

## Factsheet: Proposed<sup>1</sup> Environmental and Social Standard 9: Financial Intermediaries (FI)

### What is the proposed ESS9 about?

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Given the widespread interest and concerns among stakeholders over how environmental and social considerations can and should be taken into account in intermediated lending, the World Bank is proposing to consolidate existing policy provisions related to FIs into one proposed standard that also addresses the organizational capacity and risk management function within FIs. The proposed ESS9 would require an FI to put in place environmental and social procedures proportionate to the nature of the FI and the level of risks and impacts associated with the project and potential FI subprojects. Under the proposed Standard, the FI would be required to screen and categorize all FI subprojects for environmental and social risks and impacts. The FI would comply with any exclusions in the legal agreement and apply relevant national law for all FI subprojects. In addition, the FI would apply the relevant requirements of the ESSs to any FI subproject that involves resettlement (unless the risks and impacts of such resettlement are minor), adverse risks or impacts on Indigenous Peoples or significant risks or impacts on the environment, community health, biodiversity or cultural heritage. If approved, the FI would also be required to conduct stakeholder engagement in a manner proportionate to the risks and impacts of the project, and which reflects the nature of the FI and the type of FI subprojects it will finance. The FI would submit annual reports to the World Bank on their environmental and social performance.

Under the proposed World Bank Environmental and Social Policy, the World Bank's responsibilities would include reviewing the adequacy of national environmental and social requirements relevant to the project and the proposed FI subprojects, and the capacity of the FI to manage environmental and social risks and impacts. The review would include an assessment of the procedures the FI would use to (a) conduct environmental and social screening and categorization of FI subprojects; (b) ensure sub-borrowers' conduct of environmental and social assessment of proposed subprojects; and (c) review the result of such assessment. When necessary, the World Bank would ensure that the project includes measures to strengthen such procedures. Where the FI is classified by the Bank as *High Risk* or *Substantial Risk* and the Bank is not satisfied that adequate capacity exists for categorizing, carrying out environmental and social assessment or reviewing the results of environmental and social assessment, all FI subprojects that involve resettlement (unless the risks or impacts of such resettlement are minor), adverse risks or impacts on Indigenous Peoples or significant risks or impacts on the environment, community health, biodiversity or cultural heritage would be subject to prior review and approval by the Bank under the proposed Standard. Throughout implementation, the World Bank would monitor the environmental and social performance and provide support and capacity building, as needed, in accordance with the legal agreement, including the ESCP.

### What's new?

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- **Greater ES risk management for FI subprojects:** Under the proposed Standard, the FI would be required to screen and categorize all FI subprojects for environmental and social risks and impacts. The FI would comply with any exclusions in the legal agreement and apply relevant national law for all FI subprojects. In addition, the FI would apply the relevant requirements of the ESSs to any FI subproject that involves resettlement

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<sup>1</sup> The content of the proposed Standard is for consultation purposes. It has not been endorsed by the Executive Directors of IBRD/IDA. The Board of Executive Directors will make the final decision on the content. To review the proposed framework, including the full text of all ten standards, and provide feedback, please visit <http://consultations.worldbank.org/consultation/review-and-update-world-bank-safeguard-policies>

(unless the risks and impacts of such resettlement are minor), adverse risks or impacts on Indigenous Peoples or significant risks or impacts on the environment, community health, biodiversity or cultural heritage.

- **Monitoring of the risk profile of FI subprojects:** If approved, the FI would be required to monitor the risk profile of FI subprojects. If the risk profile of an FI subproject increases significantly, the FI would notify the Bank and would apply relevant requirements of the ESS in a manner agreed with the Bank.
- **Annual reports to the World Bank:** It is proposed that the FI would submit to the Bank annual Environmental and Social Reports on the implementation of its environmental and social procedures, this proposed ESS and ESS2, as well as the environmental and social performance of its portfolio of subprojects. The annual report would include details of how the requirements of this ESS are being met, the nature of the FI subprojects financed through the project, and the overall portfolio risk, profiled by sector.

### What stays the same?

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- The proposed ESS9 builds on the existing provisions relating to Financial Intermediaries in the current policy on [Environmental Assessment](#).