



Badr Jafar speaking at the United Nations

EDITORS' NOTE In his position as Managing Director of the Crescent Group of Companies, Badr Jafar also serves as CEO of Crescent Enterprises and as Chairman of Gas Cities LLC and of Pearl Petroleum. Jafar also sits on the International Advisory Board of Dana Gas PJSC. In addition, he has a variety of international, industrial, and commercial interests, including serving as a board member of Gama Aviation (UK) and CEO of Crescent Aviation (UAE), serving as vice chairman of GulfTainer Company Ltd, and serving as a board member of Enshaa PSC (UAE). He also serves on the board of directors of Abraaj Capital (UAE) and GrowthGate Capital (Bahrain). Jafar attended Eton College and graduated from Cambridge University with a Master's degree in Engineering, followed by a business degree from the Judge Business School of Cambridge University, where he is currently Chair of the Alumni Advisory Council and sits on the International Advisory Board. He is also an active member of the Young Presidents' Organization and was named a Young Global Leader by the World Economic Forum.

COMPANY BRIEF Crescent Petroleum (www.crescent.ae) has been operating as a regional upstream oil and gas company in the United Arab Emirates for over 40 years. It began its activities in the early 1970s and was the first regional, independent, privately-owned Middle Eastern petroleum company to engage in the acquisition, exploration, and development of petroleum concessions, as well as the production and sale of crude oil, petroleum products, and natural gas. A particular area of focus for the long-term growth of Crescent Petroleum's business is the development, marketing, and utilization of natural gas assets in the region.

The Pearl Initiative (www.pearlinitiative.org) is a private sector-led, not-for-profit organization set up to improve corporate transparency,

Corporate Governance and Social Entrepreneurship in the Arab World

An Interview with Badr Jafar,
President, Crescent Petroleum and Co-Initiator, Pearl Initiative

accountability, and business practices in the Arab world. It is a growing regional membership network of business leaders committed to driving joint action and sharing knowledge and experience. The Pearl Initiative has been developed in cooperation with the United Nations Office for Partnerships.

How strong of a leader is Crescent in the market?

Crescent began predominantly as an upstream energy player in the exploration and production space. It was founded just over 42 years ago with a focus on oil and 25 years ago, at a time when gas was considered an un-useful byproduct of the oil business, it became involved with gas.

In many ways, we pioneered the gas business in our region, and gas has a number of major advantages over oil: there are much greater quantities of untapped gas reserves in our region as well as globally, as has been identified by the shale phenomenon in the U.S. Also, despite petroleum being lumped together as a hydrocarbon, gas is more energy efficient to burn for power generation, which is a primary use of natural gas in the world today. In addition it is considerably cleaner than oil and much cleaner than coal when used in power generation.

So the gas business is thriving in the region but there is a huge amount of upside potential considering the Middle East holds about 44 percent of the world's natural gas reserves, and is currently only supplying 14 percent of the world's gas production.

Crescent continues to pioneer various cross-border projects in the gas space.

Beyond that, what differentiates Crescent from other companies is in a region where most of the production and reserves are handled by the national oil companies and governments, Crescent has managed to carve out a space for itself as the oldest and largest privately-owned indigenous oil and gas producer in the region – we were born in the region and grew up there, and are still active mostly in the region.

The importance of this is that while some foreign companies who come in tend to have their eye on production, usually developed and sourced for their own markets, we are a company from the region and for the region, so we look at how we can best use the region's reserves within the region itself.

That has huge implications not just economically but socially.

It's something we pride ourselves on. It's not to say we haven't operated internationally – we have been a foreign company in other places around the world and we have operated over the past 40 years from South America to Canada to the Middle East, North Africa, South Asia, and Europe.

But over the past decade, we have focused primarily on the Middle East and North Africa.

And over the past two decades, we have diversified out of the energy space, usually by finding certain synergies that exist in other industry sectors.

So we created other vehicles to handle those operations because there was some synergy down the chain or up the chain within the petroleum business.

We then diversified into businesses that have no direct link to the petroleum space. Approximately 10 years ago, I created a company called Crescent Enterprises as part of the Crescent Group. It's all non-energy, so it includes everything from logistics and port management to aviation – one of our companies is GulfTainer, which is today the largest private port operator in the world. We operate the largest number of containers as a privately-owned company globally, and have ports around the world. We're also involved in aviation, medical, education, private equity, as well as minerals mining and processing.

So we are fairly diversified outside the energy space, and with a number of those companies, we found synergies coming back to the petroleum business and other individual businesses under the group. Over the past three to four years, we've tried to maximize the value gains by using those synergies within the various industries.

We have a team dedicated to looking at the various businesses to determine where we can optimize by using the competencies of those individual businesses so when you put it together as a group, we are operating in the most efficient and cost effective manner possible.

We're still a private group that is fairly diversified and focused on the Middle East and North Africa, but with ancillary operations globally as well.

Is there a good understanding of the size and scale of Crescent?

There is a slightly different mode of operation in the region. Because companies in the Gulf region don't face a corporate tax, there is no requirement to publish accounts.

Our banks, auditors, and ancillary service providers have access to that information but we don't talk about it publicly.

When we publicly announce certain deals because we have to, the value of those deals are disclosed.

As a group, we have over 10,000 employees operating in the region and declared production in various countries that people know about, so they get an idea of the size and scale of the group.

We have stakes in public companies as well.

One of the things I'm working separately on through the Pearl Initiative is to get to a point where companies are publishing accounts, so companies can be transparent. It's a culture shift that needs to happen.

The logic behind the Pearl Initiative is not coming from the point of view of regulation; it's trying to work with companies to see where there are value gains by adopting certain practices, such as publishing accounts.

Did leaders understand the value of the Pearl Initiative early on?

There were a number of organizations here working with government, as well as business leaders, to improve the companies' roles and to address regulation and the penalties that would go alongside not adhering to the new regulations being put in place.

However, business leaders here didn't really see much benefit for them as individual leaders or for their companies in the standard corporate governance measures that exist in some of the more developed economies of the world. Yet, they were open to being convinced that it was good for business.

So it was important to develop an initiative that dealt with that – that's why Pearl is a private sector initiative that speaks the language of business emphasizing that corporate governance isn't just a burden on companies. Having levels of good business practices, of transparency, and of accountability within corporate structures leads to being more successful as businesses, especially today when all regions of the world are connected in one way or another, especially when it comes to business dealings.

To get business leaders to adopt that culture change, they needed to identify the incentives behind adopting these practices and that is at the core of what the Pearl Initiative does.

We developed this in cooperation with the United Nations in order to create more engagement with the UN system which is working to solve some of the major challenges globally.

Even looking at the Millennium Development Goals, one of the key stakeholders that needed engagement at a high level was in the private sector.

I approached the United Nations Office of Partnerships and they quickly understood the logic behind the approach of the Pearl Initiative and we put together a framework

for cooperation, which we are now rolling out across the region.

In addition, the Pearl Initiative is truly regional. When something is too branded by one country or one particular Gulf State, it's difficult to get buy in from other countries or emirates, because they don't see the point in adhering to another's values when they can create their own.

So the focus early on was establishing this as a truly regional initiative that had representation from not just a broad group of sectors but also a broad group of countries that were represented on the board, as well as through our founding partners.

Both of those have delivered results in a short timespan. Today, we have over 70 companies that have signed up with us. Every company signs a specific memorandum of understanding, creating a mutually beneficial relationship that mimics the private sector mentality.

The cost is between \$35,000 and \$50,000 a year as a base for them to join the initiative. Although some of our board members felt there should be a minimum three-year partnership followed by a review, I insisted they be renewed yearly because I wanted the Pearl Initiative itself to be accountable for delivering those services to its members.

What is your hope for the Pearl Initiative?

Our tagline is, "creating a corporate culture of transparency and accountability," and the reason the culture is so important is that it's not about practices for the sake of practices; it's about changing the mindset of business leaders and the culture in which they operate on a business level.

The ultimate goal is for it to become the norm in the region to operate under internationally recognized corporate governance standards, almost without the need for extensive regulation, because the corporate world knows that regulation only works to an extent. There are always ways of getting around it.

The point is to get to a stage where these practices become the norm. That is a process, because the culture of corporate governance will always vary slightly in different parts of the world.

One of our first roundtables in the region was on corruption. We also worked with the World Economic Forum on something called PACI (Partnering Against Corruption Initiative), where we will be working on specific programs for creating awareness on corruption and how we're going to tackle it, not by trying to stamp it out through penalties but by getting business leaders to understand the value destruction of corrupt practices over the long term.

When we held our first roundtable for anti-corruption, the business leaders sometimes commented that there was no perception of corruption in the region since that was the business norm.

So before we determine how to deal with corruption, we have to get as close as possible to a definition of what would be deemed corruption in, for example, New York State.

Over the past 12 months, we've had roundtable discussions with over 1,500 CEOs in the region on topics under the umbrella of corporate governance.

There is no point in the Pearl Initiative trying to establish its agenda in a vacuum. The objective is to have as many roundtable discussions as possible to steer the way for developing something fit for the region that remains true to our original DNA, which is "by the private sector, for the private sector." We're not coming in as a regulator to set rules arbitrarily, but as a means to talk to business leaders and have them decide on the priorities, the main problems, and how we'll solve them.

What more can be done to bridge the gap between the West and the Middle East?

We in the region tend to put too much of the burden on our politicians to represent our beautiful region and culture globally. I don't think we have had enough business or indeed cultural champions.

We have some phenomenal success stories in the region but if I went to a high-schooler in New York and asked him to name a few examples of those successes in the Arab world, I would be surprised if he could name one.

This is where the business community going forward has to take responsibility for working to use business as well as their own experiences to bridge cultural divides, and to change the face of the Arab world as seen from an outsider's perspective. This is in the realm of social entrepreneurship.

Can entrepreneurship be taught or is one born with it?

Anyone can have ideas; to successfully implement those ideas is another thing.

What you can teach, and what is missing from our education systems globally, is how to tap into those ideas, structure them in a contemporary way, and successfully implement them within the realm of our current global markets with good governance systems, etc.

Are you comfortable with the media attention you receive?

If I was living in the U.S., I would be more comfortable in the limelight because whether you have successes or failures, it's okay to be more public about them – it's a culture of leading by example.

In this region, you are frowned upon by being more public, especially if you're not a politician.

However, in philanthropy, one needs to create awareness. This is a major challenge but also a major opportunity going forward in the region.

I have also pursued the entertainment business because there's a phenomenal ability for that business to capture hearts and minds with little capital.

I have partnered with Quincy Jones to develop our indigenous talent, which doesn't have a proper platform here in the region yet.

For example, if we had 50 Arab Justin Biebers running around the world and sharing their homegrown talents, they would be extremely effective in capturing the attention of the world on behalf of Arabs and entertaining everyone at the same time. ●