related loss and damage
- engagement in carbon markets.

Other outputs include:

- new climate knowledge and data

- support for regional institutions and multilateral organisations
- people trained or supported to build their capability
- private funding invested in co-funded activities
- bilateral and multilateral funding invested in co-funded activities.

5 STRATEGIC SHORT-TERM OUTCOMES (changes directly linked to strategy implementation and outputs—causal link)

Partners make progress towards their own climate goals as completed activities start to produce climate benefit—benefits are equitable.

Partner countries have better evidence about how to achieve positive climate outcomes.

Pacific countries have access to more effective regional climate finance and support.

In addition, NZ government's relationships with other governments, donors and partners are strengthened—NZ is seen as an effective partner in the fight against climate change.

Countries' and partners' climate strategies and plans are evidence-based, and they have the capacity and capability they need to deliver their strategies and plans.

SSTO 1 Increasing adoption of emissions reducing technologies and practices.

SSTO 2 countries supported to effectively deliver climate priorities.

SSTO 2.1 technical assistance provided to develop and deliver priorities.

SSTO 2.2 improved delivery capacity and capability.

SSTO 4 climate data and expertise applied to climate change and disaster response planning.

SSTO 5 regional and multilateral agencies increase their climate change action and impact.

Countries can access the climate finance they need, from a range of sources and through different modalities.

SSTO 6 increased access to climate finance.

SSTO 6.1 additional climate finance crowded in.

SSTO 6.2 opportunities to leverage private finance maximized.

SSTO 7 countries are supported to use carbon markets and other mechanisms.

Countries and partners make effective and coordinated efforts to realise climate benefits.

SSTO 3 increasing national and community action to build resilience to climate change impacts.

SSTO 3.1 biodiversity benefits realised.

SSTO 3.2 loss and damage benefits realised.

SSTO 3.3 inclusive development realized.

Note: listed outcomes are the existing Strategic Short-Term Outcomes)

6 MEDIUM-TERM OUTCOMES (outcomes that the ICFS makes a strong contribution to)

BENEFITS FOR CLIMATE CHANGE EMBED—Improved sustainability of funding—effective initiatives and activities are extended, leveraged, and scaled. Improved continuity and coordination of effort by countries, partners and donors to achieve outcomes.

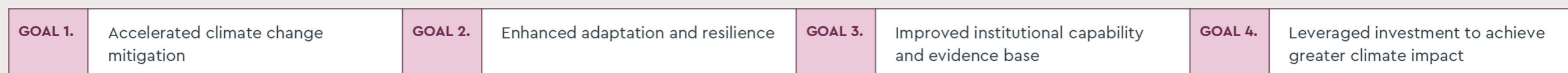
- 1.1** Accelerated mitigation action
- 1.2** Reduced emissions
- 1.3** Reduced reliance on fossil fuels

- 2.1** Accelerated adaptation action
- 2.2** Increased climate resilience
- 2.3** Community values maintained

- 3.1** Effective regional and multilateral institutions
- 3.2** Improved climate-resilient decision making
- 3.3** Strengthened climate expertise

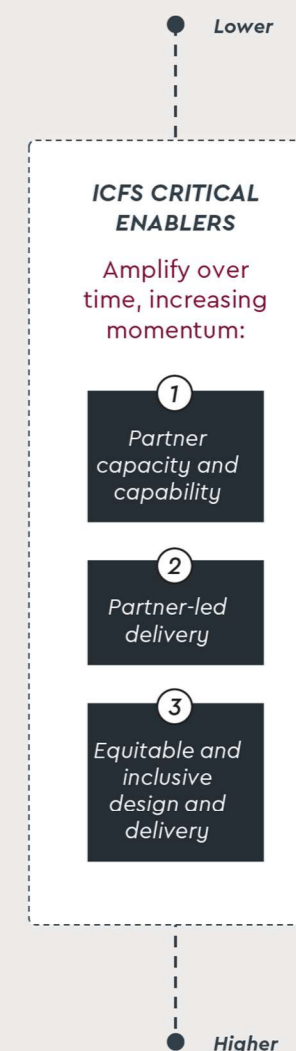
- 4.1** Increased private sector funding and technology
- 4.2** Increased likeminded co-investment
- 4.3** Increased use of markets for climate action

7 STRATEGIC LONG-TERM OUTCOMES



Developing countries and communities build resilience in a world on a pathway to staying within 1.5°

The Paris Agreement commits Aotearoa New Zealand to pursue efforts to limit global temperature increases to 1.5 degrees Celsius above pre-industrial levels.



Appendix 2

Key points about the strengthened
Theory of Change for the ICFS



Key points about the strengthened Theory of Change

DRIVERS AND OPPORTUNITIES (ROW 1)

- The Theory of Change captures the policy drivers and rationale that are clearly set out in the strategy document; the drivers and opportunities are well understood and not disputed.

ABOUT THE ICFS (ROW 2)

- Agreeing a succinct overview of the ICFS was challenging as the ICFS is intentionally complex and ambitious: it includes multiple goals, outcomes, engagement principles, and preferences. This was done to balance guidance for delivery with allowing for flexibility and innovation.
- As a result, different internal stakeholders had different views or interpretations about whether particular parts were more, less, or equally important. The new Theory of Change notes the complexity and clearly lists all the different parameters so that none are lost.
- The ICFS funding is also complex—comprising three different pots of money, allocated over differing time periods. It was important that this was clearly laid out, to explain why the different pots of money are being used differently (and are subject to differing levels of scrutiny).

IMPLEMENTATION OF THE ICFS (ROW 3)

- This is a new and important part of the Theory of Change—showing the relationship of the ICFS to the IDC (the ICFS is interdependent on and integrated with the IDC), while also being clear about what the new and distinctive features are—most of which apply to the additional \$800m. It is important to understand that the ICFS is *designed* to operate differently to the existing IDC work programme, reflecting its importance and sizeable budget.
- Four new and distinctive features were identified and have been described as ‘operational enablers.’ They describe what is necessary for successful implementation, describing **how** the strategy will be implemented differently.
- This row also shows the delivery-level outputs that will be produced by the functional enablers.

INVESTMENT OUTPUTS (ROW 4)

- This row is also a new addition to the Theory of Change. The statements capture the overarching outputs that are intended—there should be a direct line of sight between implementation (row 3) and the investment outputs.
- The new overarching investment outputs that are expected are:



- more and better climate-related activity funded by the New Zealand government (“activities are designed and delivered with or by partners; design and delivery is inclusive; climate-related outputs are produced”), and
- multiple, tangible outputs for partners (“partners get more climate finance, deliver more climate interventions, have greater say in how to use climate finance, and get more support to achieve their outcomes”).
- This row also lists the existing ICFS headline indicators—discrete outputs that are already being monitored and tracked.
 - It is important to note that different mixes of these outputs will be produced by different activities, that is, not all activities are expected to produce all the outputs—some may focus on one or a small subset of the outputs, while other activities may produce a much broader range of outputs.

STRATEGIC SHORT-TERM OUTCOMES (SSTOS) (ROW 5)

- This row presents the existing strategic short-term outcomes—there should be a causal line between the investment outputs (row 4) and the SSTOs. The SSTOs have been grouped under three new outcomes descriptions.
- New overarching short-term outcomes have been added—describing the expected outcomes from the perspective of partners and partner countries and for the New Zealand government’s relationships.

CRITICAL ENABLERS (SHOWN VERTICALLY ON THE RIGHT)

- Three critical enablers (or underlying assumptions) were identified as being necessary to produce quality, sustainable, and inclusive outcomes: partner capability and capacity; partner-led delivery; and equitable and inclusive design and delivery.
- They are shown as overlapping and interacting with multiple layers of the ToC—from outputs through to medium-term outcomes—indicating that as the strength of the critical enablers grow, so too will outcomes.

MEDIUM-TERM OUTCOMES (ROW 6)

- The numbered outcomes come from the ICFS—an overarching outcome has been added, noting the importance of key climate benefits growing and embedding over time.
- It is important to note that multiple factors will contribute to these outcomes, in addition to the ICFS (for example, global and local changes in technology, population patterns and the economy; changing partner country priorities and actions; and other funders’ investments).



STRATEGIC LONG-TERM OUTCOMES (ROW 7)

- The four goals also come from the ICFS. The ICFS vision has been added, to reiterate that the ICFS and its four goals don't exist in a vacuum, but in the context of the Paris Agreement and the urgent need to address climate change.



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