

THE SOCIAL IMPACT IMPERATIVE

THE ROLE OF PRIVATE AND NON PROFIT
SECTORS IN THE GCC



EXECUTIVE SUMMARY

Decades of rapid demographic and economic growth have deeply transformed the countries of the Gulf Cooperation Council (GCC). Beyond bringing prosperity and higher standards of living to citizens, these transformations have also created pressing and complex social and environmental challenges, such as youth unemployment and water depletion, that increasingly threaten the sustainability of the region.

For many years, rising oil revenues allowed GCC governments to address these challenges, although generally with expensive stopgap measures rather than permanent solutions. But the steep drop in oil prices since 2014 has placed significant fiscal and economic pressure on GCC countries, and raised new questions about the viability of the region's existing development model. Despite the launch of important governmental reform initiatives in the past two years, it has become increasingly apparent that governments cannot be expected to tackle the region's social and environmental challenges alone.

In this context, Oliver Wyman ventured to conduct a regional survey to study the role that the private and non-profit sectors across the GCC are playing to reinforce social and environmental sustainability in the region.

The GCC's private and non-profit sectors remain far from where they need to be in order to be effective partners to governments in driving sustainability. This applies to companies that retain a narrow focus on short-term profitability and misunderstand sustainability as mere philanthropy, and it also applies to foundations and non-governmental organizations (NGOs) that have yet to build themselves into formal and professionally-managed entities. The journey to effective social and environmental impact is long and too many organizations have yet to take meaningful steps in the right direction.

Yet the urgency of the region's challenges is real. Two groups will be particularly important in determining whether GCC countries can respond quickly enough to avoid the social and environmental crises looming on the horizon: "pioneers" and policy makers. Pioneers are those private and non-profit organizations that have taken the lead in driving innovative sustainability initiatives across the region. Through their efforts, these organizations are not only creating value for themselves – they are also developing local models that peers can replicate, and building up the supporting infrastructure that will allow future initiatives to thrive. Meanwhile, there is also room for closer cooperation between the private and non-profit sectors and governments, as the latter work to put in place crucial policies, laws and regulations that will support and incentivize the growing engagement of their new partners in sustainable development.

10 KEY FINDINGS

1 CRISIS AND OPPORTUNITY

The overwhelming consensus regarding the urgency of the region's social and environmental challenges is concerning-but it also signals an opportunity for meaningful change

2 NOT ENOUGH IS BEING DONE

Most GCC sustainability initiatives remain limited in scale and impact; there is considerable room for improvement

3 REGIONAL PIONEERS ARE CRUCIAL

Sustainability leaders and success stories in the region have a "demonstration effect", providing the hesitant majority with models for how sustainability can contribute to growth and competitive advantage, while generating broad developmental benefits across society

4 BUT IT IS A LONG JOURNEY

Integrating sustainability into an organization's DNA is a multi-year process that requires significant change management

5 SUSTAINABILITY SHOULD BE DIRECTLY LINKED TO THE BUSINESS MODEL

Even if it may prove difficult at first, integrating sustainability across the business model is necessary for long-term growth and profitability

6 TRAIN AND EMPOWER STAFF ACROSS THE ORGANIZATION

Sustainability must be treated as a professional activity, with resources dedicated to supporting, training and incentivizing sustainability managers

7 MEASUREMENT MATTERS

Setting up an impact measurement system should be a top priority, leveraging international reporting guidelines

8 BUILD PROGRAMS THAT CAN WEATHER THE STORM

To gain traction and reduce vulnerability to economic cycles, social and environmental initiatives must excel at identifying and communicating their impact and value creation to all stakeholders

9 A STRONG SUPPORT ECOSYSTEM HAS A MULTIPLIER EFFECT

Partnerships and networks offer channels for best-practice sharing and serve as platforms for initiatives to reach new levels of scale and impact

10 COLLABORATION BETWEEN GOVERNMENTS AND THE PRIVATE AND NON-PROFIT SECTORS SHOULD IMPROVE

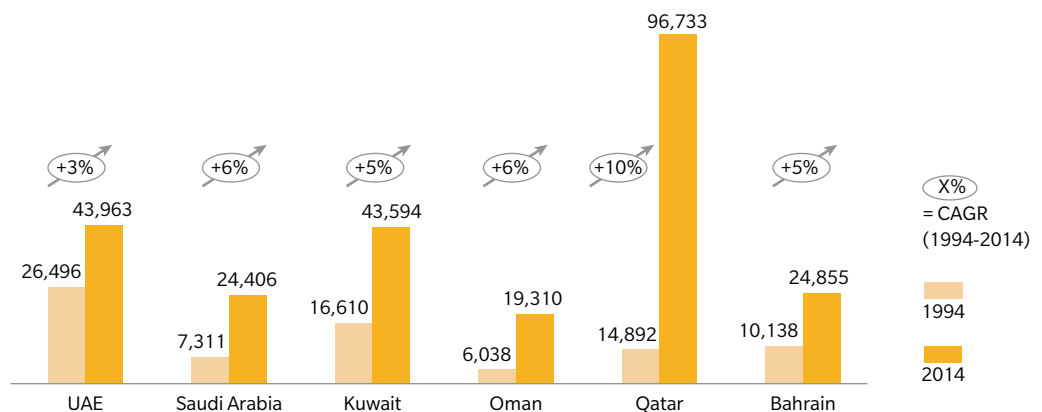
Stronger coordination and communication with private and non-profit organizations and practitioners will help optimize governments' legislative and regulatory roles for social and environmental initiatives

INTRODUCTION

TWO DECADES OF GROWTH

Starting in the mid-1990's, a rapid rise in global oil prices fueled two decades of exceptional economic growth across the countries of the Gulf Cooperation Council (GCC). Growing at an average annual rate of 10.5%, the aggregate GDP for the region jumped from \$244 BN in 1994 to \$1.64 TN in 2014. During the same period, the region witnessed a dramatic accumulation of wealth. Despite having one of the fastest demographic growth rates in the world (the region's population doubled in just 20 years), per capita GDP rose at an average annual rate of 5.8% (Exhibit 1 below), and GCC countries established their place among the richest countries in the world.

Exhibit 1: GDP per capita growth in GCC countries (1994-2014), in current US\$



Source: World Bank

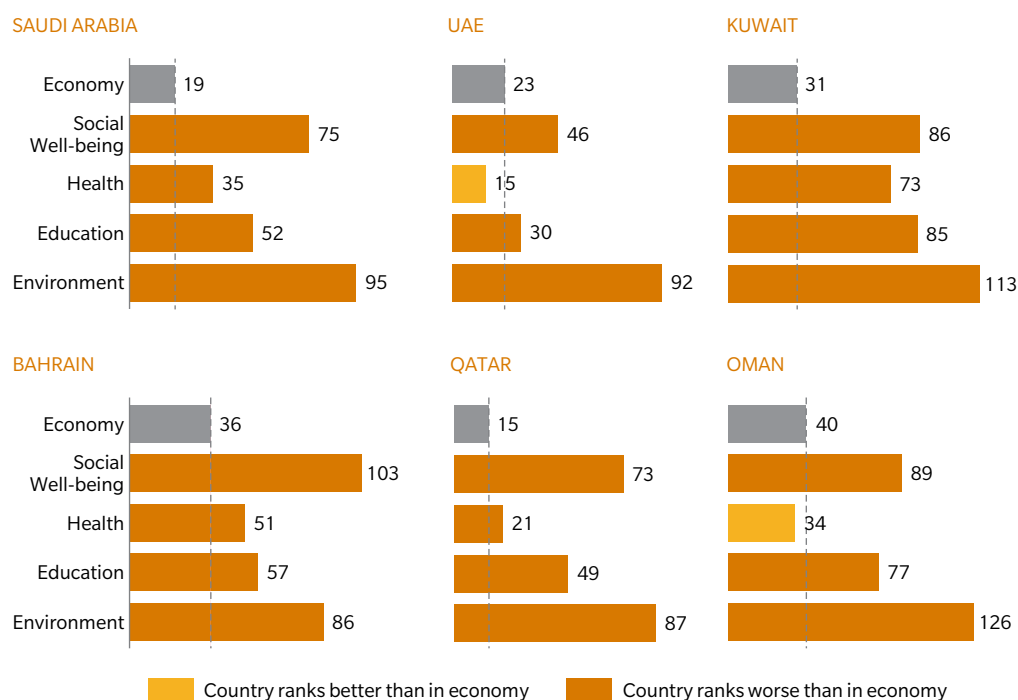
WITH ONLY LIMITED GAINS IN SUSTAINABLE SOCIAL DEVELOPMENT

And yet such momentous social and economic transformations also come with important challenges. Rapid demographic and economic growth has placed unprecedented pressure on the region's social and environmental ecosystems. Supporting an overwhelmingly young population calls for public policies and infrastructure capable of guiding millions of young people each year through the education system and into labour markets. Maintaining such high rates of social and economic activity in one of the hottest and most arid environments in the world requires tremendous resources and can come at great cost for the natural ecosystem.

For many years, GCC governments have counted on oil wealth to tackle these challenges. But despite progress through rising investments in human development, many social or environmental issues have been addressed with expensive short-term measures that often act as stop-gaps for problems, rather than as permanent solutions. As a result, successive waves of government policies and projects have struggled to translate oil and gas wealth into sustainable development.

While standard economic indicators show strong aggregate performances, an analysis of a broad range of national indicators related to sustainable development shows that GCC countries consistently do not perform as well in areas relating to social and environmental development (Exhibit 2).

Exhibit 2: Oliver Wyman sustainable development indices for GCC countries (global rankings)







Note: Social well-being index reflects reported levels of happiness, anxiety, food security, human development. Health covers public health outcomes focused on the prevalence of communicable and non-communicable diseases. Education covers both the quality of education systems and services, and education outcomes. Environment reflects the Environmental Protection index which measures national performance across dimensions such as air quality, water and sanitation, climate and energy, biodiversity and habitat, etc.

Sources: World Bank; World Economic Forum; Yale University; Oliver Wyman analysis

Looking more specifically at issues of social and environmental sustainability, the Gulf region faces a number of concerning trends:

Exhibit 3: GCC social and environmental sustainability indicators

	SAUDI ARABIA	UAE	QATAR	KUWAIT	BAHRAIN	OMAN
 Youth unemployment rate	30%	10%	1%	19%	11%	19%
 Global ranking of CO ² emissions per capita	9	7	1	3	10	8
 Global ranking for water scarcity	9	1	1	1	1	10
 Expected shortage of water by 2050 (% of total required)	75%	97%	44%	69%	97%	67%

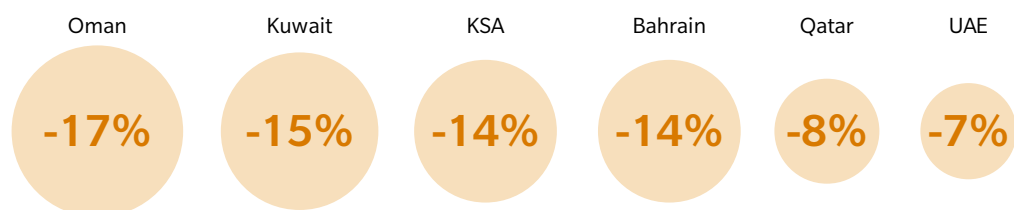
Note: In 2015, the WRI water scarcity ranking scored and ranked future water stress – a measure of competition and depletion of surface water – in 167 countries by 2020, 2030, and 2040. Four countries of the GCC were tied for the highest rank, indicating the highest level of future water stress.

Sources: World Bank; World Resource Institute; Institut Francais des Relations Internationales (IFRI)

A CRITICAL JUNCTURE FOR THE REGION

The sharp drop in the price of oil, by more than 50% in the two years from June 2014, has directly and severely impacted both government revenues and national economic activity across the GCC. This impact has made apparent the weaknesses and unsustainability of the region’s historical development model. In late 2015, the International Monetary Fund expressed concerns for a region where oil “[accounts] for over 80% of total fiscal revenues on average” and “non-oil sectors are dependent on the oil sector either directly or through government spending”.¹

Exhibit 4: Forecast GCC government budget deficits for 2016 (% of GDP)








Source: Economist Intelligence Unit, 2016

1. IMF: Oil Prices, Financial Stability, and the Use of Countercyclical Macroprudential Policies in the GCC, 2015

Faced with large budget deficits, GCC governments have launched multiple large-scale initiatives to address their petrochemical dependence. For example, the government of Saudi Arabia has embarked on an unprecedented national transformation program guided by the recently announced Vision 2030:

Exhibit 5: Saudi Arabia’s Vision 2030: Objectives and statistics

OBJECTIVES	KEY STATISTICS
 Promote private sector job creation	543 Number of initiatives
 Strengthen partnerships with the Private Sector	SAR268 BN Budgeted cost of initiatives (Additional SAR300 BN expected from private sector investments)
 Maximise local content (production and value-add)	9% Forecast government spending cut in 2016
 Instigate digital transformation	450,000 Jobs to be created in private sector by 2020
	SAR330 BN Non-oil exports by 2020, up from SAR185 BN
	SAR600 BN Targeted annual revenues from non-oil industries by 2020
	SAR120 BN Targeted annual savings through subsidy cuts from 2020 onwards

 *National Transformation program aims to transform KSA economy by 2020*

Sources: Analyst reports, government reports, news articles

Yet governments cannot be expected to tackle such complex and socially-embedded challenges alone, as shown by the fact that national transformation programs rely largely on the emergence of the private sector. While much international attention has focused on government responses, this research paper attempts to consider more seriously the important role that the private and non-profit sectors have to play in the national shift towards more sustainable forms of national development. Learning from their counterparts in other regions around the world, corporations, foundations and NGOs can become leaders in designing and implementing innovative solutions that will ensure social and environmental sustainability. And crucially, this transition can be a source of short- and long-term gains in stability and profitability, rather than a burden.

The growing engagement of private and non-profit actors will provide much-needed support and relief to governments, and allow them to rationalize public expenditure by re-focusing on core administrative functions such as strategic public investment and the building of sophisticated public service delivery systems.

PROMISING TRENDS

In fact, regional trends over the past decade reveal an initial move towards cross-sectoral social and environmental action, with a surge in the number of corporate and non-profit sustainability initiatives.

While still a foreign concept for the region a decade ago, corporate social responsibility is today almost universally acknowledged and accepted across the GCC. Many private corporations have established CSR programs, or formalized and expanded pre-existing corporate philanthropic activities. While this surge in activity represents a step in the right direction, corporate philanthropy must be distinguished from full corporate sustainability. A small number of regional leaders in corporate sustainability have started along this more ambitious path. These leaders are integrating sustainability as a core objective of corporate strategy, and adopting sustainable business models that seek to achieve commercial growth that also contributes to social and environmental sustainability.

Meanwhile, the region's previously relatively new non-profit sector has also made important progress. Foundations and NGOs have reinforced and expanded their operations in the GCC. The region's ruling families have played an important role through foundations that reflect their traditional role of societal stewardship. Yet there has also been a marked increase in broader social mobilization, with a growing ecosystem of NGOs, social enterprises and support networks. Following in the footsteps of their international counterparts, foundations and NGOs in the region are increasing the potential scale and impact of their work. These actors are very gradually building well-governed and efficient organizations supported by professional staff and relying on sophisticated and increasingly financially sustainable operating models.

BUT ARE THEY ENOUGH TO RESOLVE THE REGION'S LOOMING CHALLENGES?

Despite the progress achieved over the past decade, the urgent nature of present-day challenges demands that we take a critical look at the scale and effectiveness of existing private and non-profit sector initiatives.

- Are corporations, foundations and NGOs rising to the challenge, and investing enough time and resources into becoming effective partners in the drive for national social and environmental sustainability?
- If and when they decide to take action, what challenges and obstacles will these entities face?
- Do they have access to sufficient tools, resources, and support ecosystems to reach the necessary levels of scale and effectiveness?

THE SURVEY

To answer these important questions, Oliver Wyman conducted a survey of more than 60 senior decision-makers leading or involved in sustainability initiatives across the region. Given the size of the sector in the region, this number represents a very representative sample of the targeted individuals.

Using a combination of interviews and online surveys, the research sought to gather insights directly from those active in corporate, foundation or NGO social and environmental initiatives across the GCC. The goal was to understand the most recent trends in the private and non-profit sectors' responses to the region's pressing challenges, and to discover region-specific lessons by examining organizations' journeys towards sustainability and rising levels of social and environmental impact. Finally, the research also explored the role governments, international organizations and support networks (e.g. UN Global Compact, World Bank, and World Council for Business Sustainability) can play in supporting and catalyzing the growth of this critical new role in the GCC.

It is important to note that the research was primarily focused on the UAE, Saudi Arabia, and Qatar. Moreover, while the findings try to reflect regional trends, significant variations exist between countries.

Listed in the next section are various insights based on our research and survey. The insights are further complemented by relevant case studies

KEY INSIGHTS



1

CRISIS AND OPPORTUNITY

The overwhelming consensus regarding the urgency of the region’s social & environmental challenges is concerning, but it also signals an opportunity for meaningful change

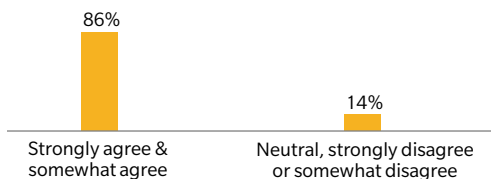
Change and action must begin with awareness. This awareness is especially important among the leadership whose vision and values shape the trajectories of organizations.

It is striking to see that a large majority (86%) of decision-makers across the GCC share a sense of urgency regarding the region’s social and environmental challenges (Exhibit 6). A majority (68%) of organizations report that sustainability is a priority for their senior leadership (Exhibit 7).

The next, and crucial, step is for this growing awareness among leaders to translate into action. Most private and NGO sector leaders in the GCC agree that they must work alongside governments to tackle the region’s pressing threats. But the journey to becoming an effective partner and contributor to sustainability and development requires far more than good intentions. The transformation needed is especially significant in the GCC, where decades of oil revenues have led governments to dominate all forms of sustainability and developmental initiatives. The constant rise in the number of governmental welfare policies and subsidies has sheltered other sectors from having to make sizeable investments in maximizing the scale and effectiveness of their own sustainability actions.

The current crisis, which poses a direct threat to governments and citizens across the GCC, might help catalyze a systemic change. Combined with changing social attitudes driven by youth-led social media campaigns across the region, the hope is that a growing sense of urgency will push leaders across all sectors to take decisive steps towards developing sustainable business models. Past studies by Oliver Wyman’s Sustainability Center have looked at how and why sustainability is increasingly becoming an “absolute must” for guaranteeing long-term business success².

Exhibit 6: Do you believe that the GCC currently faces an urgent social and environmental crisis requiring immediate action?



Source: Oliver Wyman survey of corporate sustainability and non-profit sector professionals (June-July 2016)

Exhibit 7: Has social and/or environmental sustainability become a higher priority for senior leadership due to rising risks?



Source: Oliver Wyman survey of corporate sustainability and non-profit sector professionals (June-July 2016)

2. See Sustainability – an absolute must: Guaranteeing long-term business success and From Green to Sustainable: Developing a holistic approach to sustainable business growth

CASE STUDIES: MBRGI AND ESTEDAMA

MOHAMED BIN RASHID AL MAKTOUM GLOBAL INITIATIVES (MBRGI)

In late 2015, a foundation named MBRGI was launched under the stewardship of His Highness Sheikh Mohammed Bin Rashid Al Maktoum, Vice President and Prime Minister of the UAE and Ruler of Dubai. MBRGI is intended to act as an umbrella organization for more than 28 institutions and initiatives that have been sponsored and launched by Sheikh Mohammed over almost 20 years.

These 28 institutions and initiatives all target social and environmental issues in the UAE, the GCC and across the world. While many of its members have already achieved a measure of success, the stated objective of MBRGI is to help them to “maximize their impact, increase their ambition, and unite their goals and visions to meet the growing challenges faced by the Middle East and the world”.

Building on international best practice, MBRGI seeks to develop the “soft infrastructure” that will help achieve a new level of scale and impact by improving integration and coordination between a large number of previously autonomous entities. This effort to maximize scale and effectiveness reflects both the perceived urgency of tackling social and environmental challenges, and the new priorities of governments faced with budget constraints.

It will likely take some time to get such a large-scale organization to function effectively, and to build a new culture of cooperation and coordination between member organizations that sometimes compete for similar sources of funding. Nevertheless, this initiative represents an important step towards reinforcing the non-profit sector in Dubai.

ESTEDAMA – QATAR NATIONAL PROGRAM FOR SUSTAINABLE DEVELOPMENT

Estedama (“sustainability” in Arabic) is a national awareness program on sustainable development. Launched in the wake of Qatar’s hosting of the COP18 UN Climate Change Conference in 2012, by Sheikha Noor Jassim Al Thani, Estedama has sought to bridge the gap between the scale and urgency of Qatar’s social and environmental challenges, and the prevailing low level of awareness on these issues in Qatari society.

The program has organized events, advocacy initiatives, workshops and training schemes to develop a network of sustainability champions across Qatar's government entities, private and non-profit organizations, and business groups and professional associations. Gradually, momentum is building and the potential for partnerships and shared initiatives is rising, with organizations such as Qatar Development Bank, Qatar Chamber of Commerce, numerous ministries, and large private players such as Qatar Gas, RasGas, and Dolphin Energy.

At the same time, Estedama is intent on also running highly-participatory community meetings and grassroots initiatives that will contribute to broad societal change and hopefully build a large social movement around the nation's important sustainability challenges.



2

NOT ENOUGH IS BEING DONE

Most GCC sustainability initiatives remain limited in scale and impact; there is considerable room for improvement

Less than a third of survey respondents (30%) believe corporations, foundations and NGOs are currently doing enough to address social and environmental issues (Exhibit 8). Less than half of organizations surveyed (41%) have fully reassessed their social and environmental impact programs in the past two years (Exhibit 9), and less than a third (27%) have increased their dedicated budgets. As a result, only 40% feel that current budgets are sufficient.

CORPORATE PHILANTHROPY RATHER THAN SUSTAINABILITY

Regional experts that specialize in promoting and implementing sustainability in the GCC note that only a small number of corporations have seen how a comprehensive corporate sustainability strategy can reinforce their business model. Most continue to think only in terms of CSR and charity programs, and therefore rarely build more than a series of one-off initiatives. This not only severely limits their potential for impact, but also leaves the programs vulnerable to cost-cutting when times are tough.

Culture and mindsets are key obstacles. The same experts consistently said that a focus on short-term profits keeps most firms from investing in long-term value through sustainability. Worse, even when a shift to sustainability can yield immediate gains in profitability and competitiveness, firms often remain highly resistant to change and fail to capture potential short-term benefits³.

3. This point was especially emphasized in relation to the potential operational cost savings accessible to GCC real estate managers in the GCC via gains in energy efficiency. For a selection of detailed industry examples, see Oliver Wyman's From Green to Sustainable: Developing a holistic approach to sustainable business growth

A LACK OF SCALABLE AND EFFECTIVE ORGANIZATIONS

The number of NGOs and foundations in the GCC remains far below that seen in other regions. Advisors and trainers that work with the non-profit sector in the region say they are only beginning to develop the expertise and tools needed to maximize their scale and impact. One common observation is that NGOs in the region are often largely government funded. While this comes with advantages and disadvantages, it leaves NGOs highly vulnerable during governmental budget cuts.

Exhibit 8: Do you feel that corporations, foundations and NGOs in the GCC are doing enough to tackle the region's social and environmental threats?



Exhibit 9: Have you recently reassessed (within the last two years) the focus and scale of your sustainability programs in light of the current regional context?



Source: Oliver Wyman survey of corporate sustainability and non-profit sector professionals (June-July 2016)

CASE STUDY: KING KHALID FOUNDATION

King Khalid ruled Saudi Arabia from 1975 until his death in 1982. In 2001, his family founded the King Khalid Foundation (KKF), which has since established itself as a leader for capacity-building in the Kingdom's emerging non-profit and corporate sustainability sectors.

EARLY YEARS – NON-EXISTENT SECTORS

About 10 years ago, the foundation's role as a grant-making organization was constrained by Saudi Arabia's almost non-existent philanthropic and sustainability sectors. Of only around 200 registered non-profit organizations (NPOs), almost half were not operational. Levels of professionalism and formal organizational capacity were meager. Very few NPOs were equipped to develop large-scale programs or engage in the grant-making process. Similarly, corporate sustainability activities were generally non-existent or rarely more than philanthropic activities, with no ties to business strategy.

NATIONAL CAPACITY-BUILDING

The foundation therefore made a bold shift in strategy, away from grants, to focus instead on a national capacity-building campaign for NPOs and corporate sustainability programs. It has mobilized domestic and international experts to provide training and technical assistance, and taken the lead in building partnerships and platforms to facilitate communication, collaboration and research. The foundation also established advocacy, education and annual awards programs with the goal of raising awareness and changing societal perceptions of non-governmental social and environmental initiatives.

STATUS TODAY

Saudi Arabia has seen marked progress within its non-profit sector, which currently has more than 1,000 registered organizations, with higher capacity to deliver impact across a wider diversity of programs and focus areas. A larger number of corporations have started on the path to full integration of sustainability strategies. Perhaps most important, increased government support reflects a shift in perceptions of the role that robust non-profit and corporate sustainability initiatives can play in national development.

But the foundation acknowledges that the level of activity and capacity in Saudi Arabia remains far below international benchmarks. In its assessment, the country has yet to reach a real tipping point. As such, the foundation has only partially returned to grant-funding (youth training, employment and social entrepreneurship), and it continues to provide capacity-building and to work to build thriving, professional non-profit and sustainability sectors in the kingdom.

3

REGIONAL PIONEERS ARE CRUCIAL

Sustainability leaders and success stories in the region have a “demonstration effect”, providing the hesitant majority with models for how sustainability can contribute to growth and competitive advantage while generating broad developmental benefits across society

Too many players wrongly perceive sustainability as a cost burden, or a constraint. Even when a firm understands the potential short- and long-term benefits and opportunities, the path to unlocking real value from sustainability often seems long, difficult and full of uncertainty. This is especially true in the GCC, a region where sustainability is a relatively recent concept. Internal obstacles (lack of in-house expertise; resistance to change) and external challenges (lack of supporting policies or regulations; lack of markets for new products or services) abound.

The pioneers in the GCC today are those that invest time and resources into identifying new trends and opportunities, building a strong value proposition, and implementing a strategy to unlock potential business benefits. It’s true that these leaders face many difficulties, while also making it easier for those that will follow in their footsteps. But by acting with strategic foresight, often years ahead of competitors, these innovators will be best positioned to respond to changing market trends and to benefit from significant “first-mover advantages”.

CUTTING COSTS

Real estate development and management firms in the GCC are beginning to realize that adhering to green-building and energy-efficiency standards offers an opportunity to significantly cut operating costs while also reducing ecological footprint. For Majid Al Futtaim Properties, a large real estate developer in the region, investing in building a more sustainable business model, has allowed the firm to achieve cost savings and improve long-term profitability since 2011.

“It used to be that we had to work hard for support. Now things have changed; it’s our leadership that’s pressing us to do more and to scale up our sustainability program.”

Sustainability manager, regional bank

REINFORCING BRANDING AND CLIENT RELATIONSHIPS

As societal demand for sustainability increases, companies with a strong sustainability platform can benefit by developing a strong brand and becoming recognized as an employer of choice. A number of firms have found that their clients (whether B2B or B2C) hold corporate sustainability as a key selection criterion. At Saudi Arabian Investment Bank, becoming a sustainability leader was a core element of the bank's market-positioning strategy as early as 2013. Similarly, whether for recruitment of top talent or for employee retention, firms are realizing that integrating sustainability into their culture and operations reinforces their human capital. In 2015, Tasnee, one of the largest manufacturing firms in Saudi Arabia, launched a national student training program around 3D-printing technology. The initiative provided much-needed support to talent and innovation in schools around the country, while positioning Tasnee as an employer of choice for a new generation of graduates.

ACCESSING NEW MARKETS

Leading financial services firms in the region are finding that developing new products and services for under-served market segments (e.g. small and medium enterprises, renewable energies) offers an opportunity to access new markets while also contributing to financial inclusion, economic diversification and employment. The National Bank of Abu Dhabi's initiatives described below, provide a clear illustration of this point.



CASE STUDY: NATIONAL BANK OF ABU DHABI

Over the past decade, the National Bank of Abu Dhabi's (NBAD) leadership has prioritized corporate sustainability as a forward-looking, strategic response to *"enduring forces that will shape the business world of the future"*.

Through careful strategic planning, the launch of pioneering initiatives, and the hiring and empowering of key sustainability champions, the bank has positioned itself to meet the rising demand for sustainability from governmental, corporate and social stakeholders in the UAE and across its 18 other markets.

NBAD describes sustainability as becoming increasingly embedded within the bank. The corporate sustainability team, under Board Charter, acts as internal advisers in the development and delivery of the bank's sustainability strategy and citizenship initiatives - including adoption and implementation of global sustainability frameworks and standards, and reporting on progress. With the purpose of positioning NBAD as a leading sustainable bank in the region, the team also actively participates and contributes to key national, regional and international cross-sector partnerships and relationships. Internally the team works with the different areas of the bank to build internal sustainability capabilities and corporate culture.

Building on these efforts, the bank has taken a position on the role of the financial sector in the future of energy and this has resulted in a new focus on "sustainable business growth" – pursuing commercial ventures that also achieve clearly-defined sustainability objectives.

To institutionalize these efforts, in 2015 NBAD created a dedicated Sustainable Business Team. The team has three main focus areas:

- First, it is leading a systematic upgrade of the bank's environmental and social risk analysis, an integration of Environmental, Social and Governance (ESG) criteria across the bank's credit policies and processes, and the full adoption of the Equator Principles – the global benchmark for environmental and social risk management in major capital projects.
- Second, the team is leading the implementation of the flagship 10x10 initiative launched in 2015 – a commitment to financing, investing, or facilitating US\$10 BN of sustainable business over the next ten years.
- And third, it is leading an advocacy program, cooperating with research institutions and academia to develop a deeper understanding of sustainable financing and existing market opportunities.

NBAD 10X10 INITIATIVE

NBAD has committed to lend, invest and facilitate US\$10 BN in sustainable activities over the next 10 years. This commitment was made on the basis of in-depth market research that identified sizeable profit opportunities in the sustainability arena in coming years. Following the definition set out in the Green Bond Principles issued by the International Capital Market Association (ICMA), projects will cover areas such as energy and water efficiency, waste management, renewable energy and decarbonizing technologies.

To achieve this goal, a new Sustainable Business Team is working across the whole spectrum of the bank's activities and product offerings. It is also working with policy-makers, regulators and industry players to develop innovative types of financing that may not exist in the region yet.

In taking on this initiative, NBAD is playing a crucial role in building the market for sustainable financing in the UAE and the GCC. But the bank is quick to emphasize that this is not done out of philanthropy, but a conviction that it can "do well, while doing good", and its investment will go a long way to reinforcing the bank's business model and market-position in coming years.

4

BUT IT'S A LONG JOURNEY

Integrating sustainability into an organization's DNA is a multi-year process that requires significant change management

"CSR has become trendy in the GCC," one sustainability professional explains, "but that isn't necessarily a good thing-it distracts from the real work of becoming fully sustainable."

For organizations trying to increase their social and environmental sustainability and impact, the path to success is long, and fraught with obstacles. In Western countries, markets' transitions towards real sustainability have taken more than three decades, as illustrated in Exhibit 10 below. More often than not, success requires nothing less than changing the organizations' DNA. This includes strategic realignment and deep organizational and cultural transformation. Most of the GCC's leaders in corporate sustainability interviewed by Oliver Wyman started their programs as early as 2007 or 2008, and readily admit that despite their achievements, they are still very much at the beginning of their journey.

PRIVATE SECTOR INITIATIVES HAVE TO OVERCOME MANY OBSTACLES

Even when championed by senior leaders, sustainability initiatives face resistance. The relevance and commercial attractiveness of a real sustainability platform is far from self-evident – especially in the GCC where general awareness levels are low. Sustainability professionals must work hard to raise awareness and to communicate their message effectively to colleagues. Practitioners emphasized the importance of learning to convey messages from a business strategy perspective, rather than by appealing to ethics or passion.

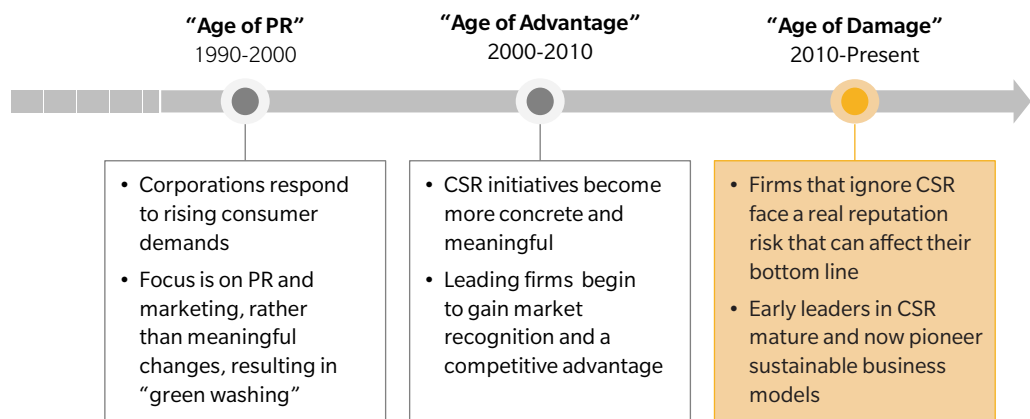
Moreover, these early champions need to build programs that will last; new structures and processes must be established, and skilled staff must be trained or hired, and incentivized. These are not objectives that can be achieved overnight – as described below, the IFC SME Banking advisory program in the GCC often supports banks for as much as 18 months as they start on the long transformation process.

THE NON-PROFIT SECTOR NEEDS TO BECOME FORMALIZED AND PROFESSIONALIZED

As foundations and NGOs seek to raise the scale and impact of their work and improve their financial sustainability, they need to adapt their operating models and build up their organizational capacities. As mentioned above, the King Khalid Foundation started working on capacity-building with non-profit organizations in Saudi Arabia more than 10 years ago, and it took six years before the foundation felt it could start making grants to some of these organizations.

These steps require significant shifts in strategy and culture. Organizations must develop a focused and prioritized strategic plan, and adopt professional management tools and processes to increase their organizational productivity and efficiency. They must also reinforce their brands and external partnerships. These shifts are needed not only to support growth and achieve new levels of impact, but also to keep up with the growing competition for limited pools of donor funding.

Exhibit 10: Evolution of corporate social responsibility to sustainability in Western markets, 1990-present



Source: Adapted from Who Cares Wins: Why Good Business is Better Business David Jones (CEO, Havas and founder of One Young World)

CASE STUDY: INTERNATIONAL FINANCE CORPORATION

The International Finance Corporation (IFC), a member of the World Bank Group, is a global development institution focused exclusively on the private sector in developing countries. The IFC works by helping private firms overcome financial, operational, and political challenges through providing financial resources and technical expertise, and supporting partnership-building and third-party resource mobilization.

In the GCC region, the IFC's activities include supporting small and medium enterprises (SMEs); supporting infrastructure and renewable energy projects; and promoting gender equality, youth employability and regional integration to increase cross-border flows of capital and skills.

One of the main pillars of the IFC's work in the region has been its SME Banking advisory program, under the Financial Institutions Group. By improving their products, services and financing capabilities for SMEs, GCC banks can access a new and under-served market segment that shows high growth potential. By catering to smaller businesses, the banks can contribute greatly to socio-economic sustainability, given the proven role of SMEs as drivers of economic diversification, job creation and private sector development.

Despite this opportunity, the apparent risk and technical difficulties involved in building an SME financing program act as a powerful deterrent for many banks. Serving SMEs requires important institutional capabilities that many regional banks do not have, and the path to success may seem long and unclear to many.

The IFC's SME Banking advisory program is tailored to address precisely the obstacles that prevent banks from capturing a high-potential opportunity. Crucially, the program does not presume to offer a quick fix. Recognizing the complex transformation process that is needed, the IFC works closely with banks through each step – at times for periods of up to two years. Such engagements range from executive education and training sessions that help executives understand the opportunity in banking the SMEs, to strategy design and comprehensive capacity-building programs that help banks build the skills and adopt the tools necessary to succeed.

5 SUSTAINABILITY MUST BE DIRECTLY LINKED TO THE BUSINESS MODEL

Even if it may prove difficult at first, integrating sustainability across the business model is necessary for long-term growth and profitability

When a company decides to move towards a fully sustainable business model, it needs to design a transformation that encompasses the whole organization.

Given the challenges involved with a full transformation, the temptation will be to start small, focusing on one part of the organization or on quick-wins. For example, companies often start by creating a CSR team in a specific department. Such a team can be set up quite easily; it likely has limited direct access to leadership or planning functions, and remains disconnected from the corporate business model. It may have its own performance targets focused on social and environmental impact, but it has little interaction with, and effect on, the core business activities – beyond generating positive branding. In the GCC, social or environmental impact initiatives have often been passion-projects launched by a senior leader. If they fail to become a coherent part of the corporate strategy with a proven value-add, these initiatives are unlikely to last or grow.

Linking sustainability to the business model is more difficult. It requires more political capital from its champions. But it also sets the stage for more meaningful change and greater future gains. The process of building an organization-wide sustainability platform will build consensus and buy-in across senior leadership, and clearly signal the level of prioritization to the rest of the organization. Firms with leading sustainability programs in the GCC consistently say that the turning point for their organizations occurred when sustainability was moved from a marginal department into top-level strategic planning. This change turns sustainability into a driver of corporate-wide direction-setting, reporting directly to the company's senior leadership. Developing a strong sustainability roadmap allows organizations to define and clearly communicate how the new business model will combine commercial, social and environmental objectives.

“The Dolphin Energy sustainability strategy is its business strategy; they are one and the same. The business plan, which is reviewed and updated annually, has sustainability integrated as part of the corporate strategy, long-term objectives, goals and key performance indicators (KPIs) that guide the business forward.”

Dolphin Energy Sustainability Report, 2014

CASE STUDY: THE SAUDI INVESTMENT BANK

The Saudi Investment Bank (SAIB) is a retail and wholesale bank operating in the Kingdom of Saudi Arabia. Over the past five years, SAIB has invested in building up one of the leading corporate sustainability programs in the kingdom.

Starting in 2011, the bank adopted a sustainability strategy inspired by Saudi Arabia's social and cultural heritage, which revolves around a five-pillar framework anchored in the Islamic principles of *takleef* (responsibility), *nummow* (growth), *re'aya* (workforce), *hifth* (environmental protection) and *awn* (helping others). According to the bank, this reflection of cultural values has played an important role in achieving engagement and buy-in from the bank's internal and external stakeholders.

However, the bank's shift towards corporate sustainability was not only a question of principle. The move reflected a strategic decision by the SAIB's leadership to harness sustainability as a source of competitive advantage and growth.

This commercially-minded approach served to clearly establish sustainability as a key, value-creating part of SAIB's corporate strategy, rather than mere philanthropy. In order to achieve their vision, the bank has invested time and resources into building an effective program that can have a lasting and measurable impact on the communities and environments in which it operates. Measuring and reporting on the impact of the sustainability initiatives was therefore a priority from the start, and so the bank has built an effective monitoring and evaluation system.

The SAIB's sustainability program is managed by the Corporate Communication Department and overseen by a Sustainability Committee, which is chaired by the CEO. The Committee consists of senior leaders who act as champions for sustainability across the bank.

The bank's efforts have paid off. For the past two years, the SAIB was awarded the prestigious King Khalid Awards for Responsible Competitiveness and this year the King Abdulaziz Quality Award.

From a commercial perspective, the bank's efforts to increase its provision of banking services to small businesses have contributed to a new area of growth – in 2015, the number of small and medium-sized enterprise (SME) customers served by SAIB rose by more than 40% when compared with 2014. Moreover, resource-optimization policies such as water and energy efficiency have also had a positive impact on the bank's operating costs.

6

TRAIN AND EMPOWER STAFF ACROSS THE ORGANIZATION

Sustainability must be treated as a professional activity, with resources dedicated to supporting, training and incentivizing sustainability managers

UNDERESTIMATING HR IS A COMMON CAUSE OF FAILURE

Too often organizations underestimate the HR requirements associated with building a corporate sustainability platform, or strengthening the organizational effectiveness of an NGO or foundation. This lack of consideration can significantly undermine the chances of achieving lasting change.

Without a proper strategy, success becomes dependent on the perseverance and passion of a small number of individuals who might lack the training, empowerment or incentives to be effective in their roles. Meanwhile, not enough gets done to inform, engage and train all managers across the organization. Projects and initiatives, even if they create enthusiasm for a brief period, often struggle to achieve lasting momentum and meaningful impact.

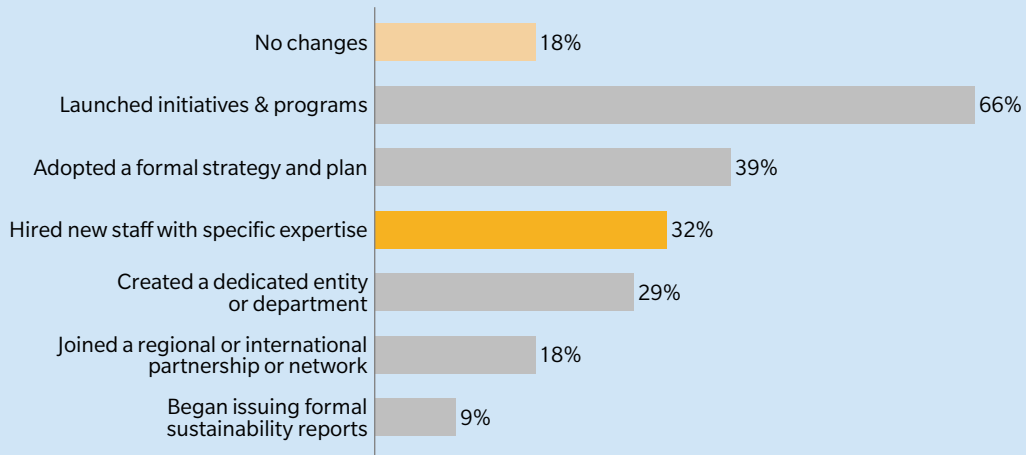
A STRONG HR STRATEGY WILL DRIVE STAFF EMPOWERMENT AND ENGAGEMENT

Organizations need to hire or train staff with specialized skills that will define a strong strategy and be equipped to lead and coordinate the transformation process across departments. Knowing how to integrate sustainability into a company's core business model in a commercially viable way requires significant subject-matter expertise. In addition, sustainability champions need strong communication and stakeholder-engagement skills.

More broadly, new sustainability values, skills and tools need to be incorporated into leadership and training programs. And new criteria can sometimes be included in performance evaluations – several leading firms mentioned that sustainability criteria were now included in balanced scorecards.

From our survey respondents, only 32% have taken the step to hire new staff with special skills and expertise (Exhibit 11).

Exhibit 11: Has your organization adopted a new operating model in order to improve the quality and effectiveness of your social and environmental impact work?



Source: Oliver Wyman survey of corporate sustainability and non-profit sector professionals (June-July 2016)



CASE STUDY: ABU DHABI SUSTAINABILITY GROUP

Established in 2008, the Abu Dhabi Sustainability Group (ADSG) is a multi-stakeholder membership initiative which aims to encourage co-responsibility in Abu Dhabi.

ADSG is working towards adopting sustainability as the fundamental approach in executing strategic policies and using integrated management to achieve the goal of economic, environmental and social performance, for the purpose of realizing the vision of the Abu-Dhabi Emirate to achieve sustainable development, build a cohesive society and an open economy capable of global competitiveness.

ADSG is an example of a network of leading organizations working to leverage resources and expertise across sectors, and striving to professionalize sustainability across both the private and non-profit sectors. Their membership has grown from the original 14 members in 2008 to over 45 members in 2015.

One of ADSG's achievements has been to develop and offer specialized support services tailored to meet members' specific needs as they build their sustainability capacity. As part of their capacity building program, the ADSG launched the report support program, focused on working with ADSG members to both manage sustainability initiatives and report on them. Sustainability and transparency are increasingly seen as a necessary requirement to achieve government and business excellence.

In many cases, lack of technical expertise creates significant barriers for companies, and by offering these targeted support services, ADSG has had, and continues to have, a real impact on the success rate of corporate sustainability initiatives.

In 2015, ADSG launched the annual Abu Dhabi sustainable business leadership forum, and award ceremony to recognize the best practice in sustainability. The event is unique platform for discussion and debate across a range of sustainability issues. International thought leaders converge with regional leaders to have open and frank conversations on how global sustainability challenges are being tackled in the MENA. The forum is open to all interested stakeholders both locally and internationally.

7

MEASUREMENT MATTERS

Setting up an impact-measurement system should be a top priority, leveraging international reporting guidelines and external support actors

Sustainability champions need to be able to justify their programs to both internal and external stakeholders.

To do this, organizations must first identify and measure the issues. They then need to track the tangible impact of their work and the value created through their initiatives. Measurement is also a crucial tool for transparency and accountability, allowing internal and external stakeholders to track performance against strategic targets. According to one sustainability professional, “Early on, we had a lot of activities, but most people weren’t sure what we were doing or achieving. As soon as we published our first sustainability report, our efforts gained traction and momentum across the organization. The corporate strategy team adopted some metrics as KPIs, and other departments, like IT, used the report to learn how they could become involved and then they started proposing their own initiatives.”

IT REINFORCES STAKEHOLDER RELATIONSHIPS

As organizations re-define the issues and metrics that will be used to measure their success beyond financial profits, they find themselves building new relationships and gaining a deeper understanding of their many stakeholders. Organizations are forced to study their most important stakeholder relationships; this includes not only the clients and beneficiaries they serve, but also the board members and shareholders to whom they are accountable. In the GCC, organizations are often doing this for the first time, and this inevitably strengthens an organization by providing strategic insights about interdependencies with stakeholders.

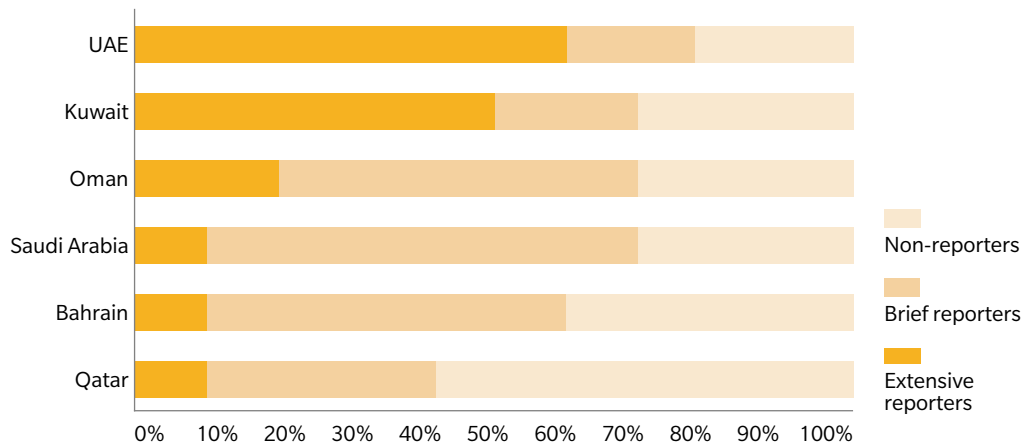
THE PROCESS IS CHALLENGING

As seen in Exhibit 12, many companies have begun reporting on sustainability, but the majority are still only doing so superficially. Stakeholder engagement is often a consultative process that can be very demanding. But it is only the beginning. Once KPIs are selected, ongoing performance monitoring requires putting in place new structures, processes and tools in order to collect data across the organization. Data collection can be technically challenging, and data integrity is a key issue. Reporting can also be difficult, especially for large organizations that decide to publish annual sustainability reports. New roles need to be created, and the relevant staff needs to be trained and incentivized in order to fill these roles.

ESTABLISHED REPORTING STANDARDS AND NETWORKS SHOULD BE LEVERAGED

Organizations can rely on various forms of external support. International networks such as the Global Reporting Initiative, the UN Global Compact, or the London Benchmarking Group, provide sophisticated standardized reporting frameworks, as well as training programs to help organizations adopt them. Specialized external consultants can also provide much-needed technical expertise without taking on full-time employees.

Exhibit 12: GCC company reporting trends, by country



Source: GIZ and Ahead of the Curve, Communicating Corporate Sustainability in the MENA Region (2015)

CASE STUDY: DOLPHIN ENERGY

INTRODUCTION

Dolphin Energy is one of the largest energy-related ventures in the GCC, linking Qatar, the UAE and Oman. Thanks to a leadership team with a deep commitment to sustainability, Dolphin Energy has established itself as one of the earliest adopters and leading proponents of sustainability in the region. In addition to pioneering initiatives intended to embed sustainability across its business practices and operations, it has also actively contributed to developing the region's support ecosystem.

SUSTAINABILITY MEASUREMENT AND REPORTING

In 2009, Dolphin Energy was among the very first companies in Qatar to begin publishing annual sustainability reports in adherence with Global Reporting Initiative (GRI) reporting guidelines. The company found that, rather than a burden, GRI's detailed sustainability reporting generated many benefits. The company began to better measure how sustainability optimized value for all stakeholders by tracking how environmental and social performance gains contributed directly to financial, reputational, and operational gains.

As a result, annual reporting improved awareness and understanding across the company. A number of departments began taking interest and proposing new initiatives (e.g. Green IT initiative), and the corporate strategy team adopted sustainability indicators as new measures of overall corporate performance.

In recent years, Dolphin Energy has established a sustainability governance structure that assigns responsibility for the planning, implementation and periodic review of sustainability initiatives to members of an internal committee called the Sustainability Working Group (SWG). The SWG has representatives from all departments of the business. Each member, called a "sustainability champion", becomes a focal point for all sustainability initiatives for their department, including data collection and reporting.

Also, every year since 2010, the firm has organized a Sustainability Week, to mark the launch of its annual sustainability report. Educational and entertainment activities are organized in order to promote awareness and engage employees and their families in the company's accomplishments.

Key sustainability achievements

- Founding member of the Abu Dhabi Sustainability Group
- Founding member of the Ras Laffan Community Outreach Programme – an initiative focused on creating a respectful, trust-based partnership between industry and community
- At the end of 2012, Dolphin Energy became one of the first GCC-based adopters of infrared camera imaging in order to reduce gas flaring, one of the leading sources of carbon emissions for gas companies
- Since 2014, has been working on the design and implementation of an Industrial Water Management Project (IWMP), a long-term investment targeting one of the region's most urgent environmental issues

8

BUILD PROGRAMS THAT CAN WEATHER THE STORM

To gain traction and reduce vulnerability to economic cycles, social and environmental initiatives must excel at identifying and communicating their impact and value creation to all stakeholders

FUNDING AND FINANCIAL SUSTAINABILITY IS A KEY CONCERN FOR INITIATIVES IN THE GCC

Less than a third of surveyed organizations (31%) have recently increased their budgets, and insufficient funding is identified as one of the top obstacles to success for organizations (Exhibits 13 and 14).

BECOMING A VALUE CREATOR IS BETTER THAN BEING A CHARITY CASE

As the GCC works through a difficult period in its economic history, many social and environmental programs and organizations have come under significant pressure. Some have been shut down. These challenges come as a reminder that sustainability programs cannot afford to rely merely on charity and good intentions. If they want to grow, or even survive through economic cycles, these programs need to prove their capacity to create tangible value and optimize their commercial viability or financial sustainability.

IN THE PRIVATE SECTOR, SUSTAINABILITY NEEDS A STRONG VALUE PROPOSITION

CSR programs that are seen only as volunteering or philanthropy are likely to be quickly cut when firms are pressured to refocus on profitability. Many have little commercial justification and are disconnected from the core business model. In contrast, leading firms adopt sustainability as a driver of corporate strategy. It becomes an integrated component across their culture and operations and, in some cases, even a source of revenue or cost control. Once such paradigms are in place, sustainability becomes a tool for future growth and development, and is no longer a cost burden waiting to be cut.

IN THE NON-PROFIT SECTOR, PLAYERS NEED TO BECOME EFFECTIVE AND COMPETITIVE

Foundations and NGOs face similar risks. Economic downturns are likely to threaten the sources of public and private funding on which they rely. Organizations can take many steps to mitigate these risks. They must diversify their sources of funding; too many organizations rely on a small number of large donors. They must improve organizational efficiency and effectiveness; this keeps the organization lean and costs minimal, and optimizes the outcomes of their work. Finally, they must also measure their impact, and ensure they are capable of effectively communicating their results to donors and supporters. These steps will ensure that they are well-positioned and competitive when threats arise.

Exhibit 13: How have budgets for social and environmental impact initiatives changed, given recent shifts in the regional context?

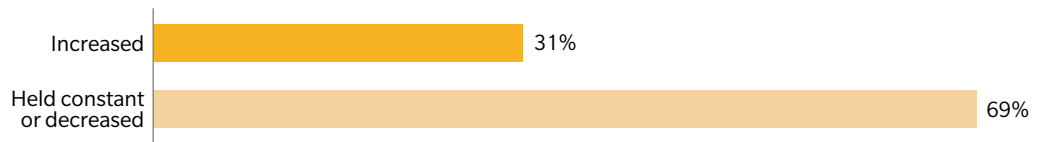
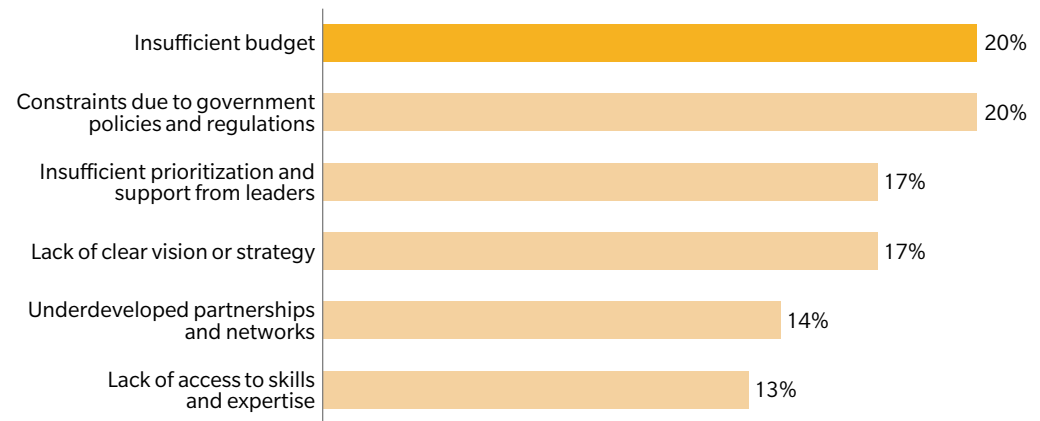


Exhibit 14: Share of respondents who ranked each factor as one of the top three obstacles to success in achieving impact



Source: Oliver Wyman survey of corporate sustainability and non-profit sector professionals (June-July 2016)

CASE STUDY: MAJID AL FUTTAIM PROPERTIES

Majid Al Futtaim – Properties is a diversified real estate and property services company with a regional portfolio of shopping malls, offices, hotels and mixed-use communities across the MENA region. Since starting on its sustainability journey in 2011, Majid Al Futtaim has become a regional leader in this space.

From the outset, Majid Al Futtaim’s Board of Directors and CEO focused on developing an integrated sustainable business model, rather than a charity project. Instead of creating a CSR department, the company hired a sustainability professional to design a sustainability strategy and work to embed it throughout all business divisions. The transition towards sustainability was not simply framed as “the right thing to do”, but justified with reference to five objectives that align with the firm’s commercial objectives:

- Reinforce long-term profitability
- Achieve cost-savings
- Secure a license to operate in key markets through improved governmental relations
- Adhere to principles of corporate citizenship
- Reinforce brand reputation

To define the best course of action, the strategy relied on persistent stakeholder engagement and a detailed risk review to identify five key sustainability areas (e.g. resource efficiency, labour conditions and the supply chain). Initiatives were developed for each area, across all departments, and a governance structure was put in place, stretching from the board of directors down to local champions responsible for delivery. Key performance indicators were selected for each of the five key areas in order to measure progress. The firm’s head of sustainability was then responsible for submitting progress reports each quarter to the CEO and board of directors, which gave him the authority to act decisively.

“We believe that sustainability activities can enhance our profitability as a business. We currently spend AED 120 million on electricity and water in our buildings and we are conscious that prices will rise over time. The more efficiently we run our malls, offices and hotels, the more money we can save. It’s as simple as that.”

Majid Al Futtaim first sustainability report, 2011

GOVERNANCE

Since 2014, Majid Al Futtaim has undergone a strategic reassessment of its sustainability platform. An important part of this review has focused on reinforcing the associated governance structure.

Sustainability is examined at each monthly meeting of the Corporate Executive Committee (CEC), which reports to the Board and has responsibility for executive oversight and strategy.

The Sustainability Steering Group meets every three months at UAE headquarters, and includes the CEO and other senior members of staff. It reports to the CEC and is supported by national sustainability groups in Egypt, Oman, Bahrain and Lebanon, as well as sustainability champions responsible for delivery on the ground. Steering Group meetings are also attended twice a year by an external sustainability advisor. The Head of Sustainability provides support and strategic oversight to all elements within this structure.

SUSTAINABILITY GOVERNANCE STRUCTURE



9

A STRONG SUPPORT ECOSYSTEM HAS A MULTIPLIER EFFECT

Partnerships and networks offer channels for best-practice sharing and serve as platforms for initiatives to reach new levels of scale and impact

A STRONG ECOSYSTEM MATTERS

As new sustainability programs and initiatives across the GCC grow and mature, access to external expertise and resources can be extremely valuable. Despite the progress already achieved, an overwhelming majority of regional practitioners (83%) agree that more partnerships and support networks are still needed (Exhibit 15).

During the early stages of transformation, organizations are often easily stalled by uncertainty about how to proceed, or by perceived obstacles and complexities. The right ecosystem must offer everything to support and catalyze transformation, such as forums for discussion and best-practice sharing, leadership and training programs, and other forms of capacity-building.

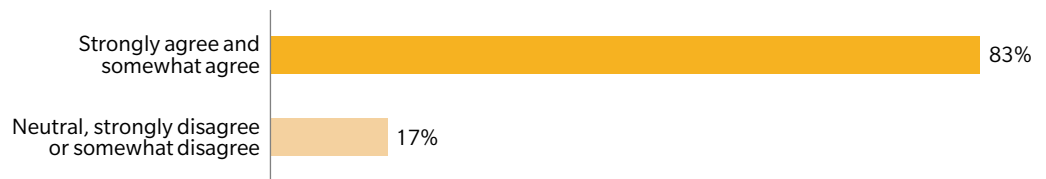
For existing programs, collaboration initiatives are needed in order to reach new levels of scale and impact. This can be accomplished by pooling resources and focusing efforts on a single issue. For example, a group of seven energy companies in Qatar created a joint Sustainability Community Outreach Program, dedicated to centralizing relations with key beneficiaries and consolidating all contributions in order to increase impact.

Similarly, cross-sector partnerships can empower initiatives to leverage the combined strengths and expertise of the public, private and non-profit sectors in order to maximize outcomes.

STRUCTURES ARE EMERGING IN THE GCC, BUT MORE IS NEEDED

The region is witnessing the emergence of actors and structures dedicated to guiding and supporting corporate programs, foundations and NGOs on their path to full capacity and maturity. This ecosystem consists of many for-profit and non-profit organizations. Some entities offer direct support or advisory services, working with specific organizations to help them define and implement their sustainability transformation or development strategy. Other entities offer a platform or network to facilitate coordination, communication and cooperation between sustainability professionals or organizations.

Exhibit 15: Are more partnerships and support networks needed to increase coordination and cooperation between actors and initiatives?



Source: Oliver Wyman survey of corporate sustainability and non-profit sector professionals (June-July 2016)

CASE STUDY: UN GLOBAL COMPACT

GLOBAL NETWORK

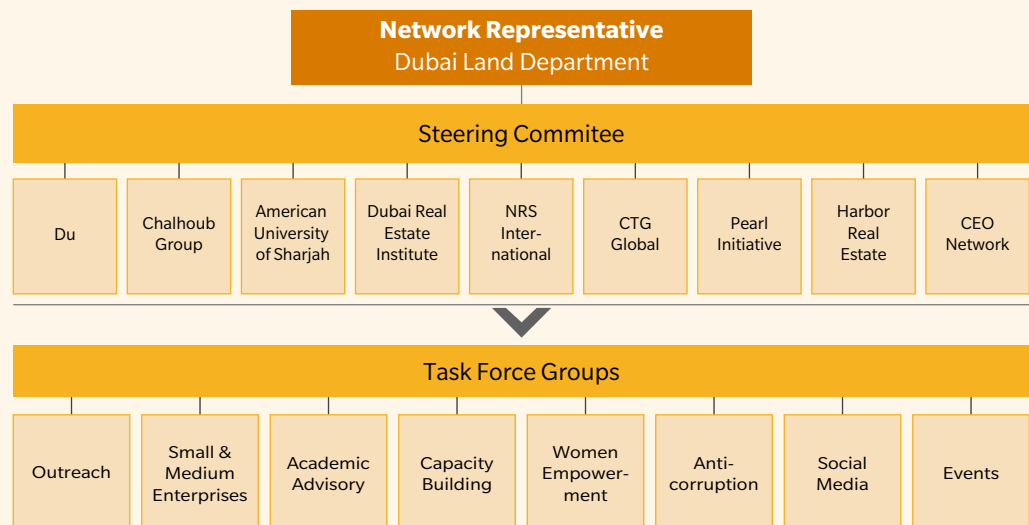
The United Nations Global Compact, launched in 2000, is the world's largest corporate sustainability initiative with over 8,000 businesses in 165 countries committed to uphold UN values and principles in how they operate. It has close alliances with the largest responsible-investment and responsible-management education initiatives in the world. UN Global Compact activities are anchored in local networks based in 80 countries, including in the UAE.

To help companies shape their corporate sustainability approach, the UN Global Compact offers an extensive toolbox, including a principle-based framework, best practices, resources and networking events that have revolutionized how companies do business responsibly and keep commitments to society.

GLOBAL COMPACT NETWORK UAE

In May 2015, a Local Network in the UAE was launched and hosted at the Dubai Real Estate Institute within the Dubai Land Department.

By mid-2016, the UAE network has grown from 45 participants prior to the launch of the Network to over 90 participants. As seen below, the network is led by a steering committee of nine entities representing the public, private, non-profit and academic sectors. The network functions through eight task forces from which members can either access support services (e.g. training or education) or participate in dialogue and the development of new initiatives with other participants.



The academic advisory task force group is dedicated to raising awareness for the next generation of business leaders, managers and citizens. Through partnerships with institutions, it strives to integrate sustainability principles into schools' curricula and modules; better informed youth will play a great role in driving change in the private and non-profit sectors.

In 2016, the task force launched the youth ambassador program. Current students or recent graduates are provided with training in the UN Global Compact's sustainability-reporting process and standards. After this, the students are connected with companies who do not have the in-house capacity to fulfil their sustainability reporting, and provide support for a period of up to six months.

As of June 2016, more than 35 students had already graduated from this program, ready to provide support.

10

COLLABORATION BETWEEN GOVERNMENTS AND THE PRIVATE AND NON-PROFIT SECTORS CAN IMPROVE

Strengthening coordination and communication with private and non-profit organizations and practitioners will help optimize the government's legislative and regulatory roles

Government policies and regulations will play a crucial role in optimizing the contributions of the private and non-profit sectors to social and economic development in the short and long term. While governments are taking steps to build more effective regulation, support infrastructure and incentives, they cannot accomplish this without closer collaboration and communication with other sectors. As seen in Exhibit 16 below, more than half of all respondents continue to perceive the government as neutral or a constraint (53%). In fact, governments were one of the factors most often perceived as part of the top three obstacles to success (Exhibit 17).

Regulation of organizations and funding is especially important within the current social and political context of the broader MENA region. All practitioners acknowledged and appreciated the importance of this role. Nevertheless, some forms of regulation continue to create serious burdens, especially related to the registration of organizations or complexities of the fundraising process. There have been encouraging improvements recently, such as the new, simplified NGO registration rules and procedures established in early 2016 in Saudi Arabia.

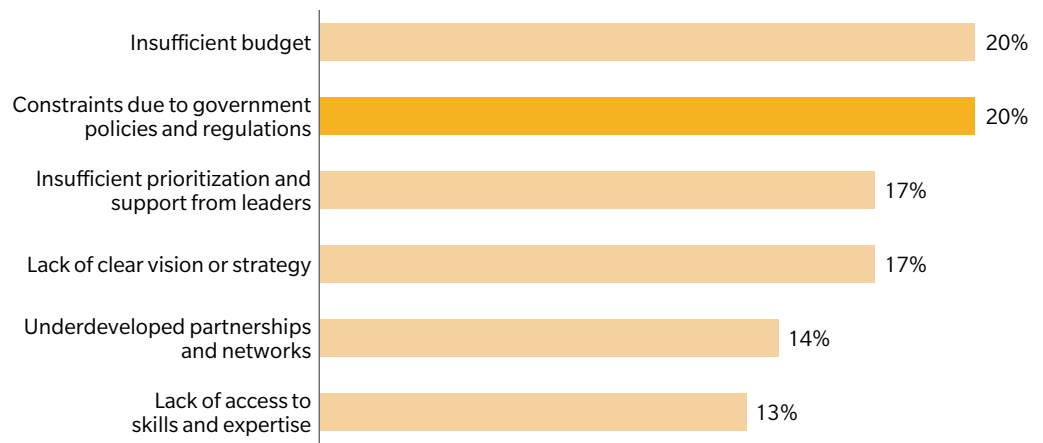
Building infrastructure consists of creating and supporting new structures for coordination and collaboration. Governments are uniquely positioned to bring a variety of actors together and to facilitate dialogue within sectors, and across sectors. This role is illustrated by the structures established by Dubai's Chamber of Commerce (below), where various government entities are increasingly working closely with private and non-profit sector actors to optimize their relationships and mutual support.

Creating incentives consists of putting in place the support policies and programs that make it easier and more advantageous for private and non-profit actors to become engaged in social and environmental initiatives. By reducing the costs of taking action, governments can act as a crucial catalyst for the growth and development of non-governmental initiatives. However, incentives should not be seen as a prerequisite. The best way for organizations to achieve real transformation is for them to see the commercial benefits of doing so, and in those cases they are generally willing to invest in the necessary support.

Exhibit 16: How do GCC governments contribute to non-governmental initiatives to tackle social and environmental issues?



Exhibit 17: Share of respondents who ranked each factor as one of the top three obstacles to success in achieving impact



Source: Oliver Wyman survey of corporate sustainability and non-profit sector professionals (June-July 2016)

CASE STUDY: DUBAI CHAMBER OF COMMERCE, CENTER FOR RESPONSIBLE BUSINESS

Established by the Dubai Chamber of Commerce & Industry in 2004, the Dubai Chamber Centre for Responsible Business (CRB) is focused on raising awareness and improving the understanding of CSR and sustainability among businesses in the UAE.

Over the years CRB has launched several products and services that are aimed at helping companies to understand and implement CSR and sustainability into their business operations. Some of the programs CRB has includes **ENGAGE Dubai** the Employee Volunteering Programme, **Dubai Chamber CSR Label** that helps companies to assess their CSR performance and profile themselves as responsible companies and **the Dubai Chamber Sustainability Network** which is currently a strong network of 62 local and multinational companies.

The Dubai Chamber Centre for Responsible Business works to raise awareness and assist CSR and sustainability implementation in the areas of business ethics; community involvement strategies; sustainability reporting; supply chain and logistics; sustainable consumption; and well-being in the workplace.

CRB offers training, conducts research, develops publications and runs advisory services for integration and adoption of CSR & Sustainability practices and strategies into businesses. It also manages runs several cross-sector working groups as part of its Dubai Chamber Sustainability Network program to support business learning, benchmarking, and capacity building and facilitate a broader stakeholder dialogue between businesses, policy makers and community partners on sustainability issues.

CONCLUSION

Whether it be youth unemployment, climate change or water depletion, issues of social and environmental sustainability are a real concern across the GCC.

The findings presented in this report can be cause for cautious optimism. While the prevalence and effectiveness of non-governmental sustainability initiatives remains low in a region historically reliant on government policies and spending, there are nonetheless important positive trends that need to be identified. Over the past decade, general awareness of social and environmental issues has increased dramatically. In this time, a small number of pioneering corporations, foundations and NGOs across the region have taken the lead in developing meaningful sustainability initiatives and solutions. Some of the region's largest private businesses are integrating sustainability as a core component of their business model and strategy, making sustainability a source of long-term growth and profitability rather than a cost-burden. Foundations and NGOs are working closely together to build increasingly professional non-profit sectors, capable of offering effective and scalable solutions to social and environmental challenges. As they persevere and gradually succeed in creating tangible value, these pioneers are playing a crucial role by establishing models to show others how sustainability can become a reality in the region.

And yet much more needs to happen, and fast. Given the urgency of the region's challenges the success of these pioneering initiatives cannot be left up to chance. Policy makers across the region have a unique responsibility to establish the legal and regulatory frameworks that will support and incentivize these initiatives, in the hope of accelerating the existing momentum. While some positive steps have already been taken, there is nonetheless a real need for closer coordination and communication to ensure government policies and initiatives meet the precise needs of their expected beneficiaries. In light of the deep social and economic transformations already witnessed across the region in recent decades, there is every reason to believe that, with the right leadership and mobilization across sectors, the objective of combining continued economic growth with lasting social and environmental sustainability can be achieved in the GCC.

Oliver Wyman is a global leader in management consulting that combines deep industry knowledge with specialised expertise in strategy, operations, risk management, and organisation transformation.

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With special thanks to the participating organizations and individuals for their contribution and insights.

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