Update on the Project Support Instrument (PSI) November 2012

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Meeting of Senior Arctic Officials
Haparanda, Sweden, 14-15 Nov. 2012
Agenda 3.9 Preamble

• Arctic Council PSI Guidelines, requires semi-annual reporting to the SAOs

• Nov. 2012 Report to SAO: Project Support Instrument Update, ACSAO-SE03, Haparanda Doc. 3.9 Nov 2012
Agenda 3.9 Developments (1/2)

• On June 7, 2012 the U.S. joined the PSI: With an initial allocation of US $1 million

• A Preparatory PSI Committee (PPCOM) of the Contributors convened in June 2012 to
  – have an informal exchange of views
  – discuss strategic matters and
  – possible key project criteria for project financing from the PSI upon operationalization
Agenda 3.9 Developments (2/2)

- Russian Execution Agency (REA): MNRE informed on 12/11 that it will be JSC VTB Bank
- REA selection will
  i) allow for signing of the contract between NEFCO, MNRE and REA
  ii) Enable NEFCO to
      • confirm to RF that the required numbers of PSI Contributors are in place
      • receive the RF contributions and
      • Make the PSI operational
Agenda 3.9 PSI Resource Allocation

• The trust fund pledges, deposits and allocations for PSI currently stand at EURO 15.9 million

• The 1st Meeting of the PPCOM discussed a tentative financial planning for the PSI pilot phase and an allocation plan for EURO 15.9 million for [2012-2015]. The strategic business plan resource allocation is depicted in Table 1 below
**Agenda 3.9 Strategic Planning**

Table 1 - PSI Resource allocation [2012-2015] strategic business plans*.

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<thead>
<tr>
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<tbody>
<tr>
<td></td>
<td>Percentage</td>
<td></td>
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<tr>
<td>Integrated Hazardous Waste Management demo incl. POPs**</td>
<td>[40]</td>
<td>[6 345 200]</td>
</tr>
<tr>
<td>Mercury demonstration project***</td>
<td>[25]</td>
<td>[3 965 750]</td>
</tr>
<tr>
<td>Clean Production/Energy Efficiency/SLCF-Black Carbon</td>
<td>[20]</td>
<td>[3 172 600]</td>
</tr>
<tr>
<td>Other areas</td>
<td>[6]</td>
<td>[951 780]</td>
</tr>
<tr>
<td>Standard Costs</td>
<td>[9]</td>
<td>[1 427 670]</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>100</td>
<td>15 863 000</td>
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</table>

*This represents NEFCO’s understanding of the priorities of the Contributors
**Persistent Organic Pollutants (POPs) are hazardous substances such as Polychlorinated Biphenyls (PCBs), pesticides and the allocation for demonstration project includes destruction of POPs.
***Mercury demonstration project is to address concrete mitigation of mercury release to the environment.
Agenda 3.9 Approved AC Projects (1/2)

- PSI is to finance approved AC projects and PPCOM has requested clarity on such AC projects to enable a future smooth supply of PSI projects.
- Clarity on the approved AC projects is also important in the context of the 3 year pilot phase for the PSI, and the observation that normal AC WG projects development process can entail a much longer period.
- Hence a PSI “quick start” working Business Plan addressing approved AC Projects is needed for the 2nd PPCOM.
Agenda 3.9 Approved AC Projects (2/2)

• AC Projects seeking financing from the PSI are to address pollution prevention, abatement and elimination.

• Based on already approved Arctic Council documents, NEFCO envisages that the PSI will be addressing a broad range of projects/programs of the Arctic Council including ACAP’s work in the near term.

• Further refinement is expected of the overarching areas will be made as additional information is made available from the AC subsidiary bodies.
PSI Overarching AC Project Areas

- P1: Elimination of PCB-contaminated wastes in the RF
- P2: Mitigation of Dioxins and Furans in the RF
- P3: Reduction of Mercury releases
- P4: Sound management of obsolete pesticides in RF
- P5: Cleaner Production/Energy Efficiency in RF
- P6: Mitigation of Brominated Flame Retardants (BFR)
- P7: Priority RF contaminated area (e.g. Franz Josef Land)
- P8: Climate change, Short Lived Climate Pollutants
- P9 Integrated Hazardous Waste Management, incl. P1-P8
- P10 Indigenous Peoples Contaminants Action Program (e.g. IHWM, mitigation of release of BFR)
Agenda 3.9 PSI Focus and Flow

• PSI would include financing for the preparation of specific projects and, very selectively due to the limited resource base, to fund some pilot and demonstration activities.

• Many of the foreseen PSI projects either directly or indirectly relate to the promotion of cleaner production, which translates into more efficient resource management, often with cost savings.

• Figure below depicts the PSI process in accordance with its established Guidelines.
Agenda 3.9 PSI Project Flow Diagram

PSI PROJECT FLOW

AC Working Groups

SAOs

Proposal to AC

Request for implementation

Working Group

Formation of PSG

Project Steering Group (PSG)

Request for funding

PSI Fund Manager

Presentation of proposal

PSI Committee

PSI Fund Manager

Disbursements

Project

Lead country/ies

Donors

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
Agenda 3.9 Criteria for Project Selection

A template for projects has been circulated to the PSI Contributors for comment. The PSI decision criteria discussed include:
- The project has been approved being an Arctic Council project
- Projects potential to relevant environmental improvement
- Replicability
- Capacity of project partners to manage and implement the project according to plan
- PSI leveraging factor
- Use of PSI financing
- Maturity of project
- Rationale for phased approach
- Local approval
Agenda 3.9 Criteria for Project Selection

• The detailed criteria for PSI financing of AC Projects are to be approved by the PSI Committee (Rules of Procedures of the PSI)

• NEFCO shall ask the PSI Committee (when it is established) to clarify and make available to the SAOs the criteria for selection of AC Projects to be financed from the PSI
Agenda 3.9 Conclusion (1/2)

**Action:** SAOs may wish

1. To welcome the U.S. contribution to, and joining of, the PSI;
2. To invite other members of the Arctic Council that have not yet done so, to consider joining the PSI;
3. To note with appreciation the NEFCO’s November 2012 Update on the PSI [ACSAO-SE03, Haparanda Doc. 3.9 Nov 2012];
4. To encourage parties to deposit their contributions with the Fund Manager to enable the PSI to become operational during the earliest;
5. To note that projects coming forward under the P1-P10 list identified by the Fund Manager in the November 2012 Update on the PSI may be considered as approved AC Projects and thus eligible for funding consideration, taking into account that they have followed the appropriate Arctic Council and subsidiary body procedures. Further refinement of the list is expected as additional information is made available to the Fund Manager;

6. To request the Fund Manager to proceed with an appropriate assessment and development of sub-projects for future consideration of the PSI Committee for financing;

7. To encourage the Fund Manager to cooperate with relevant AC subsidiary body chair(s) to mobilize the Project Support Instrument (PSI).
Thank you for your Attention