

# ACAP Project Development Process Description

Final Draft 18 January 2009

## 1. Introduction

The Arctic Council, as a part of its activities, identifies and agrees upon a number of priority projects. Implementations of such specific projects are expected to contribute to meeting the objectives of the Council. Additional projects may also be identified by Arctic Council Working Groups and brought forth to the Council for approval. This document provides a description of the process for the development of specific Arctic Contaminants Action Program (ACAP) Projects. The ACAP Project process covers a number of stages including idea and project identification; implementation, completion and exit; and project evaluation. This document identifies involvement and decisions, by relevant bodies of the Arctic Council, associated with the process. The purpose of this document is to give stakeholders a transparent and consistent understanding of the current process and associated terms.

ACAP Projects<sup>1</sup> refer to concrete actions, limited in time and scope, with determined costs and their financing and a defined, measurable result. Proponents of an ACAP Project may take into account, as appropriate, the Guidance provided by the Arctic Council Rules of Procedure (Annex II) and the template for development of ACAP Project Proposal/Description (Annex III). A typical ACAP project cycle is illustrated in Figure 1. Some characteristic roles of stakeholders are, as an example, outlined in Table 1.

In reality, project owners and financiers have their respective project cycle, requirements and guidelines that they are obliged to adhere to. Key stages in most project cycles, however, generally tend to be similar. An ACAP project cycle typically consists of the following stages:

- 1) Project Idea, Identification and Proposal (from idea to project proposal).
- 2) Project Preparation (inventories, feasibility studies, development of financing plan, detailed project description).
- 3) Project Implementation, supervision, completion and exit.
- 4) Project Evaluation.

## 2. Stage 1 - Project Idea and Identification

Most ACAP Projects (inter alia programmes) are developed on the basis of pollution problems identified by the Arctic Council and typically the Arctic Monitoring and Assessment Programme (AMAP) Working Group. However, project ideas, may be submitted to the ACAP Working Group (ACAP WG) by any stakeholder of the Arctic Council (e.g. member states, permanent participants, observers, working groups, domestic enterprise(s)). The ACAP WG decides whether the idea should be further developed into an ACAP Project Proposal for submission to the Senior Arctic Officials (SAO) /Arctic Council for approval.

One of the key elements for all ACAP Project stages— from idea generation to project completion, exit and evaluation, is a clearly identified Project Owner (e.g. national, regional, municipal, enterprise or corporate entity) that is fully engaged in the process. The Project Owner would normally be the entity responsible for a project throughout a project cycle process.

In conjunction with a submission to SAOs, the ACAP WG also nominates the Project Facilitator/ Co-ordinator. The Project Co-ordinator / Facilitator may be a member state, permanent participant, ACAP

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<sup>1</sup> See Annex I for Glossary of terms used in the document (in italics the first time mentioned).

secretariat, observer or other parties/bodies to the Arctic Council. The Project Facilitator /Co-ordinator helps in the development of the Project from the Idea to Project Proposal, Implementation and Evaluation stages, as relevant. The Project Idea would need to take into account, as appropriate, the Guidance provided by the Arctic Council Rules of Procedure (Annex I) and the documentation template outlined in Annex II.

The ACAP WG task is to help prioritise and select among project ideas and, if possible, confirm or recommend to the SAO / Arctic Council whether a project is fully financed, alternatively, how full financing may be facilitated to allow the Project to proceed to realisation.

After acceptance of the Project Idea by the ACAP WG, a Project Proposal, developed by the project proponents, is submitted by the ACAP WG to the SAOs for approval and recommendation for its final formal adoption by the Arctic Council Ministers. Normally an adoption of the Project Proposal by the SAOs allows the Project to be designated as an “Arctic Council Project”.

There may be cases, however, where the ACAP WG may also be instructed by the Arctic Council Ministers/ SAOs to develop a specific project proposal for their subsequent scrutiny and approval.

### **3. Stage 2 - Project Preparation**

Once a Project Proposal has been adopted by the Arctic Council (SAO / Ministerial) as an ACAP Project, the Project becomes part of the ACAP Project “pipeline”. Further Project Preparation thereafter involves carrying out relevant additional studies and actions (e.g. Feasibility Studies, Designs, Environmental Impact Assessments/Audits, permit documentations). This preparation captures the requirement of the Rules of Procedure (Annex I) and project documentation template (Annex II). During the Project Preparation stage it should, as far as possible, be verified that the project would get the full financial support that would enable implementation and completion of the Project. The Project Preparation clarifies several important elements, including:

- Inventories of emission sources;
- Assessment of measures and recommendations for actions;
- Feasibility studies (of regulations, alternative technologies, methods, economics, environmental impacts etc.) to determine particular alternative as recommendable solution to the problem.
- Establishment of full financing plan and schedule etc;
- Feasibility studies of potential demonstration or pilot projects.

In some cases the result of the Project Preparation by itself may be final e.g. recommendation(s) for follow up of measures by individual countries and recommendations to SAOs and Ministers.

If several stakeholders are involved in a project, an ACAP Project Steering Group (PSG) may be established by ACAP WG to monitor and facilitate the execution of the ACAP Project. The ACAP PSG may be chaired or co-chaired by the Project Co-ordinator / Facilitator or the lead donor/financier. The PSG may be composed of representatives of project owners/beneficiaries, experts from the donors, financiers, host and other member countries or observers. The ultimate responsibility for an ACAP Project, however, rests with the host State and the Project Owner, as appropriate. To secure adequate commitment from the project owners/beneficiaries, an appropriate documentation of a “Commitment Letter/Agreement” could be prepared (e.g. a letter confirming an agreement between donors, financiers, the project owner and relevant authorities; see example in Annex IV).

Potential financial sources (e.g. International Finance Institutions (IFIs), bilateral support programmes or other sources) should be invited by the owner to participate in a designated ACAP Projects at an early stage. Final commitments of support from financiers (e.g. equity partners, donors, trust funds, loan institutions) may be facilitated by the PSG. Assistance may also be sought from the ACAP Chair to aid in the process that assures full and timely financing of an ACAP Project.

When the Project Preparation stage is finalised, a progress report to SAOs/Ministers may be submitted by the Project's PSG with an endorsement by the ACAP WG. Such Project Preparation Finalisation report may be based on prepared and submitted documentation. Documentation should have a relevant level of detail typified by the format in Annex II. The PSG report to the SAO, on finalisation of Project Preparation phase, endorsed by the ACAP WG may include relevant recommendations for follow-up.

The PSG and the ACAP WG may, at an early stage of project preparation, discuss how to incorporate results from an ACAP Project into national implementation processes and develop relevant recommendations to the SAOs and Ministers.

There are ACAP Projects that do not include demonstration or pilot projects. After assessing contaminant sources and developing recommendations for actions to the SAO, it may be natural that Ministerial recommendations are implemented directly by national authorities. However it may still be relevant for the ACAP WG to follow up such projects by an evaluation of the implementation.

#### **4. Stage 3 - Project Implementation, Supervision, Completion and Exit**

This stage addresses the actual implementation of an ACAP Project. Implementation may be carried out by the Project Owner, by financier(s) approved entity, or by national implementation of commitments in the Ministerial Declaration. Implementation may be facilitated by the ACAP PSG.

The main responsible party for the implementation would be the Project Owner, ideally in accordance with the "Commitment Agreement" between the financiers, the Project Owner and where relevant, the host authorities. In certain cases, involvement of national authorities in the implementation will be important to ensure that the results from the ACAP Project are integrated into national policy making and implementation processes. Implementation of a project may indeed consist of one or several separate sub-projects. Thus, depending on the complexity of sub-projects, the structure of management and supervision may need to be adjusted accordingly, e.g. separate expert groups for managing sub-projects may be needed. Such issues may be addressed in the Project Preparation Stage.

Implementation of projects is regularly monitored by the financiers, PSG and ACAP WG to ensure that the project achieves its objectives (checking progress against agreed plans and measures, ensuring quality assurance procedures are followed etc.), and that it is done in a cost effective manner. Financial institutions may require the use of monitoring consultants. On conclusion of a project a Final Project Completion Report (PCR) summarises the results and the costs associated with a completed Project. A Final PCR is benchmarked against the original expectations and normally establishes an exit.

#### **5. Stage 4 - Project Evaluation**

Evaluation of an ACAP Project is an assessment of the performance, efficiency, achievements and the impact of the project in relation to stated objectives in order to provide a reliable feedback to relevant project participants. The evaluation should be conducted objectively and can be part of a sub-project PCRs. Good practice calls for project completion evaluation be designed as part of the overall project plan and financing. Project Evaluation may be part of the Final PCR of an ACAP Project. The result of a Project Evaluation should be disseminated in a pre-determined way and presented in a normal manner to the ACAP WG and reported to the SAO-Ministerial meeting.

#### **6. APPENDICES (ANNEXES I-IV, Figure 1, Table 1)**

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## Glossary of Terms Used in the Process Document

<b>Term</b>	<b>Explanation</b>
Project	A concrete action, limited in time and scope, with a determined cost estimate and a concrete measurable result. A project may, however consist of or develop into several separate sub-projects supporting the same goal, fully financed, potentially by separate parties.
Project Owner(s)	The party responsible for or owning the Project / activity that is causing the environmental problem to be dealt with (problem owner). This party may be a national authority (or all Arctic Countries national authorities), a regional or local authority, private company. The project owner will in case of financial support be the project beneficiary, and in case of a loan be the borrower. It could be more than one owner over the lifetime of a project.
Project Idea	Anyone (all stakeholders including parties, observers, enterprises of the Arctic Council) can present a Project Idea to the ACAP WG. The project idea should be developed in accordance with Arctic Council Rules of Procedure (Annex I), as appropriate
Project Proposal	Brief project description generally in accordance with project development Guidelines Annex II presented to the ACAP WG and Senior Arctic Officials (and ministers) as a basis to decide if the project shall be approved as an ACAP project (= Arctic Council project)
Project Cycle	The process from project identification to implementation and evaluation with decision steps and involved parties.
Project Coordinator	The nominated responsible part for developing the Project Proposal and would also normally chair the related Project Steering Group (PSG).
Project Steering Group (PSG)	Nominated group of experts consisting of representatives from the project owner, financial sources and other invited participants. The PSG coordinates and reports on project activities, incl. planning of work, supervise activities, discuss results and present proposals for actions to the ACAP Working Group.
ACAP Working Group (WG)	The Arctic Council body responsible for executing the Arctic Council Contaminants Action Programme (ACAP). The WG consist of representatives from the Arctic Countries, Permanent Participants and Observers. Helps identify if relevant stakeholders are involved. The WG is not the responsible part for implementing the projects. The responsible part is the project owner(s).
Arctic Council Ministers	The Summit meeting of the Arctic Council arranged biannually
Arctic Council SAOs	Meeting of Senior Arctic Officials normally arranged twice a year.
International Finance Institutions, IFI)	Regional or global multilateral banks or institutions financing and giving loans to projects.

**ARCTIC COUNCIL RULES OF PROCEDURE -- Extract Part III and Annex 1 (as adopted by the Arctic Council at the FIRST ARCTIC COUNCIL MINISTERIAL MEETING, Iqaluit, Canada, September 17-18, 1998)**

**Part III. PROGRAMS AND PROJECTS**

26. An Arctic State or Permanent Participant may make proposals for cooperative activities. All proposed programs and projects for which there is no existing Ministerial mandate shall be subject to a decision of the Council at an Arctic Council meeting. Proposals on programs and projects should address the elements outlined in ANNEX 1. For a proposal to be submitted to the Council, it must be placed on the agenda in accordance with these Rules.

27. Proposals for cooperative activities should be received 90 days prior to any SAO meeting or meeting of a subsidiary body at which they are to be considered.

**ANNEX 1 to Arctic Council Rules of Procedure**

As a guide to preparation of such proposals for programs and proposals, the following elements should be included, as appropriate:

- a. the issues or matters to be addressed;
- b. the reasons that the Arctic States should consider and approve the proposal;
- c. any relevant recommendations in relation to the proposal, including recommendations as to an appropriate body or bodies for carrying out, coordinating, or facilitating an activity;
- d. information in relation to costs and methods of financing an activity;
- e. a work plan, including initiation and completion dates;
- f. relationships to other Arctic Council programs or activities and to activities in other relevant regional or international fora;
- g. an environmental impact assessment; and
- h. any other information relevant to the proposal.

## Draft Template for the Project Proposal/Description

A template describing typical information required in a Project Proposal/Description is outlined below. See also Arctic Council Rules of Procedure "Annex I". A complete (appropriately detailed) description would be a final result of the Project Preparation would be based on appropriate studies such as Feasibility Studies, Conceptual Design, Environmental Impact Assessment/Environmental Audits). If a financing institution or body is involved, the project description would need to be developed in close cooperation with the relevant financier and stakeholders.

### 1. BACKGROUND

Key information of project idea, problem to solve/reduce, significance of the project, on going/planned activities related to the project, legal framework (e.g., international agreements), institutional set-up, country/region/area, studies made etc.)

### 2. PROJECT DESCRIPTION

#### 2.1 Objective

The purpose, objective(s) and environmental benefits. Environmental benefit is the environmental impact with and without the project.

#### 2.2 Partners and responsibilities

- Identification of project stakeholders e.g. owner(s), operator, regulator, the borrower.
- Identification of responsibilities (e.g. of implementation, supervision, operation, reporting, procurement, maintenance, capacity building etc.)
- Project organization, an Annex may be added to describe the relevant parties in more detail.

#### 2.3 General technical description

- Project components (activities and tasks).
- Work Plan
- Budget.
- Resources

#### 2.4 Project Evaluation Plan

- Evaluation of the performance, efficiency, achievements and the impact of the project in relation to stated objectives
- The evaluation should be conducted objectively.
- Good practice calls evaluation be designed as part of the overall project plan and financing.
- Project Evaluation may be part of the Final Project Completion Report at exit of a project.

### 3. FINANCE

#### 3.1 Financing plan

- Description of different sources of funds including; conditions, type of funds (loan, in-kind, grant etc.)
- Procurement Plan and procurement rules.

In this section it is foreseen that an Annex would describe the financial analysis in more detail ( pay back time, cash flow, budget assumptions etc). It would also be necessary to describe the securities (guarantees, mortgage, pledge etc. ).

### 4. PROJECT RISKS

Important conditions and risk elements. Description of how, and if the risks are managed/controlled or not in the project (e.g. operating risk, implementation risk, institutional risk, financial risk).

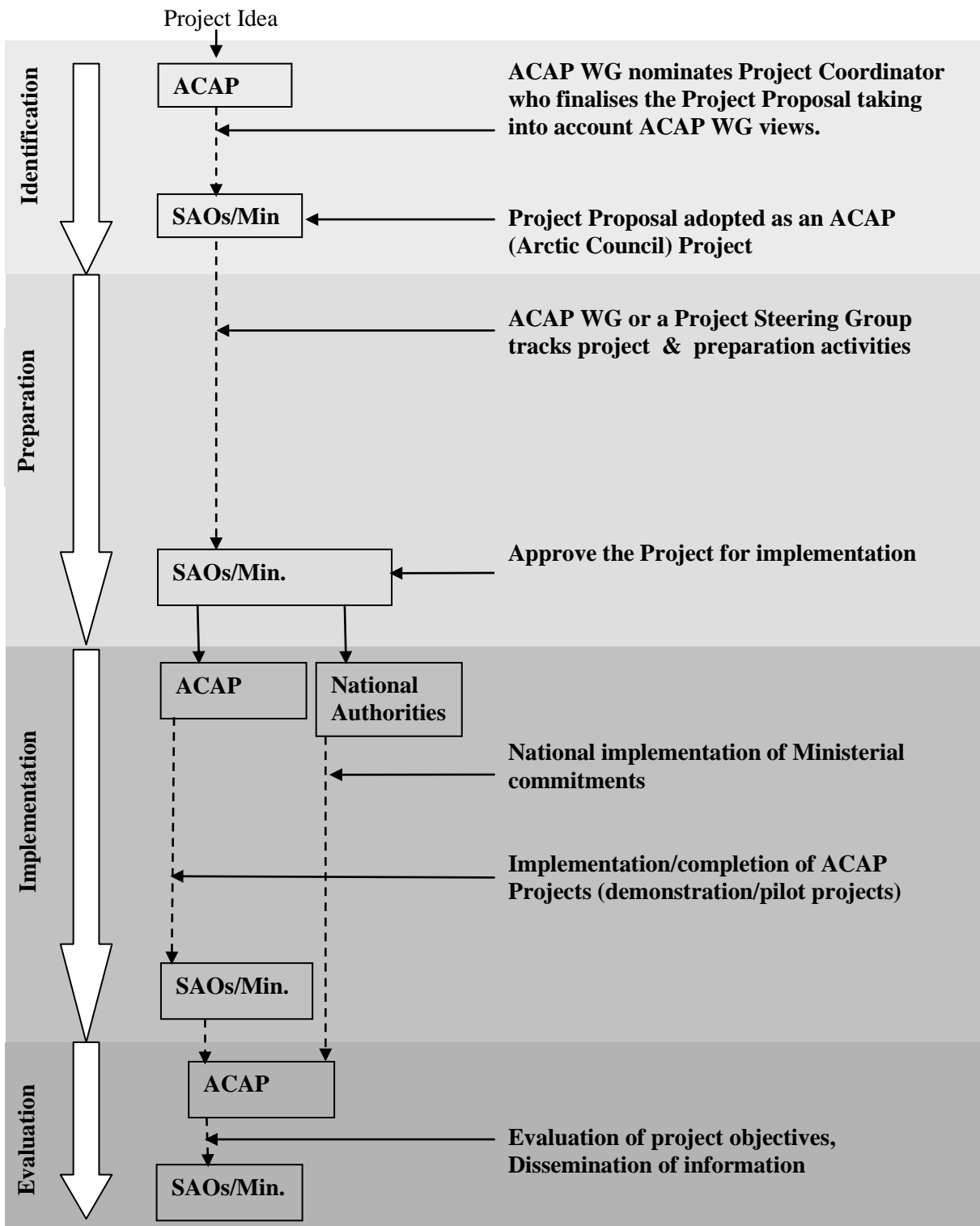
### 5. PROJECT MONITORING, EVALUATION, COMPLETION REPORTING

Item for Project monitoring, reporting and evaluation should be added. It can be included as part of Final Project Completion Report. A template for such a report may be included if deemed relevant.

## Letter of Confirmation or Commitment

A letter confirming the agreement between financiers and project owner and possibly relevant authorities could be made in order to secure adequate engagement. Many donors would have their own procedures for documenting their agreement with a recipient. A letter could contain paragraphs such as:

- that the Beneficiary wishes that the Project is implemented,
- that the Beneficiary accepts the content of the Project Description,
- that the Beneficiary will endeavour to facilitate the implementation of the Project in ways as may be reasonably expected
- that the above confirmation will be part of the basis for donors decision to make a grant available to the Project, and



*Fig. 1. ACAP Project development and implementation process. Identification/ involvement of donors/financers is an ongoing activity, in all phases.*

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Table.1 Example of Roles of involved parties/entities; Note, the Table is an example only and may not be exhaustive

Party	Identification	Preparation	Implementation and supervision	Evaluation	
Project Owner? (Problem Owner)	<ul style="list-style-type: none"> <li>• Presents ideas</li> <li>• Active participation in identification activities. Provision of data and information and in-kind contribution.</li> </ul>	<ul style="list-style-type: none"> <li>• Active participation in identification activities. Provision of data and information and in-kind contribution.</li> <li>• Co-financing of preparation activities Note: It's not the owner that Co-finances. It has the principal responsibility, or?</li> </ul>	<ul style="list-style-type: none"> <li>• Employer</li> <li>• In-kind contribution.</li> <li>• Co-financing of implementation activities</li> <li>• Reporting</li> <li>• Supervise ???</li> </ul>	<ul style="list-style-type: none"> <li>• Facilitates/ensures evaluation of whether the project objectives are met</li> </ul>	
Project Co-ordinator	<ul style="list-style-type: none"> <li>• Facilitates development of an idea into Project Proposal</li> </ul>	<ul style="list-style-type: none"> <li>• Chairs/leads/co-chairs or participates in the Project Steering Group (PSG)</li> <li>• Secretariat support for the PSG</li> </ul>	<ul style="list-style-type: none"> <li>• Participates in the PSG</li> <li>• Secretariat support for the PSG</li> </ul>	<ul style="list-style-type: none"> <li>• Participates in the PSG</li> <li>• Secretariat support for the PSG</li> </ul>	
Project Steering Group (PSG) (AC parties, project owner/borrower, responsible authorities, companies, donors)	(not formed yet)	<ul style="list-style-type: none"> <li>• prepares/supervises inventories</li> <li>• assess possible measures</li> <li>• develop proposals for actions</li> <li>• Facilitates feasibility studies</li> </ul>	<ul style="list-style-type: none"> <li>• Provides recommendations and guidance to coordinator/owner for progress of the project</li> <li>• Follow-ups on recommendations</li> <li>• Monitor progress and supervise procurement of co-financed activities ?</li> </ul>	<ul style="list-style-type: none"> <li>• Provides experiences and lessons learnt</li> <li>• Evaluates if project objectives are met</li> </ul>	
ACAP Working Group	<ul style="list-style-type: none"> <li>• Also presents ideas?</li> <li>• Supports identification work</li> <li>• Helps identify donors</li> <li>• Approves Project Ideas and final Project Proposal to be presented to SAOs</li> </ul>	<ul style="list-style-type: none"> <li>• Facilitates the preparation process and approves specific activity plans</li> <li>• Approves final proposal for Project Description to be presented to SAOs</li> </ul>	<ul style="list-style-type: none"> <li>• Monitors the implementation</li> </ul>	<ul style="list-style-type: none"> <li>• Evaluates if project objectives are met</li> <li>• Prepares feedback to SAOs</li> </ul>	
Bilateral and multilateral donors (countries, national-, bilateral-multilateral programs)	<ul style="list-style-type: none"> <li>• Supports identification work</li> <li>• Provides resources for project identification</li> </ul>	<ul style="list-style-type: none"> <li>• Provides grants for feasibility studies</li> <li>• Facilitates and/or provides co-financing enabling full financing of the Project, including implementation /follow-up etc</li> </ul>	<ul style="list-style-type: none"> <li>• Provides technical assistance as needed</li> <li>• Twinning arrangements</li> <li>• Monitors the implementation</li> </ul>	<ul style="list-style-type: none"> <li>• Facilitate and participates in the evaluation of whether the project objectives are met</li> </ul>	
Financial Institutions	<ul style="list-style-type: none"> <li>• Assesses project proposal/ideas presented to the FI for bankability in accordance with country and sector priorities</li> <li>• Preliminary indication of interest and commitment</li> </ul>	<ul style="list-style-type: none"> <li>• May provides guidance for preparation of feasibility studies (or in some cases finance studies through technical assistance trust funds)</li> </ul>	<p>A loan requires Appraisal, Negotiations and Board Approval:</p> <ul style="list-style-type: none"> <li>• Assesses the project's technical, institutional, economic, environmental and financial viability</li> <li>• Approves financing plan and implementation plan</li> <li>• Undertakes economic, legal and environmental due diligence</li> </ul>	<ul style="list-style-type: none"> <li>• Disburses loan</li> <li>• Supervises procurement</li> <li>• Provides technical advice where mandated or as needed in accordance with internal policy</li> <li>• Monitors implementation of project and compliance with covenants</li> </ul>	<ul style="list-style-type: none"> <li>• Facilitate and participates in the evaluation of whether the project objectives are met</li> </ul>