Early Warning System

WB-P510397

FOREX Liquidity Support Mechanism

Quick Facts

Countries	Ethiopia
Financial Institutions	World Bank (WB)
Status	Proposed
Bank Risk Rating	B
Voting Date	2027-02-05
Borrower	Government of Ethiopia - Ministry of Finance, PPP Unit
Sectors	Energy, Finance, Law and Government
Investment Type(s)	Grant
Investment Amount (USD)	$ 20.00 million
Project Cost (USD)	$ 20.00 million

Project Description

According to the Bank's website, the objective of this project is to facilitate private investments in renewable energy by providing foreign-currency liquidity.

The FLSM will provide an incremental forex buffer to the Ministry of Finance for meeting its forex commitments toward select Independent Power Producers (IPPs) projects in renewable energy. The FLSM will be structured to address the foreign exchange availability risk under suitable replenishment commitment by the Government--essentially providing additional liquidity to the Government to tide over any short-term gaps in meeting its foreign exchange commitments to the IPP developers.

Early Warning System Project Analysis

Environmental and Social Risk Classification (ESRC): **Moderate**

The project doesn’t support activities that have high environmental risks and impacts. There are no civil works or technical assistance for specific investments under this project. However, the implementation of the FLSM will facilitate access to forex liquidity to selected IPPs to be engaged in renewable power generation namely solar and wind IPPs. The risks include, among others, occupational and community health and safety risks due to construction related activities dust and noise from rotating wind blades, traffic congestion and road accidents; habitat alteration causing potential risks to biodiversity such as on avifauna; hazardous and non-hazardous wastes that could account for soil, water and air pollution; resource efficiency (especially water consumptions to clean the solar panels), waste generation including e wastes from electrical equipment. e.g. poor disposal of batteries that can cause soil, and water contamination); and potential risks to cultural heritage due to the construction, operation, and maintenance activities of wind and solar power infrastructures.

The project will not support activities that have significant or even direct social risks and impacts. There are no civil works or technical assistance for specific investments under this project. However, the implementation of the FLSM will facilitate access to forex liquidity to selected IPPs for solar and wind power generation. Social risks may include, among others, (i) potential land acquisition leading to physical and economic displacement of people and loss of access to land use that can provide social and economic resources; (ii) Potential community health and safety risks related to contamination during to collection, storage and disposal of used and damaged solar batteries and panels which contains hazardous wastes as well as community risks during transportation and handling of wind towers and blades, (iii) SEA/SH risks related to project workers; (iv) inadequate consultation of affected persons for investments; and (vi) lack of access to functioning GRM, (vi) social exclusion of vulnerable groups mainly women, youth, persons with disabilities and other members of vulnerable groups including Historically Underserved Communities (HUCs). The fragile and conflict situation of the country, particularly in the high conflict affected zones may pose E&S risks and impacts during implementation and monitoring of the ESRM activities, compounded by the existence of considerable number of IDPs in different parts of the country.

Investment Description

- World Bank (WB)

Total Project Cost: US$ 20.00 million

Green Climate Fund (grant): US$ 20.00 million

Contact Information

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Bank Documents

- Concept Environmental and Social Review Summary (ESRS) - FOREX Liquidity Support Mechanism - P510397