**Sub-project Expense Recognition**

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| **Component** | **Fund source** | **Eligible expense** | **Instrument** | **Pre-conditions for recognition of sub projects** |
| **I. Risk mitigation** | Clean Technology Fund (CTF) - DPSP / Contingent Recovery Grant[[1]](#footnote-1) | Exploration and test drilling activities of geothermal power generation projects. | Loan convertible to grant | Certification from the independent technical expert. Loan agreement between NAFIN and the developer + Certification of failed drilling from the independent technical expert[[2]](#footnote-2). |
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|  | FOTEASE / Grant | Partial payment of premium/interests for insured loan | Grant | Loan agreement between NAFIN and the developer with clause to reimburse a share of the premium/interest payments + Insurance policy. |
| **II. Adapted financing for different phases of project development** | Clean Technology Fund (CTF) –IP / LoanIDB Ordinary capital / Loan | Exploration and test drilling, field development, production drilling, and construction activities of a geothermal power generation project. | Loan (senior, contingent or subordinated debt) | Loan agreement between NAFIN and the developer |
| Insured loan | Loan agreement between NAFIN and the developer + Insurance policy |
| **Implementation costs and technical assistance** | Clean Technology Fund (CTF) - IP / Grant | Hiring of independent third party firm and/or consultants to provide expertise for technical validation of eligibility of projects and carry out feasibility and other required studies. Other activities | Grant | Services contract approved by IDB procurement officer. |

1. The Operations Regulations will establish maximum limits to the use of grants per project so as to avoid “over concessionality” (i.e. caps on grant impact on IRR of projects). [↑](#footnote-ref-1)
2. Grant is only disbursed if the loan is effectively converted to a grant due to failed drilling. [↑](#footnote-ref-2)