

## Proactive Release

12/04/2023

The following Cabinet papers and related Cabinet minutes have been proactively released by the Minister of Foreign Affairs

| <b>Title</b>  | <b>Reference</b> |
|---|------------------|
| <b><i>Cabinet Minute of Decision – Report of the Cabinet External Relations and Security Committee: Period Ended 24 February 2023</i></b> | CAB-23-MIN-0046  |
| <b><i>Cabinet External Relations and Security Committee – Minute of Decision Climate Finance: Monitoring and Reporting</i></b>            | ERS-23-MIN-0004  |
| <b><i>Climate Finance: Monitoring and Reporting</i></b>   |                  |

Proactively Released by the  
Minister of Foreign Affairs



# Cabinet

## Minute of Decision

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### Report of the Cabinet External Relations and Security Committee: Period Ended 24 February 2023

On 27 February 2023, Cabinet made the following decisions on the work of the Cabinet External Relations and Security Committee for the period ended 24 February 2023:

ERS-23-MIN-0004 **Climate Finance: Monitoring and Reporting**  
Portfolio: Foreign Affairs

CONFIRMED

Rachel Hayward  
Secretary of the Cabinet

Office of the Minister of Foreign Affairs

Cabinet ERS Committee

## Climate finance: monitoring and reporting

### Proposal

- 1 This paper updates Cabinet on the approach the Ministry of Foreign Affairs and Trade (MFAT) is using to measure, monitor, evaluate, learn and report on Aotearoa New Zealand's (NZD) \$1.3 billion climate finance commitment, and delivering on the outcomes of the Aotearoa New Zealand International Climate Finance Strategy *Tuia te Waka a Kiwa* (ICFS).

### Relation to government priorities

- 2 New Zealand is party to international climate finance arrangements established by the United Nations Framework Convention on Climate Change (UNFCCC) and the Paris Agreement, including contributing to the collective (USD) \$100 billion per annum mobilised climate finance goal.
- 3 Climate change action supports Aotearoa New Zealand's foreign policy and development priorities. Specifically:
  - 3.1 Aotearoa New Zealand's climate change priorities as set out in *Climate Change International Engagement Plan* and the goals and outcomes of the *International Climate Finance Strategy – Tuia te Waka a Kiwa*;
  - 3.2 Aotearoa New Zealand's *Pacific Resilience Approach* which guides overall engagement in the Pacific.
  - 3.3 MFAT's *Global Development Strategy* to enhance resilience in South East Asia; make progress against the Sustainable Development Goals; and increase peace, security and stabilisation.

### Executive Summary

- 4 There is wide interest across the Government and public in the monitoring and reporting on Aotearoa New Zealand's \$1.3 billion climate finance commitment.
- 5 There are four streams of work in train to sustain stakeholder trust and confidence that the (NZD) \$1.3 billion in climate finance will effectively deliver a portfolio of activities that realise the outcomes in the ICFS in the period 2022 to 2025. These sets of activities will inform and shape delivery choices and decisions through the commitment period. They are:
  - 5.1 The existing processes MFAT employs to overseeing and reporting on the effectiveness of Aotearoa New Zealand's International Development Cooperation (IDC) programme;

- 5.2 A comprehensive assurance programme with a high proportion of independent assurance activities to improve practice through continuous improvement. This will provide insight on how the portfolio is operating in line with recognised good practice and standards;
- 5.3 A programme of outcome monitoring and performance dashboard reporting on a set of headline indicators within a Monitoring, Evaluation, Research and Learning (MERL) framework. This will provide insight on how the portfolio is performing against the outcomes and goals in the ICFS; and
- 5.4 Improvements to the climate portfolio's communications and stakeholder engagement that will enable greater public access to information and visibility of progress and performance.

## Background

- 6 On 11 October 2021 Cabinet agreed to (NZD) \$1.3 billion as Aotearoa New Zealand's climate finance commitment (2022 to 2025) delivered through the International Development Cooperation Multi Year Appropriation (CAB-21-MIN-0410).
- 7 On 15 August 2022 Cabinet agreed to the [Aotearoa New Zealand International Climate Finance Strategy \*Tuia te Waka a Kiwa\*](#) (ICFS) to guide the delivery of the climate finance commitment (CAB-22-MIN-0327.01).
- 8 When agreeing to the (NZD) \$1.3 billion climate finance commitment in October 2021, Cabinet directed "*officials to report back by December 2022 on the approach New Zealand will use to measure and report on the effectiveness of its climate finance and to mobilise additional climate finance*". The report back was moved to February 2023 as the agenda for the December Cabinet Committee was oversubscribed. The report back on mobilising additional climate finance is in a separate paper being considered by this Committee in an upcoming ERS meeting.
- 9 The Department of Prime Minister and Cabinet's (DPMC's) Implementation Unit and the Organisation for Economic Co-operation and Development's (OECD's) Development Assistance Committee (DAC) review team both undertook reviews of the Climate Portfolio/commitment in 2022 and their recommendations have informed MFAT's approach to monitoring and reporting.

## Analysis

- 10 There is wide interest across the Government and public in the monitoring and reporting on Aotearoa New Zealand's \$1.3 billion climate finance commitment. Stakeholders are interested in both:
  - 10.1 **Spending the commitment:** doing this effectively, aligned with good practice and public sector rules and guidelines; and
  - 10.2 **Delivering the outcomes of the Strategy:** the four goals and twelve outcomes in the ICFS.

- 11 These are also the core focus of the Climate Portfolio Steering Group (CPSG) MFAT established in 2022 to oversee the commitment. This group is accountable for the climate portfolio and are reliant on robust and timely monitoring, reporting information and analysis to inform their decisions and direction on the shape and management of the portfolio.

## Spending the commitment

### *Existing processes*

- 12 The climate finance commitment and its portfolio of investments is delivered through International Development Cooperation (IDC) and uses MFAT's processes, checks and balances to ensure both good development practice (such as the International Cooperation for Effective Sustainable Development (ICESD) policy) and robust administration.
- 13 The processes for accounting for the spend and reporting consistently against it are well established. Verification on the accuracy of expenditure is part of MFAT's annual audit processes. The climate portfolio provides regular reporting to a range of stakeholders and organisations such as Treasury (Climate Emergency Response Fund - CERF and Green Bonds), the OECD DAC, and the United Nations (UN) agencies, as well as quarterly reporting to Ministers and monthly internal reporting to governance and steering groups.

### *Assurance programme*

- 14 A Climate Portfolio Assurance Plan was agreed in December. This plan outlines a set of assurance activities running through to 2026 (a year after the commitment period ends to allow for final benefits evaluation and assessment), and is based around a typical 'three lines of assurance' approach:
  - 14.1 1st line of assurance: Controls established and maintained by the core portfolio team as part of day-to-day activities;
  - 14.2 2nd line of assurance: How the Ministry oversees the control framework so that it operates effectively, including self-checking and readiness signoff by portfolio governance and stakeholders; and
  - 14.3 3rd line of assurance: Internal audit or other independent assurance activities targeted at key stages and milestones across the portfolio delivery.
- 15 DPMC, OAG, Audit New Zealand (MFAT's auditors) and Treasury all had the opportunity to provide feedback on the draft Climate Portfolio Assurance Plan.
- 16 In 2023 seven assurance activities will be undertaken over the climate portfolio:
  - 16.1 Quality management reviews (QMRs) – part of MFAT's Audit and Risk programme of QMRs of activities and programmes within the IDC programme. A QMR will review against the IDC's quality standards for planning; financial management; procurement; risk management; Monitoring, Evaluation, Research and Learning (MERL); and transparency.

- Approximately 12-16 activities are reviewed each year across MFAT's IDC programme;
- 16.2 Project deep dives - a deep dive into a sample of specific climate projects (up to 4 per annum);
  - 16.3 Provider selection assessments (including probity) – an independent lens on procurement decision making processes and activities, ensuring these were conducted fairly and in line with the principles of the Government's Procurement Rules;
  - 16.4 Assessment of the portfolio's Monitoring and Evaluation Framework – a follow on from the 2022 DPMC review. This engagement will identify opportunities to further refine the framework, and consider how this framework is being operationalised;
  - 16.5 Assessment of the governance and operating model – to coincide with oversight groups transitioning their focus away from spending/project approvals, towards delivery;
  - 16.6 Review of portfolio reporting – to provide practical recommendations on the Ministry's reporting, both internally and externally, to enable more effective monitoring and accountability; and
  - 16.7 Review of accounting treatment of climate finance expenditure – compliance with relevant accounting standards for the treatment and reporting of all expenditure.
- 17 Appendix A shows a summary timeline of the assurance programme.
  - 18 A procurement process is under way to source a credible provider of the independent assurance activities in the Climate Portfolio Assurance Plan, who can work alongside MFAT's climate change portfolio and governance arrangements to provide constructive assurance analysis and advice to improve performance, good practice, stakeholder trust and confidence.
  - 19 MFAT intend to publish the Climate Portfolio Assurance Plan, any reports developed by the assurance activities, and any response to recommendations on its website to demonstrate its accountability for the effective and compliant delivery of the climate finance commitment.

### **Delivering the outcomes of the strategy**

- 20 The processes for monitoring progress against individual activity outcomes are also well established in MFAT. Additional resources have been brought on to support the increased volume of activities being undertaken.

### *Outcome monitoring*

- 21 MFAT is putting in place processes to aggregate outcome and impact information at the climate portfolio level to demonstrate delivery against the goals and outcomes in the ICFS.
- 22 A working draft of the climate portfolio monitoring and reporting framework was agreed in December by MFAT's internal steering group overseeing the climate portfolio. The purpose of this framework is to develop a data and analysis system that provides robust outcomes evidence, while at the same time being streamlined and achievable. The framework shows how the individual activities are collectively delivering against the Strategy, and it can inform decision-making on the balance and performance of the portfolio.
- 23 The core components of the framework are:
  - 23.1 Headline indicators – a suite of data to provide a high level overview of progress towards the outcomes in the ICFS;
  - 23.2 Logic diagrams of sizable and strategic (anchor) investments – to test the line of sight between these investments and the ICFS goals, outcomes and preferences;
  - 23.3 A portfolio performance dashboard based on the headline indicators; and
  - 23.4 A work plan of monitoring, evaluation, research and learning (MERL) products to monitor and evaluate MFAT's delivery of the ICFS.
- 24 Appendix B shows how an early mock-up of the dashboard of headline indicators against the outcomes in the ICFS. Figures for both planned and actuals will be shown along with any caveats. Additional pages in the dashboard will show more detailed quantitative and qualitative data for each goal.
- 25 The detail on the indicators is being refined and the intent is to have indicators, and the framework, finalised by the end of March 2023. Targets for the indicators will not be set in this commitment period. Both the new climate funding provided from the CERF in Budget 2022, and the baseline funding will be reported on.
- 26 The full framework will include:
  - 26.1 Key evaluative questions;
  - 26.2 Agreed ICFS and strategic (anchor) investment theories of change;
  - 26.3 Confirmed technical specifications for the measurement of indicators;
  - 26.4 Confirmed data management systems to manage the data; and
  - 26.5 An implementation work plan covering 2022-2025.
- 27 Specific outcome monitoring and evaluation activities are developed for each investment during the design phase and incorporated into contracts with delivery

partners. MFAT also contracts independent external evaluations of significant investments. MFAT is increasing its internal capacity for monitoring of the climate finance portfolio with the addition of two new staff as well as providing additional training and support for existing staff, in Wellington and at Post, managing climate finance investments.

- 28 It is MFAT's practice to publish evaluations of its International Development Cooperation activities. In addition to this, MFAT intends to periodically update and publish a portfolio performance dashboard on MFAT's website.

## Reporting

- 29 In addition to the existing reporting highlighted in paragraph 13, MFAT provides quarterly reports to the Minister of Foreign Affairs alongside the quarterly reports on the wider IDC programme. The quarterly report has focused on the balance of the climate finance commitment, progress made, financials, and upcoming decisions. It will be expanded to include a greater emphasis on impact and performance from the end of the second quarter in 2023. This will be when we are likely to see forecasts and early impact from investment decisions to-date starting to flow through.

29.1 These Ministerial reports are also shared with MFAT's 'critical friends' at the Treasury, and will in future be shared with Audit NZ, DPMC's Implementation Unit, and the OAG.

- 30 Internal MFAT reporting, to inform the CPSG on delivery management and their decision-making, is also being expanded to have performance dashboards based on the headline indicators, alongside existing pipeline and progress dashboards.

- 31 I propose that dashboard reports on the climate finance commitment and the outcomes in the ICFS are provided to Cabinet at six monthly intervals beginning in August 2023, aligned with the end of the financial and calendar years. These dashboards will cover:

31.1 The investment pipeline showing how much funding has been allocated already and to what, what is coming up, and how the pipeline is flowing;

31.2 Progress: the make-up of the portfolio, how it is tracking compared to plans, and highlighting risks, issues and an analysis of delivery confidence. Major findings from assurance activities will be included; and

31.3 Performance: what is actually being achieved against the headline indicators, alongside narrative and human stories.

- 32 The dashboard reports will, after a period for committee consideration, be shared with stakeholder groups and made available publicly on the MFAT's website, where links to greater information and analysis can be held. This will dovetail with wider efforts to increase public transparency of the IDC activities by MFAT.



### *Increased visibility*

- 33 MFAT has work under way to improve communications and stakeholder engagements around the climate portfolio, which will be in place in the second quarter of the 2023 calendar year. This includes changes to the MFAT website that will deliver greater public access and visibility on the progress and performance against New Zealand (NZD) \$1.3 billion climate finance commitment and progress against the outcomes in the ICFS.
- 33.1 The website is where MFAT will publish its dashboards, assurance reports, and evaluations.
- 33.2 It is intended that the current practice of developing case studies and telling the human stories on the impact of New Zealand's climate finance work will be expanded upon, and where practical those benefiting will tell the stories in their own voices.
- 33.3 Work is underway on a long-term engagement plan, building upon the wide engagement undertaken when developing the ICFS. This will enable dialogue with groups with an interest in the delivery of the commitment, but may not necessarily be directly involved, such as New Zealand's Pacific communities, academics, and youth.
- 33.4 For domestic sectors that are highly engaged or directly involved in delivering the ICFS, such as the NGO sector or Crown Research Institutes, we will continue to have regular discussions (such as continuing the current practice of presenting at the annual NGO hui), including on key elements of ICFS delivery effectiveness such as procurement approaches, and progress of building in-country capacity.

### **Financial Implications**

- 34 There are no additional financial implications resulting from this paper as Departmental funding to support the delivery of the climate finance commitment was included in the 11 October 2021 decision (CAB-21-MIN-0410).
- 34.1 The independent assurance activities are estimated to cost up to (NZD) \$1.5 million over 4 years, and will be confirmed via a competitive tender process. The estimated costs to support the portfolio monitoring and reporting framework work are yet to be established.

### **Legislative Implications**

- 35 There are no legislative implications resulting from this paper.

### **Impact Analysis**

#### **Regulatory Impact Statement**

- 36 A RIS is not required.

### **Climate Implications of Policy Assessment**

37 A CIPA is not required. Any emissions changes resulting from this work will be accounted for in the developing countries in which the climate portfolio activities take place.

### **Population Implications**

38 There are no population implications resulting from this paper.

### **Human Rights**

39 There are no detrimental implications for human rights.

### **Consultation**

40 This paper has been consulted with:

40.1 Treasury (limited engagement)

40.2 DPMC Implementation Unit

and shared with:

40.3 OAG

40.4 Audit New Zealand

### **Communications**

41 There will be no specific communications relating to this update paper.

### **Proactive Release**

42 I intend to release the Cabinet paper proactively in whole or in part within 30 business days, subject to redaction as appropriate under the Official Information Act 1982.

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## Recommendations

The Minister of Foreign Affairs recommends that the Committee:

- 1 **note** that in October 2021, Cabinet directed officials to report back by December 2022 on the approach Aotearoa New Zealand will use to measure and report on the effectiveness of its climate finance and to mobilise additional climate finance [CAB-21-MIN-0410];
- 2 **note** the four sets of activities in train: existing processes; the assurance programme; outcome monitoring; and the increased visibility workstream, to inform decision making, and increase trust and confidence that the Aotearoa New Zealand's climate finance commitment (2022-2025) will be effectively delivered and demonstrate the difference it has made.
- 3 **agree** to MFAT providing status dashboard reports to Cabinet on the climate finance commitment and the outcomes in the ICFS, at six monthly intervals beginning in August 2023.

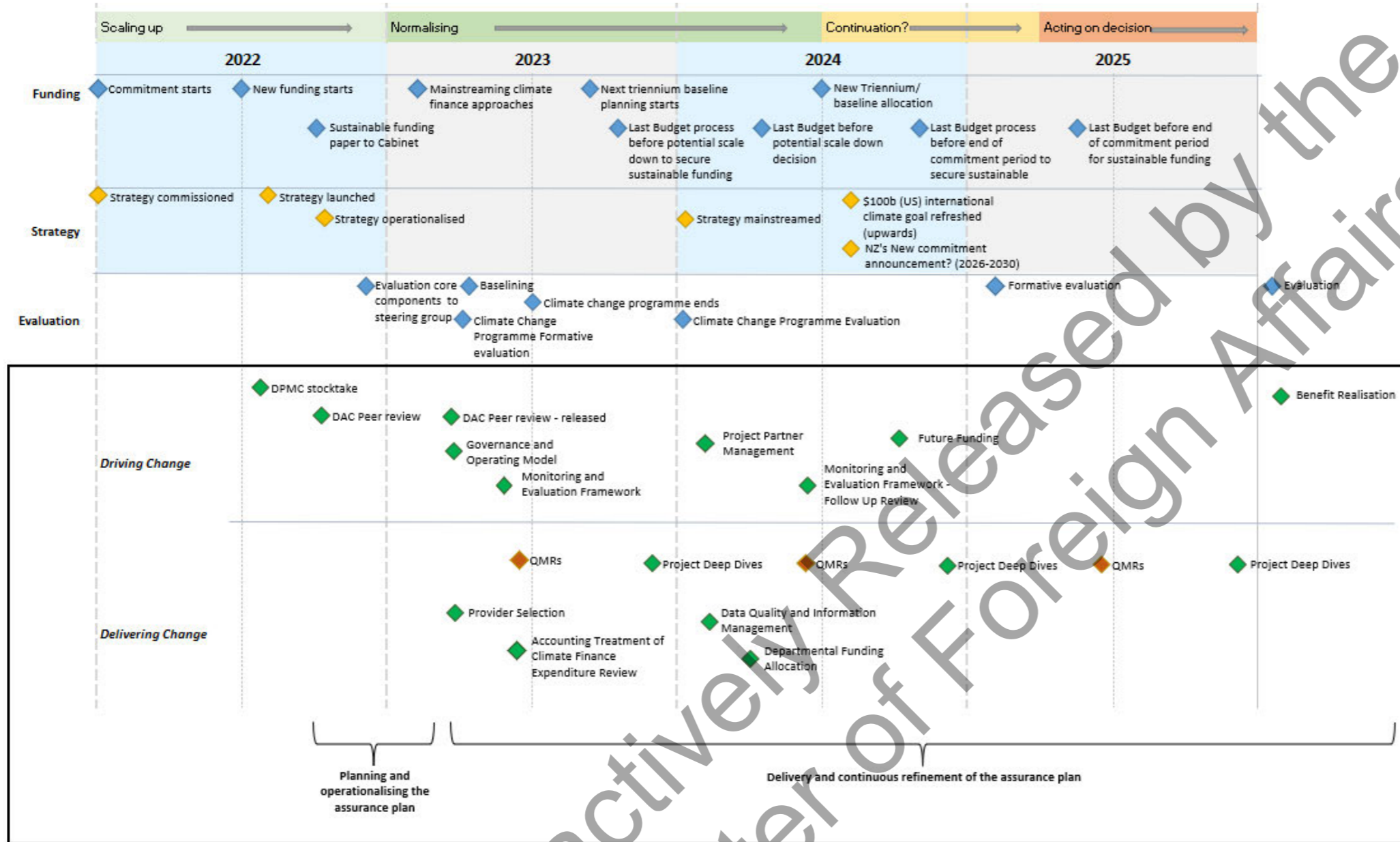
Authorised for lodgement

Hon Nanaia Mahuta

Minister of Foreign Affairs




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Appendix A: summary timeline of climate portfolio assurance activities



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Appendix B: dashboard mock-up showing headline indicators against the four goals and twelve outcomes in the International Climate Finance Strategy<sup>1</sup>

| DRAFT. Aotearoa New Zealand's International Climate Finance Portfolio \$1.3 Billion 2022-2025<br>Portfolio Performance Progress Report (Month Year)     |   |  |   |   |   |  |
|---|---|--|---|---|---|--|
| Goal 1: Mitigation  |   |  | Goal 2: Adaptation  |   |   |  |
| 1.1 Developing countries accelerate action on their mitigation priorities, including those in their Nationally Determined Contributions (or equivalent) |   | 1.2. Developing countries increasingly adopt emissions-reducing technologies and practices   |   | 2.1 Developing countries improve the quality, and/or accelerate the implementation, of their National Adaptation Plans or similar plans (or equivalent) |   |  |
| <b>3</b><br>Countries with accelerated mitigation priorities  |  | <b>20,000</b><br>Tonnes of Co2 reduced   |    | <b>8</b><br>Countries progressing NAP's   | <b>250,000</b><br>People benefiting from increased resilience                         |  |
| 21 Activities contributing to mitigation  |   | 1.3 Developing countries reduce their reliance on, domestic or imported fossil fuels   |   | 123 Activities contributing to adaptation   |   |  |
|   |   | <b>23 kg</b><br>Of coal  | <b>45 litres</b><br>Of diesel   |   |   |  |
| \$2.45M<br>Value of activities contributing to mitigation   |   | <b>67 kWh</b><br>Of natural gas  | <b>89 litres</b><br>Of fuel oil   | \$5.45M<br>Value of activities contributing to mitigation   |   |  |
|   |   | <i>Tbc - other fuel types</i>  | <i>Tbc - other fuel types</i>   |   |   |  |
| Goal 3: Capability and Evidence   |   |  | Goal 4: Leveraged Investment  |   |   |  |
| 3.1 Effective regional institutions and a strong multilateral rules-based order   |   | 3.2 Climate resilient decision-making is improved through greater access to, and use of, education, science, indigenous knowledge and techniques, data and information |   | 3.3 Growth in the number and capability of current and future climate change researchers, policy-makers and legislators                                 |   |  |
| <b>65%</b><br>of funding dispersed as planned by Regional Institutions  |   | <b>803</b><br>Data requests received   |  |   | 4.1 NZ's climate finance crowds in increased private climate finance                  |  |
|   |   | <b>87%</b><br>Data requests filled   |   |   | 4.2 NZ's climate finance leverages greater investment by like-minded bilateral donors |  |
|   |   |  |   | 4.3 Developing countries are enabled to set up, implement and report on carbon markets or similar mechanisms  |   |  |
|   |   |  |   | <b>\$500M</b><br>Of private finance leveraged   |   |  |
|   |   |  |   | <b>\$200M</b><br>Of bilateral funding leveraged   |   |  |
|   |   |  |   | <b>4</b><br>countries supported to engage in carbon markets   |   |  |

<sup>1</sup> Note the figures in this dashboard are not based on actual data, but have been made up to demonstrate what actual data could look like in a dashboard



# Cabinet External Relations and Security Committee

## Minute of Decision

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### Climate Finance: Monitoring and Reporting

**Portfolio**                      **Foreign Affairs**

On 21 February 2023, the Cabinet External Relations and Security Committee:

- 1        **noted** that on 11 October 2021, Cabinet:
  - 1.1      agreed to a climate finance commitment of \$1.3 billion over the period 2022-2025;
  - 1.2      directed officials to report back by December 2022 on the approach Aotearoa New Zealand will use to measure and report on the effectiveness of its climate finance and to mobilise additional climate finance;

[CAB-21-MIN-0410]
- 2        **noted** that there are four sets of activities in train to inform decision making, to increase trust and confidence that the Aotearoa New Zealand's climate finance commitment (2022-2025) will be effectively delivered, and to demonstrate the difference this commitment has made, namely:
  - 2.1      existing processes;
  - 2.2      the assurance programme;
  - 2.3      outcome monitoring;
  - 2.4      the increased visibility workstream;
- 3        **directed** the Ministry of Foreign Affairs and Trade to provide status dashboard reports to a relevant Cabinet Committee on the climate finance commitment and the outcomes in the *Aotearoa New Zealand International Climate Finance Strategy: Tuia te Waka a Kiwa* [CAB-22-MIN-0327.01], at six monthly intervals beginning in August 2023.

Janine Harvey  
Committee Secretary

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**Present: (see over)**

**Present:**

Rt Hon Chris Hipkins (Chair)  
Hon Carmel Sepuloni  
Hon Grant Robertson  
Hon Michael Wood  
Hon Damien O'Connor  
Hon Andrew Little  
Hon David Parker  
Hon Nanaia Mahuta  
Hon Ginny Andersen

**Officials present from:**

Office of the Prime Minister  
Officials Committee for ERS

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