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**Global Environment Facility**

**The New GEF:  
A Proving Ground For Our Sustainable Future**

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Distinguished Council Members:

Welcome to Washington. I am delighted to be here with you for my first Council meeting since taking office. Three months beyond Cape Town, it is fitting for me to begin by extending a heartfelt thank you to South Africa for so graciously hosting the Assembly in August, which set the tone well for the replenished GEF.

Today, I would like to share with you my personal sense of excitement at this inaugural moment, somewhat dampened by the weight and urgency of the task we have ahead. I have been in office for a bit more than 100 days now and have spent most of the last few months “cleaning the kitchen.” Today, I am more than ever committed to all our member countries, but I am particularly here for the developing countries.

Now, after my first 100 days and much careful reflection, I am happy today to share my vision of a **New GEF** with you.

Dear Council Members:

Nearly fifteen years ago, we gathered in Rio for twelve intensive days and **galvanized the world with the first global Summit on environment and sustainable development**. I remember those two weeks vividly. I remember the fight to create this Facility and the hopes and ambitions which were invested in its architecture. My heart was invested in that battle then, and it still is today.

In those days, when the world was first waking up to shrinking natural resources and the increasingly damaged planetary eco-structure, the political debate could be summarized in the following manner: **we must find compatibility between the need to**

**preserve the environment for everyone and the legitimate needs of the developing countries to catch up with the developed world at the economic and social levels.**

Today, after more than a decade of tectonic shifts in global politics, the problem remains the same.

So, as I take on the mantle of the GEF, I believe **I must look out at the horizon with the long view** – back to those Summit days and forward to imagine what could/should be the contribution of the GEF for all our grandchildren’s children, from the rich cities in the industrial world to the smallest village in Africa, so that they will have clean air to breathe, fresh water to drink, healthy food to eat, and means to prosper and thrive on a vibrant planet.

I therefore intend to take advantage of the opportunities offered by the fourth replenishment for the GEF to take part in the construction of our collective future as a **proving ground of effective investment in global environment and sustainable development.**

I am proud of the GEF and believe that its accomplishments are many; and the policy reforms we are instituting at your request are already going some way toward bringing GEF into line as an efficient, performance-based organization.

But for me, this is not enough. Within the mandate and policy reforms which you have set out for the replenished GEF, I want to break apart the complex web of bureaucracy which today defines the GEF, and **put in place a five-point Sustainability Compact** which, if you agree, I believe will help raise the impact of GEF investments to a new level of results and will mean that the **GEF can be counted on as a leading force for sustainable development for all people.**

Initially, this calls for some serious and harsh changes to the work program, the project cycle, and the way we engage with partners, even including the Council. I beg your indulgence as we go through this rough period.

But secondly, I believe these changes will help create a fresh, streamlined, contemporary GEF, able to readily and quickly provide funding where it is needed and mobilized to improve the global environment at the same time that it enhances the quality of people's economic and social development: **an institution built on action which people can really count on, and a world-class investment facility.**

Once this process is underway, I will work to make the GEF a living presence in the world, a voice which echoes with compelling strength and spirit, which the global public comes to know as a "GEF with soul," and from which knowledge can be tapped and applied by everyone, from policy makers to classrooms and corporate suites.

All these changes that I am proposing fall in line with the reforms you requested for the fourth GEF replenishment.

In fact, I believe we have no choice. **Demand for GEF resources now greatly exceeds the available resources.** Although it means some difficult decisions, I believe it is my responsibility to provide political judgment and leadership to correct this imbalance, to decrease frustration among countries, and to ensure a leaner, more effective use of GEF resources.

We have to put an end to too-slow response to global environment concerns complicated by long delays in disbursing funds, long lists of sometimes-questionable projects in an

unaccountable pipeline, complex strictures and arcane requirements, and supply-driven portfolios.

Instead, this Compact should become an agreement among all partners, developed and developing country partners, implementing and executing agencies, the Council, and the Secretariat, STAP, and the Conventions, for the GEF to become what I believe it can become: a **vibrant global complex, a combined think-tank, laboratory, and investment house** which acts as a living portal through which global environment problems are solved and sustainable development assured.

### **The New GEF: A five-point Sustainability Compact**

My Sustainability Compact envisions a GEF built on five key elements: **strategy, innovation, equity, accessibility, and focus.**

Each of these elements is built into the genetic makeup of the GEF, but little by little they have been diminished. I want to revive them. I want to be able to say:

#### **GEF Is Strategic**

*I believe we should move to a programmatic approach, away from the project-driven approach to a smaller, more tightly defined base of programs developed in a more rigorous way, so that they fit well into the strategies defined for each focal area.*

The Secretariat and agencies have taken a first step towards revising the strategies, and these are before you at this Council meeting. Building on your policy reform expectations, we intend to:

1. Focus the strategies on a clear set of priority issues for the global environment, as you recommended, by building synergies for cross-cutting issues such as sustainable forestry and chemicals management; and
2. Apply a set of tracking tools and measurable indicators of global outcomes and impacts to all GEF projects.

I believe that over the next six months, we can solidify this fundamental piece of our work, and I beg your indulgence to allow us that time to refine our approach.

#### **GEF Is Innovative**

1. *Where possible, I want to engage the GEF money as “seed money”, financing those innovative and entrepreneurial efforts and technologies for which there is not yet a market base, so that the market can begin to build for technologies which will eventually become the sustainable order of the day; and*
2. I want to re-create the GEF as a world-class investment opportunity and an increasingly powerful leverage for global capital on sustainable development.

#### **GEF Is Equitable**

*I believe we must level the global playing field by creating special means by which those countries most in danger of the shifting environment’s impact are not penalized and can keep up with the rest of the world.*

Equity for the GEF is:

1. To help the most vulnerable by making sure that the use of our limited resources has concrete results, not only for the global environment but also for sustainable development;
2. But also to find ways to ensure that today's beneficiaries increasingly have the opportunity to make financial contributions to the GEF so that we can more effectively implement solutions.

### **GEF Is Accessible**

*To be accessible one must be understood.* The problems being handled by the GEF, the global strategies they fall under, and the coordinated interventions with the agencies are becoming more and more complex. I want to therefore establish direct dialogue with the countries in a transparent manner in order to ensure their comprehension and to bring them on board.

To be accessible means to know how to listen, to take into account member countries' different priorities, and to be accountable for our responsibilities in this regard.

**I propose the creation of a position of Ombudsman** at the Secretariat to pick up any country concerns or complaints as we implement these objectives through our implementing and executing agencies.

**In the same spirit of accessibility, we must enhance the effectiveness of corporate programs**, especially the Small Grants Program, National Dialogue Initiative, and Country Support Program, improving their cost effectiveness and creating more effective

deployment of the programs so that they are true core vehicles for explaining the GEF to countries and other constituencies. To ensure their central role, these programs' Steering Committees will be chaired by the Secretariat.

**Finally, we must strengthen the GEF's corporate image and public communications.**

The Secretariat will lead the development of a corporate communications strategy. All GEF-related press and media releases of the Agencies will be cleared by the Secretariat, and the Secretariat will provide templates, boiler plate language and guidelines for GEF-related communications.

**In parallel, we must strengthen the GEF's capacity to tap into and share its**

**knowledge base.** I am calling for a major overhaul of the data collection and reporting system and of the GEF web site, so that they become vehicles for easy access to GEF knowledge. With this overhaul, GEF will become not only a financial investment mechanism but a major knowledge repository.

### **GEF Is Focused**

*I believe we must draw on each partner's comparative advantage* to ensure that the program remains focused, with horizontal relationships capitalizing on needed expertise, solidifying the GEF corporate family as **the GEF Group** with strong unified presence around the world; and with a simplified, first-class project portfolio, using GEF money to fund top-quality country-driven projects in line with countries' own priorities in less than two years.

In our resource-constrained environment, we must be as cost-effective as possible. To reduce transaction costs and to equalize the playing field among agencies, I have decided to propose to you the **elimination of the corporate budget for the implementing agencies beginning in Fiscal 2008 but also to agree to raise the project**

**cycle management fees from 9% to 10%** across the board for all implementing and executing agencies.

In addition, **the project process has become too cumbersome and lengthy**. To simplify the process, I have already introduced a number of new measures.

**I have seriously reduced the current project pipeline**, which I discovered upon my arrival had reached an unrealistic \$1.5 billion, in some focal areas representing nearly 80% of their GEF-4 allocation. I have asked all partners to work together to reduce the pipeline to no more than \$700 million.

To ensure quality at entry of all project proposals, **I have created new simplified instruments: a Project Identification Form (PIF)** through which agencies can obtain Secretariat clearance before undertaking serious discussions on any project in a country; and a set of **modified project review templates** to reflect increasing focus on administrative cost and cost-effectiveness at different stages of review in the project cycle. **Finally, I recommend that we abolish PDFs and replace them with actual project preparation costs.**

Once projects have cleared the pipeline, I believe countries must be assured that they can move quickly through implementation. **I will propose to the Council in June 2007 a redesigned project cycle in which a proposal would take, on average, no more than 22 months** to progress from identification to start of implementation. This is still too long but it is a **vast improvement over the 66-month lapse** between entry of a concept into the pipeline and the project's initiation which I found when I arrived.

Dear Council Members:

I know that the move to a transformed GEF will not be easy. All of these actions will require on one hand discipline from all actors in the GEF – agencies, the Secretariat, the Council, and governments – but also a joint sense of ownership and commitment to this collective project. You have given me the mandate to ensure a GEF which we can all be proud of, and which goes a long way, as the largest funder of the global environment in the world, toward ensuring a sustainable future.

Please be assured that, difficult as the transformation may be, I stand ready to undertake it with all my energy. I believe I owe you no less.

## LIST OF ACTIONS FOR CHANGE

### *Strategy and Innovation*

- Simplify and focus the focal area strategies
- Reduce project cycle complexity
  - Reduce project cycle to 22 months from 66 months
  - Simplify project review templates, including creation of a Project Information Form (PIF)
  - Base approval of project preparation funds on actual costs
- Clean an overstocked pipeline from \$1.5 billion to \$700 million
- Institute ongoing pipeline management to weed out poorly progressing projects and return unused funds to the GEF Trust Fund.

### *Equitability*

- Create an Ombudsman in the office of the CEO to respond to country concerns
- Ensure that agencies work to their comparative advantage
- Level the playing field between implementing and executing agencies
  - Abolish corporate budgets for implementing agencies as of FY08
  - Increase project cycle management fees from 9% to 10% for all agencies
  - Ensure that all agencies participate in GEF corporate activities.

### *Accessibility and Focus*

- Create avenue for direct dialogue between countries and GEF Secretariat
- Enhance effectiveness of corporate programs
  - Corporate program steering committees to be chaired by GEF Secretariat
- Strengthen GEF public image
  - Secretariat to lead development of a communications strategy
- Overhaul the data management system and web site