

ARTICLE TYPE

Statement

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The Green Climate Fund (GCF) has terminated the Funded Activity Agreement for the project, “Bio-CLIMA: Integrated climate action to reduce deforestation and strengthen resilience in BOSAWÁS and Rio San Juan Biospheres” ([FP146](#)), due to non-compliance with GCF policies and procedures on environmental and social safeguards (ESS). The decision was made by the GCF Secretariat following a thorough investigative and assessment process, as well as actions taken by the Secretariat to address the instances on non-compliance, which constituted legal breaches to the relevant legal agreements between GCF and the Accredited Entity.

No funds were disbursed by GCF to the project, and the project had not begun implementation.

In June 2021, the GCF Independent Redress Mechanism (IRM) received a complaint related to FP146 that alleged, among others, lack of proper consultation with Indigenous and Afro-descendant communities and non-compliance of the Accredited Entity, the Central American Bank for Economic Integration (CABEI), with GCF policies and procedures. A compliance investigation was subsequently conducted by IRM, and it submitted a Compliance Review Report to the GCF Board for consideration.

The GCF Board, by decision [B.36/17](#), concluded its consideration of the Compliance Review Report submitted by the GCF Independent Redress Mechanism. At the same meeting, the Board took note of the Secretariat’s management response requested by the Board in decision [B.34/23](#), and actions taken by the GCF Secretariat under the relevant legal agreements between GCF and CABEI to address instances in which development of the project funding proposal was determined not to be compliant with GCF policies and procedures.

The Board affirmed the right of the Secretariat to exercise the rights of GCF under the relevant legal agreements if the non-compliance issue was not addressed to the Secretariat’s satisfaction. The Secretariat has exercised such rights. The Secretariat updated the Board on the project and decision undertaken at the executive session of the 38th GCF Board meeting.

The GCF Secretariat has been engaging with CABEI on this issue and is committed to working collaboratively with the Accredited Entity and Executing Entity to develop a clear strategy to conclude the project in an orderly and responsible manner that includes informing all relevant stakeholders on the ground and managing the expectations of those that would have been the beneficiaries had the project been implemented.

The GCF Secretariat remains committed to upholding the principle of do no harm and avoid, minimise, and mitigate potential adverse environmental and social impact of climate finance activities.