

Pearl Initiative Soft Launch

September 20, 2010 1-3 pm

Badr Jafar's speech

Transparency Accountability Anti-corruption Good corporate governance Social responsibility Corporate Citizenship.

These are the buzzwords of the modern MBA, taught in first class institutions the world over. They exist on paper, in textbook glossaries, peer-review journals, media op-ed columns and, Business School case studies. They are symbols of best practice corporate cultures, and the products of the great PR machine.

As prevalent and catchy as these buzzwords may be, one indisputable fact remains: Our world has dramatically changed in recent years, resulting in widespread insecurity across most, if not all, industries. A worldwide economic value crisis, brought about the near collapse of the global financial system, has shaken the private sector to its core, and forced governments to take a long, hard look at regulatory reforms. And while that is a topic I wouldn't dare broach, there can be no doubt that it is on one level the driving force behind the Initiative whose launch we will witness here today.

In today's world, properly-executed reporting structures and moreover accountability have become paramount in ensuring a corporation's success and security, and its ability to deliver long-term stewardship for all of its stakeholders, instead of just short-term economic gain.

Good governance is essential to the integrity of corporations, financial institutions and financial markets; it is central to the health and stability of economies, and ultimately the welfare of citizens everywhere, particularly as we strive for a steadfast global recovery.

Although difficult to quantify, recent estimates of financial losses resulting from corruption in developing countries, place it in the hundreds of billions of dollars. This is money that is, for all intense purposes, completely wasted, and which could instead go into re-investment in the much-needed development of these local economies and for the future generations in these countries. It is now widely recognised and accepted that investments and capital are more readily available to countries and corporations within countries that adhere to the highest standards of governance, both in the public and private sectors.

The Gulf Region of the Middle East, including the Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the United Arab Emirates, makes up over 66% of the whole Middle East's economy on a GDP-basis. It is also one of the fastest growing region economies in the world, with an average annual growth of 18.2% over the past 10 years. Foreign Direct investment in the GCC increased by 48% in 2007 and another 40% in 2008, though it started to fall considerably in 2009. The GCC is also home to some 17 million non-GCC nationals working and establishing businesses with its countries.

Today, we gather to discuss and commence our work with the Pearl Initiative. The Pearl Initiative will enable and encourage private sector companies in the Gulf region of the Middle

East, such as the Crescent Group, to attain a greater awareness of their responsibility to demonstrate accountability and transparency toward their respective stakeholders; and to convert their CSR commitments into action through innovative partnerships.

This private-sector-led initiative will serve to improve business and investment confidence. Ultimately, we are confident that our efforts will lead to much-needed and significant increases in capital flows and trade within the Gulf region. Now, it is crucial to appreciate that the Private Sector, albeit an extremely powerful tool to get things done quickly and efficiently, is also primarily motivated by incentive. So in order to encourage the Private Sector to embrace good governance into the fabric of its business models, as opposed to just for better public relations or to pay lip-service, it must start realising the potential of investing in good governance, and by definition therefore expecting a return on its investment. This is key to achieving scale and sustainability. This is a unique approach of the Pearl Initiative, developed by the Private-Sector, for the Private Sector, and we aim to demonstrate the long-term direct value creation that these practices will have on businesses.

The Pearl Initiative will model itself on the ten principles of the United Nations' Global Compact, including: human rights, labour, environment and anti-corruption in pursuit of its mission to mobilise an increase in economic activity, and as a contribution from the Gulf Region in furtherance of the United Nations Millennium Development Goals.

In addition to the United Nations, international organizations such as the European Union, the World Bank, the League of Arab States, and the Organization of Petroleum Exporting Countries will collaborate through the Pearl Initiative to identify and address issues critical to sustainable development.

To that end, this initiative will have four main components, including: leadership training, social entrepreneurship, corporate social responsibility, and, last but not least, active dialogue and corporate governance programs.

The Leadership Training Program will include educational programs and help to develop university curricula focused on ensuring that future our business leaders and policy makers are thoroughly engaged in the these practices.

A lively and engaging dialogue is crucial. By maintaining open communication between all stakeholders, key opinion leaders, policy makers and the media business can continue to grow, and absorb lessons learned into their governance structures.

The second and third components, social entrepreneurship and corporate social responsibility, will encourage a culture of sustainable and smart philanthropy among business leaders, to help them redefine business models in the interest of positive social impact. This will be supported by for instance actively raising regional awareness for those companies that are taking strides in CSR. Practicing social Entrepreneurship will enable businesses to embrace the many issues that face our ever-increasingly globalised society and integrating this approach into the fabric of our business models. In a nutshell, it will lead to reorganising our marketplace of ideas and egos, in order to find practical ways to reconcile interests with responsibilities.

This leads neatly to the fourth tenet of the Pearl Initiative: corporate governance. The Initiative will work closely with regulators and corporate boards to strengthen accountability structures. Corporate governance is concerned with holding the balance between economic and social goals and between individual and communal goals. The Initiative will promote a governance framework to encourage the efficient use of resources and equally to require accountability for the stewardship of those resources. The aim is to align, as closely as possible, the interests of individuals, corporations and society. Good corporate governance is ultimately about 'intellectual honesty', and not just sticking to rules and regulations, and as mentioned capital flows towards companies that practice this.

Just in case you are starting to think that we are a little thin on our objectives - The Pearl Initiative has a number of others including:

- Enabling social dialogue and input from stakeholders;
- Developing a culture of innovative partnerships, and enabling companies to work with global strategic partners towards cultivating greater awareness of their activities.
- Serving as a leadership model for business and academia throughout the Gulf region;
- Promoting and supporting ethical behavior and business practices in compliance with international standards;
- Providing a platform for leaders to develop new ideas and trends in the field; and
- Monitoring the progress of these practices, - providing ongoing constructive feedback to companies about the results of their actions.

Without the necessary commitment and comprehensive efforts from business leaders, achieving our goals will be difficult, if not impossible. We have the unique opportunity to embrace the private sector with this initiative and tackle the key governance issues that organizations are facing today. We need global business and policy leaders to begin developing good governance structures so that they can be institutionalized and entrenched in the corporate culture in the Gulf. It is important that we begin to develop tactical reforms, and soon. No longer can we just preach good governance. We must take action.

We are also extremely grateful to His Highness Dr Sheikh Sultain bin Mohammad Al-Qasimi, Member of the Supreme Council of the United Arab Emirates and the Ruler of Sharjah, for his patronage and active encouragement of our planned activities in the Gulf Region.

Each of these focus areas will benefit from the excellent and unique partnership we have established with the American University of Sharjah - the AUS, a Centre of Excellence in the Gulf region, for sharing best practices and lessons learned, something about which Dr. Peter Heath, Chancellor of the AUS, will go into greater detail later on.

Dr. Peter Heath has been a prominent member of academia in the Middle East and internationally for many years. He received his B.A., from Princeton University and his Ph.D. in Near Eastern Language and Civilization from Harvard University. He later went on to become a full professor of Arabic Language and Literature, Director of the Center for the Study of Islamic Societies and Civilizations, and Chair of the Department of Asian and Near Eastern Languages at

Washington University. In 1998, Dr. Heath was appointed Provost of the American University of Beirut, where he played a leading role in rebuilding this distinguished institution.

In 2008, His Highness Sheikh Dr. Sultan Bin Mohammed Al-Qassimi, President of the American University of Sharjah, called upon Dr. Heath to become the Chancellor of the AUS. Since then, Dr. Heath has greatly assisted the University on the road to realising their many goals and achievements.

Dr. Heath has been a key proponent of the Pearl Initiative since its inception. There can be no doubt that, without his support, we would not be sitting here today.

Ladies and gentlemen: We must never stop thinking creatively about our future. We must not conceive of the future as an empty space to be colonized by the present and driven by the market. We can be children of our past and masters of our present, but also have a responsibility to become creators and custodians of our future.

Every right comes with a responsibility. Remember what Edward Gibbon wrote over 2 hundred yrs ago: "And when the freedom they wished for the most became freedom from responsibility, then Athens ceased to be free!"

On behalf of the Pearl Initiative, I would like to thank each of you for joining us today. It is my honor to be affiliated with the Pearl Initiative, a very important and timely program, and I invite each and every one of you to join me alongside the UN Office for Partnerships in furtherance of its stated objectives.

We look forward to diving to new depths and discovering new Pearls, together.