Financing Agreement
(Kenya Industry and Entrepreneurship Project)

between

REPUBLIC OF KENYA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION
FINANCING AGREEMENT

AGREEMENT dated as of the Signature Date between the REPUBLIC OF KENYA ("Recipient") and the INTERNATIONAL DEVELOPMENT ASSOCIATION ("Association"). The Recipient and the Association hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

1.01. The General Conditions (as defined in the Appendix to this Agreement) apply to and form part of this Agreement.

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

ARTICLE II — FINANCING

2.01. The Association agrees to extend to the Recipient a credit, deemed by the Association to be on concessional terms, as set forth or referred to in this Agreement, in the amount of 41,400,000 Euro (EUR forty-one million, four hundred thousand) (variously, "Credit" and "Financing"), to assist in financing the project described in Schedule 1 to this Agreement ("Project").

2.02. The Recipient may withdraw the proceeds of the Financing in accordance with Section III of Schedule 2 to this Agreement.

2.03. The Maximum Commitment Charge Rate is one-half of one percent (1/2 of 1%) per annum on the Unwithdrawn Financing Balance.

2.04. The Service Charge is the greater of: (a) the sum of three-fourths of one percent (3/4 of 1%) per annum plus the Basis Adjustment to the Service Charge; and (b) three-fourths of one percent (3/4 of 1%) per annum; on the Withdrawn Credit Balance.

2.05. The Interest Charge is the greater of: (a) the sum of one and a quarter percent (1.25%) per annum plus the Basis Adjustment to the Interest Charge; and (b) zero percent (0%) per annum; on the Withdrawn Credit Balance.

2.06. The Payment Dates are March 15 and September 15 in each year.

2.07. The principal amount of the Credit shall be repaid in accordance with the repayment schedule set forth in Schedule 3 to this Agreement.

2.08. The Payment Currency is Euro.
ARTICLE III — PROJECT

3.01. The Recipient declares its commitment to the objective of the Project. To this end, the Recipient shall carry out the Project in accordance with the provisions of Article V of the General Conditions and Schedule 2 to this Agreement.

ARTICLE IV — EFFECTIVENESS; TERMINATION

4.01. The Effectiveness Deadline is the date ninety (90) days after the Signature Date.

4.02. For purposes of Section 10.05 (b) of the General Conditions, the date on which the obligations of the Recipient under this Agreement (other than those providing for payment obligations) shall terminate is twenty years after the Signature Date.

ARTICLE V — REPRESENTATIVE; ADDRESSES

5.01. The Recipient’s Representative is its Cabinet Secretary for the National Treasury.

5.02. For purposes of Section 11.01 of the General Conditions:

   (a) the Recipient’s address is:
       The National Treasury
       Treasury Building
       P.O Box 30007-00100
       Nairobi, Kenya; and

   (b) the Recipient’s Electronic Address is:
       Facsimile: 254 20 330426; 254 20 218475

5.03. For purposes of Section 11.01 of the General Conditions:

   (a) the Association’s address is:
       International Development Association
       1818 H Street, N.W.
       Washington, D.C. 20433
       United States of America; and

   (b) the Association’s Electronic Address is:
       Telex: 248423 (MCI)
       Facsimile: 1-202-477-6391
AGREED as of the Signature Date.

REPUBLIC OF KENYA

By

Authorized Representative

Name: HENRY ROTICH
Title: CABINET SECRETARY, NATIONAL TREASURY
Date: 31/8/2018

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

Authorized Representative

Name: CARLOS FELIPE JARAMILLO
Title: COUNTRY DIRECTOR
Date: 20/07/2018
SCHEDULE 1

Project Description

The objective of the Project is to increase innovation and productivity in select private sector firms.

The Project consists of the following parts:

Part 1. **Strengthening the innovation and entrepreneurship Ecosystem**

(a) **Strengthening the Ecosystem’s support infrastructure**

Carrying out a program of activities designed to strengthen, *inter alia*, startup incubators, accelerators and technology boot camps (“Intermediaries”) towards operational sustainability, through provision of technical assistance for, *inter alia*:

(i) designing and administering diagnostic tools to assess the Intermediaries’ management and operations, and the options through which each can improve and or expand their services;

(ii) designing and managing a program for Intermediaries to implement action plans under Performance Contracts or Memoranda of Understanding;

(iii) incorporating lessons learned to adapt and strengthen the program design, including the diagnostic tools and action plans, as needed;

(iv) carrying out awareness raising and information dissemination activities on the program; and

(v) collecting data at baseline and throughout implementation, to feed into the Project monitoring and evaluation system.

(b) **Connecting to international networks and to local traditional industries**

Carrying out a program of activities designed to: (i) connect the local Ecosystem to international networks; (ii) bridge the gap between local industry and technology-enabled startups, and local industry and students of Tertiary Education Institutions (“TEIs”); and (iii) support coordination in the Ecosystem, through:

(A) development of an international acceleration program that connects the local ecosystem to leading international networks and ecosystems;

(B) establishment and management of industry-startup linkages to bridge the gap between local industry and technology-enabled startups; and
(C) establishment and management of an industry-academia platform to connect TEIs and their students to individual companies.

Part 2: SME Linkages and Upgrading

Carrying out a program of activities designed to strengthen the productivity and internal capabilities for innovation of Small and Medium Enterprises ("SMEs") through provision of technical assistance for, *inter alia*:

(a) designing and administering diagnostic tools to assess SMEs’ management and operations, and the options through which each can improve their managerial and technical skills, and their use and access to technology;

(b) designing and managing a program for SMEs to implement action plans under Performance Contracts;

(c) designing a mechanism to enhance SMEs engagement with lead firms, including business development to ensure flow of lead firms and SMEs into the program referred to in paragraph (b) above;

(d) incorporating lessons learned to adapt and strengthen the program design, including the diagnostic tools and action plans, as needed;

(e) carrying out awareness raising and information dissemination activities on the program; and

(f) collecting data at baseline and throughout implementation, to feed into the Project monitoring and evaluation system.

Part 3: Outreach, Monitoring and Evaluation, and Project Implementation Support

Carrying out a program of activities designed to strengthen the capacity of the Recipient for Project outreach, monitoring and evaluation and implementation support, as well as Project management, coordination and reporting.
SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

1. Ministry of Industry, Trade and Cooperatives

The Recipient shall vest in the Ministry of Industry, Trade and Cooperatives ("MoITC") responsibility for overall implementation of the Project.

2. Project Implementation Unit

The Recipient shall maintain, throughout the Project implementation period, a Project Implementation Unit ("PIU"), with adequate financial and human resources to be responsible for day to day implementation of the Project.

B. Project Operations Manual

The Recipient shall carry out the Project in accordance with the Project Operations Manual ("POM") and not amend, abrogate or suspend, or permit to be amended, abrogated or suspended any provision of the POM without the prior written agreement of the Association.

C. Annual Works Plans and Budgets

1. The Recipient shall furnish to the Association not later than December 31 of each fiscal year of the Recipient during the implementation of the Project (or such later date as the Association may agree) for the Association’s no-objection, an Annual Work Plan and Budget ("AWPB"), containing all Project activities and Eligible Expenditures proposed to be included in the Project in the Recipient’s following fiscal year.

2. The Recipient shall ensure that the Project is implemented in accordance with the AWPB accepted by the Association for the Recipient’s respective fiscal year (provided, however, that in the event of any conflict between the AWPB and the provisions of this Agreement, the provisions of this Agreement shall prevail).

3. The Recipient shall not make or allow to be made any change to the AWPB without prior no-objection in writing by the Association.
D. Memoranda of Understanding and Performance Agreements

To ensure proper and effective implementation of Part 1 (a)(ii) and Part 2(b) of the Project, the Recipient, through MoITC, shall enter into Memoranda of Understanding or Performance Agreements, satisfactory to the Association, with Beneficiaries setting out the milestones to be achieved by the Beneficiaries before Incentive Payments or funding can be provided to the Beneficiaries and the required fiduciary oversight arrangements.

E. Safeguards

1. The Recipient shall ensure that the Project is implemented in accordance with the Environmental and Social Safeguard Framework ("ESMF"). To that end, if any Project activities would, pursuant to the relevant ESMF, require the preparation of an Environmental and Social Management Plan ("ESMP"), the Recipient shall ensure that said activities shall not be implemented unless and until said ESMP has been: (a) prepared, in accordance with the relevant ESMF and furnished to the Association for approval; (b) disclosed following approval of the Association; and (c) all measures required to be taken thereunder prior to the commencement of said Project activities, have been taken. Except as the Association shall otherwise agree in writing, and subject to compliance with the same consultation and information disclosure requirements as applied to the adoption of the aforesaid ESMF and ESMP(s) in the first instance, the Recipient shall not amend or waive any provision of the ESMF and ESMP(s).

2. The Recipient shall, in its Project Reports, report on progress made on compliance with the ESMF and ESMP(s) under the Project, giving details of measures taken in furtherance of the ESMF and ESMP(s) and any conditions which interfere or threaten to interfere with the timely implementation of the ESMF and ESMP(s), and remedial measures taken or required to be taken to address such conditions.

3. The Recipient shall ensure that all advisory, analytical, planning, institutional capacity building, strategizing and such other services carried out under the Project shall be carried out according to terms of reference, satisfactory to the Association, requiring such services to deliver products which take into account, and are consistent with, the Association's social and environmental safeguard policies.

Section II. Project Monitoring, Reporting and Evaluation

The Recipient shall furnish to the Association each Project Report not later than forty-five (45) days after the end of each calendar quarter, covering the calendar quarter.
Section III.  Withdrawal of the Proceeds of the Financing

A. General

Without limitation upon the provisions of Article II of the General Conditions and in accordance with the Disbursement and Financial Information Letter, the Recipient may withdraw the proceeds of the Financing to finance Eligible Expenditures in the amount allocated and, if applicable, up to the percentage set forth against each Category of the following table:

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Financing Allocated (expressed in EUR)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods, works, non-consulting services, consulting services, Incentive Payments, Training and Operating Costs for the Project</td>
<td>41,400,000</td>
<td>100%</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>41,400,000</td>
<td></td>
</tr>
</tbody>
</table>

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A above, no withdrawal shall be made for payments made prior to the Signature Date, except that withdrawals up to an aggregate amount not to exceed €8,000,000 may be made for payments made prior to this date but on or after May 1, 2018, for Eligible Expenditures under Category (1).

2. The Closing Date is December 31, 2024.
SCHEDULE 3

Repayment Schedule

<table>
<thead>
<tr>
<th>Date Payment Due</th>
<th>Principal Amount of the Credit repayable (expressed as a percentage)*</th>
</tr>
</thead>
<tbody>
<tr>
<td>On each March 15 and September 15:</td>
<td></td>
</tr>
<tr>
<td>commencing September 15, 2023 to and including March 15, 2043</td>
<td>1.65%</td>
</tr>
<tr>
<td>commencing September 15, 2043 to and including March 15, 2048</td>
<td>3.40%</td>
</tr>
</tbody>
</table>

* The percentages represent the percentage of the principal amount of the Credit to be repaid, except as the Association may otherwise specify pursuant to Section 3.05 (b) of the General Conditions.
APPENDIX

Section I. Definitions

1. "Annual Work Plan and Budget" or "AWPB" means the work plan to be prepared for each year of implementation of the Project, in accordance with Section 1.C of Schedule 2 to this Agreement.

2. "Anti-Corruption Guidelines" means, for purposes of paragraph 5 of the Appendix to the General Conditions, 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 and as of July 1, 2016.

3. "Basis Adjustment to the Interest Charge" means the Association's standard basis adjustment to the Interest Charge for credits in the currency of denomination of the Credit, in effect at 12:01 a.m. Washington, D.C. time, on the date on which the Credit is approved by the Executive Directors of the Association, and expressed either as a positive or negative percentage per annum.

4. "Basis Adjustment to the Service Charge" means the Association's standard basis adjustment to the Service Charge for credits in the currency of denomination of the Credit, in effect at 12:01 a.m. Washington, D.C. time, on the date on which the Credit is approved by the Executive Directors of the Association, and expressed either as a positive or negative percentage per annum.

5. "Beneficiaries" means the public agencies, business associations, SMEs and Intermediaries eligible to receive funding or Incentive Payments under Parts I(a)(ii) and Part 2(b) of the Project and selected in accordance with eligibility criteria set out in the Project Operations Manual.

6. "Category" means a category set forth in the table in Section III.A of Schedule 2 to this Agreement.

7. "Ecosystem" means the enabling environment under which entrepreneurship grows and thrives, including a variety of actors such as startups, support organizations, financiers, government, academia.

8. "Environmental and Social Management Framework" or "ESMF" means the instruments satisfactory to the Association, prepared and adopted by the Recipient, dated March 5, 2018, outlining the process for management of the environmental and social aspects of the Project as the same may be amended from time to time with the Association’s prior written concurrence.

9. "Environmental and Social Management Plan" or "ESMP" means any plan to be prepared by the Recipient, consistent with the ESMF, providing details about the 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 Association’s prior written concurrence.


11. “Intermediaries” means, inter alia, startup incubators, accelerators, technology boot camp providers and relevant business associations.

12. “Incentive Payments” means the funding to be provided to Beneficiaries in accordance with the Memoranda of Understanding or the Performance Agreements.

13. “Memoranda of Understanding” means the memoranda of understanding to be entered into between the Recipient, through MoITC, on one hand, and the eligible public-sector agencies and business associations on the other, setting out milestones to be achieved by such eligible public sector agencies and business associations prior to receiving funding or Incentive Payments under the Project and required fiduciary oversight arrangements.


15. “Operating Costs” means the reasonable expenses incurred on account of Project implementation, based on an Annual Work Plan approved by the Association pursuant to Section 1.C of Schedule 2 to this Agreement, including: expenditures for maintenance of equipment, facilities and vehicles used for Project implementation, fuel, routine repair and maintenance of equipment, vehicles and office premises, communication costs, use of internet costs, stationery and other office supplies, utilities used for Project implementation, consumables, travel per diems, accommodation expenses, motor vehicle insurance expenses, internal and external audits, workshop venues and materials, and costs of translation, printing, photocopying and advertising, but excluding salaries, top-ups, honoraria, or allowances of the Recipient’s civil servants.

16. “Performance Contract” means the contracts to be entered into between the Recipient, through MoITC, on one hand, and the Intermediaries and SMEs on the other, pursuant to Parts 1(a) and 2 of the Project, setting out milestones to be achieved by such Intermediaries and SMEs prior to receiving funding or Incentive Payments under the Project and the required fiduciary oversight arrangements.

18. "Project Operations Manual" or "POM" means the Recipient’s manual dated May 7, 2018, containing detailed procedures for the implementation of the Project, and including, inter alia: (a) institutional coordination and day-to-day execution of the Project; (b) disbursement and financial management; (c) procurement; (d) environmental and social safeguards management; (e) monitoring, evaluation, reporting and communication; (f) fiduciary and implementation arrangements and procedures for the Performance Contracts and Memoranda of Understanding under Parts 1(a)(ii) and 2(b) of the Project; and (g) other administrative, financial, technical and organizational arrangements and procedures required for the Project.

19. "PIU" means the Project Implementation Unit referred to in Section I.A.2 of Schedule 2 to this Agreement.

20. "Signature Date" means the later of the two dates on which the Recipient and the Association signed this Agreement and such definition applies to all references to "the date of the Financing Agreement" in the General Conditions.

21. "SMEs" means small and medium enterprises.

22. "TEIs" means tertiary education institutions within the Recipient’s territory.

23. "Training" means the reasonable costs for the following expenditures incurred in providing training or workshops: travel by participants and presenters to the training or workshop site, per diem allowances of such persons during the training or workshop, honoraria for the presenters, rental of facilities, materials, supplies and translation and interpretation services.