Early Warning System

WB-P515532

PRIME Phase 2 - Renewable Energy IPP Support Guarantee

Quick Facts

Countries	Ethiopia
Financial Institutions	World Bank (WB)
Status	Proposed
Bank Risk Rating	A
Voting Date	2026-12-15
Borrower	Government of Ethiopia - Ministry of Finance; Ethiopian Electric Power
Sectors	Energy
Investment Type(s)	Guarantee
Investment Amount (USD)	$ 10.00 million
Project Cost (USD)	$ 240.00 million

Project Description

According to the Bank’s website, Phase 2 of the MPA provides project based guarantee (Payment guarantees) to enable renewable energy generation through private sector participation (IPPs) in Ethiopia.

The PRIME MPA is designed as the principal vehicle for supporting the Government’s power-sector transformation vision. PRIME-1 supports priority investments in transmission and distribution, network rehabilitation, performance-based reforms for key utilities, and strengthening the electricity regulator, thereby improving system reliability and laying the foundation for private participation in the sector.

PRIME Phase 2 supports the Program Development Objective of enabling private sector participation in renewable energy generation. Phase 2 provides a dedicated IDA project based (payment) guarantee for solar Independent Power Producers (IPPs), structured in close coordination with IFC Transaction Advisory Services and MIGA political risk coverage. PRIME-2 will support mobilizing private investment into renewable generation, diversifying supply and enhancing power system resilience with clearer links to sector and utility reform, network investments and sector financial sustainability. The initial focus on competitively tendered solar IPPs at Gad 2 and Weranso, and potentially on a small set of follow-on projects, allows the Government and the World Bank Group to concentrate resources on a realistic, well-sequenced pipeline that can reach financial close within PRIME MPA’s timeframe, while building a track record for future renewable IPPs.

PRIME-2 is expected to provide up to US$10 million equivalent in IDA guarantee exposure overall, supporting two priority solar IPPs competitively tendered Gad 2 (125 MW) and Weranso (100 MW) solar projects under the Round 2 Competitive Solar Tenders in Ethiopia, and potentially adding follow-on wind IPPs, as they reach readiness. These transactions could mobilize 225 megawatts of new renewable capacity and a multiple of the IDA exposure in private investment and lending.

Early Warning System Project Analysis

Environmental and Social Risk: Substantial

According to the Project Information Document (PID), at the concept stage (march 2026), projects were both considered Category B as they were expected to have limited adverse E&S risks that a few in number, generally site-specific, largely reversible, and readily addressed through mitigation measures. The project's key environmental risks are expected to relate to land disturbance potentially impacting biodiversity, including habitat fragmentation, creation of a barrier effect; construction impacts such as dust, noise, waste, sedimentation and erosion; hazardous and non-hazardous waste including e-waste and end of life disposal of solar panels; soil erosion, sedimentation, and OHS risks. Associated Facilities include the new transmission lines to be constructed by EEP to connect the projects to existing transmission lines. The potential risks associated with the transmission lines include land clearance and bird and bat collision risk. Key social risks relate to potential involuntary displacement due to land acquisition or land use and access restrictions; potential impacts on Indigenous Peoples; labour and working conditions during construction; community health and safety due to project-induced influx of workers during construction, including the risks of gender-based violence (GBV), sexual harassment, and conflict between workers and local communities; and potential impacts on cultural heritage. These risks are expected to be significantly higher during construction when the projects mobilize large workforces and activities involve increased levels of transportation of workers and materials. The procurement of solar panels has risks of forced labor in the supply chain. The supply chain risks will be reviewed as part of due diligence. According to the ESIA ToRs, there is potential for impact on Indigenous Peoples (i.e. Issa Clan (Gad-2) and Afar Communities and Sub-Clan (Weranso)). The extent of impact will be determined during due diligence.

Investment Description

- World Bank (WB)

IDA Guarantee: US$ 10.00 million

Total Project Cost: US$ 240.00 million

Private Actors Description

Ethiopian Electric Power is an Ethiopian electrical power industry and state-owned electric producer. It is engaged in development, investment, construction, operation, and management of power plants, power generation and power transmission. The company is a main key in the Ethiopian energy sector.

Private Actor 1	Private Actor 1 Role	Private Actor 1 Sector	Relation	Private Actor 2	Private Actor 2 Role	Private Actor 2 Sector
-	-	-	-	Ethiopian Electric Power (EEP)	Client	-

Contact Information

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ACCESS TO INFORMATION

To submit an information request for project information, you will have to create an account to access the Access to Information request form. You can learn more about this process at: https://www.worldbank.org/en/access-to-information/request-submission

ACCOUNTABILITY MECHANISM OF THE WORLD BANK

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Bank Documents

- Concept Project Information Document (PID)
- Concept Project Information Document (PID)
- Ethiopia - PRIME Phase 2 of Renewable Energy IPP Support Guarantee : Concept Environmental and Socia

Other Related Projects

- WB-P508707 Power Sector Reform, Investment and Modernization in Ethiopia (PRIME-1)