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Foreign Direct Investment in the UAE: Building the Operating Case Behind the Capital

Record FDI confirms international confidence, while durable investor returns still depend on customers, operating capability and disciplined capital deployment.

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EDITORIAL GUIDE

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> The UAE attracted US$48.3 billion—approximately AED177.3 billion—in foreign direct investment during 2025, according to the UAE Foreign Direct Investment Report 2026. The result represented a fourth consecutive record year and a 6% increase from 2024. Dubai separately reported 1,253 announced greenfield FDI projects in 2025, a 10.5% annual increase and a 7% share of global projects.

These figures demonstrate international confidence, but they do not make every proposed entry commercially sound. Investors still need to establish why the UAE platform will win customers, build capability and produce acceptable returns after the full cost of operation.

Investment signals

UAE FDI INFLOWS	US$48.3 billion in 2025, reported as 6% higher year on year.
DUBAI GREENFIELD PROJECTS	1,253 announced projects in 2025.
INVESTOR DISCIPLINE	Build the case around customers, capability, cash and governance.

Define the strategic purpose of the UAE platform

An investment case should state whether the UAE entity will sell domestically, serve the GCC, coordinate a wider region, manufacture, distribute, hold intellectual property, employ specialists or raise capital. Each purpose creates different requirements for licence, location, people, premises, banking, tax, customs and systems.

A broad ambition to establish a regional headquarters is not enough. Identify the decisions and activities that will genuinely take place in the UAE, the customers and markets served, and the functions that remain elsewhere. This clarity supports commercial planning and helps legal, tax and transfer-pricing arrangements reflect operating reality.

Validate demand before building fixed cost

Separate market size from reachable revenue. Interview prospective customers, test pricing, understand procurement requirements and examine existing competitors. Determine whether the product needs localisation, certification, local references, Arabic support, approved-vendor status or a particular contracting entity.

Use staged commitments where uncertainty remains. A representative team, distributor or serviced office may test demand before a large facility, but the model must remain legally appropriate for the activity. Define milestones—qualified pipeline, signed contracts, regulatory approval or delivery capability—that justify the next tranche of investment.

Design the operating model, not only the entity

The location and legal form should follow how the business will operate. Map the customer contract, supply chain, employees, inventory, invoicing, cash collection, data, intellectual property and management decisions. Identify licences and sector approvals before accepting that a proposed structure can perform all intended activities.

Build responsibility across the parent and UAE business. If finance, technology or procurement remain shared, document service levels, authority and cost allocation. The local team needs enough capability and information to deliver its obligations rather than existing as a registration around activities performed elsewhere.

> *FDI creates durable value when capital is matched by customers, operating capability, skilled people and accountable management.*

Build a complete entry budget

Budget incorporation, licensing, visas, premises, systems, advisers, recruitment, deposits, insurance, marketing, inventory and the period before revenue collection. Model working capital and tax alongside operating cost. A venture can be profitable over three years while still running out of cash in month nine.

Use base, downside and delayed-entry cases. Test slower approvals, later hiring, customer concentration, lower initial price, longer collection and currency or freight movements. State the additional capital required and who is authorised to provide it. An investment committee should see both expected return and maximum credible funding exposure.

Make talent and leadership part of diligence

The senior local leader shapes customer access, culture, compliance and the accuracy of information returned to the investor. Define decision rights, reserved matters and reporting before recruitment. Assess the availability and cost of specialist roles, not only general labour.

Plan immigration, onboarding, payroll, benefits, incentive design and succession. If key roles will be seconded from another country, address cost, tax and continuity. A business dependent on one relationship-holder or technical expert needs documented coverage and knowledge transfer.

Govern performance after investment

Agree a compact scorecard covering revenue quality, margin, cash conversion, customer concentration, delivery, compliance, people and strategic milestones. Compare actual performance with the original investment thesis, not merely the latest budget. Explain whether variance came from the market, the operating model or execution.

The board should revisit the thesis when a material assumption changes. Expansion, additional capital, acquisition or exit should be based on updated evidence. An underperforming entry should not receive repeated funding simply because the original market narrative remains attractive.

Assess incentives against enduring economics

Investors may encounter free-zone packages, financial support, long-term residence options, industrial programmes or emirate-level incentives. Record eligibility, application conditions, duration, reporting obligations and what happens if the business changes activity or location. An incentive should improve a sound operating case rather than compensate for weak customer economics.

Model the business both with and without discretionary support. Confirm whether benefits affect cash, accounting profit, tax or financing and when they are realised. Assign an owner to maintain the conditions after launch. A benefit lost because headcount, expenditure, production or documentation commitments were not monitored can materially change the investment return.

Plan return, reinvestment and exit

Define how the investment is expected to return value: dividends, service capacity, strategic access, capital appreciation or a combination. Forecast distributable cash after local obligations, reinvestment and working capital. Consider currency, banking, tax and corporate approvals across all relevant jurisdictions.

Exit planning is not pessimism. Shareholders should understand transfer restrictions, likely buyers, valuation drivers, records required for diligence and the operational dependencies a buyer would challenge. A clean legal structure, reliable accounts, documented contracts and transferable management capability improve both resilience and optionality long before a sale is contemplated.

Complete a formal post-investment review after the first operating year. Compare customer acquisition, pricing, headcount, capital expenditure, working capital and compliance cost with the approved case. Document which assumptions were wrong and whether the strategic rationale remains valid. This review should produce decisions about scale, correction or exit rather than simply reset the budget around actual underperformance.

An investor-ready market-entry process

01	**Purpose:** Define the role of the UAE platform.
02	**Demand:** Validate reachable customers and pricing.
03	**Design:** Align entity, licence and operations.
04	**Fund:** Model full cost and working-capital exposure.

05	**Lead:** Secure capability, authority and succession.
06	**Review:** Measure performance against the thesis.

The UAE offers investors scale, connectivity and a deepening base of non-oil activity. The strongest investment cases convert those advantages into a specific operating model and remain disciplined about evidence, capital and accountability after launch.

Official sources

1. **UAE Media Office: UAE attracts AED177.3 billion in FDI inflows in 2025**
2. **Dubai: 2025 greenfield FDI project results**
3. **Ministry of Economy and Tourism: investment incentives**
4. **UNCTAD World Investment Report 2026**

Online edition: **https://iraaglobal.com/insights/uae-foreign-direct-investment-operating-case-2026/**

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