



MFAT Management Response to
Formative evaluation of the International Climate
Finance Strategy

Overview of MFAT's response

MFAT commissioned a formative evaluation of International Development Cooperation (IDC) Programme delivery of the climate finance commitment under *New Zealand's International Climate Finance Strategy*. The climate finance commitment of NZD 1.3 billion (2022-25) represented a significant and rapid scale-up in programming. The size and innovation of the commitment meant the Ministry was developing new approaches and adjusting where needed. In this context, MFAT welcomed the opportunity to evaluate implementation settings to deliver the commitment. Significant lessons have been identified, and effective approaches confirmed. The Ministry is now better positioned to deliver climate objectives and report them effectively.

The formative evaluation had three key objectives:

- Assess what is working well (or not) to implement activities as planned, and why;
- Review the strength of activity monitoring and evaluation (MERL frameworks) to enable reporting;
- Identify improvements to achieve intended outcomes and high-quality reporting.

MFAT was especially interested in lessons to improve climate finance effectiveness and impact, and to ensure activity monitoring, evaluation, research and learning (MERL) produces robust performance information.

MFAT is pleased the evaluation finds activity-level assessments and results indicate good progress is being made. We agree with evaluators' assessment that evaluating the climate finance portfolio overall is challenging, as it does not have the usual features of a portfolio. The IDC climate finance portfolio is made up of activities ('projects') with different timeframes (not confined to 2022-25), as well as widely varying risk, modality and management profiles. This means defining common measures for portfolio progress is challenging and not necessarily meaningful.

MFAT has therefore deliberately focused on activity-level MERL which can be aggregated to monitor progress in different portfolio programming areas (e.g. sectors). Understanding the climate finance commitment in this way is particularly relevant given that many of the activities funded through the commitment were designed to create enduring change and will continue to deliver results after the 2022-25 commitment ends on 31 December 2025.

MFAT notes that some evaluation judgements in the report rely heavily on quantitative results ('Headline indicators') to judge portfolio implementation and MERL strength. MFAT considers that Headline indicators are only one part of overall results data needed for full performance reporting and evaluation. As more activities enter full implementation and produce more reporting, MFAT is increasingly using qualitative analysis to ensure a full picture of progress. Future outcomes evaluation will additionally draw on primary data collection (e.g. interviews with implementing partners and activity managers).

The report highlights known challenges for information management across large, non-standardised data sets, including for partner country-led activities. MFAT is currently undertaking a significant improvement project of the IDC Enquire aid management system (due for completion 2026) which will make activity MERL data more accessible.

Evaluation Report Recommendation	MFAT Response and Action (Agree, Partially Agree, Reject)
<p>Recommendation 1: improve the current state of Activity-level MERL and performance reporting</p> <p>The quickest and most effective way to improve Portfolio-level performance reporting is to improve the foundational building blocks of Activity-level MERL and performance reporting, which will enable Activity-level reporting to be aggregated to feed into a picture of performance for clusters or bundles of Activities (see Recommendation 2).</p> <p>1. Primary focus should be on the Activities of “highest concern”:</p> <ul style="list-style-type: none"> - the 13 Activities with no MERL frameworks – finding out why, and ensuring frameworks are developed unless there is good reason not to - improving performance reporting for the 12 Activities that have incomplete or missing MERL frameworks as well as missing or ad hoc performance reporting - the 47 Activities with no recorded intention to evaluate – confirming whether they should be evaluated or not (according to MFAT Evaluation Operational Policy criteria), and for Activities that should be evaluated, providing support to develop an appropriate plan, and - the 47 Activities with no recorded intention to evaluate – finding out why, and providing support to develop an appropriate plan unless there is good reason not to, and 	<p>Agree - We agree MERL frameworks and reporting should be a focus for improvement. Activity level MERL monitoring should provide robust performance information that can be cut in various ways across the climate finance portfolio. MFAT has also re-scoped monitoring above activity level to monitor progress in significant programming areas (by aggregating qualitative and quantitative data for groups of activities).</p> <p>We have actioned the recommendation to review activities of highest concern (those with no, or only partial, MERL frameworks).</p> <p>Since the evaluation report was completed, MFAT has improved the completion rate of Activity reporting (AMA/ACAs) in response to the Activity-based review of the IDC Programme findings.</p> <p>We have actioned the recommendation to ensure all activities have appropriate MERL frameworks in place or being developed. We are working with activities identified as ‘of concern’ (missing or ad hoc performance reporting).</p> <p>We have undertaken a further stocktake of planned activity evaluations to inform an overall evaluation strategy for climate finance, so outcomes can be evaluated at appropriate points in the future. We are following up with activities to confirm evaluation plans.</p> <p>We agree Headline Indicator (HI) guidance on consistent definition and usage should be improved where these indicators are relevant for climate focused activities. MFAT has recently re-focused and streamlined HI for a more useful and accurate data set (and in line with our commitment to review and update climate MERL). This has meant fewer</p>

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<p>- the 34 Activities funded from the \$800m funding pool not reporting Headline Indicator results.</p> <p>2. Following this, effort should be made to improve the quality of performance reporting of other Activities in the Portfolio, focusing on Activities of “low concern” and “moderate concern.”</p> <p>We understand that efforts are already underway to improve Activity-level MERL and performance reporting. Continuing support and oversight are needed to ensure MERL and performance reporting policies and guidelines are followed, document management is improved, and expectations for data quality and timeliness is met. We also recommend effort be made to improve the validity and reliability of Headline Indicator results by improving guidance and definitions for capturing results.</p>	<p>stand-alone climate finance HI and increased integration with the IDC Programme’s Aggregated Results Indicators (ARIs). Revised guidance for activity managers is currently being produced.</p> <p>We disagree, however, with a singular focus on Headline Indicators to monitor activity results and understand portfolio delivery (e.g. Figure 9.) Headline indicators were designed as measures to aggregate common results (outputs) across the diverse activities in the portfolio. Quantitative indicators were designed to act with standardised qualitative data to provide performance information on activity progress.</p> <p>The report references non-standardised partner reporting as a limitation for aggregated performance monitoring. It is important to note however that non-standardised reporting is a result of MFAT’s deliberate partner-driven approach which does not impose Donor country reporting templates on our partner countries.</p>
<p>Recommendation 2: assess performance for groups or bundles of Activities, to better understand what the commitment is achieving</p> <p>After recommendation 1 has been addressed, we recommend tracking the performance of bundles of Activities that focus on a common sector or thematic area. Note that successful implementation of recommendation 2 is dependent on improved Activity-level MERL frameworks and performance reporting, and completion of Activity-level evaluations (recommendation 1).</p>	<p>Agree – The use of activity groups has been incorporated throughout our Climate Portfolio Performance system to support the assessment and demonstration of activity and portfolio performance.</p> <p>We have revised our climate finance evaluation plan to focus on assessing results for groups of activities (e.g. sectoral, thematic groups). The plan will deploy a mix of approaches, including group-level outcome evaluations and syntheses of activity monitoring and evaluation data.</p>

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<p>We understand that this work is currently being progressed by MFAT (building on the original MERL workplan that included outcomes evaluations). Sectors or thematic areas of highest interest should be agreed, and Activities mapped to each bundle.</p> <ol style="list-style-type: none"> 1. For each bundle, create and track a picture of performance by aggregating all the results reported by the individual Activities in the bundle. 2. Focus on getting quality results and information about outcomes for individual Activities of high interest (anchor projects in each bundle): make sure these Activities have strong MERL frameworks (clearly aligned to ICFS goals and outcomes) and adequate resource to conduct appropriately designed evaluations. 3. Commission additional independent evaluations (or other research) at the bundle or sector level, to look across multiple Activities in the bundle (we note this was also signalled in MFAT's original MERL workplan, which included outcomes evaluations). Further work is needed to determine the optimum timing for evaluations at this level, but as a general rule of thumb, they should be timed for when a critical mass of Activities within a bundle have been completed (or other agreed milestones have been reached), alternatively, they could be timed to follow the evaluation of anchor projects within a bundle. These evaluations should be designed to 	<p>We plan to prioritise the most significant groups of activities (programming areas) to independently evaluate to provide sufficient coverage and insights across the portfolio. The proposed groupings of activities have been selected (in part) to cover a large proportion of portfolio investment. This is based on the dollar amount which acts as a proxy for strategic intent due to the oversight of programming by Climate Portfolio Steering Group (CPSG) and the strategic approach outlined in the ICFS. This comprehensive coverage will support evaluation of the 2022–25 Commitment period and provide insights for improved climate investment design and delivery in the future.</p> <p>The activity groups identified in the Portfolio evaluation plan are also being used to support the understanding and communication of impacts, outcomes and lessons learnt. This monitoring at group level will provide achievement insights and will be a valuable input into the evaluation evidence.</p>

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<p>fill information gaps and provide greater insight to what the commitment is achieving for the sector or thematic area by:</p> <ul style="list-style-type: none"> - exploring outcomes and benefits relating to the way funding has been provided (modalities) and the impacts of ICFS preferences and enablers - assessing the relevance and coherence of the range of Activities in the bundle and other investments in the sector, and - assessing the value and collective impact that Climate Finance has delivered for the sector. 	
<p>Recommendation 3: synthesise lessons and key outcomes from bundles of Activities, to look across the commitment</p> <p>Once performance tracking of bundles of Activities is underway, there will be value in collating and synthesising lessons and key outcomes from each bundle.</p> <p>If a common evaluation rubric is developed for use across all bundles, MFAT will be better able to compare and aggregate findings from each bundle, and track performance trends between and across bundles. Cross-bundle synthesis should be based on a structured framework to build a standardised picture for each bundle, considering such factors as:</p>	<p>Agree – We agree that synthesis will be an important tool to build a picture of collective impact and have incorporated syntheses into our evaluation plan as highlighted in our response to Recommendation 2.</p> <p>The cross-cutting nature of climate activities will be evidenced by using a common assessment framework across group evaluations and syntheses, with the intention to identify rich cross-cutting stories and lessons. MFAT views the incorporation of lessons learnt into future programming as an essential tool to support ongoing improvement to IDC.</p> <p>Lessons learnt will be summarised by the portfolio team on the completion of the commitment timeframe, with future learnings drawn from individual and bundle</p>

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<ul style="list-style-type: none">outcomes achievedunintended outcomes producedenabling factors and barriers, andlessons learnt. <p>Doing so will build a picture of collective impact from the commitment and ensure that relevant lessons are visible and inform future investment decisions. This will support continuous improvement and learning and help tell the story of the impact and benefits from the commitment to a range of stakeholders.</p>	<p>evaluations as they are delivered. This will support our adaptive management approach at both activity and portfolio levels throughout out IDC Programme.</p> <p>The Portfolio Team, CPSG and Activity Managers have been actively monitoring delivery, incorporating observations to programming decisions for Budget 25 climate and economic investments.</p>

