INTEGRATED SAFEGUARDS DATA SHEET
APPRAISAL STAGE

Report No.: ISDSA13417

Date ISDS Prepared/Updated: 26-May-2015

I. BASIC INFORMATION

1. Basic Project Data

Country:	Kenya	**Project ID:**	P154586
Project Name:	Kenya Climate Venture Facility (P154586)		
Task Team Leader(s):	Aun Ali Rahman		
Estimated Appraisal Date:		**Estimated Board Date:**	15-May-2015
Managing Unit:	GTCID	**Lending Instrument:**	Investment Project Financing
Sector(s):	SME Finance (100%)		
Theme(s):	Micro, Small and Medium Enterprise support (100%)		
Is this project processed under OP 8.50 (Emergency Recovery) or OP 8.00 (Rapid Response to Crises and Emergencies)?			No
Financing (In USD Million)			
Total Project Cost:	4.90	Total Bank Financing:	0.00
Financing Gap:	0.00		
Financing Source			**Amount**
InfoDev			4.90
Total			4.90
Environmental Category:	B - Partial Assessment		

2. Project Development Objective(s)

The development objective is 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.

3. Project Description

The project is to establish an innovative financing facility, the Kenya Climate Venture Facility (KCVF) to provide seed and early stage financing to promising start-up and early-stage climate technology firms in Kenya and East Africa.

The KCVF will be set-up by and capitalize on the activities of the existing Kenya Climate Innovation Center (KCIC). The KCIC was launched in September 2012 in Nairobi and currently supports more than 80 start-up and early-stage Kenyan firms developing innovative technologies and businesses in climate change sectors such as renewable energy, climate-smart agriculture and water and sanitation. The KCIC provides its client companies with a range of services including proof-of-concept grants (US$25k - US$100k), business advisory services and training, access to technical and office facilities, information and international linkages. Companies being supported by the KCIC benefit from assistance to advance from concept to initial market testing in the course of a successful incubation, a process which typically takes at least 12 months or more. The KCVF will be set-up by KCIC which will capitalize it with an anchor equity contribution (made possible through a grant of $4.9 M to KCIC from the infoDev Climate Technology Program).

The KCIC is sponsored, overseen and supported by a consortium of four organizations that bring complementary strengths to the project including Global Village Energy Partnership (GVEP), a non-profit firm that supports enterprise in cleantech and provides pipeline support to KCIC; PriceWaterHouseCoopers (PWC) who provides back-office financial management for the project; Kenya Industrial Research and Development Institute (KIRDI), a government research and development body that supports KCIC clients with technology prototyping and development as well as getting key Intellectual Property (IP) protection for their technologies; and Strathmore University that provides office facilities for KCIC and its clients in its business school as well as technology development support.

The KCVF is the next phase of KCIC with a mandate to support start-up and early stage firms in climate technologies with access to finance. KCVF will focus on those innovative companies that have moved past incubation into the next stage of their development when they require financing for further market testing and business model validation, leading to a full market roll-out. Such financing is typically not available from traditional financiers in Kenya (VC/PE funds or banks), which prefer mature or growth stage companies with more proven models. As such, KCVF will pioneer an innovative financing model – among the first of its kind in the East Africa region – specifically addressing this acute seed/early-stage financing gap in Kenya. It will do so by investing patient capital (in the form of equity, debt and/or related instruments) along with high engagement management assistance, targeting companies that have the positive financial return on investment while also creating positive social, economic and/or environmental impact. These will include companies developing promising - but unproven - business models in renewable energy (on-grid, off-grid, and house-based products such as solar lighting or cook-stoves), water/sanitation and climate smart agriculture. Portfolio companies will include but not be limited to KCIC clients.

Key features of the KCVF model are as follows:

- Geographic Focus - The principal geographic focus of the Facility is Kenya, but KCVF will also be open to investment possibilities in the greater East Africa region.

- Investment Size - Individual investments could range from $100K -$1M; however most investments will be under $400K.

- Legal Structure – KCVF is envisioned to be an open-ended investment vehicle as this structure is more suited to this type of higher risk investment category than traditional VC/PE models.
- Investment Instruments and Approach - Individual investments will consist of equity, equity-like debt and other innovative non-grant instruments (such as revenue based financing), and priced on commercial terms using a disciplined investment approach. However, they will be more patient

and flexible in structure than traditional commercial sources of capital, given the early stages of the companies being invested in and their need for more tailored and flexible sources of capital. Such investment principles are already being effectively applied in impact investing.

- Portfolio Company Management/Technical Assistance – A key feature in the KCVF model – alongside capital provision - is the strong focus on management/technical assistance to portfolio companies. Start-up and early stages' companies, while having promising technologies and business models, need a lot of hand-holding and intensive support in their earlier stages of development to realize their potential.

Operational Relationship between KCIC and KCVF:

A central element of KCVF –and a principal innovation in its investment model - is its close operational relationship with the KCIC, which will set it apart from other early-stage funds. The KCIC – apart from its core business incubation activities - will support KCVF in the following ways:

- Pipeline sourcing and pre-screening – Start-up and early-stage companies being developed by KCIC will be a principal source of deal flow for the KCVF. KCIC also has built a network of other early-stage clean-tech companies that were too mature for KCIC's incubation support, but would be promising pipeline for KCVF. This ready-made pipeline from KCIC will reduce the KCVF's time and cost in sourcing deal pipeline and screening.

- Post-investment management & technical assistance –For companies that KCVF invests in, KCIC will continue to provide management/technical assistance (including the areas mentioned above) alongside the KCVF team to the portfolio companies in the Facility.

Management of KCVF:

KCVF Organizational Structure

The KCIC was legally registered as a company limited by guarantee under the laws of Kenya in January 2015. KCIC will establish KCVF as its full subsidiary and as an investment holding limited liability Company under the Laws of Kenya during the first year of the project. However, the final structure may be modified depending on most appropriate structure for such an investment vehicle from a legal and taxation standpoint.

KCVF Management:

KCVF will be managed by a small and independent investment team with a blend of SME/VC investing (including experience with early-stage companies), strong business networks in Kenya and knowledge of the climate-technology business sector. The team would be led by a seasoned investment VC/PE professional (ideally with experience and know-how of early-stage investing) who would serve as the Chief Investment Officer who would be responsible for building out KCVF, including its operations, investment portfolio, and management assistance functions.

KCVF Governance:

KCVF will have a robust governance structure – consisting of an Investment Committee – to both serve the governance requirements of its existing funders as well as provide confidence for attracting future funders in the Facility.

4. Project location and salient physical characteristics relevant to the safeguard analysis (if known)

The KCVF will be primarily implemented in locations within and outside cities and towns in Kenya. There will not be land take nor physical displacement of people; no loss of assets or access to assets; no loss of income or livelihoods of people in locations thatsubprojects will be implemented. In view of the fact that the investment will be applied and disbursed on a demand-driven basis and no specific sub-projects have been identified at this stage during project design, an environmental and social framework approach is recommended. The recommended safeguard instrument is an Environmental and Social Management Framework (ESMF). However, as and when sub-projects are identified during the implementation phase of the project, appropriate supplemental safeguard instruments such as site-specific environmental and social impact assessments (ESIAs), resettlement action plans (RAPs), Process Frameworks (PFs), etc may be prepared to preclude and/or remediate any safeguards risks and impacts likely to emerge from execution of those investment projects. Also, the project has completed a “Negative List of Projects” that will not be financed under this project. The List is incorporated in the ESMF and is reproduced here.

Projects Excluded from Financing:
Positive environmental impact will be an essential outcome product of the business’ operations to be financed by KCVF. Exclusions from financing will include, among others:

1. Subprojects not belonging to any of the three CIC thematic areas (agribusiness, renewable energy, water and sanitation).
2. Agribusinesses that use synthetic chemicals or hazardous substances or bio-pathogens without valid licenses from the Pest Control Products Board (PCPB).
3. Any activity related to land take, and resulting in physical involuntary resettlement of people or loss of assets or access to assets, or loss of livelihoods and sources of income.
4. Any subproject that would adversely impact on physical cultural resources (historical, archaeological and cultural heritage sites, etc.) through (a) excavations, demolition, movement of earth, flooding, or other environmental changes; or (b) being located in, or in the vicinity of, such physical cultural resources.
5. Subprojects that would involve the construction of new dams or diversion of water courses, an existing dam or a dam under construction, or remedial work to an existing dam or a dam under construction.
6. Subprojects that would adversely impact natural forests wetlands or ecologically sensitive habitats.
7. Subprojects that would involve capture and export of life animals.
8. SMEs whose proposal does not incorporate environmental and social adverse impacts mitigation measures.
9. Subprojects categorized by the World Bank as A. They will either be redesigned and rescreened or dropped because the parent project KCVF has been assigned the environmental category B.

5. Environmental and Social Safeguards Specialists

6. Safeguard Policies	Triggered?	Explanation (Optional)
Environmental	Yes	

Assessment OP/BP 4.01		
Natural Habitats OP/BP 4.04	No	
Forests OP/BP 4.36	No	
Pest Management OP 4.09	No	
Physical Cultural Resources OP/BP 4.11	No	
Indigenous Peoples OP/ BP 4.10	No	
Involuntary Resettlement OP/BP 4.12	No	
Safety of Dams OP/BP 4.37	No	
Projects on International Waterways OP/BP 7.50	No	
Projects in Disputed Areas OP/BP 7.60	No	

II. Key Safeguard Policy Issues and Their Management

A. Summary of Key Safeguard Issues

1. Describe any safeguard issues and impacts associated with the proposed project. Identify and describe any potential large scale, significant and/or irreversible impacts:
The project is classified as EA category B. Although the project is expected to have many environmental and social positive impacts, site specific and localized environmental and social negative impacts may happen in relation to investment of small and medium private enterprises and technology ventures. These impacts may include air pollution due to dusts and fumes, soil and water pollution and waste from electrical, electronic, and metallic equipment, byproduct, that would be produced as a result of construction and installation, manufacture and operation of SMEs. These wastes may pose a potential threat to human health and the environment when improperly disposed. In addition, generation of particulate matter (dust) and emission of exhaust combustion of gas products into the atmosphere during construction and operation of facilities will affect ambient air quality. SME owners should be responsible for controlling air, land and water pollution. Due to the fact that the KCVF would support a wide range of SME business ventures, there is the likelihood that there could be social impacts which may be health and safety related. An ESMF has been prepared, reviewed, consulted on and disclosed in country (on the KCIC website) and will be disclosed at the Bank's InfoShop. There are not likely to be any safeguards issues beyond the coverage of the safeguard policy (i.e. OP 4.01) triggered for this grant. However, there might be safeguards issues which may be localized, and easy to address. The grant recipient has prepared a viable checklist, which has been annexed to the main text of the ESMF, and screening of submitted proposals will be done using the checklist among others. Non-social safeguard issues could include elite capture of the project, exclusion of the vulnerable including women, youth and disabled from participation, red tapeism,

etc. However, these could be minimized and possibly eliminated if the project institutes a transparent and open process for selecting and providing funds for implementation of approved proposals. The kind of governance structure established within KCVF for overseeing, coordinating and facilitating project implementation may be important in ensuring that these issues do not arise.
2. Describe any potential indirect and/or long term impacts due to anticipated future activities in the project area:
N/A
3. Describe any project alternatives (if relevant) considered to help avoid or minimize adverse impacts.
N/A
4. Describe measures taken by the borrower to address safeguard policy issues. Provide an assessment of borrower capacity to plan and implement the measures described.
The management of the facility will be done by an in-house investment team within KCIC/KCVF itself. This will supported by Strathmore University as a consortium partner of CIC who will take up responsibility for the management of the CIC, including the environmental and social safeguards requirements. In December 2014, an Environment and Social Audit (ESA) was carried out for the parent project financed under KCIC to assess the project's performance, with regard to safeguard implementation. Among others, the assessment revealed that the KCIC and Strathmore University had no effective structures or systems in place to screen subprojects for environmental and social aspects before they were approved and compliance monitoring during subproject implementation. Neither KCIC nor Strathmore University has staff dedicated to provide safeguard implementation and oversight. KCIC or Strathmore University will be creating and building safeguard management/compliance monitoring capacity within its ranks to carry out environmental and social safeguard due diligence, including screening sub-projects and conducting environmental and social safeguards studies for investments that may be proposed by proponents seeking support from the Facility. Furthermore, KCIC and Strathmore University may resolve any existing or unforeseen safeguard management capacity constraints in two ways. One way of ensuring capacity is created is designating/assigning one or two of its staff (full time) to be responsible for the management of environmental and social safeguards of the project. Whoever is assigned to deal with safeguard issues would, however, need to be trained properly in safeguard and also be exposed to all the Bank's safeguards policies as well as the national environmental and social safeguard policies, legislation, procedures and guidelines. The other way could be by hiring a safeguard expert or firm with expertise in both environmental and social safeguards from the market who could be kept on a retainer basis to provide advice and monitor safeguard compliance. These experts, whether they are the management entity's own staff members or are hired from the market and entrusted with the responsibility of screening and vetting investment proposals that will be submitted to the Facility management entity will be using the checklist in the ESMF to initially screen and vet proposals. Safeguard Officer(s) of the Facility will be working specifically on both social and environmental safeguard issues and also be responsible for providing technical support to proponents during the preparation of appropriate supplemental safeguard instruments and implementation of mitigation/ management plans and monitoring compliance of safeguard. The nature, type and scope of investments under the Facility will determine whether the services of World Bank's Environmental and Social Specialists will be needed at all times during implementation of this project. The Facility Safeguard Officer(s) will be guided by and work closely with the World Bank

safeguards team during supervision and throughout the project cycle.
5. Identify the key stakeholders and describe the mechanisms for consultation and disclosure on safeguard policies, with an emphasis on potentially affected people.
The KCVF will be established by and physically hosted by KCIC which is located at Strathmore Business School. The KCIC has been implementing a Recipient Executed grant through a Consortium led by PWC, GVEP, Strathmore University and KIRDI who were selected through a competitive process to identify the most appropriate institution and consortium to establish the Center. KCIC is now legally registered as a company limited by guarantee under the Companies Act in the Laws of Kenya. The key beneficiaries of support from KCVF will be Kenyan innovators in climate technology fields – with a focus on small and medium sized growth-oriented enterprises.

B. Disclosure Requirements

Environmental Assessment/Audit/Management Plan/Other	
Date of receipt by the Bank	12-Jan-2015
Date of submission to InfoShop	30-May-2015
For category A projects, date of distributing the Executive Summary of the EA to the Executive Directors	
"In country" Disclosure	
Kenya	01-Feb-2015
Comments:	
If the project triggers the Pest Management and/or Physical Cultural Resources policies, the respective issues are to be addressed and disclosed as part of the Environmental Assessment/ Audit/or EMP.	
If in-country disclosure of any of the above documents is not expected, please explain why:	

C. Compliance Monitoring Indicators at the Corporate Level

OP/BP/GP 4.01 - Environment Assessment	
Does the project require a stand-alone EA (including EMP) report?	Yes [×] No [ ] NA [ ]
If yes, then did the Regional Environment Unit or Practice Manager (PM) review and approve the EA report?	Yes [×] No [ ] NA [ ]
Are the cost and the accountabilities for the EMP incorporated in the credit/loan?	Yes [×] No [ ] NA [ ]
The World Bank Policy on Disclosure of Information	
Have relevant safeguard policies documents been sent to the World Bank's Infoshop?	Yes [ ] No [ ] NA [×]
Have relevant documents been disclosed in-country in a public place in a form and language that are understandable and accessible to project-affected groups and local NGOs?	Yes [ ] No [ ] NA [×]
All Safeguard Policies	

Have satisfactory calendar, budget and clear institutional responsibilities been prepared for the implementation of measures related to safeguard policies?	Yes [ ] No [ ] NA [×]
Have costs related to safeguard policy measures been included in the project cost?	Yes [ ] No [ ] NA [×]
Does the Monitoring and Evaluation system of the project include the monitoring of safeguard impacts and measures related to safeguard policies?	Yes [ ] No [ ] NA [×]
Have satisfactory implementation arrangements been agreed with the borrower and the same been adequately reflected in the project legal documents?	Yes [ ] No [ ] NA [×]

III. APPROVALS

Task Team Leader(s):	Name: Aun Ali Rahman	
Approved By		
Safeguards Advisor:	Name:	Date:
Practice Manager/ Manager:	Name: Ganesh Rasagam (PMGR)	Date: 22-May-2015

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