



Funding, initiation, project selection criteria and how the PSI works

1. The PSI mandate

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.

2. What kind of projects can the PSI finance?

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

3. Who can apply for PSI financing?

The purpose of the PSI is to mobilize 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 Fund Manager, NEFCO. Support for project development may also be initiated through the Fund Manager, by the Arctic Council's Expert Groups, its subsidiary bodies and 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 Fund Manager.

4. What types of financing does the PSI offer?

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 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 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.



5. What are the key criteria used for project assessment?

The key criteria used for determining whether a project proposal can be financed by PSI include:

- The project proposal has been approved by the Arctic Council
- The project proposal will lead to concrete actions towards pollution prevention, abatement and elimination with measurable positive effects on the environment of the Arctic
- The project proposal's potential for being replicated
- The capacity of the recipient to implement the project proposal according to plan
- The potential of the PSI financing to leverage other financing
- The maturity of the project proposal
- A satisfactory risk assessment
- The availability of possibly required local approval(s).

More detailed information on the application procedure and templates are available at the NEFCO web-site:

http://www.nefco.org/financing/financing_instruments

6. Tentative distribution of PSI allocations 2014-19

The PSI committee 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 Short Lived Climate Pollutants.

7. How does the PSI work?

The PSI is governed by a Committee, consisting of representatives of the PSI contributors and the Fund Manager. The PSI committee makes the funding decisions. New project proposals for possible financing are presented by the Fund Manager to the PSI Committee in two steps: (1) An initial, first step, for the Com-

mittee to assess whether the project looks interesting (Expression of Interest) which, in the affirmative, will allow the Fund Manager to further review and develop the project in cooperation with the proposer and the potential end-recipient; and (2) a second step, for the Committee to make a Final Investment Decision enabling the Fund Manager to actually provide the financing for the implementation of the project.

8. What happens if a project is approved for PSI financing?

When the PSI Committee has approved the financing of a project, the Fund Manager will prepare corresponding finance documentation to be formally agreed with and signed by the recipient. This documentation will include inter alia requirements on the annual reduction targets to be achieved and a schedule for the disbursement of the PSI funds against agreed and verifiable milestones.

9. Who has contributed to and who can contribute to the PSI?

The PSI became operational on 18 July 2014 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 the Nordic Environment Finance Corporation (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 PSI Fund Manager, NEFCO, and formalized by a funds administration agreement between the Fund Manager and the contributor.

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