

ARCTIC COUNCIL PROJECT SUPPORT INSTRUMENT  
PSI Committee (PCOM) Meeting  
Seventh Meeting  
Helsinki, 28 March 2017

## **Arctic Council Project Support Instrument (PSI) Manual**

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### **Fund Manager**

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## 1. INTRODUCTION

The Arctic Council Project Support Instrument (PSI) is a financing tool focused on actions against pollution in the Arctic. The PSI can only finance projects approved by the Arctic Council. The PSI is a voluntary, non-exclusive mechanism and may make use of a broad range of funding arrangements, including grants and revolving instruments. The PSI financed projects are part of the Arctic Council efforts to demonstrate effective measures to reduce pollution in the Arctic. They should be replicable and the sharing of experience and results of the projects are important as an input to Arctic Council policy making. The Nordic Environmental Finance Corporation (“NEFCO”) is Fund Manager (“FM”) for the PSI.

### **1.1 Background**

The Inari Declaration<sup>1</sup> of the Arctic Council (AC) Ministers recognised the need to reinforce efforts to finance circumpolar cooperation and endorsed the report of Senior Arctic Officials (SAO) to the AC Ministers<sup>2</sup> which included a request:

- to develop criteria for prioritizing AC projects which have circumpolar relevance;
- to prioritize project proposals that need extensive funding and serve as a clearing house for AC activities that seek funding from the private sector or international and regional financial institutions;
- to consider how to best make professional expertise available in project preparation and funding; and
- to explore possibilities of raising funding in the private sector, including relevant foundations.

On 28 May 2003, the AC requested NEFCO to assist in drafting a background paper on the financing of AC initiatives. In response, on 25 September 2003, the Board of Directors of NEFCO provided their support to the work associated with an AC financial instrument. In April 2004, the Icelandic AC Chair communicated a discussion paper to the SAOs, Permanent Participants, Working Group Chairs and Observers<sup>3</sup>. Subsequently the SAOs established an ad hoc Expert Group, under the lead of NEFCO, to review the proposal to set up the AC Project Support Instrument (PSI). A report from this Expert Group was submitted to the AC Chair in October 2004 for consideration and for a decision at the Fourth Ministerial meeting of the AC<sup>4</sup>. At the Fourth AC Ministerial Meeting (2004)<sup>5</sup> the SAOs was requested to establish a pilot phase of the PSI to focus on actions against pollution in the Arctic and it was decided that the instrument should be a voluntary, non-exclusive mechanism for financing specific priority projects that have already been approved by the AC, and that the PSI might make use of a broad range of funding arrangements,

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<sup>1</sup> Inari Declaration on the Occasion of the Third Ministerial Meeting of the Arctic Council, Para 15, Finland October 2002.

<sup>2</sup> Report of Senior Arctic Officials to the Arctic Council Ministers; Outside Investment In AC Projects and Activities; Inari, Finland October 9-10, 2002

<sup>3</sup> An Arctic Council Project Support Fund (PSF) Discussion paper; SAO Meeting Selfoss, Iceland. May 2004

<sup>4</sup> Arctic Council Meeting Of Senior Arctic Officials Reykjavik, Iceland November 22-23, 2004

<sup>5</sup> Reykjavik Declaration on the Occasion of the Fourth Ministerial Meeting of the Arctic Council, Iceland Nov. 2004.

including grants and revolving instruments. The Ministers also requested the SAOs to develop Guidelines for the PSI.

Guidelines for the PSI were agreed by the SAO on 7 April 2005 (PSI Guidelines). Under the PSI Guidelines, the PSI shall be open for contributions from AC members, observers and other interested parties to be invited by the FM and formalized through individual funds administration agreements and the activities of the PSI are to be governed by a PSI Committee (PCOM) composed of representatives of the contributors to the PSI. On 8 May 2005, the AC Chairmanship informed NEFCO that it had been appointed as the PSI Fund Manager and requested NEFCO to proceed with the practical establishment of the PSI. To this effect, NEFCO has entered into agreements (“Cooperation Agreements”) with a number of parties and received contributions from Finland, Iceland, Norway, Russian Federation, Sweden, the United States, Permanent Participant Saami Council, through the Sami Parliament, and made its contribution as decided by the NEFCO Board on 16 September 2008 (the “Contributor(s)”).

At present, the governing documents of the PSI include:

- Guidelines for the PSI (as agreed by the SAO on 7 April 2005)
- PSI Rules of Procedure (as taken note of by SAO at its 19-20 November 2008 meeting in Kautokeino, Norway and endorsed by the PSI Committee (PCOM) on 6 May 2014);
- Cooperation Agreements signed between NEFCO and the Contributors;
- Rules of Procedure for the PSI Project Supervising Committee (as approved by the PCOM at its 2nd Meeting on 7 October 2014); and
- Guidance provided by the PCOM on general policy and strategic guidance on the operations of the PSI, as captured by protocol decisions of the PCOM meetings.

### **1.2 The PSI Manual (How the PSI Operates)**

This Manual for the PSI (“Manual”; “PSIM”) is intended to provide members of the PCOM and AC members, its permanent participants, the AC bodies, observers and other possibly interested stakeholders and potential proponents with a guide on the workings of the PSI, including guidance on how to apply for funding and the criteria used for approving financing from the PSI. The Manual is freely available at **NEFCO’s website**: <http://www.nefco.org/work-us/our-services/grants/arctic-council-project-support-instrument>

**The PSI Manual** has two main sections: (i) a section that provides an orientation to the members of the PCOM on the meeting process of the PCOM and the governing principles of the PSI; and (ii) a section on how to apply for funding, initiation of an application, project selection criteria and follow-up. In the first section the reader is taken from pre-session preparations to an agenda item by agenda item explanation of the PSI activities and finally to post-PSI meeting follow-up. A brief background on each agenda item is provided and the issues and type of actions that the PCOM may wish to take are outlined. More detailed information can be found in a number of appendixes, as follows:

**Appendix 1:** Governance documents for the PSI, including its policy guidelines and procedures of the PCOM. It also provides a link to the PSI web site where the protocols of the PCOM’s meetings are posted, starting from the preparatory meetings held in 2012.

**Appendix 2:** Criteria for approval, relevant templates, and access to templates to harness the criteria and a template for project monitoring /completion reports.

**Appendix 3:** Tables summarizing the standard agenda items for PCOM meetings.

**Appendix 4:** Logistics and practical arrangements for the organisation of PCOM meetings.

**Appendix 5:** “Directory of the Arctic Council PSI Fund”, which includes contact details of the PSI Fund Manager (FM) and the Russian Executing Agency (REA) for PSI Projects in the Russian Federation (RF) and an updated directory of the PCOM members is available from the FM.

**Appendix 6:** Information on access to contemporary AC plans and projects.

The PSI Manual will be augmented with information tailored to the needs of the REA, e.g. in the “Guide to REA” to be prepared by the FM in cooperation with REA for projects in the RF. The Manual is expected to be a working document updated regularly after the last PCOM meeting of each calendar year.

## 2. FUNCTIONS OF THE PCOM

In accordance with the Section 5 of the Rules of Procedure for the PCOM<sup>6</sup>, the PCOM shall have the following powers and duties:

- a) *reviewing the operations of the PSI to provide the Fund Manager with general policy and strategic guidance on the operations of the PSI;*
- b) ***approving detailed criteria for selection of AC Projects to be financed from the PSI;***
- c) ***reviewing project proposals presented by the Fund Manager and approving Projects, amounts of funding from the PSI, the types and terms of financing including without limitation the application for the tax exemption;***
- d) ***reviewing and approving the business plan and annual budget and the auditor for the PSI for each fiscal year;***
- e) ***approving the yearly operative budgets of the Fund Manager and REA;***
- f) *approving rules of procedure for the PSI Project Supervising Committees;*
- g) *taking any other action that may be taken by the Contributors under these Rules of Procedure;*
- h) ***amending these Rules of Procedure and establishing additional rules of procedure for itself.***

***Decisions on matters specified in [bold italics], i.e. items b), c), d), e) and h) above shall be approved unanimously.*** The above functions are to be discharged primarily through convening of minimum two PCOM meetings each year in March/April, and September/November in Helsinki.

The FM holds the PSI funds in trust and is responsible for the PSI management in accordance with the PSI Guidelines. The FM is in charge of daily operations of the PSI. With respect to implementation of PSI projects in the RF, the FM works together with REA.

## 3. ACTIVITIES LEADING UP TO EACH PCOM MEETING

The FM will coordinate preparations for the meetings of the PCOM and ensure that members are adequately informed and thus able to prepare themselves, accordingly:

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<sup>6</sup> See Appendix 1 of the Arctic Council PSI Manual

- A provisional agenda will be prepared by the FM’s administration in agreement with the Chair of the PSI;
- Invitations, including the agenda and logistics information, will be dispatched to PCOM members, experts and observers well in advance of meetings;
- Pre-session meeting documents will be prepared and dispatched 30 days before meetings; and
- All information and documents will be placed on the PCOM intranet<sup>7</sup> (user names and passwords are provided to the Contributors’ Head of Delegation by the FM’s administration) and, as relevant also on the PSI’s public website<sup>8</sup>.

See Appendix 3 “Agenda Items PSI Committee Meetings” for a list of agenda items for each meeting. The status of implementation of PSI financed work will be indicated in the meeting agenda for each PCOM meeting. In addition, the agendas of the two annual PCOM meetings may include a number of other items concerning the different actions that have to take place at different points in time of the annual cycle. For example, the budget and business plans for execution (by the FM including, for PSI Projects in RF, REA) are to be approved at the first meeting of the calendar year. At the second meeting, the PCOM will examine the status of implementation of the current year’s work plan, the Independent Auditor’s Report on the PSI, as well as an up-to-date report on the work plan for the coming period. For more information on the pre-session arrangements see Appendix 4 Logistics and Practical Arrangements.

#### **4. THE ORGANISATION OF PCOM MEETINGS**

In accordance with the Rules of Procedure for the PCOM (see Appendix 1B), meetings of the PCOM will be called by the chairperson (the Chair) or by the FM. Each member of the PCOM and the FM will be given at least 30 days’ written notice of any up-coming PCOM meeting, unless such notice has been waived by the intended recipients. Such notice will specify the agenda to be considered and will designate the place, date and time of the meeting. The Chair will be responsible for guiding the meeting, but will be assisted by the FM, NEFCO, who will act as Permanent Vice-chair and Secretary at the meetings. As agreed by the PCOM at its First Meeting<sup>9</sup>, the Chair of the PCOM will rotate on a one year basis between the Contributing AC States. The incoming chair will also function as a Vice-chair of the preceding PCOM meeting(s).

##### ***4.1 Opening of the Meeting***

Each PCOM meeting will be opened by the Chair, who will place the meeting in context of the PSI’s overall work plan and draws members’ attention to particularly important issues to be covered during the meeting.

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<sup>7</sup> <https://psi.nefco.org/>

<sup>8</sup> <https://www.nefco.org/work-us/our-services/grants/arctic-council-project-support-instrument>

<sup>9</sup> Protocol of Decisions 1st PSI Committee Meeting; Document AC/PSI/PCOM/1402-2-1; Helsinki, 6 May 2014

## **4.2 Organisational Matters**

### **4.2.1 Adoption of Agenda**

A Provisional Agenda will set out the plan of work for each meeting. An accompanying Provisional Annotated Agenda will serve as a guide to the meeting agenda and contain a brief background to the issues to be discussed under each item and the action expected from the members of the PCOM. At the start of the meeting, members of the PCOM will be invited to review the agenda and to raise any additional issues that they believe ought to be included in the agenda.

### **4.2.2 Organisation of Work**

The Chair will propose the order in which the members of the PCOM will discuss each item on the adopted agenda and make arrangement for any activity of relevance to the members of the PCOM. The Chair will also make proposals regarding the extent and practicalities of the meeting.

## **4.3 Administrative Matters**

### **4.3.1 Adoption of Protocol**

A draft Protocol of Decision of each meeting of the PCOM will be prepared by the FM on the basis of the Provisional Annotated Agenda, presentations and the discussions of the members of the PCOM at the meeting. A Draft of the Protocol of Decisions will first be submitted by the FM to the Chair and/or Vice-Chair for review and subsequently to all of the members of the PCOM for their approval. The Protocol of Decisions dispatched by the FM to the members of the PCOM will be considered approved by the members of the PCOM after the lapse of a 30 days' commenting period. If needed, the FM may request members of the PCOM to confirm their approval of project investment decisions immediately after the PCOM meeting by requesting them to sign an annex to the Protocol of Decisions to this effect before the meeting is dissolved. At the time of adoption of the Protocol of Decision members of the PCOM are not expected to re-open substantive discussions on any agenda item, but merely to ensure that the Protocol of Decisions adequately records the discussion(s) as held.

### **4.3.2 FM's Activities (including REA)**

At each meeting, the FM will report on activities that the FM and REA have carried out since the preceding PCOM meeting. This report will usually cover follow-up actions to PCOM decisions and a review of project proposals to be presented at the current meeting. According to the PSI Guidelines, the FM shall, semi-annually, present a report to the SAOs about the activities of the PSI. The report, to be prepared by the FM, will sum up the activities of the PSI during the period of reporting, normally the preceding 6 months year, highlighting the important policies and guidelines that have been adopted, the funding that has been disbursed and the amount of activity. Before the report is presented by the FM to the SAO, it is presented to the PCOM - usually at the meeting prior to the SAO meeting. Following the PCOM meeting, the report is updated to incorporate any points raised by the members of the PCOM and the outcome of the PCOM meeting.

### **4.3.3 Policy Items**

Under this item, policy items of the AC of relevance to the PSI may - at the request of the FM, or governance related to issues that the members of the PCOM may wish to have policy discussions on - be addressed. Alternatively, if deemed more appropriate, policy items may also be addressed under other more pertinent agenda item of the PCOM meeting.

### **4.4 PSI, resources and allocations**

At every PCOM meeting, the FM will provide an updated report on the Status of Contributions to and disbursements of the PSI funds. This updated report will include an account for the PSI fund's balance, income and contributions, and information on the aggregate status of the PSI fund. The FM's report on balances and availability of resources, presented under this item, will provide a review of the total balances from allocations, projects under way and completed projects, including support costs and a calculation of the total amount of resources available in the PSI fund for new approvals and business/work planning during the meeting. At the second meeting of the PSI ("Fall" meeting) the Independent Auditor's Report on the PSI will also be presented.

### **4.5 PSI Projects, PSI Work Plan, implementation including Project Review**

#### **4.5.1 Presenting Projects for PSI Financing**

The purpose of the PSI is to mobilise and channel financing for the implementation of approved Arctic Council projects leading to concrete environmental benefits. Interested project owners or other relevant stakeholders may apply for PSI financing through the FM. Support for project development may also be initiated through the FM, by the Arctic Council's subsidiary bodies, Arctic Council members, permanent participants, as well as observers and others. Guidance on how to proceed in order to have a project considered for approval as an Arctic Council project may be sought through the FM.

An overall view of the PSI project flow is depicted in the flow chart included in the PSI Guidelines (Appendix 1A). There are principally two routes for presenting AC Projects for possible PSI financing<sup>10</sup>:

- i) Top-down: From an Arctic Council body to NEFCO- REA<sup>11</sup> – PCOM;
- ii) Bottom-up: From a project owner – REA and NEFCO –AC body - REA and NEFCO-PCOM.

In the "Top down" the Chair of an AC body submits a project proposal, in accordance with PSI Guidelines and in line with the project approval criteria (Appendix 2) to the FM and/or REA for the consideration of the PCOM. The "Bottom-up" approach envisages a project-owner proposing a project or a series of specific sub-projects, within an AC priority initiative/area, to the FM and REA who then interacts with an AC body to facilitate and ensure that the project(s) are satisfactory (and are in accordance with PSI Guidelines and the project approval criteria) for the FM to present to the PCOM.

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<sup>10</sup> Arctic Council Project Support Instrument, Preparatory PSI Committee meeting, Helsinki, 20-21 November 2012, AC/PSI/PPCOM/R2 2012.11.21

<sup>11</sup> REA is the Russian Executing Agency for PSI Projects in the Russian Federation



New project proposals for possible financing are presented by the FM to the PSI Committee in two steps: (1) An initial, first step of relevance of the Fund Manager, for the PCOM to assess whether the project looks interesting (Expression of Interest, “EOI”) which, in the affirmative, allows the FM to further review and develop the project in cooperation with the proposer and the potential end-recipient (“beneficiary”; “client”); and (2) A second step, for the PCOM to make a Final Investment Decision (“FID”) enabling the FM to actually provide the financing for the implementation of the project.

In case there is a project idea that is considered to be an Arctic Council Project / Programme of priority but needs further clarification or appropriate development, financing for scoping can be requested from the PSI. The Fund Manager, Arctic Council subsidiary body, observer or stakeholder may use the Project Idea Template (Appendix 2, Attachment 2) to request financial assistance from the PSI Committee to scope the project.

Alternatively, the PCOM may not be able to consent whereby the proposal will not proceed any further. If the project is rejected, the FM may resubmit it at a future point in time, or seek alternate projects. The FM will convey the decision of PCOM to the proponent. See Section 6 below for details on timing and application for financing of projects.

Approval of a Project’s EOI or Scoping by the PCOM allows the FM to further develop the project with all supplementary information and documentation that, in a timely manner, will bring it to the second step, i.e. presentation with a request to the members of the PCOM to decide whether to fund/co-fund the project by providing additional “Final Invest Decision” (FID) in one or several steps. The FID will also be based on a recommendation from the FM and will also require a consensual decision by the members of the PCOM. If finally approved by the PCOM, the FM will thereafter proceed with the necessary execution of the PCOM decision, including convey the decision to the proponent(s). In cases where all information contained in a project proposal is considered sufficient, the PCOM may provide a FID approval in one step on the basis of the FM’s recommendation taking into account associated discussions by the members of the PCOM.

Between EOI and FID step, the FM will review the project proposal in detail and assesses whether it fulfils all relevant project selection criteria and complies with the general policy decisions previously taken by the PCOM. During this phase, including that of scoping, adjustments may still be made to the project proposals, particularly in terms of their costs, technology choices, other interventions, and the proposed financing package. Projects which meet all of the PSI project selection criteria (See Appendix 2), and for which there are no policy or other issues outstanding, may be approved by the PCOM on the basis of the FM’s recommendation taking into account associated discussions by the members of the PCOM.

When the PCOM has approved the financing of a project, the FM will prepare corresponding finance documentation to be formally agreed with and signed by the recipient (beneficiary/client). The agreements with the beneficiary shall be, inter alia, in line with the PSI Guidelines and the Fund Manger’s Agreement with the PSI Contributors covering matters related to procurement and anti-corruption. Any PSI related procurement and contracting shall be made in accordance with

the NEFCO Procurement Guidelines<sup>12</sup> and the NEFCO Policy on Fighting Corruption<sup>13</sup>. Invitations to tender as well as the PSI contracts (such as grant agreements) to be entered into by the Fund Manager shall include a clause on the possibility of the tender being rejected and the contract being cancelled, in case any illegal or corrupt practices have been connected with the award or the execution of the contract. This documentation will include requirements regarding data quality assurance, the annual reduction targets to be achieved, a schedule for the disbursement of the PSI funds against agreed and verifiable milestones and project progress and completion reporting outlined in the PSI Project Completion Report (PCR) Template, see Appendix 2.

#### **4.5.2 Project/Programme Implementation**

The members of the PCOM will review the progress of the approved PSI Projects at each meeting in a report presented by the FM. The FM will for the development of this document include information on projects with implementation delays and a more comprehensive assessment of risks of non-completion based on field progress. The template for the Project Completion Report (PCR - including monitoring of the projects' progress) can be downloaded from the PSI internet website<sup>14</sup>. Projects experiencing delays and projects with financial imbalances will be monitored closely and presented to the PCOM at each of its meeting. The PCR will enable the members of the PCOM to examine and discuss at each PCOM meeting projects with implementation delays as well as projects proposed by the FM for possible cancellation. The FM proposal includes an assessment of the consequences of cancelled projects in AC priorities.

#### **4.5.3 The PSI Project Supervising Committees**

A PSI Project Supervising Committee (PSC) will be established by the FM for each individual approved project. The main purpose of the PSC will be to function as an advisory forum for the exchange of practical advice and expertise as well as relevant information from the FM on approved projects in order to facilitate and ensure implementation in line with the Final Investment Decision of the PCOM. Each PSC will operate in line with the PSC's Rules of Procedure (RoP) (Appendix 1C). The PSC will be comprised of a FM representative and member(s) of relevance for the specific project<sup>15</sup>. The FM will function as chair and secretary of the PSC. For small projects, the PSC may be comprised solely of representatives from different departments within the organisation of the FM, with an obligation for the FM to report back to the PCOM.

#### **4.6 Budget of the FM and REA**

The budget will set out the costs of the FM and REA needed to perform their respective administrative tasks and cover costs related to personnel and other general administrative services associated with the effective functioning of the PSI and the implementation of the PSI projects. A revised annual budget(s) of costs of the FM and REA, respectively, will be presented to the PCOM for approval each [calendar] year. The amount of compensation to REA will be established on the basis of the yearly budgets approved by the PCOM in accordance with the Rules

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<sup>12</sup> [https://www.nefco.org/sites/defacade.nefco.org/files/pdf-files/defacade\\_nefco\\_procurement\\_guidelines\\_12\\_dec\\_2013\\_0.pdf](https://www.nefco.org/sites/defacade.nefco.org/files/pdf-files/defacade_nefco_procurement_guidelines_12_dec_2013_0.pdf)

<sup>13</sup> [https://www.nefco.org/sites/defacade.nefco.org/files/pdf-files/defacade\\_nefco\\_board\\_resolution\\_on\\_fighting\\_corruption.pdf](https://www.nefco.org/sites/defacade.nefco.org/files/pdf-files/defacade_nefco_board_resolution_on_fighting_corruption.pdf)

<sup>14</sup> PSI Project Completion Report template: [http://www.nefco.org/financing/financing\\_instruments/](http://www.nefco.org/financing/financing_instruments/)

<sup>15</sup> The PSC member may include the AC project lead or a delegated expert, e.g. in the case of an ACAP project, the expert group project lead(s) will be contacted to participate or alternatively delegate a representative who will participate as an expert in accordance with the PSC RoP.

of Procedure for the PCOM. Should the PCOM not reach an agreement on such a yearly budget, the budget accepted for the previous year will apply until a new budget is approved by the PCOM.

#### **4.7 Any Other Business**

This agenda item will cover any other matter which the PCOM may agree to consider and include a proposal for the date of the upcoming meeting of the PCOM.

### **5 ACTIVITIES FOLLOWING A PCOM MEETING**

The FM will prepare a Protocol of Decisions and a Protocol of Decisions on Final Investment Decisions and Expression of Interest made at each PCOM meeting. These protocols will, after lapse of a commenting period, be conveyed to all PCOM members, other participants and posted on the FM's website<sup>16</sup>. In addition, REA and relevant local RF agencies will, as relevant, be informed about decisions related to project approvals, cancellations, implementation delays and tranche submission delays through a letter from the FM. In order to make the outcomes of the meeting more widely known, a news release, will, if relevant, be prepared and a document summarizing decisions made at the meeting will be sent by email to all meeting participants, Member States of the AC, and through REA to relevant RF stakeholders. A summary of decisions and news item will also be placed on NEFCO public website.

### **6 ELIGIBLE PSI PROJECT AREAS AND HOW TO APPLY FOR PSI FUNDING – INITIATION AND PROJECT SELECTION CRITERIA**

#### **6.1 General Aspects**

PSI financing can only be given to projects that are action-oriented, *i.e.* includes the implementation of concrete actions undertaken based on fixed cost estimates and defined, measurable results to be achieved within a limited amount of time. The PSI gives priority to projects related to pollution prevention, abatement and elimination. The end goal is to achieve actual environmental benefits on the ground through the implementation of pilot and demonstration projects, which may then be replicated or scaled-up. The PSI may contribute to the development of projects, including:

- project preparation activities, including identification and concept development, pre-feasibility studies and feasibility studies
- environmental impact assessments
- business and financing plans
- preliminary design
- preparation of tender documents tendering and evaluation

The PSI offers financing in the form of grants, contingent grants (which means a grant that has to be repaid if the project achieves its goals), and loans (on concessional terms). To get PSI financing it is required that the recipient (beneficiary/client) has the capacity to implement the project. This may include requirements of own financial resources or access to other funding. Also recipients should be prepared for that they will be required to apply fully transparent procurement and

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<sup>16</sup> <https://www.nefco.org/work-us/our-services/grants/arctic-council-project-support-instrument>

implementation procedures as well as subject themselves to supervision and monitoring measures to ensure that the PSI financing is used only for the purposes it has been granted for (see §4.5.1).

#### **6.1.1 Contributions to the PSI**

The PSI became operational on 18 July 2014 with a trial period to 18 July 2019<sup>17</sup> with a total pledge of almost 16 million Euros. This includes per July 2014 contributions from Finland, Iceland, Norway, Russia, Sweden, the United States, the Sami Parliament and NEFCO. The PSI is open for new contributors and contributions. All Arctic Council members, observers and other interested parties can contribute to the PSI. Contributions are made through the FM, NEFCO, and formalized by a funds administration agreement between the FM and the contributor.

#### **6.1.2. Resource allocation/strategic planning of projects and activities**

The PCOM has agreed on a work plan indicating a tentative allocation of the already pledged funds during 2014-2019. According to this, about 40% should be allocated for demonstration projects on hazardous waste management POPs and pollution prevention, about 25% for mitigation of mercury, and about 20% for projects dealing with cleaner production, energy efficiency and climate change/Short Lived Climate Pollutants (SLCP).

#### **6.1.3 PSI Work Planning, Projects Scope, Priority and Financial Structuring**

The PSI work plan reflects the Expressions of Interests, scoping and Final Investment Decisions of the PCOM and the associated implementing activity.

Financing from the PSI can only be provided for projects, which have been approved by the AC; and are action/investment-oriented (i.e. actions, limited in time and scope, with a determined cost estimate and a defined, measurable result). The PSI is not to provide financing for general AC activities, such as the operating or administrative costs of AC programs or the costs for participation in AC activities. The PSI shall give priority to projects related to pollution prevention, abatement and elimination. The PSI may finance project preparation activities, such as project identification and concept development, pre-feasibility studies, feasibility studies, environmental impact assessments, business plans, financing plans, preliminary design, preparation of tender documents tendering and evaluation; and specific measures in the implementation phase of pilot and demonstration projects, including supplies of equipment and services.

The PSI will, as appropriate, provide financing in the form of: grants; contingent grants (which have to be repaid if the project achieves its goals); and other revolving instruments such as loans on concessional (soft) terms. Due consideration shall be given to local participation in the projects (e.g. through the provisioning of recipient counterpart funds), transparent procurement and implementation procedures as well as effective supervision and monitoring of project activities financed by the PSI.

#### **6.1.4 Programmes and Projects of the AC**

The AC comprises of eight Arctic States and six permanent participants of the Arctic indigenous communities. The AC's activities include protection of the Arctic environment and sustainable

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<sup>17</sup> SAO (2016), Report of plenary meeting, Portland, Maine October 2016, Third SAO plenary meeting during the U.S. Chairmanship

development. Programmes and projects of AC are expected to address the elements outlined below.<sup>18</sup> , In preparation of proposals for projects and programmes the following elements are to 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 AC 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.

A substantial portion of the AC's activities is conducted through number of its bodies, including six working groups (WG) and their respective sub-groups (PSG/EG). PSI funding is available to all WGs for projects approved by the Arctic Council that meet the PSI criteria<sup>17</sup>:

- ACAP (Arctic Contaminant Action Programme)
- AMAP (Arctic Monitoring and Assessment Programme)
- CAFF (Conservation of Arctic Flora and Fauna)
- EPPR (Emergency Prevention, Protection and Response)
- PAME (Protection of Arctic Marine Environment)
- SDWG (Sustainable Development Working Group).

A list of approved AC Projects of these working groups, and their updates, can be accessed via the links presented in Appendix 8. Another note of approved project areas is also provided by the SAOs' Haparanda Meeting<sup>19</sup>, as follows:

*"[SAOs] noted that items listed in P1-P10 identified by the Fund Manager in the November 2012 Update on the PSI are approved Arctic Council project areas. Projects within these areas are thus eligible for funding consideration if they have followed the appropriate Arctic Council and subsidiary body procedures including bringing the individual projects forward to the appropriate Arctic Council subsidiary body for approval; requested the Fund Manager to proceed with an appropriate assessment and development of these projects for future consideration of the PSI Committee for financing; encouraged the Fund Manager to cooperate with relevant Arctic Council subsidiary body chair(s) to mobilize the Project Support Instrument (PSI)."*

The list of AC projects, including the above termed "P1-P10" areas, is subject to further refinement and continued work of the AC, the SAOs and priorities established by the respective AC Chairmanships.

## **6.2 AC Project for PSI Financing – Initiation, review, implementation**

Section 4.5 describes the general rule for the initiation, presentation and soliciting of PSI financing of AC Projects. For timely consideration, a potential project proposal for PSI financing is submitted

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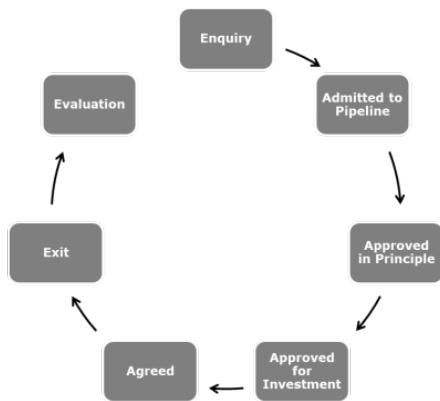
<sup>18</sup> Arctic Council Rules of Procedure as revised by the Arctic Council at the EIGHTH ARCTIC COUNCIL MINISTERIAL MEETING Kiruna, Sweden May 15, 2013.

<sup>19</sup> Final Report Meeting of Senior Arctic Officials Haparanda, Sweden, pp 6; 14-15 November 2012,

to the FM and REA, as relevant, for evaluation 60 days before a PCOM meeting or for an inter-sessional approval. The procedure for inter-sessional approval is depicted in Section 6.5 below.

### 6.2.1. Project Inquiry and Review Process

A PSI Project Cycle normally takes into account the peculiarities of the finance schemes available to the FM depicted in Figure 1 below.



**Fig. 1 – A typical PSI Project Cycle**

Normally a generic PSI project cycle consists of:

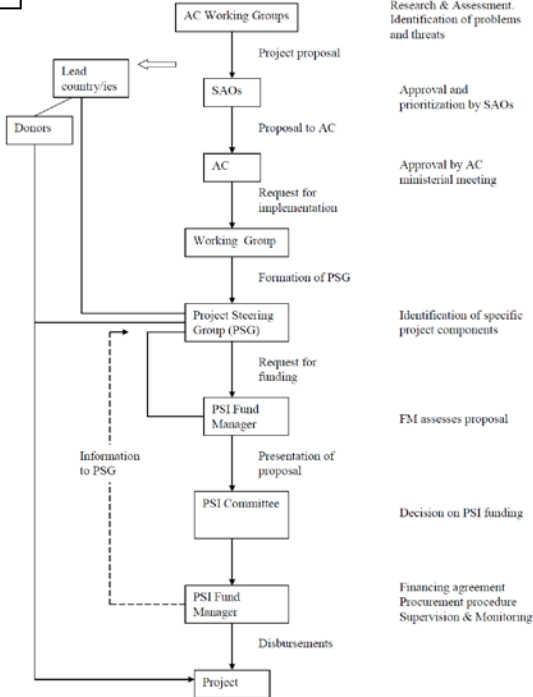
- Enquiry/Proposal/Scoping request: when the project is submitted for review by the FM;
- Admittance to the PSI pipeline: indicating that the FM sees potential for the project;
- Approval ~~by~~ the PCOM: after approval by the PCOM of the FM’s recommendation for a project e.g. regarding an Expression of Interest or ~~Scoping~~, Scoping, the information on projects will be developed including soliciting co-financing with other NEFCO fund management and/or other financiers for their possible approval of additional financing. Projects needing scoping and that have received PSI Committee approval, will be developed further with help of the respective PSC established for the project;
- Approval for Investment (Final Investment Decision) i.e. final approval for investment by the PCOM for PSI financing (e.g. in a phases and, as relevant, possible approval by others financiers of co-financing);
- Signing of relevant agreement with the project owners: regulating the terms and conditions of the PSI financing and, as relevant, possible co-financing;
- Implementation of the projects;
- Exit: last disbursement, respectively final repayment; and
- Post evaluation: lessons learnt, including environmental reporting.

The PSI project flows in relation to the AC bodies is depicted in Figure 2 below<sup>20</sup>.

<sup>20</sup> SAO (2005) and SAO (2016)

**Fig 2**

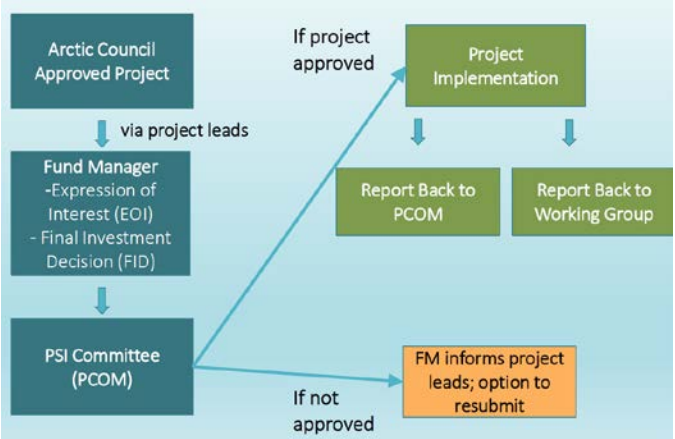
**PSI PROJECT FLOW**



Attachment 1 to PSI Guidelines

- Research & Assessment. Identification of problems and threats
- Approval and prioritization by SAOs
- Approval by AC ministerial meeting
- Identification of specific project components
- FM assesses proposal
- Decision on PSI funding
- Financing agreement Procurement procedure Supervision & Monitoring

**PSI PROJECT CYCLE**



Proposals for financing must be submitted to the FM at least 60 days before a PCOM meeting. The FM will review the submissions w.r.t. criteria and supporting documentation (see Appendix 2 for Criteria and templates for PSI Project and approval of scoping work). Proposals for projects and activities are reviewed by the FM based on the rules and policies governing investments. These criteria and guidelines evolve through successive decisions made by the PCOM at their meetings. Projects and activities that, by the date of the submission deadline before each meeting, do not contain the information or components necessary for the project to be considered as potentially approvable, are not included in meeting documentation for that meeting.

The FM informs the PCOM about proposals received from the AC bodies, but not included by the FM, in PCOM meeting documentation for financing, together with the FM’s reasons for such non-inclusion. The proposals received by the FM in various formats, specific to respective subsidiary bodies requesting PSI financing, are included as information material. The FM will review proposals with the aim of reaching an agreement with the proponent, beneficiary/client, as appropriate about technical, cost, governance (e.g. procurement) and financing aspects and also to identify any emerging policy issues to bring to the attention of the PCOM. Those proposals for investment project projects and activities which are submitted to the PCOM will be presented to the PCOM with a recommendation based on the review by the FM.

Significant adjustments can be made to the project proposals during the FM’s review process; for example the level of costs, phasing, financing and technology choice may be adjusted, and the project may also otherwise be adjusted to take into account the policy decisions previously taken by the PCOM. Projects which meet all the eligibility requirements, and for which there are no policy or other issues outstanding, may be approved by the PCOM merely on the basis of the FM’s

recommendation. **The members of the PCOM will, however, always make the final decision on any projects which is to be financed by the PSI.**

### **6.2.2. Discussion of project proposals by the PCOM**

Proposals for projects and activities may be handled in as follows:

- An approval at a PCOM meeting following discussion by the PCOM
- In some cases, the PCOM may decide to proceed through an inter-sessional review and approval process (see Section 6.5).

The PCOM will discuss and make decisions on any projects which raise policy issues but are still potentially approvable. The PCOM will consider these proposals for projects and activities individually and may approve them with or without a number of conditions. If the project is rejected, the FM may submit it again at a future date, or seek alternate projects.

### **6.2.3. After approval of a PSI Project**

Following project funding approval, the FM will proceed with ensuring all conditions and milestones for the project(s), including procurement, governance, quality assurance, progress reporting are formally agreed to with the project beneficiary (client, owner, stakeholder). At this stage, the FM will also establish a PSI Project Supervising Committee (PSC) for the approved project to function as an advisory forum (see Section 4.5.3) to facilitate implementation in line with the FID for that project.

On the basis of these agreements, the FM will disburse funds against verified achievements concerning project implementation. The responsible implementing entity is required to submit a verification (project progress/completion) report on the achievement of the targets specified in the agreements as a prerequisite for each disbursement of fund tranches. If the project does not comply with the disbursement requirements set out in the agreement, the project will not be entitled to receive funding in accordance with the schedule contained in the agreement. The institutional capacity of the project entity is always very important in order to enable an effective and complete implementation of projects. In order to monitor the fulfilment of the requirements in the agreements related hereto, the entity deployed for supporting the project entity in the implementation of the project will coordinate with and confirm to the FM that also such requirements, in addition to the general conditions precedents, including quality assurance statement, for disbursement of funds have been met prior to each disbursement of funds. Within [six] months of project completion, the executing entity, e.g. REA/consultant, will submit Project Completion/Progress Reports (PCR) to the FM (see §6.2.4). Appendix 2 provides a link for downloading the template for the PSI PCR. The PCR will enable oversight, including for the PCOM. The PCR are to be submitted by the executing entity to the FM who will then summarise this information and provide it to the PCOM.

### **6.2.4. Monitoring projects - implementation delays and cancellation**

Monitoring of projects involves periodic reporting to gauge the project's progress or lack of progress. The FM will scrutinise data on the performance of projects reported by the executing entity (consultant) in their PCR. Projects which are experiencing delays and projects with financial negative balances will be monitored more closely and reported on at each PCOM meeting.



The members of the PCOM will consider a consolidated report on project implementation delays prepared by the FM based on reports from the implementing entities. A project will be classified as having a delay if it is expected to be completed more than [18] months too late or where disbursement has occurred [24] months or more after project approval. Such projects will be put forward by the FM and monitored at each PCOM meeting for progress and will be subject to the PCOM's decision for project cancellation. The PCOM may consider cancelling a project with implementation delays that has experienced no progress for [three] consecutive PCOM meetings. At this point, the project owner and FM will be required to agree to deadlines for project milestones.

### **6.3. Evaluation**

The evaluation process will include and consider completed and on-going projects and provide information on the strengths and limitations of various types of projects, the major causes of failures to reach targets, lessons learnt during the implementation and the FM's recommendations for actions to improve performance. The PCR will use a standardized format, but will be modified to suit different types of projects. The FM will consolidate the information from the PCRs, including lessons into a "Consolidated project completion report", for the PCOM's consideration at its final meeting of each calendar year.

### **6.4. Performance of executing entities**

At the [second] [regular] meeting of the year, the FM will provide an annual progress report on both the implementation of approved work programmes and activities related to PSI programmes and projects. These reports will include information on the performance of implementing entity performance indicators.

### **6.5. Intersessional approvals**

Any action required or permitted to be taken at a PCOM meeting may be taken without a meeting, if a consent in writing, setting forth the action to be so taken, has been circulated to all of the Contributors 30 days' prior to the action required, and agreed by a majority of Contributors or, in the case of an action requiring unanimous approval, by all Contributors (see Appendix 1B; Rules of Procedure for the PCOM). In the case of projects, the PCOM will:

- review project proposals presented by the FM;
- approve the projects, amounts of funding from the PSI, the types and terms of financing including without limitation the application for the tax exemption; and
- decide on projects approvals unanimously.

### **6.6 Criteria for Project Selection**

As decided at the PCOM 5, and in accordance with Section 5 b) of the Rules of Procedure for the PCOM, the key criteria determining whether a project can be approved for PSI financing are:

- The project has been approved being an AC project;
- The project focuses on action towards pollution prevention, abatement and elimination effecting the Arctic;
- The project's replicability;
- The capacity of project partners to manage and implement the project according to plan;

- The PSI leveraging factor;
- How the PSI financing is to be used;
- The maturity of project;
- The rationale for phased approach;
- A risk assessment; and
- Availability of a local approval.

Appendix 4 depicts the template and further information on the criteria used for considerations. It is to be noted that the project assessment template and the above criteria will also be used by the FM for its assessment of project proposals before presentation to the PCOM.

The FM will, as relevant, ask the members of the PCOM to clarify any outstanding aspects associated with the agreed criteria for the selection of AC projects. On the basis of the agreed PSI project selection criteria and any hereto associated subsequent PCOM policy decisions, the FM will develop additional guidance for applicants, as necessary.

## **7. APPENDICES (as attached)**

The appendices provide further details on the governance and functioning of the PSI including web links to the AC and its bodies.

# APPENDIX 1

## PSI Governance Guidelines and Rules of Procedure for PSI Committee

Link to the PSI web site where the Guidelines and Protocols of the PSI Committee's meetings are posted:  
<http://www.nefco.org/work-us/our-services/grants/arctic-council-project-support-instrument>

### APPENDIX 1A

#### Guidelines for the Arctic Council Project Support Instrument

(Approved by the Senior Arctic Officials ("SAOs") on 7 April, 2005. Noted by PCOM 6 May 2014)

##### 1. Background

1.1. The Arctic Council, as a part of its activities, has identified and agreed upon a number of priority projects, the implementation of which contribute to meeting the objectives of the Council. Additional priority projects are foreseen to be identified and agreed upon in the future.

1.2. Mobilization of financial resources is an essential prerequisite for the execution of projects. As the result of a number of discussions in the Arctic Council on the issue of financing, ACAP with the assistance of NEFCO has presented an initiative to establish a financing instrument for Arctic Council projects focused on actions against pollution.

1.3. The Fourth Ministerial Meeting of the Arctic Council in Reykjavik 2004 inter alia:

- Emphasized the need for reinforcing efforts to finance circumpolar cooperation,
- Supported the Project Support Instrument (PSI) concept as a mechanism to enhance the process of identifying, mobilizing and transferring financing for specific priority Arctic Council projects,
- Requested the SAOs to establish a pilot phase of the Arctic Council Project Support Instrument to focus on actions against pollution in the Arctic and to develop a set of guidelines in close cooperation with NEFCO and ACAP for the management of a pilot phase of the Instrument,
- Decided that the Instrument be a voluntary, non-exclusive mechanism for financing specific priority projects that have already been approved by the Arctic Council,
- Decided that the Instrument may make use of a broad range of funding arrangements to include grants and revolving instruments,
- Invited interested Arctic Council Member States, observers and others to pledge contributions to the Arctic Council Project Support Instrument,

1.4. The SAOs have therefore established the Arctic Council Project Support Instrument (hereinafter referred to as the "PSI") for a pilot phase and approved these Guidelines for the management of the PSI.

##### 2. Purpose and orientation of the PSI

2.1. The PSI is a financing instrument established for the purpose of mobilizing and channelling financing for specific Arctic Council projects.

2.2. Financing from the PSI can only be provided for projects, which  
(i) have been approved by the Arctic Council; and

(ii) are action/investment-oriented (i.e. actions, limited in time and scope, with a determined cost estimate and a defined, measurable result). The PSI is not to provide financing for general Arctic Council activities, such as the operating or administrative costs of Arctic Council programs or the costs for participation in Arctic Council activities;

2.3. The PSI shall give priority to projects related to pollution prevention, abatement and elimination.

2.4. The PSI may finance:

(i) project preparation activities, such as project identification and concept development, pre-feasibility studies, feasibility studies, environmental impact assessments, business plans, financing plans, preliminary design, preparation of tender documents tendering and evaluation; and

(ii) specific measures in the implementation phase of pilot and demonstration projects, including supplies of equipment and services.

### 3. Administration of the PSI

3.1. The PSI is set up as a pool of voluntary, individual contributions, administered by the Funds Manager, which agrees to hold the funds in trust and to be responsible for their management in accordance with these guidelines. The Funds Manager is in charge of daily operations of the PSI.

3.2. The PSI is open for contributions from Arctic Council members, observers and other interested parties. The Funds Manager will invite Contributors to pledge contributions, which will be formalized through individual funds administration contracts between the Funds Manager and the respective Contributors.

3.3. The funds administration contracts shall provide for the PSI to be governed by a PSI Committee composed of representatives of the Contributors. The PSI Committee shall provide guidance to the Funds Manager and have the authority to approve tasks or actions for PSI financing within approved projects.

### 4. Modalities of operation

4.1. The PSI will, as appropriate, provide financing in the form of:

(i) grants;

(ii) contingent grants (which have to be repaid if the project achieves its goals); and

(iii) other revolving instruments such as loans on concessional (soft) terms.

4.2. Due consideration shall be given to local participation in the projects (e.g. through the provisioning of recipient counterpart funds), transparent procurement and implementation procedures as well as effective supervision and monitoring of project activities financed by the PSI.

4.3. Financing may be requested by Project Steering Groups, project owners or other relevant stakeholders.

### 5. Reporting

5.1. The Funds Manager shall, in addition to the reporting required according to the funds administration contracts, semi-annually present a report to the SAOs about the activities of the PSI.

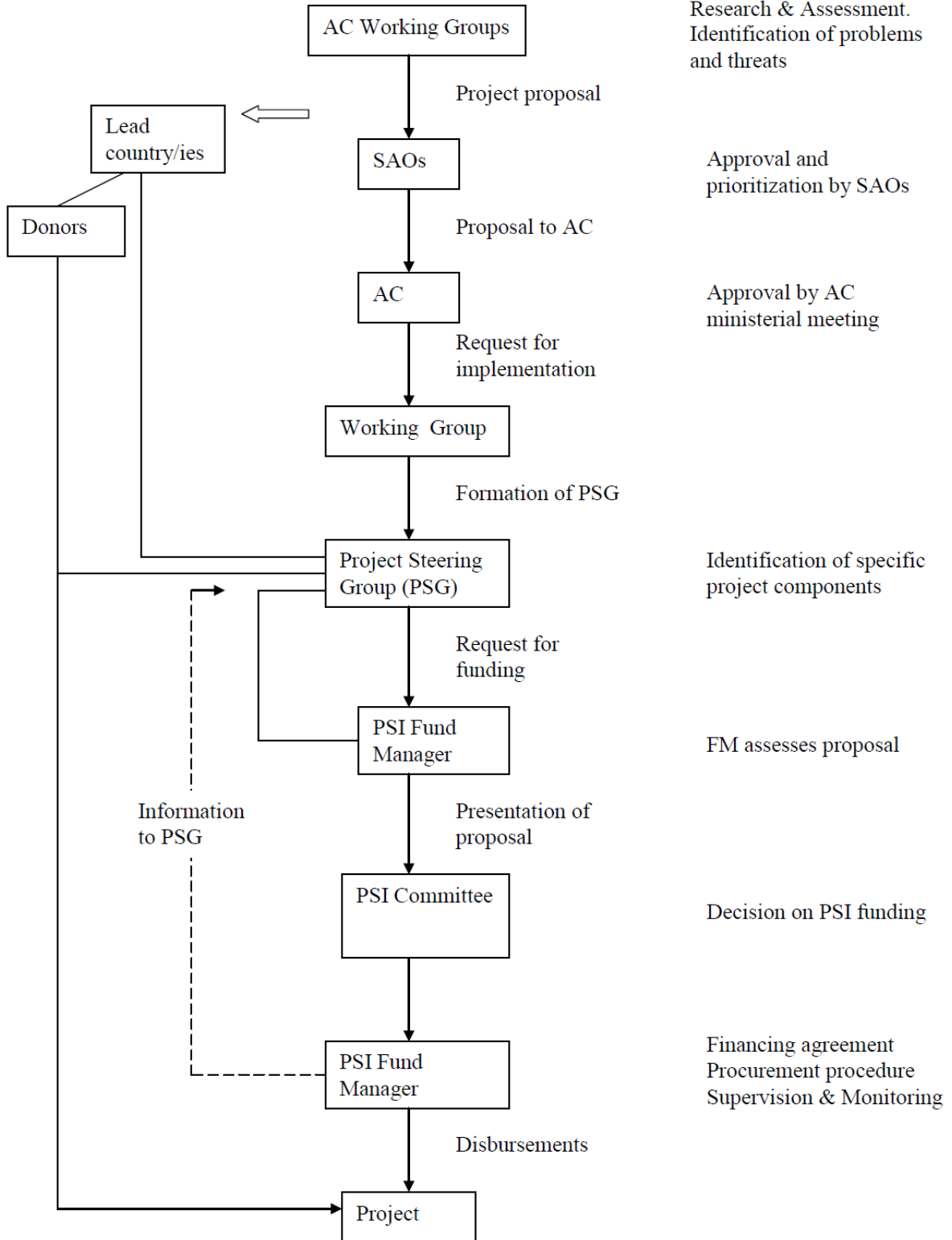
### 6. Other provisions

6.1. These Guidelines remain in force until they are amended by the SAOs or until the PSI is dissolved according to the conditions of the funds administration contracts.

[PSI Project Flow Diagram: See Attachment 1 to PSI Guidelines]

**Attachment 1 to PSI Guidelines**

**PSI PROJECT FLOW**



### Rules of Procedure for the PSI Committee

(SAO took note of the Rules of Procedure (RoP) at the 19-20 November 2008 Meeting in Kautokeino, Norway; The RoP was endorsed by the PSI Committee on 6 May 2014)

1. The Contributors to the PSI will establish a PSI Committee, responsible for the general policy and strategic guidance of the PSI. The PSI Committee shall be comprised of one member from each Contributor and the Fund Manager.
2. The PSI Committee shall elect one of its members to serve as chairperson for one year commencing from its first meeting or until such a time as such a member has ceased to be a member of the PSI Committee or until such a member's successor as chairperson has been elected.
3. Invited experts and observers shall also be permitted to attend meetings.
4. No member of the PSI Committee shall receive any compensation from the PSI for its services as such, nor shall any member of the PSI Committee be entitled to payment or reimbursement from the PSI or the Fund Manager for travel or other costs incurred in attending meetings of the PSI Committee.
5. The PSI Committee shall have the following powers and duties:
  - a) reviewing the operations of the PSI to provide the Fund Manager with general policy and strategic guidance on the operations of the PSI;
  - b) approving detailed criteria for selection of AC Projects to be financed from the PSI;
  - c) reviewing project proposals presented by the Fund Manager and approving Projects, amounts of funding from the PSI, the types and terms of financing including without limitation the application for the tax exemption;
  - d) reviewing and approving the business plan and annual budget and the auditor for the PSI for each fiscal year;
  - e) approving the yearly operative budgets of the Fund Manager and REA;
  - f) approving rules of procedure for the PSI Project Supervising Committees;
  - g) taking any other action that may be taken by the Contributors under these Rules of Procedure;
  - h) amending these Rules of Procedure and establishing additional rules of procedure for itself.

Decisions on matters specified in item b), c), d), e) and h) above shall be approved unanimously.

6. A majority of the members of the PSI Committee present at a meeting shall constitute a quorum for the transaction of business. Each member of the PSI Committee, with the exception of the Fund Manager (unless it is also a contributor), shall be entitled to cast one vote. Every matter submitted to the PSI Committee shall be decided by a simple majority (greater than fifty percent) of the votes cast at the meeting of the Contributors present and voting or voting by proxy or electronically (other than by telephone) except where a greater majority is proved elsewhere in these Rules of Procedure. Abstentions shall be counted as a non-vote. Any Contributor entitled to vote at a PSI Committee meeting may vote by proxy.

7. Meetings of the PSI Committee shall be called by the chairperson or by the Fund Manager. Each member of the PSI Committee and the Fund Manager shall be given at least 30 days' written notice of any PSI Committee meeting unless such notice has been waived by the intended recipient. Such notice shall specify the agenda to be considered and shall designate the place, date and time of the meeting.

8. One or more members of the PSI Committee may, if all of the other members of the PSI Committee participating in the meeting consent, participate in a meeting of the PSI Committee by means of such telephone or other communications facilities as permit all members participating in the meeting to hear each other or participate by other electronic means, and a member of the PSI Committee participating in such a meeting by such means is deemed for the purposes of these Rules of Procedure to be present at that meeting.

9. Any action required or permitted to be taken at a PSI Committee meeting may be taken without a meeting if a consent in writing, setting forth the action to be so taken, has been circulated to all of the Contributors 30 days' prior to the action required, and agreed by a majority of Contributors or, in the case of an action requiring unanimous approval, by all Contributors.

## APPENDIX 1C

### Rules of Procedure for a PSI Project Supervising Committee

(Approved by the PSI Committee at its 2<sup>nd</sup> Meeting on the 7<sup>th</sup> of October 2014)

1. Upon the PSI Committee's approval (in the form of a Final Investment Decision) of a project for PSI financing, the PSI Fund Manager will establish a PSI Project Supervising Committee to be comprised of the Fund Manager and member(s) of relevance for the specific project.
2. The main purpose of the PSI Project Supervising Committee is to function as an advisory forum for the exchange of practical advice and expertise as well as relevant information from the Fund Manager on the project in order to facilitate and ensure implementation in line with the Final Investment Decision of the PSI Committee for that project.
3. The Fund Manager and members of the PSI Project Supervising Committee may convene and exchange information in any way they deem most appropriate, including electronically. In case of visit(s) required by the Fund Manager, to the project site in the context of point 2 above, all members of the PSI Project Supervising Committee will be given opportunity to take part (but at their own cost, as set out below in point 4).
4. Members of the PSI Project Supervisor Committee shall not receive any compensation from the PSI for their advisory services, nor shall they be entitled to any payment or reimbursement from the PSI or the Fund Manager for travel or other costs incurred in attending possible meetings or site visits of the PSI Project Supervising Committee.
5. The Fund Manager shall function as chair and secretary of the PSI Project Supervising Committee. For small projects, the PSI Project Supervisory Committee may be comprised solely of representatives from different departments within the organisation of the Fund Manager, with an obligation for the Fund Manager to report back to the PSI Committee.



### Project Support Instrument (PSI) Project Criteria and Templates

#### 1. Background

The First Meeting of the Preparatory PSI Committee (PPCOM) urged the Fund Manager to provide for consideration at the 2<sup>nd</sup> PPCOM, a proposal for project criteria and a template for projects, in light of comments received. A draft PSI Project Template was distributed to the PSI Contributors on 18 of June 2012. The criteria and templates were discussed during 2014 and decided at [PCOM •]. Attachment 1 represents the current draft template. As a principal rule, PSI project criteria take into account the rules and guidelines that have already been approved by the Arctic Council /Senior Arctic Official (SAO) decisions.

#### 2. Orientation on the PSI<sup>21</sup>

The PSI is a financing instrument established for the purpose of mobilizing and channelling financing for specific Arctic Council projects. Financing from the PSI can only be provided for projects, which

- i) have been approved by the Arctic Council; and
- ii) are action/investment-oriented (i.e. actions, limited in time and scope, with a determined cost estimate and a defined, measurable result). The PSI is not to provide financing for general Arctic Council activities, such as the operating or administrative costs of Arctic Council programs or the costs for participation in Arctic Council activities;

The PSI shall give priority to projects related to pollution prevention, abatement and elimination. In this respect the PSI finances:

- iii) project preparation activities, such as project identification and concept development, pre-feasibility studies, feasibility studies, environmental impact assessments, business plans, financing plans, preliminary design, preparation of tender documents tendering and evaluation; and
- iv) specific measures in the implementation phase of pilot and demonstration projects, including supplies of equipment and services.

The PSI will, as appropriate, provide financing in the form of: grants; contingent grants (which have to be repaid if the project achieves its goals); and other revolving instruments such as loans on concessional (soft) terms. Due consideration shall be given to local participation in the projects (e.g. through the provisioning of recipient counterpart funds including recipient co-financing, co-financing from RF budgetary organisation or other source), transparent procurement and implementation procedures as well as the potential for effective supervision and monitoring of project activities financed by the PSI.

#### 3. Evaluation Criteria for Arctic Council Projects submitted for PSI Funding

Project proposal for consideration of the PSI Committee (PCOM) normally to take place in two steps to obtain: 1) An expression of interest (EOI); and 2) Final Investment Decision (FID). Projects for presentation to PCOM are to use the template in Attachment 1. The template is normally expected to be based on information provided in more detailed documents such as Business Plans (BP). Appropriate template(s) for

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<sup>21</sup> Guidelines for the Arctic Council Project Support Instrument Approved by the Senior Arctic Officials ("SAOs") on 7 April, 2005

development of BP can be downloaded from NEFCO's website. A decision to approve a PSI investment, for an Arctic Council Project, is to take into account the following criteria:

	<b>Criteria</b>	<b>Description</b>
<b>PSI Decision Criteria</b>	<b>Environmental</b>	Relation to arctic (i.e. Arctic Council Project, what priority area; if not approved as an AC project, how is the approval envisaged; relation to regional/local regulations and permits; Reduction of contaminant release; Cost effectiveness (e.g. unit abatement cost)
	<b>Capacity of Projects Partners</b>	Provide information on the ability of the Project Owner and partners to deliver on the Project Objectives and execute the respective undertakings. -Availability of financial and human resources -Previous experience of projects with external financing
	<b>PSI Leverage factor</b>	Proposed PSI financing would count for X % of the total cost the project in the medium-term period with a leverage factor of about X:1. Grant co-financing represent compliment to the local resources. Loan financing represent complimentary financing. What shall the grants address? (e.g. facilitating affordability constraints.)
	<b>Use of PSI financing</b>	What shall PSI financing cover? (e.g. the purchase of key equipment, feasibility study or technical assistance).
	<b>Maturity of Project</b>	The beneficiary commitment towards the project. Evidence of commitment (e.g. finalisation of the first phase of improved environmental service and performance of the treatment plant, and willingness to take further action to comply with HELCOM/EU/other stricter standard / eliminate a BEAC Hotspot, AC measure.)
	<b>Rationale for phased approach</b>	Describe what phase is the project in? (e.g. second phase and continuation of the environmental improvements of the mercury release in Nenets).
	<b>Risk Assessment</b>	Provides risk evaluation associated with implementation of the project and what actions are be taken to mitigate the risks.
	<b>Local Approval</b>	Provide evidence that the Project complies with the policies and rules pursued by the authorities, e.g. Government of the Russian Federation/local administration, permits and licences.
<b>Conclusion</b>	<b>Summary</b>	Fund Manager's recommendation to the PSI Committee on the Project

**PROJECT SUPPORT INSTRUMENT (PSI)PROJECT**

<b>Beneficiary</b>																					
<b>Project Description (including environmental benefits)</b>	<p><b>Background</b></p> <p><b>[Sector]</b></p> <p><b>Project Partners</b></p> <p><b>Institutional Arrangement</b></p> <p><b>Arctic Council Project</b></p> <p><b>Project/Investment Programme</b></p> <p><b>Environmental and health benefits</b></p> <p>The expected environmental and other benefits are listed below:</p> <table border="1" style="width: 100%; border-collapse: collapse; margin-left: 20px;"> <thead> <tr> <th style="width: 35%;">Parameter</th> <th style="width: 10%;">Units</th> <th style="width: 20%;">Existing situation</th> <th style="width: 20%;">After implement</th> <th style="width: 15%;">Net reduction</th> </tr> </thead> <tbody> <tr> <td>•</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>•</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>•</td> <td></td> <td></td> <td></td> <td></td> </tr> </tbody> </table>	Parameter	Units	Existing situation	After implement	Net reduction	•					•					•				
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<b>Investment and Financing Plan</b>	<p>The tables below summarize the current cost estimates and the amount of estimated financing.</p> <p><b>1. Cost estimates:</b></p> <p>2.</p> <table border="1" style="width: 100%; border-collapse: collapse; margin-left: 20px;"> <thead> <tr> <th style="width: 70%;">Component</th> <th style="width: 30%;">Cost estimate (EUR thousand)</th> </tr> </thead> <tbody> <tr> <td>- Civil works/Buildings</td> <td></td> </tr> <tr> <td>- Machinery/equipment</td> <td></td> </tr> <tr> <td>- Technical Assistances/Consultancy</td> <td></td> </tr> <tr> <td>- Local component (e.g. eqpt., consultant)</td> <td></td> </tr> <tr> <td>- Others</td> <td></td> </tr> <tr> <td>Contingencies</td> <td></td> </tr> <tr> <td><b>Total costs</b></td> <td></td> </tr> </tbody> </table>	Component	Cost estimate (EUR thousand)	- Civil works/Buildings		- Machinery/equipment		- Technical Assistances/Consultancy		- Local component (e.g. eqpt., consultant)		- Others		Contingencies		<b>Total costs</b>					
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	<p><b>Financing plan for project implementation:</b></p> <table border="1"> <thead> <tr> <th><b>Financier</b></th> <th><b>(EUR thousand)</b></th> </tr> </thead> <tbody> <tr> <td>Loans:</td> <td></td> </tr> <tr> <td>-...</td> <td></td> </tr> <tr> <td>Local co-financing:</td> <td></td> </tr> <tr> <td>-...</td> <td></td> </tr> <tr> <td>Own financing</td> <td></td> </tr> <tr> <td></td> <td></td> </tr> <tr> <td colspan="2">PSI financing (specify grant, contingent grant or soft loan)</td> </tr> <tr> <td colspan="2"><b>Total proposed commitments</b></td> </tr> </tbody> </table>		<b>Financier</b>	<b>(EUR thousand)</b>	Loans:		-...		Local co-financing:		-...		Own financing				PSI financing (specify grant, contingent grant or soft loan)		<b>Total proposed commitments</b>	
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<b>Rationale for PSI financing</b>																				
<b>Next Steps</b>																				
<b>Target Commitment</b>																				
<b>Date (mm/yy)</b>																				

<b>Origin of Brief and Contact Person;</b>		
<b>Date of drafting/update</b>		
<b>PSI Decision Criteria</b>	<b>Environmental</b>	
	<b>Capacity of Projects Partners</b>	
	<b>PSI Leverage factor</b>	
	<b>Use of PSI financing</b>	
	<b>Maturity of Project</b>	
	<b>Rationale for phased approach</b>	
	<b>Risk Assessment</b>	
<b>Local Approval</b>		

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## Templates for Development of Supporting Documentation

Typical examples of templates for a developing of PSI Projects (without priority, and may be adjusted to specifics of a project to be considered), monitoring and reporting on completion PSI projects can be downloaded from the NEFCO webpage:

<http://www.nefco.org/work-us/our-services/grants/arctic-council-project-support-instrument>

- Project Idea Template for Scoping of a PSI Project
- BUSINESS PLAN [Example 2012-09-19];
- BUSINESS PLAN (Example Draft 2014-09-01)
- 
- FORMAT FOR PSI PROJECT COMPLETION REPORT

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<b>ARCTIC COUNCIL PROJECT IDEA TEMPLATE for Project Initiation / Scoping</b>	
Arctic Council relevance	Indicate relation to an existing Arctic Council approved project or relevant problem area
Environmental benefit	Describe foreseen environmental benefits
Project description	Brief description of project
Type of support needed	Please indicate (Project scoping, Pre-feasibility other):
Proposed experts (if known)	Name: Institution/company: Address: Phone: E-mail:
Cost Estimate	(if available, max EUR [XX,000])
Contact Information	Arctic Council subsidiary body: Name of contact person: Institution/company: Address: Phone: Email:
NECESSARY ADMINISTRATIVE INFORMATION (Arctic Council Related information / Amarok tracking number etc.)	

## Appendix 3

### Agenda Items for PSI Meetings

#### Standard Agenda Items for PSI Committee meetings

1. Opening of the meeting.
2. Organizational matters:
  - (a) Adoption of the agenda
  - (b) Organization of work
3. Administrative matters
  - (a) Adoption of PSI COM Protocol
  - (b) Fund Manager's Activities
  - (c) PSI Policy Item
4. PSI resources and allocations
5. PSI projects and PSI work plan [Period]
6. Any other matter
7. Closure of the meeting.

Table 1 and 2 provide additional details, as relevant

**Table 1. Standard PSI Meeting Agenda Item and Associated Documents**

Agenda Items and sub-items	Document associated with item
Opening of the meeting	
ORGANIZATIONAL MATTERS <ul style="list-style-type: none"> <li>• Adoption of the agenda</li> <li>• Organization of work</li> </ul>	Provisional agenda & Provisional annotated agenda
ADMINISTRATIVE MATTERS <ul style="list-style-type: none"> <li>Adoption of PSI Protocol</li> <li>Fund Manager and REA activities</li> <li>PSI Policy Item</li> </ul>	Decision protocol of the PCOM is adopted PSI Fund Manager and REA activities incl. FM report to SAO Policy matter to be brought for PCOM's consideration
PSI RESOURCES & ALLOCATIONS <ul style="list-style-type: none"> <li>Status of contributions and disbursements</li> </ul>	Status of contributions and disbursements
Report on balances and availability of resources	Report on balances and availability of resources
Status of implementation of delayed projects	Status of implementation of delayed projects
PSI PROJECTS AND PSI WORK PLAN [PERIOD] <ul style="list-style-type: none"> <li>Strategic Business-Work Planning</li> </ul>	Work activities that are to take place, projects.
Programme implementation <ul style="list-style-type: none"> <li>• Project proposals</li> <li>• Evaluation activities</li> <li>• Delays</li> </ul>	Project proposals, reports on evaluation activities and other related documents

Report on implementation of approved projects with specific reporting requirements	Report on implementation of approved projects with specific reporting requirements
Project proposals	
• Overview of issues identified during project Review	Overview of issues identified during project review
• [Amendments to] work programmes for [year]	(Amendment to) work programme for [year] of REA
• Investment projects	Project proposal(s): [country]
Any Other Matter(s)	e.g. Date of next PSI Meeting
Closure of the meeting	

**. Table 2a- Agenda items and sub-items occurring at the first PSI meeting of the year**

<b>Agenda Items/sub-item</b>	<b>Documents associated with agenda item</b>
Status of resources and planning	
• Financial planning for the period (years)	Financial planning for the period [year-year]
Strategic Business-Work plans, Resource allocation	

**Table 2b- Additional agenda items and sub-items occurring at the 2nd meeting of the year**

<b>Agenda Items/sub-item</b>	<b>Documents associated with agenda item</b>
Status of resources and planning	[current year] business / work plans A review of current year and overall business/work plans.
Programme Implementation	
• Progress reports as at 31 December of [preceding year] • Evaluation of the implementation of the preceding year's business plans	Consolidated progress report: Progress report of bilateral cooperation as at 31 December [year]; Progress report of [REA] as at 31 December [year] Evaluation of the implementation of the [year] business plans
Accounts and budget approval	Provisional [year] accounts. Accounts of the preceding year.] and necessary budget approvals

## Appendix 4

### Logistics and Practical Arrangements for PCOM Meeting participants

This Appendix provides orientation of PCOM meetings relevant to the logistical aspects of meetings including practical arrangements for meeting participants. Additional information relating to an upcoming meeting may be issued by the FM ca. 30 days before a meeting.

#### Before the Meeting

##### 4.1 Preparation of the agenda

The provisional agenda for the meeting is prepared by the Fund Manager in agreement with the Chair and Permanent Vice Chair of the PSI Committee and is sent to PSI Committee members together with the letters of invitation at least 30 days before the meeting. The agenda contains a number of standard items (see Annex X) and other items that are related to the PSI Committee's annual cycle. There may also be policy issues which respond to specific decisions either from the PSI Committee or the Arctic Council.

4.2 Representation and Attendance: The Fund Manager notifies PSI Committee members of the dates and venue of meetings at least 30 days before the meeting. Invitations are sent to the [8] members of the PSI Committee. The Fund Manager also notifies the relevant individuals/bodies, who/which are necessary to participate as expert observers. Observers are allowed, upon invitation of the Fund Manager in agreement with the Chair, to participate without the right to vote in the proceedings of any meeting. These include the representatives of the Russian Executing Agency for PSI Russian Projects.

4.3 Letter of invitation: PSI Committee members should reply to the invitation as soon as possible providing names of their delegation. Information on logistics is prepared as an Information Note and sent to members by email. This provides practical details on the meeting venue, and information on meeting documents. Participants make their travel and hotel arrangements.

4.4. Financial and other support: No member of the PSI Committee shall receive any compensation from the PSI for its services as such, nor shall any member of the PSI Committee be entitled to payment or reimbursement from the PSI or the Fund Manager for travel or other costs incurred in attending meetings of the PSI Committee.

4.5. Time and venue of meetings: Meetings of the PSI Committee take place up to two times per year in March/April and September/ November and are usually held in Helsinki, Finland. The NEFCO premises on 34 Fabianinkatu, FI-00100 has been the venue for several meetings of the PSI Committee. The PSI Committee may decide to hold a meeting outside Helsinki if, special circumstance so require. The PSI Committee shall consider requirement, as appropriate, of an invitation from the host country. The extra costs of such meetings outside Helsinki if not already covered must be considered on the PSI Administration budget (Fund Manager / REA].

4.6. Meeting documents: Meeting documents are normally available for each agenda item and are written in English. These are dispatched to the PCOM Heads of Delegations electronically about 30 days before the start of the meeting. Electronic documents are published on the PSI internet as soon as they are cleared by the FM. Occasionally a corrigendum or addendum to a document may be issued or a document may not be ready in time for the 30 days dispatch. These documents are sent to PCOM HoD and invitee by email or in the case of a large document or large number of documents, an email will be sent to alert members to the publication of the document for down-loading.



## Appendix 5

### Key Contacts and Information Sources

#### 5.1 Contact Details

Names, addresses and principal contacts for the PSI Committee Members can be requested from the Fund Manager and the REA. The Fund Manager and Russian Executing Agency contacts are as follows  
2015.09.09

1	FUND MANAGER Nordic Environment Finance Corporation (NEFCO) Fabianinkatu 34, PO Box 241, FI-000171, Helsinki, Finland <a href="mailto:info@nefco.fi">info@nefco.fi</a> ;  Telephone +358-10-618 003	Dr. Husamuddin Ahmadzai Special Adviser <a href="mailto:husamuddin.ahmadzai@nefco.fi">husamuddin.ahmadzai@nefco.fi</a> +358 10 6180 632/+46-708-166945  Henrik G. Forsström, Senior Adviser <a href="mailto:henrik.forsstrom@nefco.fi">henrik.forsstrom@nefco.fi</a> Tel: +358-10-6180 638 / +358-400-888541
2	RUSSIAN EXECUTING AGENCY (REA)	Mr. Alexandr Gogolev Mrs. Elina Manilova

5.2.1. Publications, information resources and databases: Fund Manager – Publications: Policies, Procedures, Guidelines and Criteria of the PSI: All the decisions of the PSI Committee as well as the decisions of the AC relating to the PSI are compiled and updated after every meeting of the PSI Committee by the Fund Manager. A list of any supporting PSI Committee or AC documents is also provided for entries mainly related to procedures and guidelines. The link also provides a list of PSI or AC documents and dates and venues of the Meetings of the PSI Committee. Available at <http://nefco.org/>

5.2.2. Website of the Russian Executing Agency (REA) for Projects in the RF  
To be filled in

5.2.3 Website of the Arctic Council: <http://www.arctic-council.org/index.php/en/>  
The Arctic Council Document Archives: <http://www.arctic-council.org/index.php/en/document-archive>

5.2.4 Websites of the PSI Contributors and PCOM Representations (To be filled in)

Finland  
Iceland  
NEFCO  
Norway  
Sámi Parliament  
Sweden  
Russian Federation  
United States of America

5.2.5 Useful acronyms (to be filled in)

### Arctic Council, Working Groups, Task Forces, Expert Groups

Arctic Council Plans and documentation, including Project Tracking Tool AMAROK:

<http://www.arctic-council.org/index.php/en/document-archive>

<https://oaarchive.arctic-council.org/>

ACAP (Arctic Contaminant Action Programme):

<http://www.arctic-council.org/index.php/en/about-us/working-groups/acap>

AMAP (Arctic Monitoring and Assessment Programme):

<http://www.amap.no/>

CAFF (Conservation of Arctic Flora and Fauna):

<http://www.caff.is/>

EPPR (Emergency Prevention, Protection and Response)

<http://www.arctic-council.org/eppr/>

PAME (Protection of Arctic Marine Environment):

<http://www.pame.is/>

SDWG (Sustainable Development Working Group):

<http://www.arctic-council.org/index.php/en/about-us/working-groups/sdwg>

Arctic Council Task Forces:

<http://www.arctic-council.org/index.php/en/about-us/subsidiary-bodies/task-forces>

Arctic Council Expert Groups

<http://www.arctic-council.org/index.php/en/about-us/subsidiary-bodies/expert-groups>

Projects of the Arctic Council PSI: [http://nefco.org/financing/arctic\\_council\\_project\\_support\\_instrument](http://nefco.org/financing/arctic_council_project_support_instrument)

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