

October 22, 2013

## IDB Responses to questions on the cook-stoves project

Dear Zhihong and Admin Unit colleagues

I am enclosing our responses to the questions by the UK, Switzerland and Spain on our ERUS Cook-stoves project for Honduras.

Regards

Claudio

### **Responses to Comments and Questions from the SREP Sub-Committee Members on the Honduras Sustainable Rural Energization (ERUS) – Part I & III: Promoting Sustainable Business Models for Clean Cookstoves Dissemination Proposal**

*Prepared by the Inter-American Development Bank (IDB)*

October 17 2013

We would like to thank the governments of Switzerland, United Kingdom and Spain for their written comments and questions. Please find below our responses.

#### **Switzerland's questions**

*Q: We welcome the introduction into the cookstoves investment component of a sub-component that establishes a pilot microloan program to the benefit of end-users. We believe that such a microloan program, which we understand is an innovative financing instrument in this context in Honduras, has the best chances to satisfy the needs particularly of the poorer beneficiaries. If the pilot program is successful, we would support measures to favor it in the future against the cost-share subsidy, as it is more focused and will permit a higher leverage of SREP funds, particularly if taking into account the revolving character of the funding. An extension in size of the microloan program would also improve the ratio of administrative costs, which at the present rate of 50% of reimbursements looks very high.*

A: We agree that the pilot microloan program is an important innovation for the market that will be introduced through this project and should be expanded if successful and used as an opportunity to incrementally shift the sector to a more dynamic market environment. Our plan is to structure the pilot in a way that it will be concessional but without distorting the market, so that if successful, it will facilitate the expanded participation of local banks. In addition, we have been in discussions with another donor organization that has expressed great interest in scaling up this pilot if successful and our intention is to work closely with them on this.