In response to the request for financial assistance made on behalf of Kenya Climate Innovation Center ("Recipient"), I am pleased to inform you that the International Bank for Reconstruction and Development ("World Bank"), acting as administrator of grant funds provided by the infoDev Climate Innovation Trust Fund, proposes to extend to the Recipient a grant in an amount not to exceed four million nine hundred thousand United States Dollars (U.S.$4,900,000) ("Grant") on the terms and conditions set forth or referred to in this letter agreement ("Agreement"), which includes the attached Annex, to assist in the financing of the project described in the Annex ("Project").

This Grant is funded out of the abovementioned trust fund for which the World Bank receives periodic contributions from the donors to the trust fund. In accordance with Section 3.02 of the Standard Conditions (as defined in the Annex to this Agreement), the World Bank’s payment obligations in connection with this Agreement are limited to the amount of funds made available to it by the donors under the abovementioned trust fund, and the Recipient’s right to withdraw the Grant proceeds is subject to the availability of such funds.

The Recipient represents, by confirming its agreement below, that it is authorized to enter into this Agreement and to carry out the Project in accordance with the terms and conditions set forth or referred to in this Agreement.

Please confirm the Recipient’s agreement to the foregoing by having an authorized official of the Recipient sign and date the enclosed copy of this Agreement, and returning it to the World Bank. Upon receipt by the World Bank of this countersigned copy, this Agreement shall become effective as of the date of the countersignature.

Very truly yours,

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

By

[Signature]

Country Director for Kenya
AGREED:

KENYA CLIMATE INNOVATION CENTER

By:Authorized Representative

Name: EDWARD MUNGA
Title: CEO
Date: 9/6/2015

Enclosures:

2. Disbursement Letter of the same date as this Agreement, together with World Bank Disbursement Guidelines for Projects, dated May 1, 2006
1.01. **Standard Conditions.** The Standard Conditions for Grants Made by the World Bank out of Various Funds dated February 15, 2012 ("Standard Conditions") constitute an integral part of this Agreement.

1.02. **Definitions.** Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the Standard Conditions or in this Agreement.

(a) "AWP&B" means the annual work program and budget for the Project, prepared and adopted by the Recipient as referred to in section 2.03(c) of this Agreement.

(b) "Beneficiary Enterprise" or "Beneficiary Enterprises" means a physical or legal person that meets the eligibility criteria described in the Operating and Investment Manual (as hereinafter defined) and qualified to receive Sub-financing under Part B(a) of the Project.

(c) "Business Plan" means the overall plan acceptable to the World Bank for the development and implementation of the Project.

(d) "Environmental and Social Management Framework" or "ESMF" means the ESMF prepared by the Recipient, satisfactory to the World Bank, disclosed in country and in the World Bank's Infoshop on June 3, 2015, providing details about the process for management of the environmental and social aspects of the activities to be carried out under the Project, as the same may be amended from time to time with the World Bank's prior written concurrence.

(e) "Finance and Procurement Manual" means the manual for the Project to be adopted by the Recipient pursuant to Section 2.03(b) of this Agreement, in form and substance satisfactory to the World Bank, which includes provisions on: (i) financial management and disbursement; and (ii) procurement.

(f) "Fiscal Year" means the Recipient's Fiscal Year, starting July 1 and ending June 30.

(g) "Investment Committee" means the committee to be established for KCVF with the Grant, which will oversee the activities carried out by the Project.

(h) "KCVF" means the Kenya Climate Venture Facility, to be established with the Grant in accordance with the provisions of this Agreement.

(i) "KCIC" means the Kenya Climate Innovation Center, duly incorporated and registered in accordance with the Companies Act of Kenya on January 12, 2015.

(j) "Operating and Investment Manual" means the manual to be adopted by the Recipient pursuant to Section 2.03(a)(iv) of this Agreement, which shall include provisions, inter alia, on: (i) institutional administration, governance, coordination and day to day execution
of Project activities; (ii) capacity building activities for sustained achievement of the Project’s objectives; (iii) methods and criteria for the selection of activities to be carried out under the Project, including the selection of Beneficiary Enterprises to receive Sub-financing; (iv) terms and conditions for Sub-financing to Beneficiary Enterprises; (v) monitoring and evaluation, reporting of the Project activities; and (vi) such other technical and organizational arrangements and procedures as shall be required for the Project.

(k) “Simplified Procurement Plan” means the procurement plan prepared and updated from time to time by the Recipient for the Project in accordance with paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines.

(l) “Sub-financing” means a financing to be made by the KCVF to a Beneficiary Enterprise to finance activities, in accordance with the Operating and Investment Manual.

(m) “Sub-financing agreement” means the agreement to be entered into between the KCVF and a Beneficiary Enterprise for the purposes of the Sub-financing.

Article II
Project Execution

2.01. Project Objectives and Description. The objectives of the Project are to pilot an innovative investment facility that addresses the financing gap for promising start-up and early-stage climate technology companies in Kenya, and to develop investible, sustainable and scalable enterprises that contribute to Kenya’s growing climate innovation and clean tech sectors. The Project consists of the following parts:

Part A: Establishment and Development of the KCVF

Establishing the KCVF as a legal entity in accordance with the applicable laws of Kenya, and supporting the development of the KCVF by, inter alia: (a) establishing the governance structure for the KCVF, with the terms and conditions acceptable to the World Bank; (b) recruiting and providing technical and training support to the KCVF staff; (c) developing policies, processes, and procedures for the KCVF, including the Operating and Investment Manual; (d) developing investment pipeline for the KCVF in accordance with the Operating and Investment Manual; and (e) supporting the KCVF in raising additional financing from investors and donors.

Part B: Development and Management of Investments

Supporting the KCVF by, inter alia: (a) providing Sub-financing to the Beneficiary Enterprises selected in accordance with the Operating and Investment Manual; and (b) providing technical assistance to the Beneficiary Enterprises selected in accordance with the Operating and Investment Manual.

2.02. Project Execution Generally. The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall carry out the Project and cause the Project to be carried out in accordance with the provisions of: (a) Article II of the Standard Conditions; (b) the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006 and revised in January 2011 (“Anti-Corruption Guidelines”); and (c) this Article II.
2.03. **Institutional and Other Arrangements.**

Without limitation upon the provision of section 2.02 above,

(a) the Recipient shall:

(i) No later than one (1) month after the date of countersignature of this Agreement by the Recipient, establish a selection panel, with the terms and conditions satisfactory to the World Bank, which will be in charge of establishing the Investment Committee, and recruiting and recommending a candidate to be appointed as the chief investment officer for the Project;

(ii) No later than three (3) months after the date of countersignature of this Agreement by the Recipient, cause the selection panel, as specified in paragraph (i) above, to establish the Investment Committee for the Project, with the terms and conditions satisfactory to the World Bank. Any modifications to such terms and conditions shall be approved by the World Bank;

(iii) No later than six (6) months after the date of countersignature of this Agreement by the Recipient, appoint the chief investment officer for the Project, taking into account the recommendation from the selection committee, with the terms and conditions satisfactory to the World Bank. Any modifications to such terms and conditions shall be approved by the World Bank;

(iv) No later than six (6) months after the date of countersignature of this Agreement by the Recipient, prepare and adopt the Operating and Investment Manual for the Project, in form and substance satisfactory to the World Bank; and

(v) No later than nine (9) months after the date of countersignature of this Agreement by the Recipient, establish and maintain thereafter until the completion of the Project, the KCVF as a legal entity in accordance with the applicable Kenyan laws, and with the terms and conditions satisfactory to the World Bank.

(b) The Recipient shall adopt the Finance and Procurement Manual, approved by the World Bank, on or prior to June 30, 2015. Any material modifications to such adopted Finance and Procurement Manual shall also be approved by the World Bank.

(c) The Recipient shall enter into a subsidiary agreement, acceptable to the World Bank, with the KCVF, to carry out the Project.

(d) Prior to adopting the Business Plan for the Project, the Recipient shall submit it to the World Bank for approval. Any material modifications to such adopted Business Plan shall also be approved by the World Bank.

(e) The Recipient (i) shall ensure that the Project is carried out in accordance with the Operating and Investment Manual, the Finance and Procurement Manual, and the ESMF; provided, however, that in case of any conflict between the provisions of the Operating and Investment Manual, Finance and Procurement Manual, the ESMF, and this Agreement, the provisions of this Agreement shall prevail; and (ii) except as the World Bank shall
otherwise agree, shall not amend, abrogate or waive any provision of the Operating and Investment Manual, Finance and Procurement Manual, and the ESMF.

(f) The Recipient shall:

(i) Not later than March 31 of each year, furnish to the World Bank for its comments and approval, the draft AWP&B, setting forth, inter alia: (1) a detailed description of planned activities for the Project for the following Fiscal Year; (2) the sources and uses of funds therefor; and (3) responsibility for execution of said Project activities, budgets, start and completion date, outputs, and monitoring indicators to track progress of each activity; and

(ii) Adopt the final version of the AWP&B in the form approved by the World Bank not later than June 30 of such Fiscal Year.

(g) The Recipient shall:

(i) Ensure that KCVF makes Sub-financing to Beneficiary Enterprises under Part B(a), in accordance with eligibility criteria and procedures acceptable to the World Bank included in the Operating and Investment Manual.

(ii) Ensure that KCVF makes each Sub-financing under a Sub-financing Agreement with the respective Beneficiary Enterprise on terms and conditions satisfactory to the World Bank, which shall include the following:

(1) The Sub-financing shall be denominated in Kenyan Shillings (Ksh).

(2) The Recipient shall cause the KCVF to obtain rights adequate to protect its interests and those of the World Bank, including the right to: (i) suspend or terminate the right of the Beneficiary Enterprise to use the proceeds of the Sub-financing, or obtain a refund of all or any part of the amount of the Sub-financing then withdrawn, upon the Beneficiary Enterprise's failure to perform its obligations under the Sub-financing Agreement; and (ii) require each Beneficiary Enterprise to:

(A) carry out its activities in accordance with the Operating and Investment Manual and the ESMF, as approved by the World Bank;

(B) follow appropriate procurement practices in accordance with the provisions of the Operating and Investment Manual and consistent with the World Bank policies;

(C) maintain policies and procedures adequate to enable it to monitor and evaluate in accordance with indicators acceptable to the World Bank, the progress and achievement of its intended objectives for which the Sub-financing has been provided;

(D) (1) maintain a financial management system and prepare financial statements in accordance with consistently applied accounting standards acceptable to the World Bank, both in a manner adequate to reflect its
operations, resources and expenditures; and (2) at the World Bank's or the Recipient's request, have such financial statements audited by independent auditors acceptable to the World Bank, in accordance with consistently applied auditing standards acceptable to the World Bank, and promptly furnish the statements as so audited to the Recipient and the World Bank;

(E) enable the Recipient and the World Bank to inspect its operation and any relevant records and documents; and

(F) prepare and furnish to the Recipient and the World Bank all such information as the Recipient or the World Bank shall reasonably request relating to the foregoing.

(iii) Ensure that KCVF exercises its rights under each Sub-financing Agreement in such manner as to protect the interests of the Recipient and the World Bank and to accomplish the purposes of the Grant.

2.04. Project Monitoring, Reporting and Evaluation.

(a) The Recipient shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 2.06 of the Standard Conditions and on the basis of indicators acceptable to the World Bank. Each Project Report shall cover the period of (i) one calendar quarter ("Progress Report") or (ii) one calendar year ("Annual Report"), and shall be furnished to the World Bank not later than (i) thirty (30) calendar days for a Progress Report and (ii) forty-five (45) calendar days for an Annual Report, after the end of the respective period covered by such report.

(b) The Recipient shall prepare the Completion Report in accordance with the provisions of Section 2.06 of the Standard Conditions. The Completion Report shall be furnished to the World Bank not later than 6 months after the Closing Date.

2.05. Financial Management.

(a) The Recipient shall ensure that a financial management system is maintained in accordance with the provisions of Section 2.07 of the Standard Conditions.

(b) The Recipient shall ensure that interim unaudited financial reports for the Project are prepared and furnished to the World Bank not later than forty-five (45) days after the end of each calendar quarter, covering the quarter, in form and substance satisfactory to the World Bank.

(c) The Recipient shall have its Financial Statements audited in accordance with the provisions of Section 2.07 (b) of the Standard Conditions. Each such audit of the Financial Statements shall cover the period of one fiscal year of the Recipient. The audited Financial Statements for each such period shall be furnished to the World Bank not later than six (6) months after the end of such period.
2.06. *Procurement.*

(a) **General.** All goods, works, non-consulting services and consultants' services required for the Project and to be financed out of the proceeds of the Grant shall be procured in accordance with the requirements set forth or referred to in:


(ii) Sections I and IV of the "Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers" dated January 2011 (revised July 2014) ("Consultant Guidelines") in the case of consultants' services; and

(iii) the provisions of this Section 2.06, as the same shall be elaborated in the Simplified Procurement Plan prepared and updated from time to time by the Recipient for the Project in accordance with paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines.

(b) **Definitions.** The capitalized terms used in the following paragraphs of this Section to describe particular procurement methods or methods of review by the World Bank of particular contracts, refer to the corresponding method described in Sections II and III of the Procurement Guidelines, or Sections II, III, IV and V of the Consultant Guidelines, as the case may be.

(c) **Particular Methods of Procurement of Goods, Works and Non-consulting Services.** Goods, works, and non-consulting service shall be procured under contracts awarded on the basis of Shopping.

(d) **Particular Methods of Procurement of Consultants' Services**

(i) Except as otherwise provided in item (ii) below, consultants' services shall be procured under contracts awarded on the basis of Quality and Cost-based Selection.

(ii) The following methods, other than Quality- and Cost-based Selection, may be used for the procurement of consultants' services for those assignments which are specified in the Simplified Procurement Plan: (A) Least Cost Selection; (B) Selection based on Consultants' Qualifications; (C) Selection of Individual Consultants; (D) Single-source Selection of consulting firms; and (E) Sole-source procedures for the Selection of Individual Consultants.

(e) **Review by the World Bank of Procurement Decisions.** The Simplified Procurement Plan shall set forth those contracts which shall be subject to the World Bank's Prior Review. All other contracts shall be subject to Post Review by the World Bank.
Article III
Withdrawal of Grant Proceeds

3.01. Eligible Expenditures. The Recipient may withdraw the proceeds of the Grant in accordance with the provisions of: (a) the Standard Conditions; (b) this Section; and (c) such additional instructions as the World Bank may specify by notice to the Recipient (including the “World Bank Disbursement Guidelines for Projects” dated May 2006, as revised from time to time by the World Bank and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the following table. The table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Grant ("Category"), the allocations of the amounts of the Grant to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Grant Allocated (expressed in USD)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods, works, non-consulting services, consultants' services, Training and Workshops, and Operating Costs under the Project (except Part B(a))</td>
<td>1,700,000</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Sub-financing to Beneficiary Enterprises under Part B(a) of the Project</td>
<td>3,200,000</td>
<td>100%</td>
</tr>
<tr>
<td><strong>TOTAL AMOUNT</strong></td>
<td><strong>4,900,000</strong></td>
<td></td>
</tr>
</tbody>
</table>

For the purpose of Section 3.01, (i) the term "Workshops and Training" means the reasonable costs, as shall have been approved by the World Bank, for training and workshops conducted under the Project, including tuition, travel and subsistence costs for training and workshop participants, costs associated with securing the services of trainers and workshop speakers, rental of training and workshop facilities, preparation and reproduction of training and workshop materials, and other costs directly related to training courses and workshop preparation and implementation (but excluding goods and consultant's services); and (ii) the term "Operating Costs" means the reasonable costs, as shall have been approved by the World Bank, for the incremental expenses incurred on account of the implementation of the Project, consisting of vehicle operation and maintenance, communication, and insurance costs, banking charges, rental expenses, office (and office equipment) maintenance, utilities, document duplication/printing, consumables, travel cost and *per diem* for Project staff for travel linked to the implementation of the Project, and salaries of staff for the Project (but excluding consultants' services and salaries of officials of Kenya's civil service).

3.02. Withdrawal Conditions. Notwithstanding the provisions of Section 3.01 of this Agreement, no withdrawal shall be made:
(a) for payments made prior to the date of countersignature of this Agreement by the Recipient except that withdrawals up to an aggregate amount not to exceed thirty thousand United States Dollars (U.S.$ 40,000) may be made for payments made prior to this date but on or after September 30, 2014, for Eligible Expenditures; and

(b) under Category 2 as specified in Section 3.01 above prior to:

(i) establishment of the Investment Committee, as specified in Section 2.03(a)(ii) of this Agreement;

(ii) adoption of the Operating and Investment Manual, as specified in Section 2.03(a)(iv) of this Agreement; and

(iii) establishment of the KCVF as a legal entity, as specified in Section 2.03(a)(v) of this Agreement.

3.03. **Withdrawal Period.** The Closing Date referred to in Section 3.06 (c) of the Standard Conditions is June 30, 2018.

**Article IV**

**Recipient’s Representative; Addresses**

4.01. **Recipient’s Representative.** The Recipient’s Representative referred to in Section 7.02 of the Standard Conditions is its official who has countersigned this Agreement on behalf of the Recipient.

4.02. **Recipient’s Address.** The Recipient’s Address referred to in Section 7.01 of the Standard Conditions is:

Kenya Climate Innovation Center  
Strathmore Business School  
Ole Sangale Road Madaraka  
Box 59857 - 00200  
Nairobi, Kenya

(+254) 703 034 701 / 703 034 704 / 703 034 000

4.03. **World Bank’s Address.** The World Bank’s Address referred to in Section 7.01 of the Standard Conditions is:

International Bank for Reconstruction and Development 1818 H Street, N.W.  
Washington, D.C. 20433  
United States of America

Cable: INTBAFRAD  
Telex: INDEVAS 248423 (MCI) or 1-202-477-6391  
Washington, D.C. 64145 (MCI)