

No. 47101

**Finland, Nordic Environment Finance Corporation
and
Nordic Investment Bank**

Fund for technical assistance for institutional support and project preparation for the Baltic Sea action plan Administration Agreement between the Government of the Republic of Finland as contributor and Nordic Environment Finance Corporation and Nordic Investment Bank as fund managers (with annexes). Helsinki, 21 September 2009

Entry into force: *1 November 2009, in accordance with article 7*

Authentic text: *English*

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**Finlande, Corporation de finance environnementale des
pays nordiques
et
Banque nordique d'investissement**

Accord d'administration entre le Gouvernement de la République de Finlande en tant que contributeur et la Société nordique de financement pour l'environnement et la Banque nordique d'investissement en tant que gestionnaires de fonds relatif au fonds d'assistance technique pour l'appui institutionnel et la préparation de projet pour le plan d'action de la mer Baltique (avec annexes). Helsinki, 21 septembre 2009

Entrée en vigueur : *1^{er} novembre 2009, conformément à l'article 7*

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[ENGLISH TEXT – TEXTE ANGLAIS]

FUND FOR TECHNICAL ASSISTANCE
FOR INSTITUTIONAL SUPPORT AND PROJECT PREPARATION
FOR THE Baltic Sea Action Plan

ADMINISTRATION AGREEMENT

between

the Government of the Republic of Finland

as Contributor

and

Nordic Environment Finance Corporation and Nordic Investment Bank
as Fund Managers

This Administration Agreement (the “Agreement”) is made between the Government of the Republic of Finland (hereinafter referred to as “the Contributor”) and Nordic Environment Finance Corporation (NEFCO) and Nordic Investment Bank (NIB) (hereinafter referred to as “Fund Managers” or as “NEFCO” and “NIB” respectively) (collectively referred to as the “Parties”) for administration and disbursement of funds made available by the Contributor for financing of institutional support and projects recognised as being part of the implementation of the Baltic Sea Action Plan (BSAP).

PREAMBLE

Whereas

The BSAP was adopted by the Helsinki Commission (HELCOM) Contracting Parties’ ministers responsible for environment at their meeting 15 November 2007, in Krakow, Poland. Based on an integrated ecosystem approach the BSAP aims at restoring the good ecological status of the Baltic Sea by 2021. The BSAP is based on four main areas; combating eutrophication, curbing inputs of hazardous substances, ensuring maritime safety and response capacity to accidents at sea, and halting habitat destruction and the ongoing decline in biodiversity.

As a first response to the large needs for action identified within the BSAP and the call for pledging of funds stipulated in the BSAP, NIB and NEFCO on 15 August 2008 submitted to the HELCOM Contracting Parties a proposal to establish a new fund for technical assistance, which would enable speeding up the implementation of the BSAP, through the provision of funds for institutional support and project preparation.

Now therefore,

NIB and NEFCO have been requested by the Contributor to jointly undertake the practical establishment and management of the Fund for Technical Assistance for Institutional Support and Project Preparation for the BSAP (the “BSAP Fund”).

The BSAP Fund will be governed by a Steering Committee in line with the BSAP Fund's Operational Guidelines, provided as Annex 1 hereto, and the Fund Managers will manage and administer the funds on behalf of the Contributors.

ACCORDINGLY, each of NIB and NEFCO have accepted the joint administration of the BSAP Fund.

ARTICLE 1 - SUBJECT AND AIM OF THE AGREEMENT

1. The Contributor makes available, on a non-reimbursable basis, the amount (the "Contributor funds") specified in the Contribution Confirmation in accordance with the template in Annex 2 to this Agreement. These funds shall form part of the BSAP Fund. For avoidance of doubt, any further contributions to the BSAP Fund shall be made at the sole discretion of the Contributor.
2. The Contributor hereby appoints the Fund Managers to be the fund administrators with respect to the Contributor funds as part of the BSAP Fund. The Fund Managers have only those duties, which are expressly specified in this Agreement unless and until other duties are separately agreed to by the Steering Committee and the Fund Managers. The Fund Managers on behalf of the BSAP Fund shall enter into such contracts with other parties as are needed to meet its objectives.
3. The Fund Managers shall administer the Contributor funds as part of the BSAP Fund's funds in accordance with the Operational Guidelines and this Agreement subject to the decisions of the Steering Committee, and in alignment with the normal practices of the Fund Managers, and with the same care as the Fund Managers' own funds.
4. The Parties shall consult from time to time and whenever deemed necessary, in conformity with and subject to their respective practices with respect to the treatment of information of a confidential nature, exchange views on the progress of, and any difficulties or problems encountered in, the carrying out of the purpose of this Agreement.

In particular the Parties shall promptly inform each other of any of the following events: (a) any event which in its opinion is likely to interfere materially with or hinder the implementation of any of the projects financed from the BSAP Fund or the Agreement, and; (b) any suspension or cancellation under any agreement relevant to the implementation of the projects financed from the BSAP Fund.

ARTICLE 2 - THE BSAP FUND

1. The BSAP Fund is a financing instrument established for the purpose of mobilizing and channelling financing for project preparation and institutional support aimed at project preparation in the Baltic Sea drainage area, in order to speed up and facilitate the implementation of the BSAP.
2. Each project subject to financing from the BSAP Fund shall have been approved in accordance with the Operational Guidelines provided as Annex 1 hereto.
3. The resources of the BSAP Fund can be used to cover eligible costs including administrative expenses as defined in the Operational Guidelines.

4. The resources of the BSAP Fund shall consist of:
 - i) amounts accepted by the Fund Managers for inclusion in the BSAP Fund in accordance with the Operational Guidelines. Each contribution shall be denominated in Euro or any other freely convertible currency. The first tranche shall be made available to the Fund Managers by 15 December 2009 at the latest against request for payment from the Fund Managers. For each following year, if applicable, the contribution shall be made during such year.
 - ii) income derived from investment of the resources of the BSAP Fund in accordance with Article 5 of this Agreement.
5. Commencement of the operations of the BSAP Fund

The BSAP Fund will begin its operations once minimum two (2) contributors have paid in contributions to the Fund Account (as defined in Article 5 below).

ARTICLE 3 - THE GOVERNANCE OF THE BSAP FUND AND STEERING COMMITTEE

1. The BSAP Fund is constituted of contributions by several contributors. In order to effectively coordinate the interaction between the contributors and the Fund Managers the Parties together with other contributors will establish a Steering Committee. The Steering Committee shall operate in accordance with the Operational Guidelines and the Rules of Procedure (provided as Annex 1 and Annex 3 to this Agreement). The Rules of Procedure and any amendments and additions to the same shall be approved by the Steering Committee unanimously.
2. The Contributor may participate in the Steering Committee.

ARTICLE 4 - ADMINISTRATION OF THE BSAP FUND AND COMPENSATION TO THE FUND MANAGERS

1. The Fund Managers shall administer the funds in accordance with their normal practice and this Agreement, and shall allocate sufficient resources for implementing their responsibilities under this Agreement.
2. The BSAP Fund shall be subject to the same accounting, reporting, financial control and auditing requirements as other funds managed by the Fund Managers.
3. To the extent necessary to fulfil their managerial role the Fund Managers shall in addition to participating in and organising the work of the Steering Committee liaise with the contributors, concerned authorities and utilities in the Baltic Sea drainage area and other public and private entities.
4. The Fund Managers shall ensure proper reporting from the recipients to the BSAP Fund regarding use of the funds received.
5. The Fund Managers are entitled to full compensation from the resources of the BSAP Fund for their administrative costs and expenses based on a yearly budget to be approved by the Steering Committee. Should the Steering Committee not reach an agreement on a yearly budget, the Fund Managers are entitled to terminate the Agreement. For avoidance of doubt, the compensation provisions in this Article 4

shall under no circumstances imply the use of the chartered capital resources of NIB or NEFCO to finance or subsidize the BSAP Fund's activities.

ARTICLE 5 - ACCOUNTS AND AUDIT

1. The Fund Managers shall for the purpose of the BSAP Fund open an interest bearing bank account administered by the Fund Managers (the "Fund Account"). The Fund Account shall be denominated in EUR and shall include no other funds except the funds.
2. Subject to separate approval by the Steering Committee the Fund Managers are authorized to use the funds in the Fund Account for making term deposits in prime banks.

The interest accrued to the funds shall be added to the Fund Account.

3. The Fund Account shall be accounted for annually in a Fund Account Report which shall be submitted to the Contributor by the Fund Managers and which shall be supported by a record of funds used in the preceding period and a bank reconciliation for the Fund Account. During the lifetime of the Fund Account, the Contributor shall be entitled to request information from the Fund Managers regarding disbursements made from and the balance of the Fund Account.
4. The Fund Managers shall maintain the accounts in accordance with the same accounting principles, which are followed in respect of their own books and accounts. For the avoidance of doubt it is recognized that the BSAP Fund shall enjoy the same exemptions from taxes as the Fund Managers enjoy according to their constituent documents.
5. The accounting year of the BSAP Fund shall be the calendar year. The first accounting year of the BSAP Fund shall end on 31 December 2009.
6. The financial statements of the BSAP Fund shall be audited on an annual basis before the end of June of the following year by the internal and external auditors of NIB and/or NEFCO in a manner consistent with that applied to said Fund Manager. The costs of the audit shall be paid from the administrative expenses.
7. The Contributor may request clarification of information received from the Fund Managers on the use of the Contributor funds and the Contributor's financial control shall be given access to pertinent information held by the Fund Managers relating to the use of the Contributor funds. Such access shall be limited to verifying whether the proceeds of the Contributor funds have been used in conformity with this Agreement and shall not prejudice the inviolability of the Fund Managers' documents and archives (that the Fund Managers enjoy in accordance with their constituent documents), including the confidentiality of other information related to the Fund Managers' affairs or clients.
8. Valuation of Currencies

Whenever it shall be necessary for purposes of preparation or presentation of financial statements to determine the value of any currency in terms of another currency, the valuation shall be made by the Fund Managers using the same principles as the Fund Managers apply for their ordinary operations.