

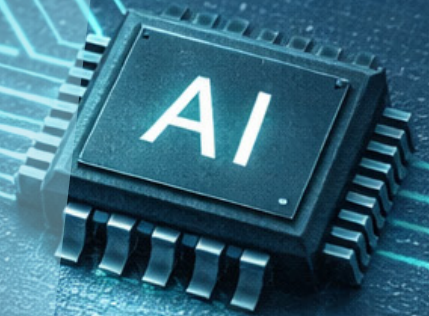
**WORLD
GOVERNMENTS
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Charting AI Governance Future in the Arab Region

A Policy Roadmap

in collaboration with

كلية محمد بن راشد
للإدارة الحكومية
MOHAMMED BIN RASHID
SCHOOL OF GOVERNMENT



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This executive report builds on insights and data gathered through consultations with hundreds of institutions, companies, and international experts. The report provides a summary and synthesis of an extensive regional study entitled “Bridging the AI Divide: Inclusive Governance Innovation & Competitiveness in the MENA Region” by Salma Alkhoudi, Sarah Shaer and Fadi Salem.

The authors express their appreciation to the experts for the valuable time they dedicated and for the data and insights they provided throughout the development of this report.

The research project utilized a comprehensive regional study supported by Google.org. The full report is available on the Mohammed Bin Rashid School of Government Research website: mbrsg.ae/research

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Executive Summary

A stylized icon of a microchip with the letters 'Ai' in the center, set against a blue background with circuit-like patterns.

The Arab region's capacity for Artificial Intelligence (AI) governance remains limited relative to the accelerating pace of global AI developments and associated challenges. This gap hinders the ability of many governments in the region to push their countries toward joining the ranks of those benefiting from the AI revolution—both in developing the public sector and supporting economic growth and social development.

A stylized icon of a shield with a checkmark inside, set against a blue background with circuit-like patterns.



Currently, the region remains reactive as a “recipient” rather than a “creator” or an effective partner. This reality calls for a series of policy interventions at both local and regional levels to empower the AI ecosystem in the Arab region. **What are the policy directions that Arab governments can adopt to build an AI governance framework that is strategic, responsible, and inclusive?**

This executive report provides a roadmap for establishing an AI governance infrastructure through a set of strategic policy recommendations across seven key pillars. These recommendations are based on regional research that included hundreds of leaders active in the AI domains, from the public and private sectors. This report highlights the key findings of a field study covering ten Arab countries to explore the realities and challenges of AI governance. The study was conducted by the Mohammed bin Rashid School of Government’s Future of Government Center, in collaboration with global AI pioneers. The results of this regional research outline a multi-dimensional policy roadmap that dives deep into the region’s current capabilities and the hurdles it faces in catching up with the AI revolution from a governance and policy perspective, presenting them in a practical framework for public sector leaders.

Introduction

AI has become a defining arena of economic and geopolitical competition.

Major economies stand to benefit disproportionately: China and North America hold 60% of AI patents and produce a third of global AI publications (UNCTAD, 2025).

A small number of big tech firms control a large share of AI platforms, datasets, and patents, reinforcing a global digital divide that could widen inequalities. The Middle East, Türkiye, and Africa combined are projected to represent only about 2–3% of global AI spending by 2028 (IDC), though this may not fully reflect more recent commitments by the Arab region’s tech hubs, including Saudi Arabia’s \$140 billion AI initiative and Abu Dhabi’s AED 13 billion investment toward becoming an AI-powered government by 2027.

International discussions on AI governance have largely been dominated by global AI superpowers, with limited input from regions such as the Arab region. Many Arab countries remain standard-takers rather than standard-makers, navigating frameworks developed without their direct participation. How does this reality affect the nascent AI ecosystem in the Arab region? For small and medium enterprises (SMEs) focused on the development or use of AI in the region, these challenges create a cyclical problem. **Start-ups and SMEs (the key drivers to enable an AI economy) must compete while navigating complex regulatory environments and infrastructure limitations, yet their countries’ limited participation in global governance discussions means these very environments and limitations are shaped without adequate consideration of regional needs.**

The report highlights that the Arab region’s ability to participate in and benefit from the AI revolution will significantly impact its

economic development and technological sovereignty. Ensuring this happens requires both improving Arab countries’ ability to operate within current frameworks and ensuring Arab voices help shape future governance structures.

This report builds on and synthesizes governance-related findings and recommendations from a larger study by the Mohammed Bin Rashid School of Government on “Bridging the AI Divide: Inclusive Governance, Innovation & Competitiveness in the Arab Region”, developed with support from Google.org.

The study draws on a mixed-method study, including a survey of 327 AI and digital companies across 10 Arab countries, complemented by high-level interviews, roundtables, and workshops. Findings point to a dynamic but uneven ecosystem: optimism and early adoption are high, but progress is constrained by infrastructure bottlenecks, funding gaps, and governance environments that can be unclear, fragmented, or costly to comply with, especially for SMEs. Firms report strong concern around cybersecurity, data privacy and security, transparency/explainability, and bias/fairness, while also recognizing that regulation can create value by improving trust and security, enabling market access, and promoting fairness.

The report’s central policy implication is that inclusive, clear, and interoperable AI governance can serve as a competitiveness strategy. It does so by reducing uncertainty for firms, enabling SME scale-up, improving cross-border market access, and strengthening Arab participation in global AI norms and standards. **It emphasizes that there is no one-size-fits-all solution; a nuanced multi-stakeholder approach tailored to country priorities and readiness is needed to foster regional competitiveness and amplify the Arab region’s voice in shaping global AI governance.**

Section 1

Key Policy and Governance-related Findings





1. Regulation is experienced as both friction and a competitiveness enabler

Survey respondents report negative impacts of current regulations, especially:

- **Increased operational costs:** The most frequently cited negative impact is increased operational costs, chosen by 23% of respondents due to compliance.
- **Slowed innovation:** 21% state that regulations slow down innovation. Firms feel that bureaucratic hurdles can delay AI project timelines and make it harder to iterate quickly.
- **Others:** Over 15% of companies feel some of their innovative ideas are off-limits due to the current policy environment. Restrictions on data use was also cited, referencing regulations (like privacy laws) that restrict data sharing, cross-border data flows, or usage of certain personal data can hamper model training and deployment. Companies may struggle to gather sufficient training data or integrate datasets because of these rules.

But respondents also identify positive impacts, especially:

- **Improved security and trustworthiness of AI:** 29% of surveyed SMEs believe regulations make AI more secure and worthy of trust.
- **Better access to markets:** while 28% credit policies with opening or improving market access.
- **Promoting fairness and bias reduction:** 22% think current policies promote fairness in AI and reduce biases (a nod to the ethical frameworks being adopted). Companies appear to appreciate that having these guidelines helps ensure a level playing field and mitigates the social risks of AI, which ultimately is positive for sustainable innovation.

Policy takeaway

In the Arab region, AI companies are operating under nascent regulatory regimes that cut both ways. They suffer under compliance costs and constraints yet simultaneously benefit from the structure and credibility those regulations lend. The challenge ahead is to refine these regulations to maximize the positives (trust, security, market growth) while minimizing the negatives (cost, delay, uncertainty). For instance, streamlining bureaucratic processes or clarifying grey areas could reduce friction, while maintaining strong ethical safeguards.

2. Policy awareness is uneven; uncertainty slows responsible scaling

A sizable portion of respondents are unsure or unconvinced about the existence or details of AI-related regulations in their country. Only 10% of firms are “very familiar” with data regulations and policies, and 41% claimed strong familiarity with AI regulations and policies, which might be due to high-profile national strategies in countries like the UAE and Saudi Arabia. This can breed uncertainty. If companies are unsure of the rules, they might either proceed cautiously (slowing innovation) or inadvertently run into compliance issues.

Policy takeaway

The report suggests governments should proactively publicize and clarify AI-related policies, and perhaps engage the private sector in dialogue, so that companies know where the goalposts are.

3. Regional Fragmentation Limits Interoperability and Scale

The study notes that a significant portion of firms face difficulties due to inconsistent or conflicting regulations between countries, affecting cross-border operations and scaling. About 31.5% of companies reported facing issues with interoperability of regulations across the region, while 58.6% did not (9.9% were unsure).

Policy takeaway

Greater regional harmonization of AI policies (perhaps through forums like the Arab Digital Economy or the Gulf Cooperation Council) could help companies scale across Arab markets more easily.

4. Responsible AI is progressing but “operationalization gaps” remain (especially for audits and traceability)

Firms report partial implementation of many responsible AI practices (risk assessment, data governance, transparency, human oversight). However, the study highlights that more demanding governance mechanisms are lagging, notably:

- **Formal record-keeping of AI decisions and data.** A striking 14.9% of companies have no AI record-keeping protocols in place (by far the highest “none” response among the ethics measures), and only 4% have fully implemented this practice (meaning systematically logging AI model decisions, data inputs, revisions, etc.). Yet, record-keeping is crucial for audits, accountability, and learning from mistakes. The low full implementation suggests it’s an area needing attention; companies might be convinced to improve here if, for example, regulators demand audit trails for AI decisions in the future.

- **Regular compliance audits.** Only about 25–30% of respondents have a fully implemented regime of periodic AI audits. This indicates that systematic review of AI systems for compliance with ethical standards or regulations is still nascent. Many companies likely handle issues on an ad-hoc basis rather than having formal audit processes.
- **Third-party evaluations (e.g., external audits or certification of AI systems)** are among the least adopted measures. Roughly 24.8% of firms have fully implemented third-party evaluation, and about 42% have partially done so. But notable, 11.6% have not even started considering third-party audits – a relatively high figure of non-action.

Key Constraints:

- **Budget limitations,** with 16% of respondents noting budget limitations highly limit their ability to comply with AI ethics, and about 60% said budgets were at least somewhat limiting. This resonates with why practices like third-party audits or comprehensive record-keeping aren't fully in place: they can be expensive or resource-intensive with unclear short-term ROI.
- **Limited AI ethics expertise,** 8% found it highly limiting, two-thirds found it somewhat limiting. This mirrors the partial implementation finding; companies may intend to do the right thing but not know exactly how to operationalize ethics. There is a shortage of professionals who specialize in AI ethics compliance, so firms are learning as they go or waiting for clearer best practices to emerge.
- **Regulatory uncertainty complicates** compliance efforts for about 63% of companies (8% highly limiting). If companies aren't sure which standards they will be held to, they may take a reactive stance rather than proactively implement measures.

Policy takeaway

Considering these insights, it becomes evident that to bridge the gap in responsible AI, companies will need support. This could mean government incentives or guidelines for ethical AI (so firms have clearer targets and possibly funding to meet them), industry collaborations to share best practices, and perhaps development of affordable third-party audit services in the region.

5. Business concerns cluster around “trust and control” risks

The results show that most respondents are at least somewhat concerned about all listed regulatory domains, with a considerable share “extremely concerned” about certain issues:

- **Cybersecurity** tops the list as a worry, with the highest proportion of “extremely concerned” responses (33%) among the topics, and around an additional 46% somewhat concerned.
- **Data privacy & security** - 77% of companies are concerned to some degree about data privacy regulations impacting them, and about 26% are extremely concerned.
- **AI explainability & transparency** requirements also register significant concern (about 28% extremely concerned, 41% somewhat).
- **Bias & fairness in AI** drew ~25% extremely concerned and ~46% somewhat concerned.
- **Intellectual property rights for AI models (an emerging issue, covering data ownership, model copyright, etc.)** was somewhat less pressing comparatively: about 24% extremely and 46% somewhat concerned.

The report also flags emerging governance risks from AI agent systems, emphasizing potential privacy and digital autonomy concerns when systems require broad access across devices and services.

Policy takeaway

Next-generation governance must address both classic responsible AI issues and emerging system-level risks (AI agents, autonomy, cross-application permissions). It also suggests that regulators need to strike a balance: companies are fearful of overregulation stifling innovation, even as they acknowledge the importance of these issues.

6. Enabling external environment determines how far and fast AI innovation can go

SMEs showed a mix of optimism and acknowledgement of persistent structural challenges when it comes to the overall health of their country’s AI ecosystem.

- **Infrastructure hurdles:** The cost of electricity is the primary concern for 20% of firms, followed by internet reliability (18%) and the cost of internet (17%). Additionally, 13% of respondents cite a lack of computing hardware as a major barrier to development. Overall, the picture is that infrastructure remains a foundational concern: nearly every company has one or more basic hurdles (power, internet, hardware) that it must manage alongside its AI ambitions.
- **Access to funding as a pain point:** Securing risk capital remains a critical pain point, with only 24% of firms obtaining support from venture capital or angel investors. Consequently, 15% of startups are forced to rely on personal loans to finance their AI projects, essentially self-funding through debt.

- **Talent Pipeline Asymmetry:** Although 88% of firms feel they have necessary talent for current tasks, only one-third of respondents rate their country's overall talent availability as "excellent," many perceive a moderate shortage of skilled AI professionals and researchers.
- **Intellectual property (IP) vulnerability:** A resounding 94% of respondents have not registered any patents, intellectual property, or digital assets outside their home country. At the same time, nearly 4% of respondents said they have experienced some form of intellectual property theft or misuse related to their digital assets or outputs. This is a surprisingly high incidence and may include scenarios like unauthorized reproduction of software, data or content theft, or unlicensed use of AI models.
- It is highlighted that IP enforcement and legal frameworks might not be keeping pace with digital innovation, leaving firms vulnerable. Especially for AI companies whose main assets are algorithms and data, weak IP protection can deter investment. The fact that over one-third have dealt with domestic IP violations suggests a need for stronger local protections (and awareness among firms to secure their IP), while the smaller percentage with cross-border issues points to the challenges of protecting IP regionally or globally.

7. SMEs most demanded government initiatives clearly provide four specific levers to drive the AI economy:

1. Increased investment in AI research & development (25.5%)
2. Improved access to AI education and training (24%).
3. Clear and supportive AI regulations (22%).
4. Financial incentives and tax breaks for AI businesses (18%).

Policy takeaway

Governance frameworks cannot exist in a vacuum; they must be paired with aggressive ecosystem investment in infrastructure, skills, R&D, and finance to convert regional optimism into sustained global competitiveness.

- This report underscores the importance of continued investment in digital infrastructure by regional governments — such as improving grid stability, expanding affordable high-speed internet, and possibly establishing shared compute resources — to support AI startups and projects.
- The findings underscore limited private funding ecosystem: venture financing, while present, reaches only a minority of companies, and a significant number must fall back on personal funds or public-sector support. Many companies likely feel they could grow faster with more readily available risk capital or credit geared toward AI innovation.
- The study suggests the access to talent in the region could be improved.

Policy takeaway

The private sector is essentially asking for a stronger enabling ecosystem engineered by policymakers: invest in people and R&D, give us smart regulation, and help ease financial barriers. If governments in the Arab Region respond to these calls, they could significantly accelerate AI development and adoption, bridging the gap between ambition and execution that many firms currently face.

Section 2

Policy Recommendations



Recommendation 1:

Make AI and data governance a competitiveness strategy

Why it matters

- Reduces friction (finding 1) and uncertainty (finding 2) for SMEs; improves investor confidence; enables cross-border interoperability (finding 3). Improves adoption through trust and control, especially cybersecurity, privacy, explainability and bias (finding 5).

What to do:

- Develop clear and supportive AI regulations that enable innovation, trust, security and market growth, while reducing uncertainty, cost of compliance and delay through predictable pathways for compliant deployment.
- Act as partners in innovation to SMEs: providing guidance and certainty that can help them plan and operate with confidence, focus on enabling innovation (for example, sandbox environments, well-defined compliance requirements, and perhaps incentives for ethical AI) rather than ambiguous or overly restrictive rules.
- Incorporate robust ethical and safety guardrails (with stronger controls for high stakes use) to build public trust and sustain long-term competitiveness.
- Publicize and clarify AI-related policies, and perhaps engage the private sector in dialogue, so that companies know where the goalposts are.
- Build a tiered approach to trusted data access: privacy-preserving data sharing mechanisms, sector data intermediaries, and clear cross-border data rules where appropriate.

- Prepare for next-wave governance challenges (agents, autonomy, sovereignty). Develop policy positions and guardrails for AI agents (permissioning, accountability, user control, security), anticipating privacy and autonomy concerns highlighted in the report.

Recommendation 2:

Support SMEs in operationalizing Responsible AI

Why it matters

- Moves ethics from “awareness” to practice by lowering barriers (finding 4); reduces accidental harms and reputational shocks.

What to do:

- Provide practical government guidance and incentives for responsible AI so firms have clear targets and support to meet them.
- Enable industry collaborations to share best practices, and perhaps develop affordable third-party audit services in the region.

Recommendation 3:

Enable cross-border scale through regional interoperability and a stronger regional voice in global governance

Why it matters

- Helps smaller markets benefit from common standards; improves regional competitiveness and resilience by supporting cross-border scaling (finding 3) and reducing shared risks (finding 5).

What to do:

- Utilize a nuanced multi-stakeholder approach to governance and harmonize regional AI policies (perhaps through forums like the Arab Digital Economy or the Gulf Cooperation Council) to accelerate cross-border collaboration.
- Engage proactively in the evolving global AI discourse to ensure the region's perspectives and interests are adequately represented.
- Coordinate on cross-border challenges: misinformation, cyber threats, and AI supply chain dependencies.

Recommendation 4: Pair governance with ecosystem enablers to address the “full stack” constraints businesses highlighted: infrastructure, talent, R&D, capital and IP

Why it matters

- The AI divide is partly a capacity divide: rules and strategies alone do not implement themselves. Strengthening ecosystem capacity improves competitiveness (finding 6), addresses early-stage financing and talent constraints, and creates demand signals that pull the market toward trustworthy AI. Additionally, broadening AI education ensures a steady talent pipeline and spreads AI capabilities beyond just a small elite.

What to do:

- Provide continued investment in digital infrastructure, such as improving grid stability, expanding affordable high-speed internet, and possibly establishing shared compute resources, to support AI SMEs. Specifically address the high cost and instability of electricity and internet connectivity, which currently hinder computationally intensive AI work.
- Increase investment in AI research and development (R&D) through funding grants, creating research centers, or public-private partnerships to grow innovation capacity and talent pipelines.
- Expand access to AI education and training to cultivate a steady pipeline of skilled AI professionals and boost baseline AI literacy. Scale AI and Responsible AI capacity-building: not just technical skills, also governance, product, procurement, and leadership literacy. Provide educational initiatives (like university programs, online courses, or vocational training in AI) and scholarships to help SME growth.
- Improve access to capital for AI businesses through incentives, innovation grants, and tax mechanisms that de-risk early-stage AI entrepreneurship and support SME scale-up.
- Strengthen IP protections by updating IP enforcement and legal safeguards to protect digital assets and support investment confidence.



The Mohammed Bin Rashid School of Government

The Mohammed Bin Rashid School of Government (formerly Dubai School of Government) is a research and teaching institution focusing on public policy in the Arab world. Established in 2005 under the patronage of HH Sheikh Mohammed bin Rashid Al Maktoum, Vice President and Prime Minister of the United Arab Emirates and Ruler of Dubai, in cooperation with the Harvard Kennedy School, MBRSG aims to promote good governance through enhancing the region's capacity for effective public policy.

Toward this goal, the Mohammed Bin Rashid School of Government also collaborates with regional and global institutions in delivering its research and training programs. In addition, the School organises policy forums and international conferences to facilitate the exchange of ideas and promote critical debate on public policy in the Arab world. The School is committed to the creation of knowledge, the dissemination of best practice and the training of policy makers in the Arab world.

To achieve this mission, the School is developing strong capabilities to support research and teaching programs, including:

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