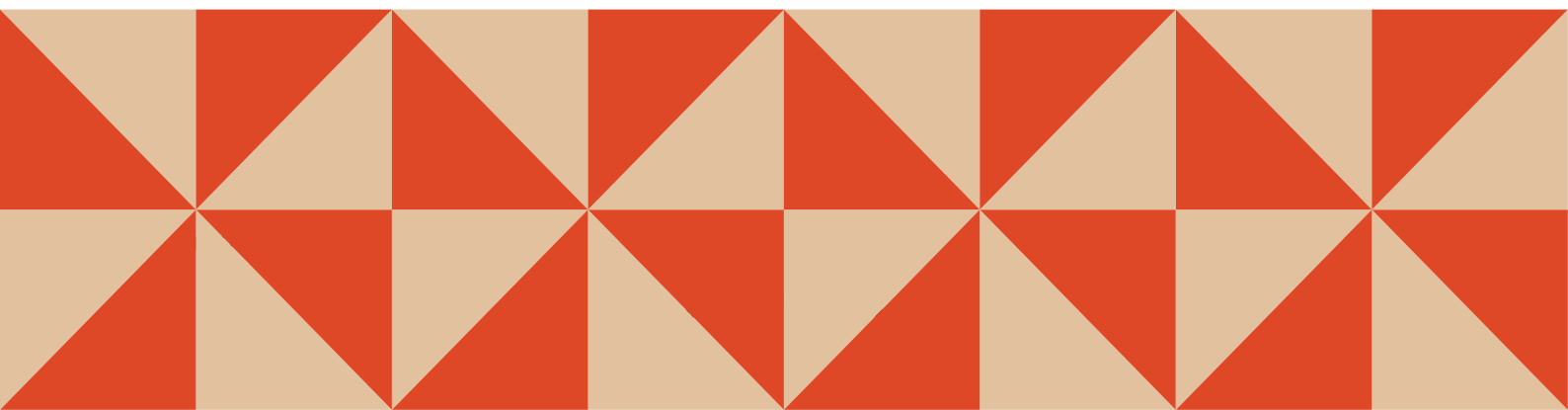




NEW ZEALAND  
FOREIGN AFFAIRS & TRADE  
Manatū Aorere

# **New Zealand's International Development Cooperation Programme: Activity-based review**

Report on  
findings



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## Executive Summary

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1. In 2024, the Ministry of Foreign Affairs and Trade conducted an Activity-based review (ABR) of New Zealand's International Development Cooperation (IDC) Programme to test alignment to Government priorities. The review was commissioned by the Minister of Foreign Affairs in June 2024, to be completed by 31 October 2024. Analysis of ABR data was structured around three pillars: alignment to Government priorities, impact, and efficiency. Findings are summarised by each of the four main sub-allocations for alignment (Pacific, Global, Humanitarian and Multilateral), and by the overall IDC Programme for impact and efficiency.
2. The Review found that the IDC Programme is well-aligned to Government priorities in terms of geography and theme, but ongoing reshaping of the Programme will be required, including to provide headroom for new activities.
3. The Pacific sub-allocation supports the Government's thematic priorities for the region. However, the review identified scope to work more strategically in the region, including through priority partners, by making more use of higher-order modalities such as reform-linked budget support and core funding to regional agencies, and through increased ambition to leverage additional funding into the region (for example through working with other donors or civil society).
4. The Global sub-allocation needs to scale up in the current triennium to match Government ambition for an uplift in Southeast Asia. This has already started, but more work is required to ensure we can meet the Government's ambition in this space while continuing to focus on delivering outcomes to those most in need and addressing need in conflict-affected regions.
5. The Multilateral sub-allocation has reduced for the current triennium. The ABR shows that the portfolio includes a high number of agreements and covers a range of sectors. The ABR data and analysis will help identify a smaller portfolio of investment that is well aligned to our development and foreign policy priorities with respect to the multilateral system.
6. The Humanitarian sub-allocation is increasing this triennium to better reflect the scale of need in the region and globally. The analysis shows that, in the Pacific, the Ministry is working closely with NZ Inc and Australia across response and preparedness; but that the demand for, and complexity of, humanitarian activity is increasing in response to climate impacts and geostrategic competition. Further afield a more strategic approach is being considered to respond to escalating global conflicts.
7. Most IDC activities are delivering results that are rated adequate or better. However, the data has revealed challenges with respect to performance monitoring for some of the activities. The data also shows that the IDC Programme is spread across a large number of activities, and there is scope to streamline and consolidate, including by better mainstreaming climate across the Programme.

## Purpose of the paper

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8. This report presents outcomes from an Activity-based review (ABR) of New Zealand's International Development Cooperation (IDC) Programme, which is managed by the Ministry of Foreign Affairs and Trade (the Ministry). The Minister of Foreign Affairs commissioned the review in June 2024, to be completed by 31 October 2024.

9. The report presents findings and recommendations on alignment to Government priorities for each of the IDC sub-allocations (Pacific, Global, Multilateral and Humanitarian), followed by findings and recommendations relating to the overall performance, impact, and efficiency of the IDC Programme. The recommendations were agreed to by the Ministry's Senior Leadership Team and action to implement the recommendations is underway.

## Context for the review

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10. New Zealand delivers international development cooperation funding<sup>1</sup>, knowledge, and skills to help improve sustainable development and reduce poverty in developing countries – with a strong focus on the Pacific. Humanitarian action saves lives and relieves suffering in natural disasters and protracted crises. The Ministry seeks coherence across development, diplomatic, security, trade and economic, climate change, and environment objectives to ensure we deliver sustainable progress in developing countries, and advance New Zealand's interests and values. International development cooperation (both policy and financial) is an integral pillar of New Zealand's foreign policy. It reflects our network of international relationships and commitments and is an expression of our values.

11. New Zealand's IDC Programme is funded by a non-departmental appropriation within Vote Foreign Affairs. The Pacific and Development Group (PDG) of the Ministry manages the IDC Programme, disbursing the funding to a range of delivery partners (including New Zealand government agencies, partner governments, non-governmental organisations (NGOs), companies, and regional and multilateral organisations).

12. New Zealand's Policy Statement on International Cooperation for Effective Sustainable Development<sup>2</sup> (ICESD) provides the principles for how we allocate and deliver our funding, how we work with partners, and the outcomes that we intend to achieve. We seek effective, inclusive, resilient, and sustained outcomes<sup>3</sup>, and work in line with international development effectiveness principles.

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<sup>1</sup> The OECD Development Assistance Committee (OECD DAC) determines at a high level what can be counted and reported as official development assistance (ODA) – i.e. only support with a primary purpose of economic development and welfare of developing countries, and which is provided on concessional terms can be counted. New Zealand's support under the IDC appropriation is more expansive than ODA, as some high-income Pacific countries are also eligible for support under New Zealand's IDC.

<sup>2</sup> See: <https://www.mfat.govt.nz/assets/Aid-Prog-docs/Policy/Policy-Statement-New-Zealands-International-Cooperation-for-Effective-Sustainable-Development-ICESD.pdf>

<sup>3</sup> See: <https://www.mfat.govt.nz/assets/Aid-Prog-docs/Policy/New-Zealands-International-Development-Principles.pdf>

13. The Government's 2024 Foreign Policy Reset<sup>4</sup> established a new strategic direction including for New Zealand's IDC Programme with an emphasis on sustaining our deep focus on the Pacific alongside a significant scale up in Southeast Asia, and direction to focus our multilateral engagement on transboundary issues, or issues where New Zealand values are at stake. This direction is reflected in the Ministry's Strategic Framework<sup>5</sup> and IDC Priorities Framework<sup>6</sup>.

*The 2024–27 funding triennium*

14. Since the 2018 Pacific Reset, the IDC budget has grown significantly, including through NZ\$800 million in additional climate finance over four years from 2022-25. The total value of the appropriation for the 2021-24 triennium was NZ\$3.012 billion<sup>7</sup>. The Ministry is now managing a decline in Crown budget of NZ\$7.615 million per annum ongoing (announced in Budget 2024).

15. The IDC Programme is organised across four "sub-allocations", and 19 individual PDG Plans (mostly bilateral and regional). The Minister has confirmed funding levels for each of the sub-allocations for the current funding triennium of July 2024 - June 2027 (see table below). The results of this review will support the Ministry to finalise bilateral allocations within each of the sub-allocations in line with Government priorities.

**Table One: IDC Programme triennium sub-allocations (2024-27)<sup>8</sup>**

| <b>Sub-allocation</b>  | <b>(\$ million)</b> | <b>Proportion (%)</b> |
|--|---------------------|-----------------------|
| Pacific  | 1,746.00            | 60%                   |
| Global   | 437.00              | 15%                   |
| Humanitarian   | 291.0               | 10%                   |
| Multilateral   | 291.0               | 10%                   |
| <i>Strategic International Development Fund<sup>9</sup> (SIDF)</i> | <i>116.40</i>       | <i>4%</i>             |
| <i>Strategic Evaluation and Research Fund<sup>10</sup> (SERF)</i>  | <i>29.10</i>        | <i>1%</i>             |
| <b>Total</b>   | <b>2,910.50</b>     | <b>100%</b>           |

16. The ABR presents the opportunity to strengthen and ensure alignment with Government priorities, and to look at ways to build a more strategic, efficient and streamlined portfolio for the current funding triennium.

<sup>4</sup> See Resetting New Zealand's Foreign Policy: <https://www.mfat.govt.nz/assets/OIA/OIA-2024/Cabinet-Paper-Resetting-New-Zealands-Foreign-Policy.pdf>

<sup>5</sup> See Strategic Intentions 2025 – 2028: <https://www.mfat.govt.nz/assets/About-us-Corporate/MFAT-strategies-and-frameworks/Strategic-Intentions-2024-2028.pdf>

<sup>6</sup> See: <https://www.mfat.govt.nz/assets/Aid/Aid-General/IDC-Priorities-Framework-2024.pdf>

<sup>7</sup> See: <https://www.mfat.govt.nz/en/aid-and-development/our-approach-to-aid/where-our-funding-goes/our-planned-idc-expenditure>

<sup>8</sup> Climate finance for the remainder of the commitment period (to December 2025) is integrated into these figures (see para 14).

<sup>9</sup> The SIDF is a centrally administered fund set aside for new strategic initiatives or ministerial priorities which arise over the triennium.

<sup>10</sup> This fund is set aside for evidence, evaluations, and research for the IDC Programme. It is primarily used for periodic external strategic evaluation of the bilateral plans within Global and Pacific sub-allocations. It is outside the scope of this review.

## Methodology

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17. This review was conducted internally by staff from the Pacific and Development Group (PDG) of the Ministry.

18. Officials collated a detailed data set of all 1,226 IDC activities. This comprised of activities at all stages of implementation, and activities that are planned but not yet in implementation. Activities are of varying lengths, spanning the current, past and future triennia. The data was collated through a combination of downloading data from the Ministry's aid management system, and then asking Ministry staff to provide additional information against key indicators.

19. This data set provided the basis for analysis of the activities and their relative merits within the IDC Programme across three domains:

19.1. Alignment to Government priorities with regards to theme, geography, modality, partners, and collaboration/leveraging additional finance

19.2. Delivery of results and impact

19.3. Overall quality and efficiency of delivery

20. The 'alignment' domain analysis is based on how the IDC Programme best aligns to the Foreign Policy Reset and agreed IDC priorities for the coming triennium. It is divided into four sub-themes:

20.1. Priority geography: whether Pacific, Southeast Asia or other

20.2. Priority modalities: whether budget support, or core funding to multilateral or regional agencies

20.3. Implementing partners: whether partner governments, regional agencies or NZ Inc, or other

20.4. Co-funding, collaborating and leveraging: whether co-funding or collaborating with Australia or like-minded partners, or leveraging funds from NGOs or private sector, philanthropists.

21. The 'impact' and 'efficiency' domains assessed whether the activity has demonstrated impact and the efficiency of the activity. These domains test, for example:

21.1. Size, length and value of activities

21.2. Monitoring and evaluation results and completion rates

21.3. Risk management practices

21.4. Alignment of the activities to short-term plan outcomes and to the Ministry's strategy.

22. Findings are organised by IDC Programme as a whole, but also by each of the four main sub-allocations which make up the Programme: Pacific, Global, Humanitarian and Multilateral.

## Findings

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### Pacific sub-allocation

23. The Pacific sub-allocation includes all IDC activities that operate in the Pacific region (excluding humanitarian support). These could be bilateral activities, regional activities, local partner, or NGO activities, and could be in the form of core funding, budget support, or project-based mechanisms.

#### ***Sustain our deep focus on the Pacific***

24. In line with Cabinet's direction to "sustain our deep focus on the Pacific", the Minister has agreed that we should continue to deliver at least 60% of our IDC funding to the region. Planned activity exceeds this target with 64% of all forecast IDC funding for delivery in the Pacific. The review found there is a full pipeline in the Pacific sub-allocation, which will need to be reviewed in order to fund new priorities and in the interest of streamlining the portfolio.

25. While the SIDF can be used to fund some new initiatives, the Ministry should explore how to create additional headroom for Pacific initiatives within existing baselines. For example, by transitioning out of activities that are less aligned or show less evidence of impact (see later sections of the report).

#### ***Target investment towards security, rule of law and democratic institutions; addressing climate change; economic prosperity; and social cohesion***

26. Priority themes for the Pacific have been identified by the Government as:

26.5. security, rule of law and democratic institutions;

26.6. addressing climate change;

26.7. economic prosperity; and

26.8. social cohesion<sup>11</sup>

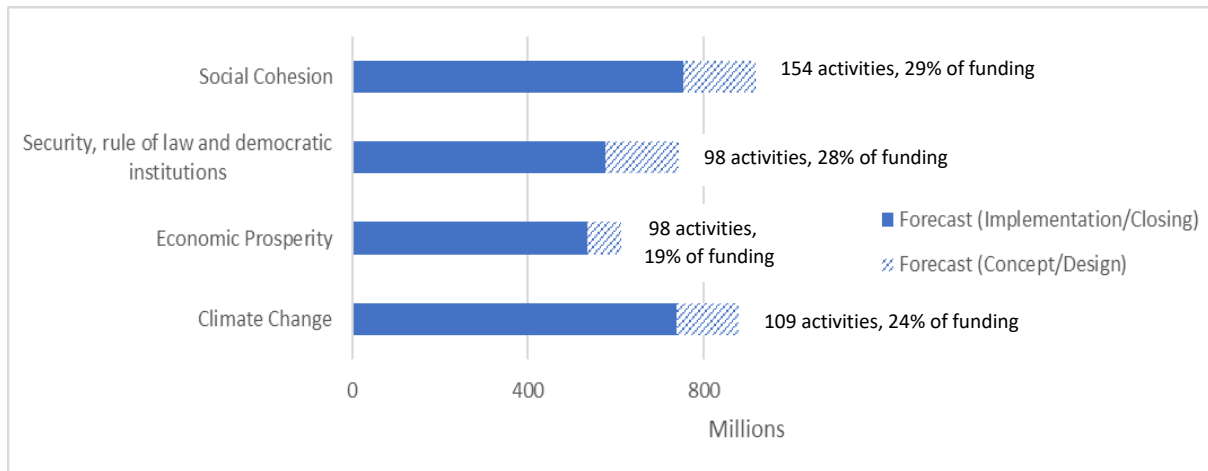
27. These themes map directly to the Ministry's three strategic goals<sup>12</sup>. The data shows that overall, 74% of activities and 71% of funding for activities in the Pacific are directly aligned to priority themes. The 29% of funding 'not directly aligned' predominantly represents activities that are either multisector, or indirectly aligned and key enablers of these thematic priorities. For example, investments in regional connectivity, transport and infrastructure. To drive a more focused Pacific portfolio the Ministry may wish to examine in more detail the performance, indirect benefits and relative priority of activities which do not align directly to priority themes. Where there is alignment, the spread across different themes is relatively even in the Pacific, as set out in Figure One below. However, the Ministry may wish to consider channelling more programming towards economic prosperity and security/governance, to reflect a more even balance across priority themes.

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<sup>11</sup> Includes education, health, and other social services/support.

<sup>12</sup> The Ministry's strategic goals are: 'a safe, secure and just future', 'a prosperous and resilient future' and 'a sustainable future'. See <https://www.mfat.govt.nz/assets/About-us-Corporate/MFAT-strategies-and-frameworks/Strategic-Intentions-2024-2028.pdf>

**Figure One: IDC activities in the Pacific, which are aligned to priority themes – distribution by theme**



***Preference budget support and develop a more strategic approach to bilateral engagement***

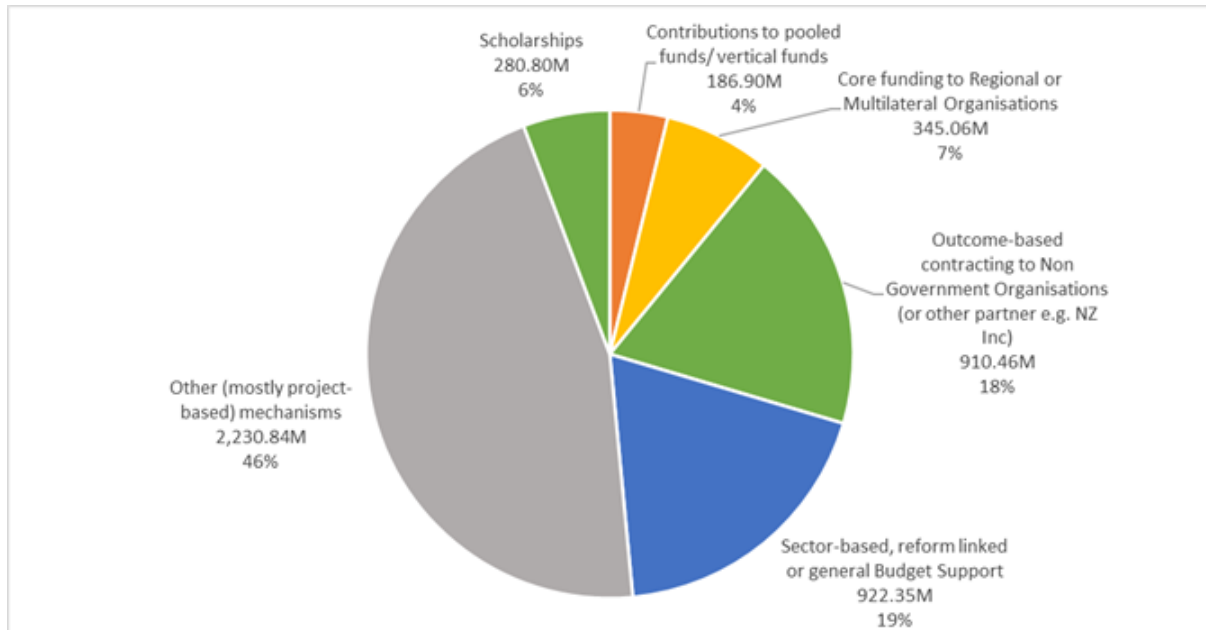
28. To support New Zealand’s strategic direction in the Pacific, the Ministry plans to increase use of reform-linked budget support in the Pacific, paired with technical advice and a more strategic approach to bilateral dialogue. The recent OECD DAC Peer review<sup>13</sup> commended New Zealand for use of budget support in the Pacific as a mechanism that is partner-led, efficient, and (when managed well) effective. Paired with strategic dialogue, it also has the potential to drive important strategic reforms.

29. Currently 19% of funding in the Pacific is channelled through sector or general budget support, or country flexible finance<sup>14</sup>. A further 35% is delivered through other higher-order modalities, such as core support to regional agencies (7%), outcome-based contracting (18%), and vertical and pooled funds (4%). The remaining 46% are more transaction-heavy project-based mechanisms. The Ministry may wish to explore setting targets for increased use of reform-linked budget support in the Pacific, and how to build capacity and capability for delivery of mutually-accountable budget support mechanisms.

<sup>13</sup> See [https://www.oecd.org/en/publications/oecd-development-co-operation-peer-reviews-new-zealand-2023\\_10883ac5-en.html](https://www.oecd.org/en/publications/oecd-development-co-operation-peer-reviews-new-zealand-2023_10883ac5-en.html)

<sup>14</sup> Country flexible finance is a mechanism for delivering the International Climate Finance Strategy. This programme supports Pacific countries to accelerate, scale up, and lead their response to climate change.



**Figure Two: Priority modalities used in Pacific activities by proportion of funding**

30. Increased use of budget support also enables the channelling of more funding through Pacific partner governments. However, it is important to be mindful of small Pacific systems and limited absorptive capacity. The average number of individual activities for each Pacific bilateral plan is 136. Of the core bilateral funding, currently 57% is channelled through Pacific partner governments. However, this is often through a high number of smaller individual activities with line ministries.

31. The Ministry should explore how it can increase the proportion of funding delivered through Pacific partner governments (where appropriate), and to use the triennium planning process to consolidate existing activities.

***Take a more strategic approach to working with NZ Inc in the region***

32. The Ministry works with more than 32 New Zealand Government agencies (referred to as NZ Inc) in the Pacific. ABR data shows that more than 79 activities and 20% of all current and planned funding to the Pacific is delivered through NZ Inc. These agencies often work across multi-country investments providing technical support to Pacific partner governments (which pairs well with our budget support to these countries). The Ministry may wish to consider taking a more strategic and coordinated approach to engagement by NZ Inc in the Pacific IDC Programme, including through consolidation of activities with priority agencies and partners.

***Work more closely with Australia and other like-minded partners in the region to leverage additional funding into the region***

33. Working more closely with Australia in the Pacific in support of Pacific priorities is a focus area for the Ministry. ABR data shows that we are already collaborating very closely with Australia in the region. We are co-funding or collaborating with Australia for 23% of all planned and current activities (137 activities) and 27% of funding. Most of these are delivered regionally (29.7%), followed by bilaterally in Melanesia (13.1% of activities in

Melanesia), Polynesia (12.0% of activities in Polynesia) and Micronesia (11.6% of activities in Micronesia).

34. Key to achieving a more coordinated approach to engagement with Australia in the Pacific, including through the IDC Programme, will be establishing a clear understanding of how much and where we are investing with Australia. It is also important to ensure that co-funding mechanisms like Delegated Cooperation Arrangements (DCAs) are less resource intensive for us and our partners. The ABR data provides a good basis for future work.

35. Leveraging or crowding-in additional funding from donors from outside the region is a further priority. The Ministry has undertaken to work towards new mechanisms and approaches to support this in a way that is mindful of Pacific absorptive capacity. The ABR shows that we are co-funding or closely collaborating with other like-minded donors in 78 activities (these include the European Union, Germany, the United Kingdom, and the United States). In 50 of these cases, we are also working with Australia.

36. A further 86 activities leverage finance from civil society and the private sector (63 NGOs, 17 private sector, and 6 philanthropic organisations). The Ministry's Partnering for Impact approach has specific requirements for matching funding from NGOs. For the Pacific, co-investment rates are 20% of IDC funding<sup>15</sup>, but overall there is potential to do more in this space.

### ***Channel our engagement and contributions through regional processes***

37. The Government has confirmed that Pacific regionalism<sup>16</sup> and working with, and through, Pacific regional institutions remains an important priority for the IDC Programme. 18% of our funding is delivered through regional agencies, often in partnership with other implementing partners such as New Zealand agencies. Of this, just 2.26% is core funding to Council of Regional Organisations of the Pacific (CROP) agencies. 94 individual activities are delivered through Pacific regional agencies, mostly as project-based mechanisms.

38. As with partner governments, there is scope to take a more strategic approach to working with regional agencies. With respect to our regional Pacific investments, the Ministry proposes to focus specifically on addressing regional and transboundary issues and working through regional institutions to support the 2050 Strategy for the Blue Pacific Continent<sup>17</sup>. In addition, there is potential to work with regional agencies and initiatives to channel increased support from third countries into the region. The Ministry may wish to take a more strategic approach to working with regional agencies and consolidate current programming, including exploring with regional agencies the possibility of focusing more on core funding arrangements.

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<sup>15</sup> Over the period 2020-2026, NZ NGO partners will contribute over \$30,922,630.

<sup>16</sup> For example, the Foreign Policy reset confirms that New Zealand should: "Channel our engagement and contributions through multilateral and regional processes, mechanisms and architectures where possible for efficiency's sake and to amplify our influence and impact".

<sup>17</sup> See: <https://forumsec.org/2050>

**Summary of recommendations from the Pacific sub-allocation**

- P1. Create additional headroom for Pacific initiatives within existing baselines, for example by transitioning out of activities that are less aligned to priorities, or show less evidence of impact.
- P2. Examine in more detail the benefits and relative importance of activities which do not align to priority themes.
- P3. Prioritise new activities that will foster a more balanced spread across priority themes.
- P4. Set targets for increased use of reform-linked budget support in the Pacific.
- P5. Consolidate existing activities which are delivered through Pacific partner governments.
- P6. Build a more strategic and coordinated approach to working with New Zealand Government agencies in the Pacific, including through consolidation of activities with agencies and partners.
- P7. Set clearer criteria, targets and more effective mechanisms for the desired level of co-funding and collaboration with Australia.
- P8. Monitor the outcomes of working with, and through, Australia in support of Pacific priorities.
- P9. Explore how the Ministry can take a more strategic cross-Ministry approach to crowding finance into the region from other donors, the private sector, and philanthropic organisations.
- P10. Determine how the Ministry can take a more strategic approach to working with regional agencies.

## Global sub-allocation

39. The Global sub-allocation includes activities outside of the Pacific that are not Multilateral or Humanitarian activities.

### ***Increase the Global sub-allocation to 15%***

40. The Minister has directed 15% of IDC funding for this triennium be allocated to regions outside of the Pacific (NZ\$437 million), with greater proportions allocated to Southeast Asia. This is an increase from 12% for the previous triennium. Currently, 11% of IDC for the triennium is programmed for the Global sub-allocation, and a push to lift it to 15% is underway.

### ***Significantly increase focus and resources applied to Southeast Asia***

41. As part of the New Zealand Foreign Policy Reset, the Government has directed the Ministry to significantly increase New Zealand's focus on, and resources applied to, Southeast Asia.

42. The majority of activities and 75% of all forecast spend in the global sub-allocation is in South East Asia, including Timor-Leste. The Ministry may wish to set a target for the proportion of the total Global sub-allocation that is directed to Southeast Asia.

43. To support the uplift in Southeast Asia, the Ministry is scaling down some resourcing to other parts of the world. Currently, activities outside of Southeast Asia amount to 25% of the total forecast, of which 11% are Scholarships, but overall, this is declining by funding and activity count.

44. The Ministry will need to ensure funding is allocated to support recovery and reconstruction in key conflict-affected areas outside of the Pacific and Southeast Asia.

### ***Ensure a balance between Least Developed Countries, and key Middle Income Countries in ASEAN***

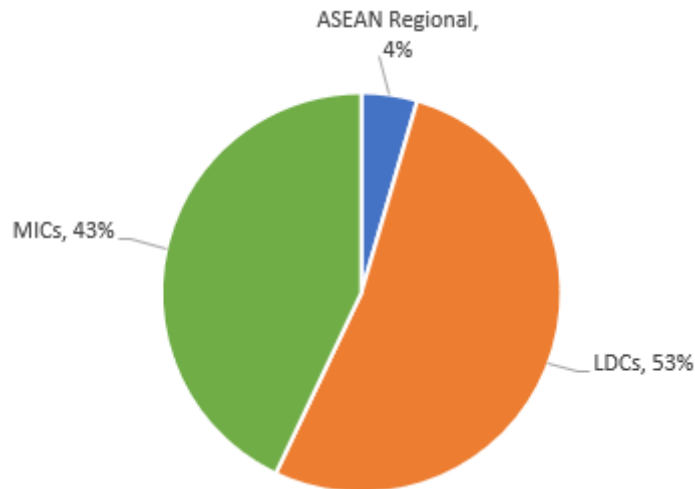
45. The Minister has agreed that a balance should be sought between support to key Middle-Income Countries (MICs) in the Association of Southeast Asian Nations (ASEAN) region (Indonesia, The Philippines, and Viet Nam – priorities under the Foreign Policy Reset) and the Least Developed Countries (LDCs) in ASEAN (Cambodia, Laos, Myanmar – priorities in our ICESD policy<sup>18</sup>). ABR data shows that there is a balance between LDCs and MICs in our programming: 43% of forecast funding is allocated to MICs in Southeast Asia, 53% for LDCs, and 4% for ASEAN regional<sup>19</sup>. The Ministry may wish to consider an agreed approach or target to support a balance in funding across ASEAN.

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<sup>18</sup> See: New Zealand's International Cooperation for Effective Sustainable Development: <https://www.mfat.govt.nz/assets/Aid-Prog-docs/Policy/Policy-Statement-New-Zealands-International-Cooperation-for-Effective-Sustainable-Development-ICESD.pdf>

<sup>19</sup> See further details below on ASEAN regional activities.

**Figure Three: Activities across LDCs, MICs, and ASEAN regional by proportion of funding**



### ***Increase investment in ASEAN regional initiatives***

46. The Minister has directed an increase in investment in ASEAN regional initiatives. There are currently three specific ASEAN regional activities (4% of the ASEAN forecast). This figure does not include Manaaki New Zealand Scholarships Programme which can be considered a regional programme. If scholarships were included, the regional share would rise to 33% of the ASEAN forecast.

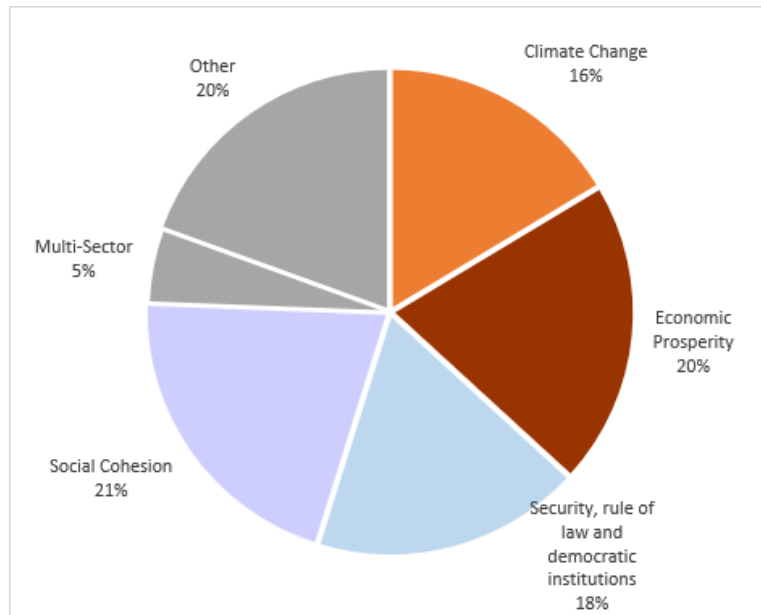
47. Increasing investment in ASEAN regional initiatives could be supported by a target that is incorporated into the general approach to increasing focus to Southeast Asia.

### ***Overview against priorities***

48. While the Minister and Cabinet's direction on IDC thematic priorities and engagement was in relation to the Pacific, the ABR has provided an opportunity to examine the thematic focus of all our activities, implementing partners, and who we work alongside to deliver activities across the whole Programme.

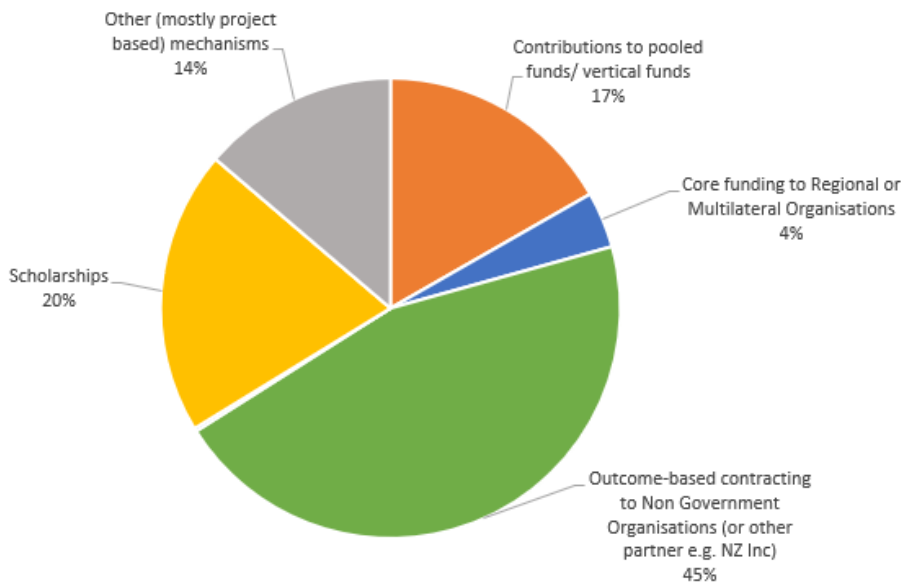
49. In the Global sub-allocation, without scholarships activities added to the count, there is a relatively even spread across the four priority themes, although 20% of activities (by proportion of funding) do not align to a priority theme (see Figure Four below). As with the Pacific sub-allocation, the funding not directly aligned to priority themes predominantly represents activities that are indirectly aligned and key enablers of the thematic priorities, such as investments in energy and infrastructure.

**Figure Four: Proportion of funding in Global sub-allocation across thematic priorities**



50. In the Global sub-allocation, 86% of the forecast funding is delivered through a priority modality. The key priority modalities used are 'outcome-based contracting' and 'contributions to pooled funds / vertical funds', with some activities delivered through 'core funding to Regional or Multilateral Organisations' (see Figure Five below).

**Figure Five: Proportion of funding of the Global sub-allocation by priority modalities**



51. In line with the Foreign Policy Reset and our increased engagement with Southeast Asia, the Ministry should use the new PDG Plans for Southeast Asia to clarify priority modalities, themes and partners for the Global sub-allocation.

### **Summary of recommendations from the Global sub-allocation**

- G1. Set a target for the proportion of the total Global sub- allocation that is directed to Southeast Asia.
- G2. Develop a phased workplan to reduce funding and programming to Latin America, Caribbean, and Africa.
- G3. Ensure funding is allocated to support recovery and reconstruction in key conflict-affected areas outside of the Pacific and Southeast Asia.
- G4. Set a clear target to support a balance in funding across ASEAN.
- G5. Set a clear target in order to scale up funding to ASEAN regional initiatives.

### Multilateral sub-allocation

52. The Multilateral sub-allocation delivers core funding to Multilateral agencies, such as the United Nations (UN) or International Financial Institutions (IFIs). This is often fully flexible 'unearmarked' funding, which can be used by organisations to plan and deliver their mandated strategies, or flexible grant funding to pooled funds or facilities allowing multilateral partners to deliver on priorities under one or more development outcomes.

#### ***Reduce the Multilateral sub-allocation to 10%***

53. The Minister has directed the Ministry to reduce this sub-allocation to 10%, from 12.5% of total IDC in the previous triennium, which amounts to NZ\$291 million.

#### ***Target a smaller number of, and higher priority, UN agencies and International Financial Institutions***

54. To drive impact, efficiency and coherence, the Ministry has been directed to be more targeted in its investment into multilateral organisations. This includes:

- 54.1. Targeting a smaller number of, and high priority, UN agencies and IFIs, which best align to our strategic interests and multilateral policy priorities.
- 54.2. Transitioning away from, or reducing funding to, the number of agencies we currently fund, with the aim of minimising transaction costs and optimising engagement with high priority partner agencies.

55. Findings from the ABR show that within the Multilateral sub-allocation, there are 62 current activities and 36 activities in the pipeline. Of these activities, 49% are core funding (or 39% of the forecast), 35% are contributions to pooled funds/vertical funds (or 53% of the total forecast), 4% are outcomes-based contracting (or less than 1% of the total forecast). 12% do not fall within priority modalities (or 8% of the total forecast).

56. In the previous triennium, 16 UN partner entities, and 2 IFIs (including sub-funds/partnerships), 3 Commonwealth funds, and 5 International NGOs were core funded

through this sub-allocation. The Ministry may wish to consider setting a target for reducing the overall number of funding packages in the multilateral portfolio.

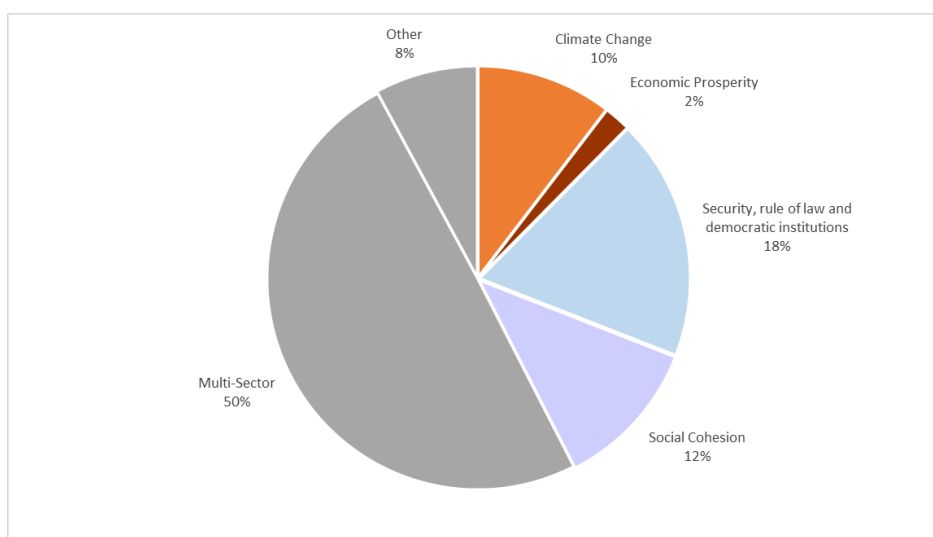
***Target investment on global or transboundary issues aligned to New Zealand interests and values***

57. Through the Foreign Policy Reset, the Government has directed the Ministry to target its overall multilateral engagement on global or transboundary issues where New Zealand has direct interests or where there are core New Zealand values and freedoms at stake. In addition, the Ministry has also recently updated its multilateral human rights focus across seven thematic areas.

58. There is a strong rationale to align our IDC investment to our multilateral engagement priorities, as it can act as force multiplier for the issues we care about. Ministerial direction provides a good steer for our funding to the multilateral system.

59. According to the ABR data, alignment of overall multilateral funding to priority sectors is as follows: Climate Change (10%), Economic Prosperity (2%), Security, Rule of Law and Democratic Institutions (18%), and Social Cohesion (12%). 8% of the multilateral forecast is neither aligned to a priority sector nor classified as multi-sector.

**Figure Six: Multilateral activities by priority themes by proportion of funding**



60. There is clearly scope to strengthen our thematic focus and increase alignment to policy priorities. Further work is needed to assess which agencies best align to Government priorities, as well as with development and multilateral policies.

**Summary of recommendations from the Multilateral sub-allocation**

- M1. Reduce the number of activities in the multilateral portfolio that require significant funding and policy engagement by New Zealand, with a focus on high impact and high priority agencies.
- M2. Provide greater coherence between multilateral funding and New Zealand's multilateral and development policy interests, in order to strengthen thematic focus.



## Humanitarian sub-allocation

### ***Increase the Humanitarian sub-allocation to 10%***

61. The Minister has directed the Ministry to increase the proportion of humanitarian funding in the IDC Programme from 6% to 10%. The Humanitarian sub-allocation has had significant growth in funding, from a baseline of NZ\$140 million, and actual spend of NZ\$213 million, in the last triennium; to a baseline of NZ\$291 million in the current triennium. The current baseline is indicatively programmed for: Pacific, Southeast Asia and Rest of World response; enhanced NZ Inc response capability for the Pacific; and enhanced investment in national and regional Pacific readiness and response capabilities. The growth will require additional activity design and delivery this triennium.

62. In terms of geography, overall 32% of forecast humanitarian funding operates in the Pacific, 13% of forecast is in Southeast Asia, and 55% is in other parts of the world. The reason for more spend in other parts of the world is because of the relative scale of need outside of the Pacific and Southeast Asia. Notwithstanding this, the Programme retains the ability to direct more funding to the Pacific (which is the Ministry's first geographic priority) or Southeast Asia (the Ministry's second priority) should that be required in any year.

### ***Bolster long-term humanitarian effectiveness and resilience in the Pacific***

63. As noted above, the Pacific is New Zealand's first geographic priority for humanitarian assistance. Our humanitarian support in the Pacific is two-fold: to respond to disasters arising from natural hazards through a mix of financial and practical assistance delivered by the Ministry and NZ Inc; and strengthening Pacific disaster preparedness through multi-country investments.

64. As more actors enter the region, Pacific humanitarian preparedness and response is increasingly becoming more complex. In addition, the region (and New Zealand) is at risk of increasing severity of natural disasters due to climate change. We are also seeing growing expectations from partner governments to invest in their readiness and response capabilities (including through funding for training and capacity strengthening to increase resilience and engagement of NZ Inc partners in Pacific readiness initiatives).

65. The ABR shows that the majority of Pacific humanitarian delivery is administered through priority partners, with 20% delivered through regional agencies, 15% delivered through NZ Inc, and 43% through Pacific partner governments. In terms of working with other donors, the data shows that for our Pacific humanitarian efforts, 46% included co-funding or close collaboration with Australia, and 29% with other like-minded partners. The Ministry may wish to invest more in Pacific national and regional response capabilities, including in close cooperation with Australia and other like-minded partners.

66. The ABR also showed that 7% of humanitarian funding is climate mainstreamed. The Ministry should look to ensure coherence between climate resilience efforts and disaster preparedness, recovery and response – especially in the Pacific.

### ***Support the Southeast Asia uplift***

67. Southeast Asia is New Zealand's secondary geographic focus for humanitarian action. The region is already set up to respond to emergencies, which means that it invariably calls on donor support less often. Nevertheless, the enhanced humanitarian allocation

positions New Zealand well to continue to be a responsive partner when emergencies happen in the region. In general, our responses will be financial, working through reliable international humanitarian actors.

***Take a more strategic approach to global crises***

68. The Minister of Foreign Affairs has directed the Ministry to take a more strategic approach to global humanitarian crises as global humanitarian need continues to dramatically increase in scale and complexity<sup>20</sup>. With the increased allocation, there is an opportunity to be more strategic in terms of how humanitarian support is administered through the IDC and to increase alignment to Government priorities.

**Summary of recommendations from the Humanitarian sub-allocation**

- H1. Develop a workplan for the scale-up of the humanitarian sub-allocation.
- H2. Invest more in Pacific national and regional response capabilities, including in close cooperation with Australia and other like-minded partners.
- H3. Ensure coherence between climate resilience efforts and disaster preparedness, recovery and response, especially in the Pacific.
- H4. Ensure our approach to humanitarian response is consistent with New Zealand's foreign policy priorities.

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<sup>20</sup> The UN estimates that over 303 million people require humanitarian assistance in 2024. One in every 73 people globally are now forcibly displaced.

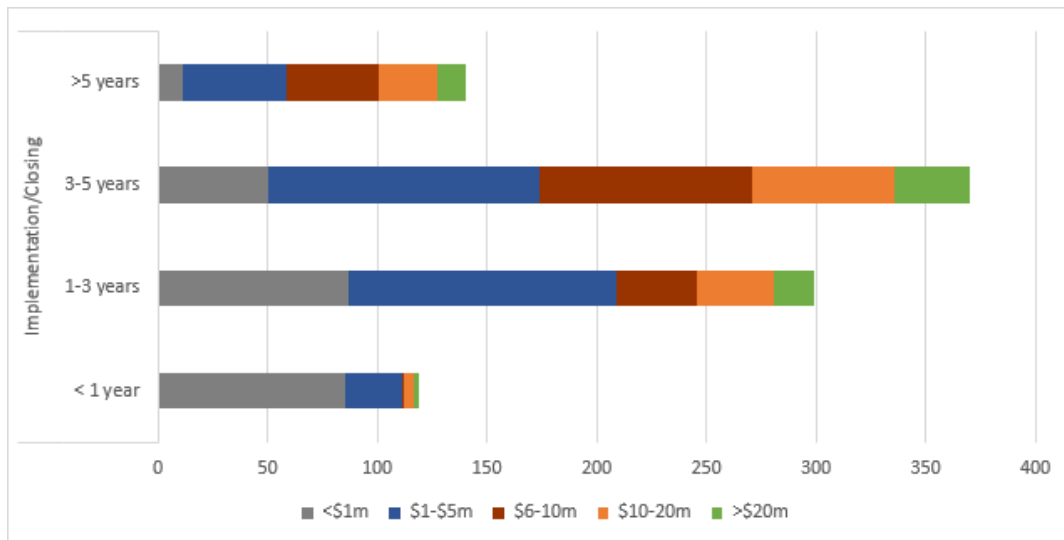
Observations on activity performance, impact and efficiency

69. The ABR review against alignment of priorities has presented opportunity to test strategic benefits, performance and efficiencies of our activities.

**Deliver a more streamlined and efficient programme**

70. Since 2018, with successive increases to the IDC budget, the Programme has been through a growth phase which has driven expansion of activities. There are 748 total activities in implementation (forecast NZ\$5.2 billion) and 175 due to end soon (forecast NZ\$731 million). Our current pipeline is also large, with a further 303 activities planned. In total, the Ministry is managing almost 3000 contracts. In addition, the data shows an ongoing tendency towards lower spend, shorter duration investments. The median length of an activity is 3.25 years. The graph below shows that the majority of our activities are 3-5 years, followed by 1-3 years. Over half of these were less than NZ\$5 million. The Ministry may wish to set a target to reduce the overall number of activities.

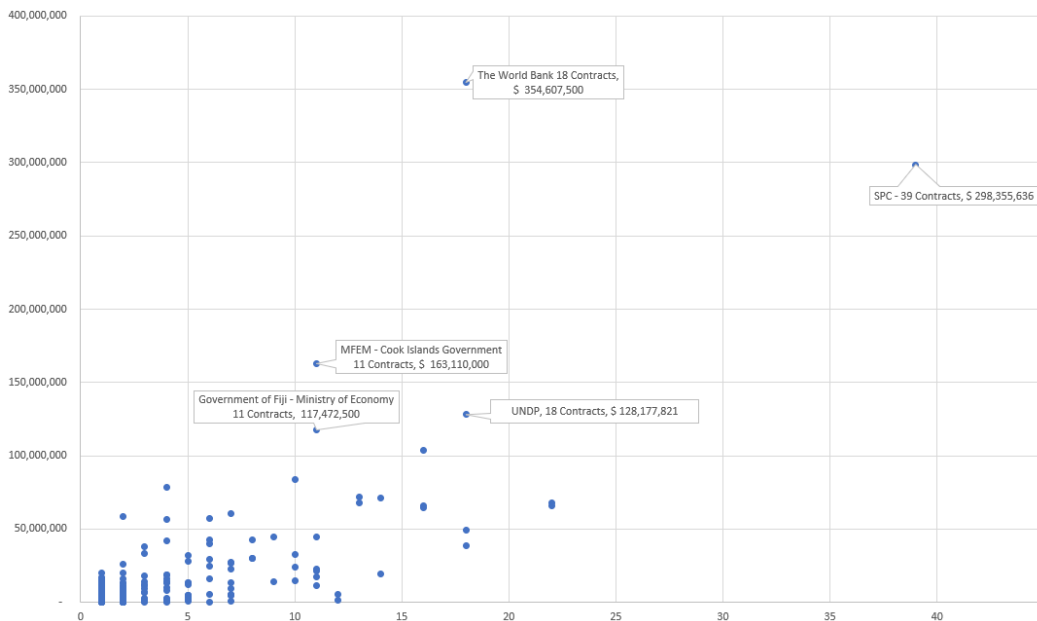
**Figure Seven: Average length of activities in train by forecast**



71. As noted above, particularly in the Pacific section, there are opportunities in some cases to reduce the overall activity count and in others, to consolidate existing programming, especially where it can deliver a more strategic approach.

72. The graph below shows that most of our contract partners have less than 10 active contracts. Some have a high number of contracts. The Ministry may wish to confirm direction for consolidation of activities, including through confirming key partners and modalities for the future shape of the IDC Programme.

**Figure Eight: Number of active contracts and total value by supplier**



**Enhance focus on results and ability to deliver and demonstrate impact**

73. The Ministry is updating its 19 “PDG Plans” (formerly known as four-year plans) to align to the Ministry’s new Strategic Framework. The new Plans set out the short and medium-term outcomes and long-term goals for each Plan. The data shows that 87% of current activities and 84% of planned were aligned to the updated PDG Plans, meaning they contribute meaningfully to delivery of these outcomes. The Ministry is developing measurement frameworks for each of these Plans. The new Plans should enhance our ability to demonstrate and deliver evidence on the extent to which the IDC Programme is contributing to intended outcomes, but more work is required to build structures and processes to support this<sup>21</sup>.

74. Demonstrating the impact of our development spend is essential to give confidence in the Ministry’s ability to deliver against global development challenges. The 2023 OECD DAC Peer Review recommended that efforts to build a cross-Ministry culture of evidence and learning would support a greater focus on outcomes. The review went on to note the importance of demonstrating results in building public support for development spend. Our internal activity assessments showed that 85% of activities were rated as adequate or better for achievement of outputs (key milestones), and 88% for achievement of outcomes (results).

75. The ABR uncovered some frailties in the system, and in our ability to demonstrate results. 30% of activities were found to have inadequate measurement frameworks, and 50% have not planned or completed evaluations as they were not mandatory. These are areas where processes could be improved to ensure investments can better demonstrate impact<sup>22</sup>. 35% of activities did not meet Ministry standards for internal performance

<sup>21</sup> Updated Plans will be published in 2025.

<sup>22</sup> Noting that evaluation of some low cost/value activities may not be viable.

management assessments in the past year, with annual assessments either overdue or not filed at the time of this review. Work is underway to rectify this, with improvements already recorded.

76. It will be important to keep processes, policies and systems under review to ensure they meet obligations, with the lowest transaction cost. The Ministry should consider what measures can be put in place to lift capability and performance in relation to key compliance requirements.

***Better integrate climate finance into IDC programming, and mainstream climate resilience across all activities***

77. A future climate finance commitment beyond 2025 is yet to be determined by the Government. In order to plan for a range of possibilities, the Ministry has confirmed that we will work to better integrate climate finance into IDC Programming with a view to mainstreaming climate resilience across all activities, including retaining a portfolio of climate-principal projects. ABR data shows that climate is mainstreamed across 33% of activities in progress (13% principal and 20% significant). With regards to pipeline activities, 28% are climate mainstreamed (12% principal and 16% significant<sup>23</sup>). The Ministry may wish to explore setting targets for mainstreaming climate across activities, and ensuring there is a strong pipeline of principal climate activities (across all sub-allocations) that can be flexible regardless of future climate funding.

**Summary of recommendations for impact and efficiency**

- I1. Set a target to reduce the overall number of activities.
- I2. Confirm key partners and modalities for the future shape of the IDC Programme.
- I3. Ensure planning, reporting and governance systems are in place to build and maintain alignment of all IDC activities with the MFAT Strategic Framework.
- I4. Ensure capability and resourcing to meet compliance requirements.
- I5. Lift performance in relation to key compliance requirements and report internally on progress within six months.
- I6. Set targets for mainstreaming climate outcomes into IDC activities.
- I7. Audit activities to understand the extent to which they contribute to climate outcomes.
- I8. Ensure the pipeline of principal climate activities is well integrated into the programme, regardless of budget outcome, and has the flexibility to scale-up further if required.

<sup>23</sup> Activities are considered "principal climate change" if the primary reason/objective of the activity is addressing climate change. They are considered "significant climate change" where climate is an important and deliberate objective, although not the main/principal reason for undertaking the activity.

## Scholarships

78. The Government has signalled renewed ambition in relation to IDC-funded scholarships, both in the Pacific and Southeast Asia. New Zealand scholarships are delivered through our Pacific and Global sub-allocations. ABR data show that scholarships comprise around 6.5% of current and planned IDC funding, and that they generally align well to broader bilateral objectives.

79. Scholarships and subsequent alumni engagements are important foreign policy tools (especially in countries where we do not have a bilateral programme). However, scholarships are considered high cost per scholar (compared to investing in basic education), with lower potential to achieve development impact than other mechanisms. The OECD DAC Peer review noted:

*"Whilst the scholarship programme responds more to partner needs when determining focus sectors, there is potential to strengthen the link between New Zealand's investments in basic and secondary education for a more comprehensive approach."* (OECD DAC Peer review, pp. 39)

### Summary of recommendations for scholarships

- S1. Provide advice on the benefits and trade-offs of increasing New Zealand's investment in scholarships, with a view to establishing a target for the Pacific and Global sub-allocations.

## Next steps: Realigning the IDC Programme

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80. While the findings of the ABR show broad alignment to the Government's priorities, there is a clear case for adjustments to the IDC Programme. These include narrowing the range of themes and sectors covered to better reflect the Ministry's strategic interests, reducing transaction cost, and clarifying the key relationships and delivery channels for the IDC Programme. In order to deliver the adjustments proposed in this paper, funding headroom is required, alongside ensuring the Ministry has the right skills and capacity to manage this transition and maintain the Programme.

81. Implementing some of the recommendations in the report can be achieved rapidly, while others will take time and consultation across the Ministry and with partners. This analysis provides a basis for identifying activities from which the Ministry may wish to pivot away, scale back, or gradually exit, to support shaping the Programme in a way that is consistent with the recommendations.

82. Action to ensure implementation of the recommendations will be incorporated into ongoing work to transition to a more effective and efficient IDC Programme. The ABR data set acts as a baseline for future analysis, and enables the Ministry to monitor progress over time.