Combeo Consult
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Triebweg 16
61389 Schmitten i.Ts.
HRB 8758 AG Königstein
USt-ID/VAT ID: DE294332279

Executive Summary

Mid-Term Evaluation of the IKI Project “Supporting Preparedness for Article 6 Cooperation (SPAR6C)”

IKI Signature: 22_I_455_Global_M_Cooperative Approaches

VN: 027-N-2405

Written by the evaluators Dr. Heinrich Schneider and Johanna Bergmann on behalf of Combeo Consult GmbH

July 2025

The International Climate Initiative (IKI) project 'Supporting Preparedness for Article 6 Cooperation' (SPAR6C) aims at the establishment of cost-efficient, flexible and high-integrity carbon markets under Article 6 of the Paris Agreement that contribute to an overall reduction in global emissions. By supporting four partner countries – Colombia, Pakistan, Thailand, and Zambia – in preparing the grounds for transactions, the project contributes to the IKI objective of strategically using cooperative approaches to boost climate ambition.

The project provides support on how Article 6 mechanisms can be used to implement long-term mitigation targets and sustainability goals, develops pilot projects and provides capacity building.

The project's Theory of Change (ToC) is organised into four country-specific work packages (WP) and two overarching WPs: in WP 1, communities of practice (CoP) are being established in academia and in WP 2, knowledge products such as guidebooks are being developed and disseminated. The implementation of the WP shall lead to the following outcome: "Private sector actors are engaged in NDC implementation and NDC ambition is raised through A6 cooperation in Colombia, Thailand, Zambia, and Pakistan". To achieve its targets, the project provides policy advice for the regulatory framework, support in strategic questions, capacity building, networking opportunities and helps to develop pilot projects.

The implementing consortium is made up of Global Green Growth Institute GGGI (lead), UNEP Copenhagen Climate Centre (UNEP CCC), GFA Consulting Group GmbH, Carbon Limits AS, and the Kommunalkredit Public Consulting GmbH (KPC).

The project is evaluated within the framework of the standard IKI mid-term evaluation (MTE). The evaluation's main purpose is to provide recommendations based on an informed assessment of the status of implementation, the achievement of objectives and possible challenges approximately halfway through the project implementation period. The expected users and uses are an improved project implementation (targeting the project consortium) and programme management (targeting the IKI office and the funding ministries).

The evaluation process followed the contribution analysis approach. The project was evaluated against the IKI evaluation criteria (Relevance, Planning, Steering and Coherence, Effectiveness, Transformational Impact and Sustainability, Social and Environmental Safeguards, and IKI Standard Indicators) using an evaluation matrix and its categories and guiding questions, along with supplementary learning questions. Data collection took place in the form of interviews with individuals or groups of people, in addition to the review of documents provided by the project team and other stakeholders, used for the purpose of triangulation.

1 Relevance / Alignment

The current government in Colombia is less interested in carbon markets than the previous government, with whom the SPAR6C project had been agreed. Consequently, results achievement is progressing very slowly. So far, none of the various decrees and government resolutions necessary for the regulatory framework of Article 6 participation developed with support of the SPAR6C team have been adopted. The government prefers to first establish the regulatory framework before starting to identify potential pilot projects, so there is a slight misalignment of interests.

The partner ministry in Pakistan is very interested in the implementation of A6 projects and is pushing ahead with both the legal basis and the development of pilot projects. However, the government seems to have limited interest in strategically embedding the carbon market projects and meaningfully combining them with its own mitigation activities.

In Thailand, the private sector is very interested in A6 carbon market opportunities. The carbon market is a high political priority. The government will soon adopt the Climate Change Act and has approved guidelines that describe eligible project types, the procedures for seeking project authorisation, project registration, issuance of carbon credits and their international transfers. Climate change issues and the carbon market are not yet fully streamlined in the government. The project is engaged in capacity building of all relevant stakeholders.

In Zambia, the Ministry of Green Economy and Environment (MGEE) is the main governmental partner of the SPAR6C project. The project met the expectations of the Zambian government and partner institutions. Zambia has issued its Climate Change Act and established a carbon market framework. Three A6 mitigation projects were selected for further support and eventually will produce ITMOs.

For three of the four countries, the participation in the carbon market through Article 6 is highly relevant. Only in Colombia progress has been slower due to a change in governmental priorities.

2 Planning, Steering & Coherence

In Colombia, project planning and steering are done jointly and in an organised way. The different work streams are coordinated, and responsibilities are clearly defined. The team is in regular contact with the ministry and with the overall project lead. Collaboration with the other partner countries and the global components is limited and could be expanded.

The Pakistan team is mostly based in Copenhagen at UNEP CCC, with consultants and consortium members spread over a large number of countries and cities. Only 1 to 2 individuals are involved in managing the component. All other people have only been entrusted with specific deliverables and are therefore unable to take responsibility, develop ownership or participate in day-to-day decisions.

The project design in Thailand is based on the needs assessment and appears to be suitable to address the core problem. The core team in Bangkok is in permanent contact with KPC in Vienna. Steering is done mostly by the Thai country team, supported by the KPC expert. The SPAR6C team exchanges with other projects in Thailand.

In Zambia, there is no specific results chain; the local team is following the global results model, but some results pathways from activities to outcomes are more prominent, especially the development of A6 mitigation projects. The national team is based on the premises of the political partner. The GFA experts are steering from a distance by communicating daily.

Overall, project steering should strive for a closer collaboration between the country teams and WP 2 team as well as a more pronounced linking of country activities with CoP-ASIC activities: Coordination between WP 1 and the country teams is working well. However, the contribution of the work package to overall project targets is minimal. The improvement of this situation would require country-specific changes made to the CoP-ASIC programme and/or an additional target on outcome level.

The WP 2 team is not actively involved in the implementation in the partner countries. This presents a risk in terms of coherence, target group orientation, quality, and efficiency in planning and steering. Most of the deliverables that are elaborated by the country teams are not harmonised or backstopped by the WP 2 team. A closer collaboration between the country teams and WP 2 team would help to harmonise deliverables, increase efficiency and improve quality.

The project is well planned and steered professionally both globally (by GGGI) and in each individual country. It is coherent with the respective national strategies and policies as well as overarching global development goals.

3 Effectiveness

The contribution of WP 1 to achieving the existing project objectives at outcome level is marginal. The establishment of a scientific knowledge pool or network contributes only very little or nothing to the development and adoption of project outputs and outcome. An own target at outcome level is missing.

WP 2 contributes indirectly to achieving the objectives at country level and the project objectives at outcome level. However, guidance documents were mostly not used by government officials themselves but rather by project staff and consultants in their advisory function to the government. It would be useful to systematically assess which of the guidebook recommendations were implemented in the partner countries and which were not, and why, and what kind of knowledge product the partners would be interested in.

Outcome Indicator 1 and 3: Pakistan, Thailand and Zambia have set up institutional arrangements to 'create a coordination mechanisms/working group responsible for oversighting and/or further develop A6 transactions' (indicator 3). The indicator 3 target is achieved. The target value of 10 private stakeholders engaged in the development of A6 transactions is likely to be met by the end of the project (indicator 1). However, the outcome indicator 1 does not specify that the projects need to meet the quality standards set out by the project.

Colombia is unlikely to contribute to outcome indicator 1 and 3. Carbon market participation and the development of its legal framework has not been a priority of the current government in the past two years since project start, which has seriously delayed project progress.

Pakistan will likely have started implementation of two pilot projects by the end of SPAR6C, contributing to the outcome indicator. There is no positive or negative list of eligible activities or sectors for A6 yet, limiting the possibility of strategically embedding A6 projects..

Thailand will most likely contribute to the targets set for these two indicators. Thailand is in preparation of its Climate Change Act and working on the regulatory framework. There are pilot projects in the pipeline that will be operational by the end of the SPAR6C project.

Zambia has already met the targets set for these two indicators. The country has adopted the Climate Act and the Carbon Market Framework. Three mitigation projects are planned to be implemented from 2023 onwards and are expected to generate ITMOs from 2026.

Outcome Indicator 2: Colombia's current government regards carbon markets more of a threat to the achievement of its NDC target, since participation in A6 will mean selling emission reductions that it might need for NDC achievement. There is no evidence that participation in the carbon market will lead to an increase in NDC ambition. Pakistan's current NDC target assumes very high emission growth under business as usual, which has not materialised due to an economic crisis following the Covid pandemic. The project currently has no information on what the updated NDC target will be. A possible increase in its ambition level will be difficult to attribute to carbon market participation. Thailand is very committed to reaching its NDC targets. The ITMOs generated by A6 mitigation projects will not be used to meet own NDC targets. Whether or not this will be reflected in a revised NDC is not clear. In Zambia, there is no intention to raise mitigation targets in the revised NDC. The NDC quality will improve by setting more precise emission factors and recalculating the baselines.

Outcome Indicator 2 does not define what is meant by and how A6 is contributing to increased ambition. The project has not yet explained which changes to the nature or content of the NDCs would be accepted for the achievement of the indicator target and how the link to carbon markets and the project will be made.

The main outputs on country level are expected to be achieved effectively, with a low contribution of WP 1 (CoP-ASIC). WP 2 contributes indirectly to achieving the objectives. Targets of outcome indicators 1 and 3 are likely to be met by the end of the project. The target of outcome indicator 2 may not be easy to prove due to the absence of a clear definition and the difficulty to prove cause and effect.

4 Transformational Impact & Sustainability

In Colombia, the project is supporting the Ministry in creating the regulatory framework to implement Article 6 projects. The transformative impact will depend on whether the country will have established and adopted the complete regulatory framework by the end of the project. The Ministry seems to pay a lot of attention to strategically embedding carbon market activities and using them in a transformative way.

Pakistan will have the necessary legislation in place which it can use to steer and manage the A6 carbon market. The government has not defined a positive or negative list for eligible sectors or activities. Pilot project development is at a very early stage. As of now, some of the project ideas developed by the SPAR6C project are unlikely to have a transformative impact.

Thailand will soon adopt its Climate Change Act. It has a whitelist of eligible project types. Projects are selected according to both buyer's interests and Thailand's capabilities. There are no pilot projects selected yet. Several other project proponents have submitted project ideas, and a few are now in the phase of developing a MADD. With the adoption of the Climate Change Act, the regulatory framework and a clear focus on implementation rules in Zambia, the institutional arrangements set for transformative impact. The MGGE has defined eligibility criteria for mitigation projects. Three shortlisted projects are relevant for their respective sector and may contribute to transformative impact as sectoral frontrunners.

Unintended negative effects could not be observed, and neither were reported nor described as risks during the interviews.

CoP-ASIC is unlikely to contribute to a transformational impact as its impacts are not far-reaching and fundamental enough in Colombia, Pakistan and Zambia. In Thailand, academic networks on energy and climate change with experts from academia, private sector and government were already operational when SPAR6C started. The specific CoP-ASIC on carbon markets was created by the SPAR6C team, starting 2023. The network of experts is well integrated into the project activities and can support transformative change. The process has not yet progressed far enough to estimate the impact.

Overall, the adoption of laws and regulatory frameworks is likely to be sustainable. Transformative change may be initiated or achieved through pilot projects if they employ mechanisms that target their respective sector, which seems not to be the case in all project ideas at this point. A clear definition of when a pilot project can be regarded as having a (likely) transformational impact has not been established by the project.

5 Social & Environmental Safeguards

The project only causes very low risks in the areas of social, economic and environmental aspects and has therefore been categorised as category C (low risk). The categorisation seems plausible. No safeguards were violated. No negative impacts were observed. However, there seems to be a limited understanding among a lot of partners, consultants as well as staff members regarding the risks that carbon markets can pose. The project should inform everyone involved in the project of those risks.

Overall, social and environmental safeguards are in place and respected on various levels. No safeguards were violated.

6 Standard Indicators

SI 1- Mitigation: GHG emissions reduced or carbon stocks enhanced directly or indirectly by IKI project measures. The project claim that it will contribute to the indicator target was assessed as plausible.

SI 4 – Capacity People: Number of people directly supported by IKI projects through networking and training to address climate change or to conserve biodiversity. The project's target value of 3,300 persons was assessed as realistic.

SI 5 – Leveraged Finance: Volume of private and/or public finance leveraged for climate change and biodiversity purposes in EUR. The project's target value of 200 million was assessed as plausible.

No target values had been defined at the time of data collection. Colombia cannot yet be sure whether and how much finance will be leveraged. Pakistan is likely to leverage finance from the private sector, possibly from foreign companies. The level cannot be estimated at this point. In Thailand, it is very likely that pilot projects will be able to get financed. In Zambia, the Kafue Sugar project is planning to sell ITMOs by 2026, negotiations with potential buyer countries are ongoing. The standard indicators are adequate to reflect the project's goals by means of the IKI standards. The reporting of the SPAR6C project is comprehensible and correct and reflects the actual project development.

7 Recommendations

Recommendations to the project:

- Revise the ToC to better reflect project outcomes and contribution of work packages.
- Indicator revision: The vague formulation of outcome indicator 2 and the challenge to prove cause and effect make it difficult to work with the indicator. The project should therefore consider changing the log frame – particularly this indicator.
- Quality of the pilot projects: The quality of the pilot projects (transformative impact, permanence of abatement, sustainable development co-benefits, etc.) should be considered more important than the number of projects that are initiated.
- Closer collaboration between project components: Implementation in the partner countries should be more closely linked to each other and to outputs 1 and 2.
- Updated capacity needs assessments and capacity building programmes: To sustainably secure the results of the project, the issuing/adoption of carbon market regulation in each partner country should be taken as an occasion for a new or up-dated capacity needs assessment.
- Tailoring CoP-ASIC to country circumstances and country activities: The CoP-ASIC should be tailored to individual circumstances. Since academic exposure to carbon market topics is very different in the partner countries, as is the way academia is organised and is operating. The Research Mentorship Programme and the national CoP-ASIC networks should be tailored to each country and ideally be linked to country activities so as to contribute to project targets.
- Speed up progress in Colombia: Even if the other country packages can compensate for a potential lack of projects in Colombia, the Colombia work package could try out a few new approaches to overcome the impasse and contribute to regulatory readiness of the country by the end of the project.

- Management of the Pakistan component: It would be best to establish a team in the country and involve more people in the day-to-day steering of the component. The project could also try to advance the discussion on strategic embedding in Pakistan by showcasing its advantages.
- Changing focus in Zambia: The SPARC project has already achieved more than what was expected in at this time of the project implementation. It could already concentrate on sustaining its success.
- Support of the private sector should be more targeted and tailored to the country-specific needs of the private sector.
- Evaluation and revision of guidebooks: The revision of the guidebooks needs to be secured and should incorporate the experiences made in the partner countries and elsewhere. New knowledge products should be oriented at the needs of the target groups.

Recommendation directed at IKI/ZUG:

- The project is struggling with the local action quota. The evaluation team suggests to count local employees employed locally towards the local quota so that the project can employ its staff members and have them counted towards the local quota.
- Projects that have its teams and staff members far away from the place of implementation will always result in a high number of flights and resulting emissions. At the same time, they can have more difficulties in creating a real bond and trust with the partner governments. The IKI should therefore give preference to projects that have local teams and that employ locals