



Arctic Council Project Support Instrument PSI

PSI Manual

Approved by the PSI Committee in 2019

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ABBREVIATIONS AND TERMINOLOGY

AC	Arctic Council
AC Observer	State or organisation provided an observer status in the AC
AC Project Lead	Arctic state having the lead of a project
AMAROK	AC project tracking data base
AMS / AS	Member State of the Arctic Council
EG	Expert Group
FID	Final Investment Decision
FM	Fund Manager
NEFCO	Nordic Environment Finance Corporation
PCOM	PSI Committee
PP	Permanent Participant ¹
PSC	Project Supervising Committee
PSI	Project Support Instrument
REA	Russian Executing Agency; arrangement for providing supportive expertise for project preparation and implementation in the Russian Federation
RoP	Rules of Procedure
PSI portfolio	AC projects approved by the PCOM for PSI funding
PSI beneficiary	Groups of population and/or organisations for whom the benefits of a project are aimed at
PSI pipeline	Projects in the planning phase for PSI funding but still subject to funding decision by PCOM
SAO	Senior Arctic Official
WG	Working Group ²

¹ <https://arctic-council.org/index.php/en/about-us/permanent-participants>

² The Arctic Council has established the following Working Groups:

- The **Arctic Contaminants Action Program (ACAP)** acts as a strengthening and supporting mechanism to encourage national actions to reduce emissions and other releases of pollutants.
<https://arctic-council.org/index.php/en/about-us/working-groups/acap>
- The **Arctic Monitoring and Assessment Programme (AMAP)** monitors the Arctic environment, ecosystems and human populations, and provides scientific advice to support governments as they tackle pollution and adverse effects of climate change.
<https://arctic-council.org/index.php/en/about-us/working-groups/amap>
- The **Conservation of Arctic Flora and Fauna Working Group (CAFF)** addresses the conservation of Arctic biodiversity, working to ensure the sustainability of the Arctic's living resources.
<https://arctic-council.org/index.php/en/about-us/working-groups/caff>
- The **Emergency Prevention, Preparedness and Response Working Group (EPPR)** works to protect the Arctic environment from the threat or impact of an accidental release of pollutants or radionuclides.
<https://arctic-council.org/index.php/en/about-us/working-groups/eppr>
- The **Protection of the Arctic Marine Environment (PAME) Working Group** is the focal point of the Arctic Council's activities related to the protection and sustainable use of the Arctic marine environment.
<https://arctic-council.org/index.php/en/about-us/working-groups/pame>
- The **Sustainable Development Working Group (SDWG)** works to advance sustainable development in the Arctic and to improve the conditions of Arctic communities as a whole.
<https://arctic-council.org/index.php/en/about-us/working-groups/sdwg>

1. Background of the Project Support Instrument (PSI)

The Arctic Council (AC, established in 1996) is the leading intergovernmental forum promoting cooperation, coordination and interaction among the Arctic States, Arctic indigenous communities and other Arctic inhabitants on common Arctic issues, in particular on issues of sustainable development and environmental protection in the Arctic. The practical work of the Council is targeted especially at six thematic areas focusing on monitoring and assessing the state of the Arctic environment; reduction of emissions and releases of pollutants; conservation of Arctic biodiversity; emergency prevention; preparedness and response; protection of Arctic marine environment; and enhancing sustainable development in the Arctic. Specific Working Groups (WGs) have been designated within AC for each thematic area.

To support the Council's work, an initiative for establishing a specific project fund was launched in 2002 in a ministerial meeting (Inari Declaration, 2002). Based on initial planning, the Senior Arctic Officials (SAOs) approved the Arctic Council Project Support Instrument Guidelines on 7 April 2005 (Annex 1), outlining the key principles of the fund. NEFCO was then requested to act as the fund manager. The governing documents were developed during 2005-2014 and the fund, **Arctic Council Project Support Instrument (PSI)**, became operational in 2014. In a meeting of the SAOs in October 2016, the initial three-year period of the fund's pilot phase was extended until 18 July 2019, and based on the recommendations of an external evaluation of the fund in 2018, the SAO meeting at Rovaniemi on October 2018 supported the extension of the PSI pilot phase until the end of 2021.

Presently, the PSI has eight Contributors. The capital is about EUR 13 million.

The operations of the PSI are defined in various guidelines and manuals, the most important ones including the following:

- **PSI Guidelines** (see Annex 1): General guidance on PSI funding.
- **PSI Rules of Procedure for the PSI Committee (PCOM)** (see Annexes 2 and 3): Detailed guidance on the powers, duties and decision making processes of the PSI Committee.
- **The Rules of Procedure for the PSI Project Supervising Committee (PSC)** (see Annex 4): Establishment and functions of PSCs.
- **Cooperation Agreements between each Contributor and the Fund Manager (FM)**: Agreements on funding provided for the PSI and the management of the fund.
- **PSI Manual** (initially approved by PCOM on 22 February 2016 and revised in February 2019): Practical guidance on the stakeholders and their roles, project criteria, project cycle, and key planning, monitoring and reporting as well as communication and dissemination procedures.

Box 1 Agreements with PSI Contributors; pledges by Contributor

- ✓ Finland: EUR 200.000
- ✓ Iceland: EUR 8.000
- ✓ Norway: EUR 238.000
- ✓ The Russian Federation: EUR 10.000.000
- ✓ Sweden: EUR 272.000
- ✓ The United States of America: EUR 949.000
- ✓ The Sami Parliament of Norway: EUR 13.000
- ✓ NEFCO: EUR 1.350.000

In addition, the **Rules of Procedure (RoP, 2013)** and **Observers Manual (2013) of the AC** and the **Addendum of Observers Manual (2016)** describe the principles to be applied in the project proposals prepared by the Arctic States (AS) or Permanent Participants (PP) as well as in cooperative activities. The documents also define the role of **Observers** in the AC, and consequently, also in the PSI context.

The fund may operate with several funding modalities including various forms of grants and credits and their combinations. During the pilot phase, the fund has operated on grant basis. Leveraging other funding (self-contributions of project owners, grants and credits from other sources) is to be looked for in accordance with the RoP guidance of the AC.

2. PSI Manual: Purpose and content

The **purpose** of this revised PSI Manual is to provide practical guidance for management and understanding of the PSI. The manual defines the procedures applied in the project cycle as well as provides templates for planning and reporting. The funding criteria as well the functions and roles of the key governing bodies and other stakeholders are described as well.

The key **users** of the manual include the following:

- PSI Contributors
- PSI Committee (PCOM)
- Arctic Council bodies (Working Groups (WGs) and Expert Groups (EGs), Arctic Council Secretariat)
- Project initiators (proponents), Project Leads, project owners and beneficiaries
- Fund Manager (FM); i.e. NEFCO
- Members of Project Supervising Committees (PSCs)
- Consultants supporting project development and monitoring

Several stakeholders are involved in the management of the PSI fund as well as in implementation of PSI-supported projects. The key stakeholders and their roles are described in Table 1.

Table 1: PSI stakeholders and their roles

Stakeholder	Role	Comments
Arctic Council / Ministerial meeting	<ul style="list-style-type: none"> • Initiator of the PSI 	The initiative to develop the PSI was stated in the Ministerial meeting at Inari, 2002.
Senior Arctic Officials (SAOs)	<ul style="list-style-type: none"> • Strategic decision-making on the PSI as a funding instrument: decisions on key principles of the instrument, including extensions, new phases and principles of funding 	SAO meetings provide the AC - level decision-making platform for strategic issues of the PSI.
PSI Committee (PCOM)	<ul style="list-style-type: none"> • Key decision-making body of PSI: <ul style="list-style-type: none"> ○ Strategy guidance to PSI ○ Review of operations ○ Approval of criteria for PSI funding ○ Approval of projects and funding ○ Approval of PSI work plans ○ Approval of annual operative budgets ○ Approval and/or amending of procedures and PSI tools • Raising strategic and principal issues to SAOs 	<p>PCOM's role in PSI focuses on portfolio management and policy issues.</p> <p>Detailed guidelines on the modalities of the PCOM are given in the PSI Guidelines (Annex 1) and Rules of Procedure for the PSI Committee (Annex 2).</p> <p>PCOM may also provide additional guidance when needed.</p> <p>Experts and observers can be asked to attend PCOM meetings.</p>
PSI Contributor	<ul style="list-style-type: none"> • Party of PSI Cooperation Agreements with the fund manager 	Cooperation Agreements with the FM define the specific contributions.

	<ul style="list-style-type: none"> • Provides PSI funding in accordance with the pledges made under these PSI agreements • Nominates PCOM members • Participates in PSI policy discussions through PCOM representation 	
AC Project Lead	<ul style="list-style-type: none"> • Arctic State (AS) or a Permanent Participant (PP) • AS or PP may make project proposals for the approval of the WGs. 	An AS or a PP may make project proposals and function as an AC Project Lead. All projects are subject to a decision of the AC, in practice by a responsible WG.
AC Working group (WG)	<ul style="list-style-type: none"> • Approval of PSI projects in line with policy priorities of the AC • Participates in project preparation • Discusses the experiences gained in a project, brings results into policy work • Nominates the WG representative(s) to the Project Supervising Committees (PSC) • Participation in the dissemination of the results • Approval of the final reports of the projects 	<p>Approval of the WG makes a project an AC project. AC projects are normally part of a WG Work Plan submitted to the SAOs for approval.</p> <p>In case the WG has Expert Groups (EG), the PSC representation may be delegated to an EG.</p>
AC Expert group (EG)	<ul style="list-style-type: none"> • Development of project proposals and/or participation in project preparation • Participation in project monitoring • Forum for discussions on the experiences gained in a project • Participation in dissemination of results • If requested by the WG, the EG provides nominees to the Project Supervising Committee (PSC) 	<p>In case the WG does not have expert groups, the WG conducts the functions of the EGs.</p> <p>EG's role in PSI focuses on project-specific substance and technical issues.</p> <p>The first idea of a project may be developed within an expert group. Thereafter, a Project Lead needs to be defined.</p>
Project Supervising Committee (PSC)	<ul style="list-style-type: none"> • Supervision of a PSI-supported project, commenting on progress (e.g. based on progress reports and site visits), advising the FM in preparation of recommendations for project implementation • Advisory body, platform for discussions on the project and results gained • Approval of the Terms of Reference for the consultants • Approval of reports for distribution to the AC WGs/task force subsidiary bodies 	<p>PSC should consist of a delegated representative of the AC Project Lead, relevant expert(s) of the WG/EG, project owner and the FM.</p> <p>Active participation of PSC members is essential for quality assurance and communication.</p> <p>Detailed guidelines on the role and modalities of a PSC are given in Annex 4.</p>

Fund Manager (FM)	<ul style="list-style-type: none"> • Fund management including administration of the contributions; PSI portfolio management; financial planning and reporting; contracting/recruiting implementing agencies and experts • Preparation of annual plans for PSI • Development of PSI procedures and tools • Participation in project development; ensuring high quality of proposals; presenting the projects approved by the WGs (Final Investment Decisions proposals) for PCOM approval • Monitoring and supervision of projects • Instructing and compiling of project-specific progress and completion reports in cooperation with the WGs; preparation of portfolio reports for the PCOM and for SAO meetings • Secretariat to the PCOM and to PSC • Participation in dissemination work, including management of the PSI website 	<p>NEFCO has been chosen to provide the services of the FM.</p> <p>Agreements on the management of the PSI fund the have been executed between the Contributors and the FM.</p> <p>In case there is a potential for leveraging funding, liaison with other potential financiers and preparations for fund leverage are also important duties of the FM.</p>
Project Initiator (Project Proponent)	<ul style="list-style-type: none"> • Initial project development, bringing the project idea to an AC Project Lead • Participation in the project preparation and implementation 	<p>Only AC Project Leads may make actual project proposals for PSI funding.</p>
Project Owner	<ul style="list-style-type: none"> • The project owner may be an institution, non-governmental organisation or a company; it carries the main responsibility for project implementation and usage of the project's results • Provides self-funding for the project as defined in the PSI project financing agreement with the FM 	<p>The project owner may also be the recipient of the PSI funding.</p> <p>Self-contribution to a PSI funded AC project is to be in line with requirements defined in the AC Rules of Procedures.</p>
Observer	<ul style="list-style-type: none"> • Observer role in the Arctic Council • Observers participate primarily at the level of Working and/or Expert Groups • Observers may also be project partners and financiers 	<p>Observers may propose projects through an Project Lead but the total financial contributions from all AC Observers to a project may not exceed the financing from the Arctic States (i.e. maximum 50 % of total project funding), unless otherwise decided by the SAOs.</p>

Arctic Council Secretariat	<ul style="list-style-type: none"> • Operation of the AC project tracking tool AMAROK. An updated AMAROK list is to be made available at each SAO meeting. • Information publication and dissemination 	In order for a project to be considered an AC project, it must be registered in AMAROK whereby each project approved for PSI funding has an AMAROK number.
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As most projects in the current phase of the PSI are implemented in the Russian Federation, specific arrangements in the Russian Federation are described in Annex 11.

3. Funding criteria

Any project funded through the PSI needs to be **Arctic Council approved**. In practice, a project becomes AC approved when a relevant AC Working Group has approved it. A date of AC WG approval with an AMAROK number needs to be provided to the FM. The date and AMAROK number are also part of the Project Fact Sheet prepared for each project (see Annex 7.1).

New AC project proposals are typically brought to a WG by an AC Project Lead or by an EG with an AC Project Lead.

Regarding the scope of projects, the SAO meeting in Haparanda November 14-15, 2012 noted that items identified as P1-P10 below are approved AC project areas:

P1: The multilateral co-operation [project] on phase-out of PCB use, and management of PCB-contaminated wastes in the Russian Federation.

P2: Evaluation of Dioxins and Furans in the Russian Federation (including measures to reduce emissions/discharge/release).

P3: Reduction of Mercury releases from Arctic States (including the Russian Federation).

P4: Environmentally sound management of stocks of obsolete pesticides in the Russian Federation.

P5: Outreach and Implementation of the Cleaner Production Methodology in the Arctic Zone of the Russian Federation.

P6: Reduction or Elimination of Sources and Releases of Brominated Flame Retardants (“BFR” in Russia and the other Arctic States).

P7: Remediation of contaminated area of high priority by the Russian authorities (e.g. rehabilitation of Franz Josef Land).

P8: Programme to address mitigation of climate change, including projects addressing Short Lived Climate Pollutants (“SLCP” such as black carbon from diesel sources, methane, tropospheric ozone, HFC).

P9: Programme to fall under the envisaged Integrated Hazardous Waste Management Strategy (IHWMS). The projects may include those listed above in P1-P8.

P10: Projects and subprojects of the Indigenous Peoples Contaminants Action Programme (IPCAP)

In October 2016, the SAOs reiterated that PSI funding is available to all AC WG for projects meeting PSI financing criteria and approved by the AC, i.e. by an AC WG. Projects may thus focus also on other areas in case the responsible AC WG and the PCOM decide so.

When assessing and deciding upon a project proposal’s feasibility for PSI funding, the following **criteria** are considered by the FM when preparing recommendations to the PCOM for approval of PSI funding:

1. **Focus of the project** on action towards pollution prevention, abatement and elimination affecting

the Arctic, or on other environmental protection issues such as reduction of emissions of greenhouse gases and short-lived climate pollutants, and biodiversity protection. The FM's review will also address the targeted environmental and other impacts (e.g. health impact) of the project.

2. **Potential for replication and/or scaling up** of the developed systems. The FM's review shall address the wider potential for replication and scaling up and elaborate actions needed to boost replication, e.g. communication of impacts and benefits. Involvement of relevant national authorities and institutions is essential for replication.
3. **Potential for sustainability.** Regarding sustainability, the key issue is the project owner's and beneficiaries' capacity to manage (i.e. operate and cover the costs) of the developed systems after project completion.
4. **Capacity of the project partners** to manage and implement the project according to the plans, e.g. indicated as a substantial self-contribution by the project owner. The FM's review will also address the feasibility, clarity and relevance of the plans, including definition of the scope and objectives, roles of stakeholder and cost-efficiency. Issues related to traditional and local knowledge (TLK) as well as gender-related engagement shall also be part of the FM's review.
5. **Potential for leveraging** of funds from other sources. The FM's review will address information regarding costs and methods of financing; how the PSI financing is to be used; contributions, equity, loan(s), financing from other sources, e.g. from the proponent (AC Project Lead), project owner, beneficiary; and cost effectiveness;
6. **Maturity of project** to ensure smooth start and timely implementation of the project;
7. **Feasibility of the implementation strategy**, including relevant phasing of detailed planning and implementation. The FM's review will address the feasibility of the work plans and related schedules.
8. **Risk management** including assessment of the risk level and planned risk mitigation measures;
9. **Status related to permits or other required approvals.** Need for an environmental impact assessment (EIA) is to be assessed as well.
10. **Good governance and due diligence:** Procurement and contracting for an intervention is to be made in accordance with the NEFCO Procurement Guidelines and the NEFCO Policy on Fighting Corruption³;
11. Any other information relevant to the proposal, e.g. the AMAROK notation number.

All PSI funding proposals need to indicate, as relevant, the project's relation towards the criteria described above. The Project Proposal⁴ (Annex 5) outline includes guidance on presenting the eligibility towards the criteria.⁵

PSI funding may also be provided through the **Small Allocation Window (SAW)**. The purpose of the SAW is to help and speed up the mobilisation and channelling of financing to specific AC approved project priorities. SAW is to address and financially support project related interventions that serve a specific purpose, i.e. actions, which are limited in time and scope. The SAW may be used to finance project preparation and project review activities, such as assist with project identification and concept development, pre-feasibility studies and measures during the implementation phase of PSI financed projects. Guidance on the SAW procedure and a template for how to submit an application for SAW funding to the FM are provided in Annex 6.

³ In line with NEFCO's agreements with the PSI Contributors, all procurement and contracting are to be made in accordance with the NEFCO Procurement Guidelines of 12 December 2013 and the NEFCO Policy on Fighting Corruption. <http://www.nefco.org/work-us/our-services/procurement> and <http://www.nefco.org/who-we-are/legal-framework>

⁴ Previously also the term Expression of Interest was used for a Project Proposal.

⁵ This and other templates included as annexes are living documents and will be subject to updates, depending on the experiences gained when preparing and using the documents. The FM will make relevant revisions when and as need arises.

4. PSI Project Cycle

The cycle for initiating and approving projects for PSI funding consists of the following steps:

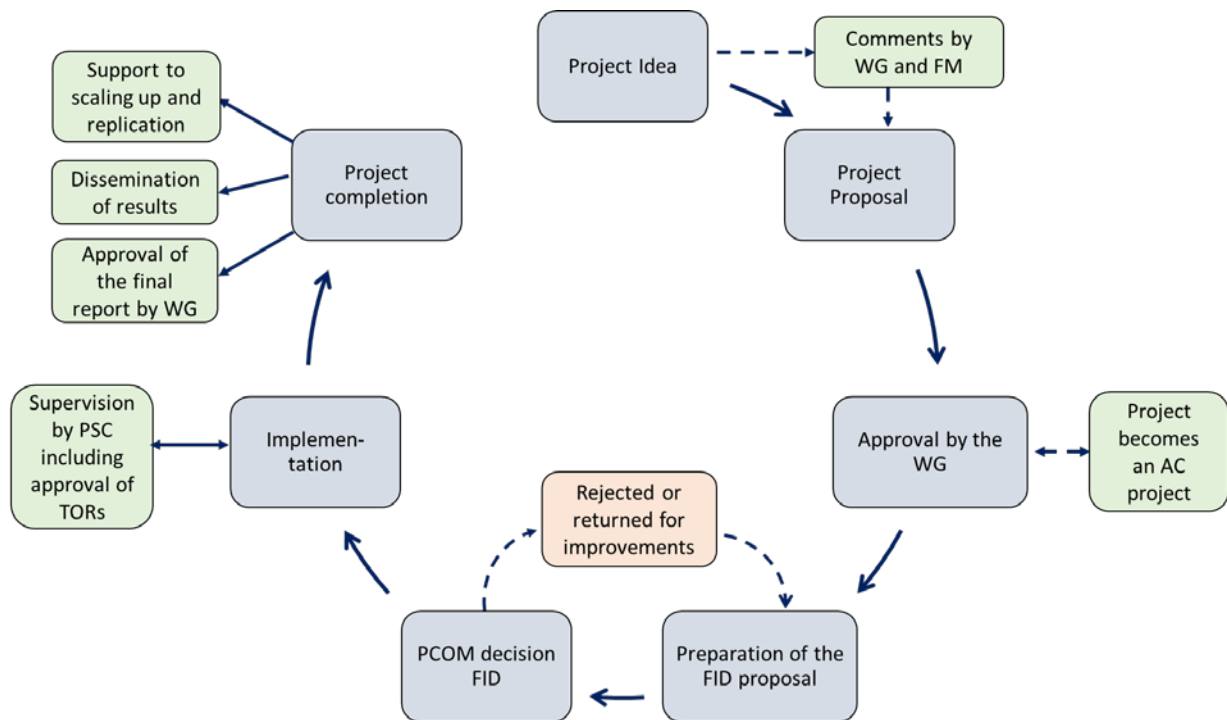


Figure 1: PSI Project Cycle

As mentioned above, the PSI fund can only finance AC approved project activities. Typically, the project cycle for initiating and approving projects for PSI funding consists of the below described steps.

- The Project Idea may be presented to a relevant EG and/or WG of AC by an AC Project Lead, i.e. an Arctic State or a Permanent Participant. Depending on the project, the project owner behind the Project Idea may be a ministry, a public institution, a non-governmental organization or a company. Also, the AC Project Lead may function as the project owner.
- The Project Idea has to be developed into a Project Proposal before it can be approved by the WG. The WG should consult the FM early on to ensure that the Project Proposal meets fundamental PSI funding criteria. In addition, the FM may support the preparation of the Project Proposal through providing necessary expertise (consultants) to the planning work. The WG/EG may also reject the Project Proposal, or return it to reformulation. After the Project Proposal has been approved by the responsible WG, the Project Proposal becomes an AC approved project and becomes eligible for PSI funding.
- Once the WG has approved the Project Proposal, it is forwarded by the AC WG to the FM. In case the detailed review by the FM reveals a need to revise the AC approved Project Proposal, consultations are conducted between the responsible AC WG and the FM. Once there is a consent on the Project Proposal, the FM continues with preparation of documentation for the Final Investment Decision (FID) to be made by PCOM. As needed, the FM can engage consultants to help in the preparation of the FID documentation and in preparing the project plan. After FID approval by the PCOM, the project is included in the PSI Portfolio and the Project Supervising Committee (PSC) is set up.
- Project implementation starts typically with procurement and contracting. Terms of Reference for the consultants are approved at the PSC. Procurement and contracting are done in accordance with the

NEFCO's Procurement Guidelines and the NEFCO Policy on Fighting Corruption. Normally, a detailed planning phase is conducted, supported with relevant consultants, including preparation (as relevant) of detailed project feasibility documents and work plans, setting up quality control, monitoring and reporting systems. When relevant (especially in major consultancy assignments), implementation may start with an Inception Phase lasting 2-4 months. During the Inception Phase, the detailed methods and work plans are prepared and established, situation updates made and implementation commenced. Implementation of major projects may be divided into several phases. The project cycle of each phase will then start from the detailed planning of the phase concerned. Depending on the project, the PCOM might need to approve each stage of the project separately.

- PSC is responsible for keeping the different stakeholders (a.o. WGs and EGs) updated on the project progress. A detailed distribution list of the representatives of the key stakeholders and their responsibilities will be agreed at the start - up meeting of PSC. In most cases (especially when project is proceeding according to plan) quarterly reporting from the FM to the PSC is adequate.
- The Completion of the project includes preparation of the final report, including an analysis of the monitoring and evaluation reports, dissemination of lessons learnt, and of actions laying grounds for future replication and scaling up. In case of major projects, also a final evaluation may be conducted, especially in cases where major lessons learned through the project. The final Completion report is to be approved by AC WG.
- Removal from PSI Portfolio. In case a project is not proceeding or is facing major problems, its status is discussed within the relevant PSC and AC EG/WG, and where appropriate, removed from the PSI portfolio by a decision of the PCOM. In such a case the FM will prepare a recommendation on the actions, based on the feedback from the PSC /WG/EG discussions

Annex 7 contains a number of outlines to be used for the preparation of a.o. project proposals, progress reports and final report.

5. PSI Portfolio management

The **PSI portfolio** includes the projects approved by the PCOM for PSI funding. The FM, and as applicable, with support from the Russian Executing Agency (REA) is responsible for managing the PSI portfolio, including management of the PSI database, fund management operations, and portfolio monitoring and reporting. The portfolio will be subject to updates whenever the situation in projects or in PSI funding change.

In case a project is not proceeding well, despite facilitation in the relevant PSC, the FM will recommend that the project is removed from the PSI portfolio by a separate decision of the PCOM. In such a case the FM will prepare a recommendation on the proposed actions to end the project, based on the feedback received from the PSC discussions. Thereby, the portfolio will always include only truly relevant and progressing projects.

6. Dissemination of results

One of the key objectives of the PSI is to support the AC's efforts aiming at pollution mitigation and environmental sustainability e.g. through replication of best practices developed in individual projects. Therefore, **dissemination and communication of results** is among the key functions of the PSI. A **dissemination plan** should be presented as a part of a Project Plan, or prepared latest during the initial stage of the PSI project implementation.

The PSI dissemination and communication plan should be prepared and included in the project by the AC Project Lead in consultation with the responsible EG/WG, the AC Secretariat and the FM. The dissemination and communication plan should define the roles of the AC Project Lead, EG/WG, AC Secretariat and the FM and outline the issues, methods as well as schedules, budget and responsibilities for the proposed dissemination activities. A template for the dissemination plan is given in Annex 7.

PSI dissemination and communication of results should consider the following principles:

- **Feedback on the results and experiences** of the project should be forwarded to the AC Secretariat, SAOs, relevant EG and WGs of the AC and the FM. The roles and duties of dissemination are defined in the Dissemination Plan, the AC Project Lead having a key role in ensuring effective dissemination.
- Effective dissemination of results requires identification of stakeholders who have **potential for replication** of the developed systems and best practices. Dissemination is to address the results of the project, including promotion of technology/system solutions developed in the project as well as sharing of experiences obtained during the implementation and when using the developed systems. Dissemination should also include information on the environmental and other (e.g. health) impacts of the project as well as on possible financial requirements and/or benefits (e.g. cost savings) of the project. For example, study tours may be organised for boosting replication.
- **Multiple dissemination methods** should be used to ensure targeted dissemination relevant to each stakeholder. Methods may include targeted distribution of brief summary reports, organising of study tours and/or events, presentations on the project's experiences in relevant events, and presenting results in the PSI, AC Secretariat/WG and AC Project Lead's websites. Dissemination through media may also be a relevant method for projects with wider interest.

7. Reporting and internal communication

To facilitate smooth and well-informed decision making for future planning and to ensure learning among stakeholders, the FM will provide the following reports/documents for the key AC stakeholders:

- PSI-level **portfolio reports** (Annexes 8 and 9) will be prepared for each PCOM meeting, i.e. for the winter/spring and autumn meetings of the PCOM. The detailed schedule may be modified in accordance with the timing of the PCOM meetings. The reports shall focus on the following:
 - Key achievements during the reporting period
 - Key changes and major deviations to the plans (e.g. delays and changes in the projects)
 - Elaboration on the causes for deviations
 - Proposals on corrective actions and changes
 - Summary on funding (allocated, used, forecast update)
- Short **summary reports** will be prepared for the SAO meetings.
- The FM will also prepare **annual PSI work plans** highlighting key operations at the fund level (i.e. portfolio management). The annual PSI work plans includes short summaries on the planned progress in the portfolio as well as key issues at the fund level such as schedule of key meetings and events, outlines of PSI-level annual portfolio budgets, and summary of wider dissemination activities.

ACAP Working Group has been the key AC partner during the pilot phase of the PSI. To ensure smooth and responsive communication, principles on internal communication between the WG, its EGs and the FM have been developed (see Annex 12). The same principles are expected to be applied as relevant also in the PSI-funded projects of other WGs.

Annex 1: 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
 - a. have been approved by the Arctic Council; and
 - b. 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

Annex 2: 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.

Annex 3: Standard agenda items of a PCOM meeting

The following agenda may be and applied for the PCOM meetings (and modified as relevant):

- 1) Opening of the meeting
- 2) Organizational matters
 - Adoption of the agenda
 - Organizational arrangements
- 3) Policy issues to be taken into account in PSI operations
- 4) PSI Portfolio
 - Update on the progress, key achievements, problems encountered, remedial actions needed
 - New project proposals
 - Update on the status of funding (present situation, forecasts)
- 5) Fund Manager's activities
- 6) Decisions
 - Required revisions and new actions
 - Project funding
 - PSI management
 - Dissemination activities
 - Other issues necessary for PCOM decision
- 7) Closure of the meeting
 - Summary overview
 - Next meeting

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>

Annex 4: Rules of Procedure for a PSI Project Supervising Committee (PSC)

(Approved by the PSI Committee at its 2nd Meeting on the 7th 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.

Annex 5: Outline of a Project Proposal

Preparation of a Project Proposal is the first step of an Arctic Council project formulation. The Project Proposal forms the base for the initial approval of the project by the responsible Working Group. It is submitted by a Project Lead. The Project Lead may be an Arctic State or a permanent participant of the Arctic Council.

Typically, the Project Proposal is prepared in collaboration with a relevant AC Expert Group and a project owner. Subject to availability of approved preparatory funds, the Fund Manager may support the preparation of the Project Proposal. The FM reviews the Project Proposal and prepares its statement on the project's potential eligibility for PSI funding, and forwards it to approval of a relevant Working Group. Once the WG has approved the Project Proposal, the project becomes an Arctic Council project and enters the PSI pipeline for further development. The following outline may be used for presenting the Project Proposal:

ARCTIC COUNCIL PROJECT SUPPORT INSTRUMENT (PSI) PROJECT PROPOSAL	
Project title	<ul style="list-style-type: none"> • Tentative title of the project
Project Lead	<ul style="list-style-type: none"> • Name of the organisation/focal entity (Arctic State/PP) • Focal point contact details
Key AC stakeholders	<ul style="list-style-type: none"> • Key stakeholders and their roles (e.g. Arctic States, PPs, Observers, WGs)
AC project number	<ul style="list-style-type: none"> • AMAROK number
PSC representatives	<ul style="list-style-type: none"> • Contact information
Project owner(s)	<ul style="list-style-type: none"> • Name of the project owner(s), contact details
Background of the project	<ul style="list-style-type: none"> • Short overview of the project background • Need for the project, policy objectives behind the project • Previous phases / actions (if any) • Other information (e.g. already existing approvals)
Objectives	<ul style="list-style-type: none"> • Short description of the key objectives of the project
Key beneficiaries	<ul style="list-style-type: none"> • Direct and final beneficiaries
Scope of the project	<ul style="list-style-type: none"> • Short description of the project's initial components (action areas) and their contents (targeted key results and main actions) • In case a phased approach will be applied, short overview of the phasing
Resources and funding	<ul style="list-style-type: none"> • Overview of the initial resource need, budget and planned funding arrangements, expected funding/financiers
Correspondence to key PSI criteria	<ul style="list-style-type: none"> • Relevance for the AC • Targeted environmental and other impacts • Potential for replication • Potential for sustainability • TLK/Gender issues
Risk management	<ul style="list-style-type: none"> • Overview of possible risks and risk management measures
Date and signature(s)	

Annex 6: Small Allocation Window (SAW)

1. Background⁶

The Arctic Council (AC), as a part of its activities, has identified and agreed upon a number of priority project, the implementation of which contribute to meeting the objectives of the AC. This is an on-going process, and additional priorities will be identified and agreed upon within the AC in the future. The Contributors to the Project Support Instrument (PSI) wish to further enhance and strengthen the process of identifying and developing new projects for PSI financing and have to this effect decided to establish a limited financing window of annually maximum up to EUR 100 000 in total, the Small Allocation Window (SAW). Each allocation from the SAW will usually be around EUR 10 000 per intervention, and in exceptional cases maximum up to EUR 25 000.

2. Purpose

The purpose of the SAW is to help and speed up the mobilisation and channelling of financing to specific AC approved project priorities. SAW is to address and financially support project related interventions that serve a specific purpose, i.e. actions, which are limited in time and scope. The SAW cannot 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 SAW may be used to finance project preparation and project review activities, such as assist with project identification and concept development, pre-feasibility studies, environmental impact assessments, business plans, financing plans, design, preparation of tender documents, tendering and evaluation as well as provide support to specific measures during the implementation phase of PSI financed projects.

3. Modalities of operation

When considering an application made under the SAW, due consideration shall be given to ensure appropriate local participation in the project at hand (e.g. through the provision of recipient's own funding), transparent procurement and implementation procedures as well as effective supervision and monitoring of project activities financed by the SAW.

4. Process

The process for applying, approving and reporting on funding under the SAW:

- a. Applications under the SAW can be submitted to the Fund Manager (FM) by: AC Working or Expert Groups, AC subsidiary bodies, AC Project Leads and PSI Contributors by using the attached template (Schedule 1);
- b. Upon receipt of the application, the FM will screen the proposal to ensure that it complies with the general requirements for PSI financing contained in the PSI Guidelines and the PSI Manual;
- c. Applications will be processed by the FM on a first come, first served basis;
- d. When each application has been screened, the FM will prepare a protocol recording the proposal's PSI compliance (whereby it is approved) or non-compliance (whereby it is tabled);
- e. If approved, the FM will proceed with procuring the assistance needed for the intervention in accordance with NEFCO's Procurement Guidelines; and
- f. The FM will inform the PCOM, through its regular reporting and at PCOM meetings, on the allocations and disbursements made under the SAW.

⁶ Based on Guidelines for the Arctic Council Project Support Instrument (approved by the Senior Arctic Officials ("SAOs") on 7 April 2005. Noted by PCOM on 6 May 2014).

Schedule 1: SAW Application Template Form

TEMPLATE	
Request to Arctic Council Project Support Instrument for funding from the Small Allocation Window (SAW) for project preparation/scoping/review	
Arctic Council relevance	Please indicate the proposal's relation to an existing Arctic Council project priority [e.g. WG WP; SAO decision, such as the P1-P10 SAO Haparanda decision] or relevant problem area etc.
Environmental benefit	Please describe the foreseen environmental, including climate, benefits of the proposal.
Project description	Please include a brief description of the project proposal, including: <ul style="list-style-type: none"> • Main activities; • Geographic area; • Time line; • Sustainability, replicability and communications; • Scope and [draft] terms of reference for the task(s); • What tasks are to be carried out by whom and by when.
Type of support needed	Please specify type of the project proposal (e.g. scoping, pre-feasibility; review or other).
Proposed experts (if known)	Please insert the following information: Name: Institution/company: Address: Phone: E-mail:
Cost Estimate	Please indicate the foreseen costs.
Applicant's Contact Information	Please insert the following information: Arctic Council subsidiary body; Arctic Council Lead or PSI Contributor: Name of contact person: Institution/company: Address: Phone: Email:

Annex 7: Outlines for project plans and reports

The following outlines may be used as structures for various plans and reports. The templates are living documents and will be subject to updates, depending on the experiences gained when preparing and using the documents. The FM will make relevant revisions when a need arises.

Annex 7.1: Outline of a Project Fact Sheet

All plans and reports of approved PSI-supported projects shall include a **one-page project fact sheet** which summarises the key characteristics of the project. The following template may be used for the fact sheet.

ARCTIC COUNCIL PROJECT SUPPORT INSTRUMENT (PSI) - PROJECT FACT SHEET	
Project title	
Approval of the Working Group	Name of the WG and date of approval
AMAROK number	Amarok number
Project owner	Name of the organisation
Project partners	Key partners and their roles (e.g. responsible WG, participating stakeholders)
Objectives	Short description of the key objectives of the project
Key beneficiaries	Direct and final beneficiaries
Scope of the project	Summary of the project's components (action areas)
Budget and funding	Budget with planned funding contributions
Expected impacts	Targeted environmental and other impacts

Annex 7.2: Outline of a Project Plan (Project Document)

The detailed Project Plan functions as the strategic management tool for the project and as the key document for funding decisions. The following outline may be used for presenting the Project Plan.

ARCTIC COUNCIL PROJECT SUPPORT INSTRUMENT (PSI) – PROJECT PLAN	
Heading	Content
<i>Cover page</i>	
<i>Table of contents</i>	
<i>List of abbreviations</i>	
<i>Project Fact Sheet</i>	<i>Project Fact Sheet with possible updates</i>
Executive Summary	<ul style="list-style-type: none"> • A short summary on the project’s background, objectives, implementation strategy and expected schedule • Summary of the key partners • Budget and funding arrangements (PSI and other funding)
Background	<ul style="list-style-type: none"> • Short overview of the project background (initiator(s) of the project, preceding processes) • Need for the project • Linkage to relevant international conventions, strategies, policies and programmes behind the project • Other information (e.g. already existing approvals)
Project objectives	<ul style="list-style-type: none"> • Targeted impact(s); environmental, economic and possible other impacts • Immediate objectives and key outputs
Beneficiaries and stakeholders	<ul style="list-style-type: none"> • Final beneficiaries (e.g. population of the target area and/or other groups) • Direct beneficiaries (e.g. institutions, companies) • Other stakeholders and their roles
Work plan	<ul style="list-style-type: none"> • Key activities and their schedule
Budget and funding arrangements	<ul style="list-style-type: none"> • Budget with a clear breakdown of main cost items • Funding by each contributor (e.g. PSI, national funding, self-contributions, other)
Risk management	<ul style="list-style-type: none"> • Key risks and external assumptions • Risk management plan
Monitoring and reporting	<ul style="list-style-type: none"> • Monitoring (indicators, monitoring mechanisms) • Reporting (reports to be produced)
Dissemination	<ul style="list-style-type: none"> • Dissemination plan (see Annex 7)
Annexes	<ul style="list-style-type: none"> • Detailed work plan (e.g. a Gant chart) • Dissemination plan • Other relevant annexes

Annex 7.3: Outline of an Inception Report

The implementation of a project may start with an Inception Phase. This may be relevant especially in major consultation projects. The Inception Phase includes updates to the background information, preparation of detailed work plan(s) and establishment of baselines for monitoring indicators. The Inception Report is prepared as the end-result of the Inception Phase. Typically, 2-4 months should be reserved for the Inception Phase. The Inception Report with consequent work plan updates is subject to discussions within the Project Supervising Committee (PSC).

ARCTIC COUNCIL PROJECT SUPPORT INSTRUMENT (PSI) - INCEPTION REPORT OF A PROJECT	
Heading	Content
<i>Cover page</i>	
<i>Table of contents</i>	
<i>List of abbreviations</i>	
<i>Project Fact Sheet</i>	<i>Project Fact Sheet with possible updates</i>
Summary	<ul style="list-style-type: none"> • Main findings of the Inception Phase and related recommendations
Situation update	<ul style="list-style-type: none"> • Overview of changes in the context (if any) • Updates on project-related information
Critical issues and revision needs	<ul style="list-style-type: none"> • Analysis of critical issues identified during the Inception Phase • Possible revision needs (e.g. schedules, planned activities, organisational arrangements, budget and funding)
Revision needs and actions	<ul style="list-style-type: none"> • Summary of identified revision needs and proposals for related actions
Annexes	<ul style="list-style-type: none"> • Other relevant information

Annex 7.4: Outline of a Progress Report of a project

Progress reports are prepared each six months unless otherwise agreed upon. Progress reports are discussed within the Project Supervising Committee (PSC), and relevant highlights are included in the Fund Managers reporting for the PSI Committee.

ARCTIC COUNCIL PROJECT SUPPORT INSTRUMENT (PSI) – PROGRESS REPORT OF A PROJECT	
Heading	Content
<i>Cover page</i>	
<i>Table of contents</i>	
<i>List of abbreviations</i>	
<i>Project Fact Sheet</i>	<i>Project Fact Sheet with possible updates</i>
Summary	<ul style="list-style-type: none"> • Key achievements during the reporting period • Key findings and proposed actions/revisions
Situation update	<ul style="list-style-type: none"> • Overview of changes in the context (if any)
Progress during the reporting period	<ul style="list-style-type: none"> • Overview of key achievements • Deviations to plans; in case of deviations short description of their causes • Lessons learnt for further development of the project
Risk management	<ul style="list-style-type: none"> • Overview of emerging risks (if any) • In case of emerging risks, proposed remedial actions
Conclusions and revision needs	<ul style="list-style-type: none"> • Summary of identified revision needs and proposals for related actions
Annexes	<ul style="list-style-type: none"> • Other relevant information

Annex 7.5: Outline of a Final Report

The Final Report is prepared when the project is closed. The Final Report is discussed within the Project Supervising Committee (PSC), and relevant highlights are included in the Fund Managers reporting for the PSI Committee, and in case relevant, in reporting for the SAOs.

ARCTIC COUNCIL PROJECT SUPPORT INSTRUMENT (PSI) – FINAL REPORT OF A PROJECT	
Heading	Content
<i>Cover page</i>	
<i>Table of contents</i>	
<i>List of abbreviations</i>	
<i>Project Fact Sheet</i>	<i>Project Fact Sheet</i>
Summary	<ul style="list-style-type: none"> • Short overview of the project • Key achievements of the project • Key lessons learnt for future developments
Overview of the project	<ul style="list-style-type: none"> • Short history of the project (project initiation, phases of implementation) • Objectives • Key beneficiaries and stakeholders
Achievements and impacts	<ul style="list-style-type: none"> • Key achievements (outcomes, outputs) • Impacts (already achieved, emerging impacts), possible unintended impacts • Key deviations to plans, remedial actions made
Budget and funding	<ul style="list-style-type: none"> • Summary on the use of resources (including budget) and how the planned funding arrangements have been realised
Lessons learnt	<ul style="list-style-type: none"> • Summary of key lessons learnt • Recommendations for the future e.g. on dissemination, scaling up / replication, policy development, and new project ideas
Annexes	<ul style="list-style-type: none"> • Relevant project completion documents

Annex 8: Template for a dissemination plan

Active dissemination of the results and experiences gained in a project is essential to boost replication of developed best practices. Depending on the project, dissemination will be targeted at AC stakeholders, organisations potential for replication and scaling up, and also other stakeholders. Dissemination methods may include reports, study tours, presentations in relevant events, etc. The following template may be used for presenting the dissemination plan.

The same template may also be used for the PSI-level dissemination plan managed by the Fund Manager.

ARCTIC COUNCIL PROJECT SUPPORT INSTRUMENT – DISSEMINATION PLAN				
PROJECT:				
Stakeholders	Issues	Dissemination methods	Schedule	Cost estimate

Annex 9: Outline of a PSI Portfolio Report




The Fund Manager will prepare summative portfolio reports on the progress of the PSI portfolio and other instrument-level developments for the PSI Committee meetings. The following outline is applied in reporting:

ARCRIC COUNCIL PROJECT SUPPORT INSTRUMENT (PSI) – PSI PORTFOLIO REPORT FOR PCOM	
Heading	Content
<i>Cover page</i>	
<i>Table of contents</i>	
<i>List of abbreviations</i>	
Situation update	<ul style="list-style-type: none"> • Overview of changes in the context and external factors • Major deviations to the plans • The portfolio summary (Annex 9) is attached to the report to inform about the progress of individual projects in the portfolio
Progress during the reporting period	<ul style="list-style-type: none"> • Overview of key achievements • Deviations to plans; in case of deviations short description of their causes
Budget and funds	<ul style="list-style-type: none"> • Overview of the financial status of the PSI (allocations, disbursements, forecasts)
Conclusions and revision needs	<ul style="list-style-type: none"> • Lessons learnt for further development of the PSI and its portfolio • Overview of emerging risks (if any), and in case of emerging risks, proposed remedial actions • Proposals for revisions and/or new actions
Annexes	<ul style="list-style-type: none"> • Summary of the PSI portfolio • Breakdowns of the PSI budget and funding plans • Other relevant information

Annex 10: Template for the PSI portfolio summary

The following template may be used for presenting a summary of the PSI portfolio. The portfolio summary is presented as an annex to the PSI progress reports to be forwarded for the PSI Committee.

An overall rating of the status of project implementation (progress status) is given by color codes as follows (the box in concern is painted with the color code. Alternatively, rating may be indicated with letters G/M/W):

-  Good progress: Implementation is progressing as planned, results achieved and impact emerging
-  Medium progress: Implementation is progressing and results are emerging, but some delays and/or weaknesses in results
-  Weak progress: The project is not advancing, major delays have occurred, serious problems related to results and their quality/usability

In the Comments column, the Fund Manager will provide pertinent information about the progress of each project to justify the rating.

PSI Project name and N:o	Phase ⁷	PSI Allocation EUR	PSI funds used EUR	Progress status	Comments
Total					

⁷ Indicate the phase of the project, i.g. Project Proposal (PP), Detailed planning (DP), phase of implementation (e.g. phase I / phase II, etc.)

Annex 11: Administrative arrangement in the Russian Federation

The following specific arrangements have been made for **project management in the Russian Federation**:

- The Agreement of Cooperation (2011) identifies the Ministry of the Natural Resources and Environment (MNRE) as the **Authorised Governmental Agency (AGA)** in the Russian Federation. AGA's role is to supervise the administration and implementation of the PSI projects in the Russian Federation. Thus, MNRE is the responsible focal point for the PSI on the Russian side and represents the Russian Federation as a Contributor in the PSI Committee. Should it become necessary, MNRE would also facilitate the co-financing of PSI projects in the Russian Federation with additional funds.
- In line with the common management approach in the Russian Federation, projects are subject to clearance of an **Inter-Ministerial Committee (IMC)**. IMC comprises of representatives from MNRE, Ministry of Finance (MoF), Ministry of Foreign Affairs (MoFA) and Ministry of Economic Development (MoED). In addition to project clearance, issues related agreements, annual plans, monitoring, and reporting procedures may be on the agenda of the IMC. Therefore, time required for processing issues at the IMC needs to be taken realistically into account in all PSI operations in the Russian Federation.
- In addition, a **Russian Executing Agency (REA)** has been established to support project implementation in the Russian Federation. In practice, REA is expected to actively cooperate with and assist MNRE as the AGA and NEFCO as the FM in the preparation, coordination, monitoring and trouble-shooting of PSI projects in Russia. The VTB Bank was selected as the REA. For the pilot phase of the PSI, the FM has directly recruited a group of consultants to provide the services planned for REA. The costs of the consultants are covered by the initial REA allocation.

Annex 12: Principles of communication between ACAP Working Group and the Fund Manager

To ensure smooth and responsive communication, the following principles should apply in communication between the ACAP Working Group (WG) and the Fund Manager (FM). The same principles are expected to be applied as relevant also in the PSI-funded projects of other WGs.

1. The ACAP WG is the only authority to approve ACAP projects, according to their approved procedures and that of the Arctic Council. Prior to the decision of the WG, the Expert Group (EG) is expected to undertake project preparations involving participants, including NEFCO, who can recommend adjustments to facilitate the project for approval for PSI funding by the PSI Committee. ACAP WG/EGs must set a time limit for written response which is reasonable (minimum two weeks).
2. When approving new projects for consideration for PSI funding, the ACAP Chair should as part of the WG decision request the respective EG to identify one expert for the Project Steering Committee (PSC) to be established for the project. The experts may be subject to changes at a later stage. It is the responsibility of the Chair of the EG to facilitate the identification of experts for the PSC. If an expert is not identified, the Chair of the EG will act as the PSC member until another expert has been identified. If the chair is not available and an expert has not been identified, within two months after the project approval, an external consultant may be hired by the FM. Selection of the consultant must be approved by the ACAP WG; a reasonable time limit for selection and approval by ACAP will be set (minimum two weeks).
3. When ACAP WG approves a new or revised AC project for PSI funding it is recommended that the description of the project is done using the Outline of a Project Plan (Project Document) of the PSI Manual (Annex 5). This template includes an Executive Summary of the project, which can be used for communications. When forwarding new project proposals for PSI funding to NEFCO, it is important that ACAP WG provides the Terms of Reference (brief) to engage the consultant and a list of proposed consultants, if available, that may take part in the tendering process.
4. The Fund Manager, ACAP Chair, ACAP Experts and PSC Experts should make every effort to undertake communications in a timely manner; all parties should endeavor to respond to communications within two weeks. If extenuating circumstances delay communications by more than 2 weeks, parties are encouraged to inform others of the delay, and indicate a timeline in which a response can be expected. The ACAP Chair or the EG chair assign for the task will be responsible for resolving disputes as they arise.
5. The PSC experts/Fund Manager must seek approval from the ACAP WG on any major changes made to the project during implementation of the project. Any minor changes and adjustments to the project should be flagged by the PSC/Fund Manager during ACAP EG and WG meetings.
6. Final project reports must be reviewed and approved by ACAP WG taking into account the advice of the EGs before completion. The ACAP WG Chair shall inform SAOs about the completion of the project.