PEARL INITIATIVE | GOVERNANCE IN TECH PROGRAMME

CAPITAL AS CODE:

HOW THE UAE'S SOVEREIGN WEALTH FUNDS ARE ENGINEERING A GOVERNANCE-DRIVEN TECH ECONOMY

SEPTEMBER 2025

PEARL INITIATIVE
15 2010-2025 YEARS OF IMPACT

INTRODUCTION

The transformation of the United Arab Emirates from a hydrocarbon-dependent economy to a digitally diversified, innovation-led state has been neither incidental nor experimental, it has been profoundly architected. At the heart of this transformation lies the instrumental deployment of sovereign wealth funds (SWFs), which collectively manage over USD 2.49 trillion in assets, positioning the UAE as the third-largest holder of sovereign and public pension wealth globally (Economic Times, 2024). While these entities, primarily Abu Dhabi Investment Authority (ADIA), Mubadala Investment Company, and the Abu Dhabi Developmental Holding Company (ADQ), have long served as strategic economic stabilizers, their recent pivot into tech has redefined their mandate from wealth preservation to future-state creation.

Yet, what is perhaps most under-appreciated in current discourse is this: the influence of SWFs on the tech ecosystem is not merely financial. Sovereign capital is institutionalizing governance. It is actively shaping how startups are structured, how decisions are made, how boards function, and how risk is mitigated, not through mandates, but through capital design. This report is anchored in three core hypotheses:

Sovereign capital doesn’t just fund growth, it is a vehicle for institutionalisation.
The influx of SWF capital into the tech ecosystem catalyzes not only scale, but structure, embedding expectations of board discipline, reporting transparency, and strategic foresight.

The UAE’s tech economy is not merely state-backed, it is state-shaped.
Through SWF-backed funds, accelerators, and infrastructure platforms, the state is indirectly defining startup norms, making governance a prerequisite for participation.

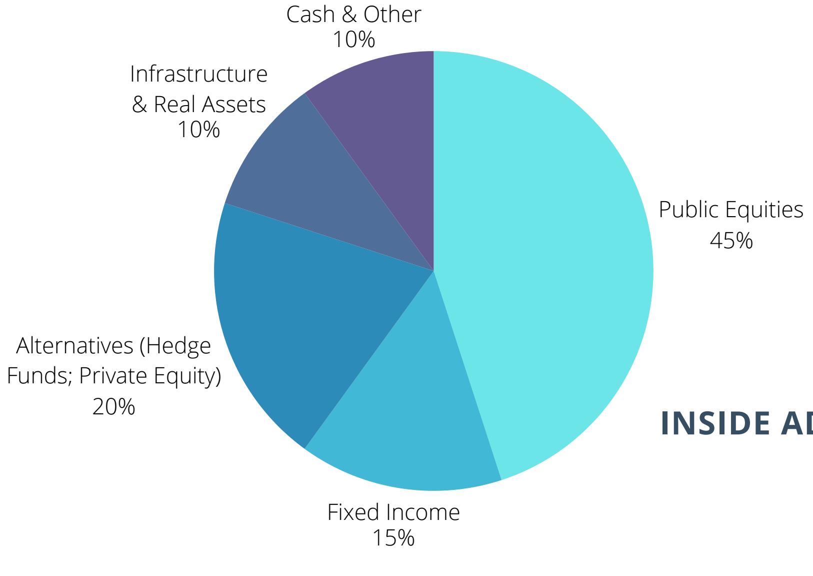
Governance emerges not as a compliance cost, but as a competitive asset.
Startups that signal governance maturity are more likely to access sovereign capital, strategic partnerships, and institutional-grade clients, repositioning governance as growth infrastructure.

ABU DHABI INVESTMENT AUTHORITY (ADIA): GLOBAL CAPITAL, NORMATIVE GRAVITY

With an AUM (assets under management) of approximately USD 1.057 trillion, ADIA is not only one of the oldest but also one of the most globally diversified sovereign wealth funds. While its historical focus has been on public equities, fixed income, and real estate, ADIA's recent allocations indicate a growing commitment to digital infrastructure, enterprise software, and frontier technology platforms. Notable recent investments include USD 500 million into Indonesia's GoTo Group, USD 2 billion in Asia-Pacific data centres via SC Capital, and significant equity positions in enterprise software firms such as Qlik Technologies and IFS.

What distinguishes ADIA in the governance context is its role in co-developing the Santiago Principles, a global framework for SWF transparency, accountability, and independence. As a founding signatory, ADIA applies structured internal governance frameworks across asset classes, separating investment authority from oversight and embedding principles of long-termism, ethical conduct, and political neutrality. Startups that receive capital through ADIA-affiliated private equity vehicles are often required, implicitly or contractually, to adopt independent advisory boards, quarterly reporting dashboards, and founder vesting mechanisms.

> In essence, ADIA doesn't just invest in firms, it orients them towards institutional expectations. This is the quiet but profound power of governance by capital. ADIA rarely invests directly in startups, but through its capital stack, it influences governance upstream. Startups backed via ADIA-aligned funds often adopt reporting protocols, founder vesting clauses, and board discipline by default.



INSIDE ADIA'S USD 1 TRILLION MANDATE

THE ADIA GOVERNANCE CASCADE

HOW SOVEREIGN CAPITAL INFLUENCES STARTUP GOVERNANCE WITHOUT DIRECT CONTROL

ADIA INVESTMENT STRATEGY

Global capital deployment through diversified funds

- AUM of $1.057 trillion deployed via equities, infrastructure & private markets

ASSET MANAGERS & PE FUNDS

Institutional intermediaries adopt ADIA-level governance standards

- Reporting, ESG compliance, board reporting frameworks required by LPs

STARTUP TERM SHEETS & DEAL STRUCTURES

Governance expectations embedded in funding documents

- Board seats, milestone-based disbursement, data room hygiene, vesting schedules

FOUNDER BEHAVIOUR & ECOSYSTEM NORMS

Startups internalise and signal governance maturity to attract further capital

- From compliance afterthought to strategic differentiator

MUBADALA INVESTMENT COMPANY: ECOSYSTEM BUILDER WITH STRUCTURED DISCIPLINE

Mubadala's evolution over the last decade has been dramatic and deliberate. From its origins in industrial investments, it has repositioned itself as a global innovation investor, with assets under management reaching AED 1.2 trillion (approx. USD 326.7 billion) in 2024, a 9.1% annual increase (Reuters, 2024).

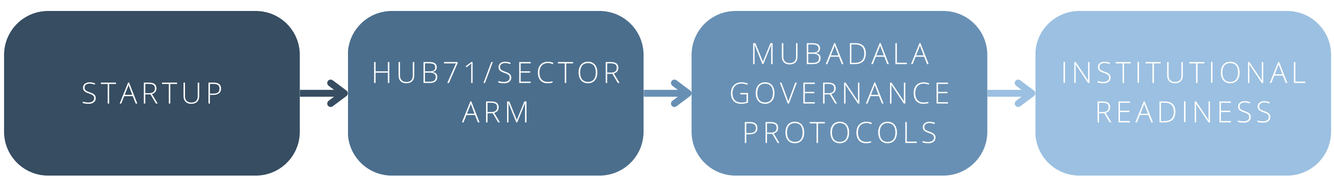
In 2024, Mubadala deployed AED 119 billion (approx. USD 32.4 billion), a 33% increase over the previous year, focusing heavily on semiconductors, advanced manufacturing, private credit, and AI infrastructure. Key holdings include GlobalFoundries, Waymo, Reliance Jio Platforms, and Telegram, among others. Most prominently, Mubadala co-founded MGX, a USD 100 billion AI-focused fund, in partnership with G42, Microsoft, and Oracle (Semafor, 2025).

Mubadala's internal architecture is structured into four pillars: UAE investments, direct investments, real estate and infrastructure, and disruptive technology. This segmentation is not only a capital deployment strategy, but also a governance design choice, enabling tighter oversight, mission coherence, and risk diversification.

Startups interacting with Mubadala, whether via Hub71 or sectoral arms, often align themselves with institutional protocols. These include:

- Board observer seats for LPs (limited partners)
- Milestone-linked disbursements
- Impact measurement dashboards, particularly in healthtech and cleantech
- Founder vesting and exit planning frameworks

Through this architecture, Mubadala is translating national ambition into governance-ready corporate formats.



ADQ:
CONSOLIDATED SOVEREIGNTY, SECTORAL STEWARDSHIP

Although often overshadowed by its more globally visible counterparts, the Abu Dhabi Developmental Holding Company (ADQ) has quietly become a critical instrument in the UAE's sovereign investment landscape. Established in 2018 to consolidate non-oil public sector assets, ADQ manages approximately AED 732 billion (approx. USD 157 billion), overseeing enterprises across logistics, utilities, agri-food, health, and industrial services. Through DisruptAD, it has pledged to support 1,000 startups over five years, deploying platforms such as the AED 1.1B Alpha Wave Incubation Fund and the AED 535M Ghadan21 Ventures Fund.

In recent years, ADQ has steered its state-owned subsidiaries, such as AD Ports, Etihad Rail, SEHA, and Agthia, towards operational digitalisation and data-led optimisation. These transformations have created a cascading demand for private technology partnerships, many of which are structured through procurement contracts, innovation sandboxes, or co-investment arrangements. Importantly, these partnerships require startups and tech firms to comply with government-level governance standards, including formalised compliance units, robust risk management systems, and strict data localisation protocols. ADQ's sectoral oversight, therefore, extends beyond ownership, it operates as a de-facto regulator and gatekeeper, raising the governance bar across entire industries by setting expectations for how digital vendors, partners, and startups should operate within public service domains.

This phenomenon represents an overlooked but highly influential trend:
governance trickle-down effect.

By institutionalising governance at the holding company level and insisting on transparent, auditable conduct from its subsidiaries, ADQ indirectly sets the tone for the broader private sector, particularly for early-stage tech companies eager to serve or scale into government-aligned verticals. The governance expectations these startups internalise, whether regarding procurement, ESG disclosure, or compliance reporting, are not always mandated by law but become non-negotiable prerequisites for participation. In this way, ADQ functions not only as an asset manager but as a structural disciplinarian within the UAE's tech ecosystem.

MGX AND THE STARGATE STACK:
GOVERNANCE EMBEDDED IN INFRASTRUCTURE

The establishment of MGX in 2024 marked a paradigm shift in how sovereign capital engages with frontier technology. Formed through a joint venture between Mubadala Investment Company and G42, and backed by strategic partnerships with Microsoft, OpenAI, BlackRock, and Oracle, MGX has set an ambitious target of managing USD 100 billion in AI-focused assets. The fund sits at the centre of the Stargate Project, a multinational initiative to develop AI supercomputing clusters, sovereign data centres, and cross-border computational infrastructure across the Middle East, India, and Africa. This is not merely capital allocation at scale, it is AI industrial policy masquerading as private investment.

The nature of the technologies in play, large language models, edge computing, bio-AI, predictive analytics, demands a higher order of governance intervention. Unlike traditional venture funds that prioritise speed and disruption, MGX is compelled by both geopolitical sensitivities and systemic risk exposure to embed governance into its foundational architecture. Every project supported by MGX, whether it involves semiconductors or sovereign cloud services, is subject to a comprehensive vetting mechanism that includes national security screening, ethical AI risk assessments, and dual-use technology protocols. Partnerships with firms such as OpenAI, Anthropic, and Mistral AI are also contingent on data residency, explainability protocols, and dual-use safeguards.

From a governance perspective, MGX represents a new class of sovereign instrument, an **infrastructure investor with built-in regulatory intent.** Its investments are accompanied by memoranda of understanding (MoUs) that stipulate data residency norms, cybersecurity compliance, export control restrictions, and founder-alignment clauses. Moreover, MGX's presence has catalysed the development of sector-specific governance codes across AI and healthtech, many of which are now being referenced by regional regulators. Startups and scaleups that receive MGX capital are not only well-funded, they are functionally governed, often from day zero.

Perhaps most critically, MGX introduces the idea that governance can, and should, be infrastructural. Just as data centres require uninterrupted power and physical security, AI development requires ethical boundaries, explainability protocols, and enforceable usage parameters. MGX is not waiting for regulators to mandate these features; it is embedding them into its term sheets, legal clauses, and operational playbooks.

ECOSYSTEM OUTCOMES: INSTITUTIONALISATION THROUGH IMITATION

The cumulative impact of sovereign capital on the UAE's startup ecosystem is best observed not at the boardrooms of funds, but on the ground, among founders, venture capitalists, and ecosystem enablers. Between Q1 and Q2 2025, UAE-based startups raised approximately USD 355 million across more than 90 deals, with AI, fintech, and logistics tech leading the charts. Simultaneously, Abu Dhabi Global Market (ADGM) reported a 42% year-on-year surge in active registered entities (2,972 vs 2,081) as of mid-2025, accompanied by a steady rise in assets under management (Reuters, 2025).

While these numbers reflect capital velocity and ecosystem expansion, the more consequential transformation lies in the maturation of governance norms among early-stage companies. Across incubators, pitch decks, and investor conversations, governance has shifted from an "end-of-life" consideration to a front-loaded differentiator.

Founders are increasingly expected to present not only a business model and product-market fit, but also:

- Defined cap table discipline
- Succession plans and founder continuity strategies
- Advisory board charters
- ESG alignment frameworks
- Data protection protocols and compliance maps

This phenomenon, often referred to in policy circles as "**governance signalling**", illustrates how sovereign capital sets informal rules of engagement. Startups seeking entry into sovereign-backed platforms such as Hub71, access to infrastructure via MGX, or alignment with public-sector procurement channels via ADQ must adapt to a de-risked, professionalized operating model. In effect, capital is not only a funding mechanism, it is a governance filter.

Moreover, venture capital firms and angel syndicates have adapted accordingly. Many local VCs have integrated governance readiness assessments into their due diligence frameworks, often replicating templates and scorecards pioneered by sovereign LPs. This has created a self-reinforcing ecosystem, wherein governance becomes both an entry ticket and a growth enabler, effectively institutionalizing responsible company-building as a new norm in the UAE's startup economy.

OTHER SOVEREIGN PLAYERS IN THE REGION

While the strategic governance footprint of Abu Dhabi's sovereign wealth funds remains most prominent, Dubai's Investment Corporation of Dubai (ICD) and Sharjah Asset Management Holding (SAMH) also play a meaningful, yet a more sector-focused role.

ICD's portfolio spans aviation, real estate, logistics, and banking, supporting Dubai's broader economic agenda (D33) and innovation hubs like DIFC. However, its involvement in tech venture structuring or governance design remains indirect.

In Sharjah, entities like SRTIP and Sheraa are enabling startup activity through academic-industry linkages. While SAMH's function is more asset-consolidation than capital deployment, its proximity to public services opens opportunities for governance signaling in specific verticals (e.g. edtech, sustainability).

As these emirates deepen their tech policy ambitions, future alignment between sovereign strategy and startup governance is likely to intensify.

GLOBAL COMPARISONS:
SOVEREIGN WEALTH FUNDS AS GOVERNANCE SHAPERS

The UAE is not alone in fusing sovereign investment with governance influence. Across the globe, SWFs are recalibrating the relationship between capital and conduct:

- **Norway's GPFG (USD 1.9 trillion):** The world's largest fund is heavily exposed to tech (Apple, Microsoft, Nvidia as top holdings). While it is a passive investor, its governance voice is powerful: it publishes votes, excludes unethical companies, and pushes for responsible AI oversight at board level.
- **Singapore's GIC (USD 900 billion):** GIC is a co-investment giant, with deep tech exposure in Silicon Valley and Asia. It integrates ESG into its due diligence and has established an internal sustainability office. Its governance influence is subtle but systemic—startups co-funded with GIC are expected to meet global compliance norms.
- **Saudi Arabia's PIF (USD 700–900 billion):** PIF is the most aggressive in direct tech bets (Uber, Lucid Motors, Vision Fund, Savvy Gaming). It also enforces board-level control and ESG disclosure in alignment with Vision 2030. Its model illustrates governance as top-down alignment with national strategy.
- **Singapore's Temasek (USD 340 billion):** Temasek combines venture-style investments with strong sustainability mandates, e.g. incorporating a carbon price in investment decisions. After its FTX loss, it tightened governance and due diligence frameworks; a lesson in governance accountability.
- **Qatar Investment Authority (USD 450 billion):** Active in fintech and AI, QIA has created a VC fund-of-funds to draw startups to Doha. It practices governance through partnerships, increasingly requiring ESG disclosure.

> Compared with peers, the UAE's model is distinctive: while Norway and Singapore apply governance mainly as shareholder stewardship, and Saudi applies it as strategic control, the UAE has pioneered a middle path, embedding governance structurally into the startup ecosystem itself.

CONCLUSION:
THE GOVERNANCE DIVIDEND OF SOVEREIGN CAPITAL

What distinguishes the UAE's approach to economic diversification is not only the scale of capital deployed but the strategic intentionality behind it. Sovereign wealth funds are not merely funding innovation, but also are scripting the rules of engagement for how that innovation is built, governed, and scaled. In doing so, they have turned governance from a bureaucratic checkbox into a core infrastructure of the tech economy.

Through entities like ADIA, the state institutionalises global standards; through Mubadala, it engineers ecosystems of discipline; through ADQ, it diffuses governance across sectors; and through MGX, it embeds it into technological infrastructure itself. This interwoven strategy has repositioned governance not as a constraint but as an asset class, i.e., an indicator of investability, resilience, and strategic alignment.

For policymakers, this represents a governance model worth codifying. For founders, it signals the rising cost of informality. And for global investors, it reveals a jurisdiction where capital fluency is matched by a growing governance sophistication.

As global SWFs converge on similar responsibilities, from Norway's ethical stewardship to Singapore's ESG frameworks and Saudi Arabia's strategic alignment, the UAE's experiment offers a compelling model: **governance not imposed by regulation, but encoded through capital flows.** In this evolving landscape, to be investable is to be institutionally sound, and in the UAE, that institutional soundness is increasingly shaped by sovereign hands.

To work with us, or to know more, please reach out to:

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