RESPONSIBLE COMPETITIVENESS IN THE ARAB WORLD 2009

Making sustainable development count in regional markets

Foreword by Her Majesty Queen Rania Al Abdullah, Hashemite Kingdom of Jordan

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Executive Summary

The Arab World has an abundance of resources – natural, human and economic. The region is implementing a wide range of initiatives that are enhancing competitiveness and strengthening prospects for sustainable development at the same time. Responsible competitiveness is advancing in the Arab World.

This report contains a new assessment of this linkage between enhancing competitiveness and sustainable development. It covers 15 Arab nations. The assessment comes in three parts:

1. an overview of the situation of Arab nations against the global sample, using the Responsible Competitiveness Index (RCI) (Chapter 1);

2. an in-depth analysis of Arab issues and opportunities, using a new Arab Responsible Competitiveness Index devised for this report, taking into account more datasets of regional relevance (Chapter 2); and

3. detailed analysis of pressing challenges from seven sustainability leaders (Chapters 3 to 9), with concrete examples and recommendations of how Arab countries and businesses can raise their performance.

The key finding is that responsibility and competitiveness are strongly positively correlated in the Arab World.

The region can enhance its responsible competitiveness, achieving significant increases in national income and social benefits, by building on existing strengths in three areas:

- **Policy drivers:** countries such as the United Arab Emirates, Kingdom of Saudi Arabia and Bahrain are taking a lead in reforming policies, enforcing regulation, endorsing business excellence and brokering partnerships;

- **Business action:** Kuwait, Lebanon and Egypt are examples of countries embedding sustainability management systems, engaging with international standards and promoting good corporate governance; and

- **Social enablers:** Qatar, Morocco and Jordan are enhancing work readiness skills, upgrading social infrastructure, providing microfinance and engaging the media.
The report provides the first in-depth assessment of Responsible Competitiveness performance across the Arab World. The study is a project of the Arab Sustainability Leadership Group, and is sponsored by four of its members. It contains a new index, the Arab Responsible Competitiveness Index (ARCI). ARCI draws together the best available data on a range of important regional priorities, from water supply and energy security to promoting talent and Islamic finance. The 15 countries covered by ARCI account for 74% of the region’s population and 86% of its GDP.

<table>
<thead>
<tr>
<th>Arab Responsible Competitiveness Index 2009 score</th>
<th>Arab Responsible Competitiveness Index 2009 rank</th>
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<tbody>
<tr>
<td>United Arab Emirates</td>
<td>64.3</td>
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<tr>
<td>Qatar</td>
<td>64.1</td>
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<tr>
<td>Kuwait</td>
<td>63.0</td>
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<tr>
<td>Lebanon</td>
<td>62.5</td>
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<tr>
<td>Bahrain</td>
<td>62.1</td>
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<tr>
<td>Oman</td>
<td>60.8</td>
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<td>Jordan</td>
<td>60.0</td>
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<tr>
<td>Egypt</td>
<td>59.4</td>
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<td>Tunisia</td>
<td>58.6</td>
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<td>Kingdom of Saudi Arabia</td>
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<td>Morocco</td>
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<td>Algeria</td>
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<td>Syria</td>
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<td>Yemen</td>
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<tr>
<td>Mauritania</td>
<td>54.2</td>
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The results show that responsible business practices are strongly correlated with competitiveness, human development, and innovation; though less so with environmental performance.
The Arab Responsible Competitiveness Index and Competitiveness; Human Development; Innovation; and Environmental Performance

EXECUTIVE SUMMARY
Comparing geo-economic performance in RCI for 116 countries

Building on the ARCI framework, the report identifies seven areas for policy and action, as shown in the Responsible Competitiveness Pathway (see below). In this graphic, each step is the difference between Arab World

Average performance of the OECD

- Engaged Stakeholders (3.9%)
- Talent (3.7%)
- Product and Service (2.6%)
- Governance (1.2%)
- Environmental policy (2.1%)
- Responsible business climate (4.0%)

Average performance of the Arab World

- Responsible business climate (4.0%)
- Environmental policy (2.1%)
- Governance (1.2%)
- Product and Service (2.6%)
- Talent (3.7%)
- Engaged Stakeholders (3.9%)
performance and the average for OECD countries. Each 1% step towards the top bar is associated with US$1,000 of GDP per capita at the global level, giving policy-makers a ready guide to the value of enhancing performance.

The four key conclusions of the pathway analysis are as follows:

1. The Arab World can readily close gaps in environmental policy, labour policy and governance systems, building on the momentum to date and from adopting existing good practice. Engaging in tackling climate change, embedding a culture of Environment, Health and Safety management (EHS) in all workplaces and adopting the best sustainability standards and systems are relatively easy wins.

2. Significantly greater challenges arise in promoting a responsible business climate and in engaging stakeholders from a vibrant civil society, but so potentially are the gains. Sustainable trade and investment strategies may be needed to harness the necessary commitments.

3. The Arab World can gain a unique competitive advantage in key sectors, such as Islamic finance, efficient desalination or large-scale green infrastructure. Here, the Arab World can become a global innovator with further investment and vision.

4. The region’s top priority is building talent for the near future. Existing initiatives look promising but need to be massively scaled up to meet the size of the challenge.

The report concludes with a set of seven new essays contributed by influential Arab leaders in the sustainability space. These essays drill into many of the key issues and opportunities facing the region.

Abdulkareem Abu Alnasr, Chief Executive Officer of The National Commercial Bank, identifies four major opportunities for financial institutions, and other companies, in the region: “strengthening adherence to the highest international and regional standards, considering the benefits of Islamic finance, integrating sustainability into corporate governance, and encouraging renewed emphasis on good corporate governance and sustainability in government policy and economic stimuli.” (see page 79).

Responsible values, according to Frederic Sicre, Executive Director of Abraaj Capital, must be at the heart of the new opportunities for business, and notably private equity, particularly in the context of a wide range of
economic, environmental and social global challenges. Long term value creators must base their success on “trust, good governance, proper accounting and valuation methodologies”, he argues (see page 89).

Abu Dhabi’s Masdar is a process of nation building, argues Dr. Sultan Al Jaber, Chief Executive Officer of Masdar. Its success relies on cultivating human capital; deploying renewable energy (Masdar has set up a number of innovative partnerships, with German solar energy companies and with MIT, for example); regional approaches to solving joint challenges; and above all the commitment of resources: time, effort, learning and sharing (see page 97).

Sustainable agriculture should play a major role in the Middle East, says Helmy Abouleish, Managing Director of Sekem Group, in the final essay, because it tackles so many of the region’s challenges, from food security, water scarcity and climate change through to youth employment and access to global markets. To see sustainable agriculture fulfil its potential requires not just visionary businesses, but governments that take “decisive steps towards more sustainable practices.” (see page 103).

Fadi Ghandour, Chief Executive Officer and Founder of aramex, sets out an ambitious agenda based on public-private partnerships to raise educational performance, and calls for the RC index to measure “employability among graduates and gauge, at all relevant levels, the engagement of all sectors in the decision making process as well as public-private partnerships in education” (see page 115).

Rabea Ataya, Chief Executive Officer of Bayt.com sets out an array of human resources challenges that, he says, can only be tackled holistically, bringing an adequate IT framework together with a “sufficiently educated, skilled population” and the right legal, physical and socio-economic infrastructure and apparatus in a direction that ensures economic development is healthy, robust, competitive and sustainable” (see page 121).

Randa S. Ayoubi, Founder and Chief Executive Officer of Rubicon, argues convincingly for a wholesale transformation of Arab World education systems to ready them for future needs and opportunities. She sets out a clear if ambitious set of six building blocks to achieve it, incorporating the creative role that Information and Communication Technology (ICT) can play. (see page 129).
In summary, the report proposes:

1. *the Arab Responsible Competitiveness Index as a tool* that can be taken up by Arab sustainability leaders for refinement, debate, annual benchmarking and policy development to help plan pathways towards sustainable economies and prosperous societies;

2. *a systematic approach* to celebrating, learning from and scaling up good practice – drawing on creative solutions from across the Arab World as well as globally, with further networking and capacity development between the wide range of organizations working in this space; and

3. *tackling existing challenges proactively to convert them into significant opportunities*, at the regional level – through coordination with existing pan-Arab bodies – and nationally, through the development of ambitious sustainable trade and investment strategies, the strengthening of institutions and a step change in experimentation with innovative partnerships.
Responsible Competitiveness in the Arab World 2009

Responsible Competitiveness is the leadership, policies and practices that build sustainable development. Countries, cities, sectors and businesses are recognizing that responsible approaches to doing business are routes to new sources of value creation, improving reputation, managing risks, enhancing productivity and unlocking both product and process innovation.

Responsible Competitiveness in the Arab World 2009 is the first systematic assessment of regional progress towards sustainable economies and prosperous societies. It provides regional pathways, practical case studies and policy recommendations to outline how the Arab World can convert societies’ existing and emerging challenges into profitable opportunities.

The report analyses progress through three interlocking elements:

- An overview of the Arab World against 100 global peers through the Responsible Competitiveness Index;
- A new Arab Responsible Competitiveness Index, customized to provide in-depth analysis of regional performance on issues such as water security, green buildings and Islamic finance;
- Insightful essays from regional thought-leaders on pressing challenges such as food security and human resource development.

Responsible Competitiveness in the Arab World 2009 aims to provide a bold strategy to combine collaboration and innovation to create responsible markets. With seven essays from regional thought-leaders on topics including the financial crisis, economic diversification, sustainable agriculture, and the human resource development challenge, it is a must-read report that outlines how the Arab World can build competitive advantage in global markets.