Features

Derisking digital infra in the MENA region

From hyperscale data centres in the Gulf to hydro-powered mining in Ethiopia, digital potential in the Middle East and Africa is no longer on the periphery of global finance – it's taking centre stage. By **SEBASTIEN BONNEAU**, partner, and **SHAH JAHAN KHANDOKAR**, partner, **MCDERMOTT WILL & EMERY UK LLP**.

The integration of green data centres and sustainable computing practices in the tech industry.
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Countries in the region with vast energy resources are addressing regulatory risks to ensure that they attract investors looking at operational strategies and long-term planning.

The digital revolution is sweeping across the region, transforming economies, societies, and industries. At the heart of this transformation lies the development of the data centre industry. These facilities, which store, process and distribute vast amounts of digital information, are becoming the backbone of modern economies. So far in 2025, the MEA has seen an unprecedented investment boom in data centres, driven by a confluence of technological, economic and geopolitical factors.

With over US$15.5bn in new investments expected by 2027 and nearly 2GW of additional power capacity projected by 2026, the Middle East and Africa region is rapidly emerging as a global hotspot for data infrastructure. This article explores the scale, drivers, key players, challenges, and the future outlook of this transformative boom.

The market is hot

The metaphor is especially apt for countries such as Saudi Arabia, the UAE – Dubai and Abu Dhabi in particular – Bahrain, Qatar, Oman, Kuwait, South Africa, Egypt, Nigeria, Kenya and Ethiopia, where investment activity is accelerating at an unprecedented pace.

- *Middle East: Sovereign wealth and strategic expansion* – In the Middle East, sovereign wealth funds are at the forefront of large-scale digital infrastructure projects. Abu Dhabi's MGX fund, a US$50bn AI infrastructure initiative, is positioning itself as a global player. In the UAE, Khazna Data Centers is expanding with a 100MW facility in Ajman, while Saudi Arabia is leveraging its low-cost energy to develop vast cloud and AI zones.

Adding to this momentum, KKR has partnered with Gulf Data Hub in a transformative US$5bn investment to scale one of the region's largest independent data centre platforms. This move targets the surging demand for hyperscale capacity, AI and digital transformation, with KKR-affiliated funds acquiring a stake in GDH.

Further reinforcing the region's digital ambitions, Equinix has committed US$1bn to develop data centres in Saudi Arabia. Meanwhile, Abu Dhabi's Yas Island has seen the launch of a new 45MW Pure Data Centre facility, significantly boosting local capacity.

A major milestone was also reached with a US-UAE agreement to develop a 5GW data centre campus, with OpenAI reportedly involved as a development partner and future anchor tenant.

The Middle East is also experiencing growth through the rise of smaller-scale deployments across various jurisdictions. For instance, Qareeb is committed to delivering world-class edge data centre solutions in the region, offering sustainable, secure and reliable infrastructure designed to support cloud and AI-driven expansion.

- *Africa: Private equity and regional hubs* – In Africa, the momentum is being driven by local and international private equity. Companies such as Teraco, Digital Realty, Africa Data Centres, and Rack Centre are building or operating substantial capacity across the continent. These efforts are backed by major investors including Actis, the World Bank, and various Pan-African cloud initiatives. On a more localised scale, Raya Data Center in Egypt secured US$15m from infrastructure investor Africa50 to fund a new greenfield facility, adding to its existing operations in Cairo.

Egypt, Kenya, Nigeria and Ethiopia are emerging as key regional data processing hubs, strategically positioned to serve growing digital economies. More on this below.

• *Outbound investment* – The dynamism of the MEA region extends well beyond its borders. MEA is no longer just a destination for foreign capital; it's increasingly becoming a source of outbound investment in digital infrastructure.

From Africa, Actis, one of the continent's largest infrastructure investors, is leveraging its experience in emerging markets to launch data centre platforms across Asia, showcasing the region's growing influence on the global stage.

Abu Dhabi's MGX and G42 are leading the charge, channelling capital into global AI infrastructure projects, including hyperscale data centres across North America, as part of the spectacular Stargate project, and Europe.

Similarly, the Qatar Investment Authority holds significant stakes in international telecoms and cloud assets, reinforcing its role as a global digital investor.

Regional advantages

The region's attractiveness stems from a combination of strategic advantages. As the world's appetite for digital transformation accelerates, and opportunities in the traditional European FLAPD markets become scarcer, investors are turning their eyes towards Tier 2 and Tier 3 markets in Europe, and the MEA, where a confluence of population growth, cloud expansion and AI readiness is driving an unprecedented surge in data centre development. Governments and sovereign funds across these regions are not only investing in domestic infrastructure but also emerging as global players in digital asset strategies, including those tied to cryptocurrency mining.

Egypt presents a compelling case in the evolving data centre landscape. The country is increasingly recognised as a strategic hub due to its geographic location, linking Africa, Asia and Europe, and its abundant access to renewable energy supported by BESS technology which has rocketed over the last decade, with further renewable GWs scheduled to come online in the next decade. These advantages position Egypt as a potential extension of the European data centre market.

This strategic edge is reflected in the rapid growth of Egypt's data centre sector, which was valued at US$182m in 2023 and is projected to reach US$513m by 2029, with over 109MW of capacity expected to be added during this period. One notable development is the US$450m Green Data Center Project, a collaboration between Intro Technology and Oman Data Park. This large-scale facility, located in the Suez Canal Economic Zone, will span more than 80,000 square meters and provide cloud, IoT and digital transformation services to Egypt and the broader MENA region.

Cryptomining presents another compelling case in the evolving data centre landscape in the ME region. Countries like Ethiopia, Morocco and Saudi Arabia are particularly well positioned due to their access to low-cost or renewable energy, a critical factor in the economics of mining operations. Additionally, jurisdictions with permissive or underdeveloped crypto regulations offer a more flexible environment for miners to establish

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operations without the heavy compliance burdens seen in more mature markets.

While average annual temperatures in the region range from approximately 18°C in Morocco to 29°C in Saudi Arabia, countries with naturally lower ambient temperatures or access to advanced cooling technologies present a valuable opportunity to reduce operational costs and extend hardware lifespan; both essential for maintaining profitability in Bitcoin mining. These advantages also enhance their appeal to investors considering mining developments.

Bitcoin mining benefits from colocation with data centres, which offer robust infrastructure, reliable power supply, and enhanced physical security. While mining is less latency-sensitive than cloud computing workloads, proximity to mining pools can still improve operational efficiency. Ultimately, the most critical success factors remain electricity pricing, speed of hardware deployment and operational uptime, all of which are increasingly supported by the expanding, albeit still maturing digital ecosystems in these emerging markets.

Experts suggest that demand for data centre services in the MEA region is currently so strong that ongoing geopolitical turbulence has had little to no impact on deals or valuations at the macro level. Supply continues to lag significantly behind demand, and investors, operators and new ventures are actively seeking opportunities. While there is some uncertainty around valuations at the micro level, occasionally leading to reduced interest or downward price adjustments, there have been no reported deals that failed or fell through solely due to geopolitical factors.

Risks and realities

Beneath the surface of megawatts and fibre cables lie risks, complexities, and pressing questions about long-term return on investment. While the MEA region is attracting growing enthusiasm for data centre and mining infrastructure, the path forward is far from straightforward.

Despite the momentum investors must navigate a landscape marked by significant risk factors:

• *Regulatory uncertainty* – Many countries in the region have evolving or ambiguous regulations around data localisation, digital taxation, and cryptocurrency. These shifting frameworks can complicate compliance and long-term planning.

• *Power reliability* – Inconsistent electricity supply – particularly in countries like Nigeria and South Africa – can lead to increased operational costs and the need for costly backup systems.

• *Currency volatility* – Foreign exchange controls and unstable local currencies, such as in Egypt or Ethiopia, can erode returns and complicate capital repatriation.

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• *Infrastructure gaps* – Emerging markets often face shortages in critical components such as advanced cooling systems, high-speed fibre connectivity, and skilled technical talent –factors that can delay deployment and impact performance.

In this context, due diligence, local partnerships and adaptive strategies are essential for navigating the region's promise and pitfalls.

Enabling policies

Across the Middle East and parts of Africa, governments are not only building data centre capacity but also laying the legal and regulatory groundwork necessary to attract and protect infrastructure investment. From national AI strategies to data protection frameworks and cloud-first mandates, policy is playing a defining role in shaping the regional investment landscape.

• *Saudi Arabia: Regulation with sovereign muscle* – Saudi Arabia has taken a top-down, sovereign-led approach to data centre development, aligning it closely with its broader Vision 2030 transformation agenda. In 2023, the Communications, Space and Technology Commission issued Data Center Services Regulations, introducing clear licensing frameworks for Tier II and Tier III facilities. These regulations mandate carrier neutrality to ensure fair competition and interoperability, sustainability compliance, reducing electronic waste and boosting efficiency, and data localisation for sensitive national data. The National Strategy for Data and AI positions sovereign-backed infrastructure as a cornerstone of AI development.

• *United Arab Emirates: Dual-Track incentives and free zones* – Free zones like Dubai Internet City and KIZAD allow 100% foreign ownership, tax exemptions and streamlined licensing. UAE Data Protection Law (Federal Decree-Law No. 45 of 2021) aligns closely with GDPR principles. The UAE AI Strategy 2031 targets leadership in AI and hyperscale digital infrastructure. Entities like G42 and MGX are driving cross-border investments.

• *Qatar: Cloud growth backed by national mandates* – Qatar National Vision 2030 and TASMU initiatives drive local hosting requirements. Operators like MEEZA QSTP and Ooredoo expand regional capacity. Law No. 13 of 2016 provides a framework for personal data protection.

• *Oman and GCC peers* – The Digital Oman Strategy promotes domestic data hosting. Equinix and Omantel collaboration reflects growing openness to FDI.

• *Kenya: Proactive digital governance* – The Digital Masterplan 2022–2032 sets a roadmap for cloud and e-governance. The Communications Authority of Kenya manages digital compliance and licensing. Konza Technopolis anchors national infrastructure development.

• *South Africa: Strong legal foundations* – The 2024 National Policy on Data and Cloud mandates data residency. Protection of Personal Information Act aligns with GDPR. ICASA provides regulatory clarity for digital operators.

• *Ethiopia: Early-stage liberalisation* – The Digital Ethiopia 2025 strategy focuses on telecoms modernisation and cloud adoption. Ethio Telecom's partial privatisation and Safaricom's entry have catalysed infrastructure investment.

• *Morocco: Renewable-focused policy and the Digital Morocco 2030 Strategy* – Public-private partnerships support green data centres. Data protection law No. 09-08 governs personal data handling and incentives are available under the Industrial Acceleration Plan. The Digital Morocco 2030 strategy established a comprehensive strategic and regulatory framework particularly in the areas of personal data protection, cybersecurity, interoperability of public systems and access to information and administrative transparency.

• *Egypt* – Egypt has implemented data residency laws and launched a national AI and ICT strategy, aligning it with regional peers in digital infrastructure readiness. While licensing clarity is still evolving, the country offers strong sovereign incentives and permits full foreign ownership in most ICT sectors. Overall, Egypt presents a favourable but maturing environment for data centre investment.

These frameworks not only reduce regulatory risk but also position the region as a digital interconnection hub between Europe, Asia, and Africa.

Conclusion

MEA's emergence as a digital infrastructure destination is no longer a forecast – it's unfolding in real time. Sovereign funding, regulatory reform and global partnerships are combining to reduce risk and unlock opportunity. For investors, the region offers diversification from saturated North American and European markets, first-mover advantages in new digital economies, and sustainable strategies in markets pushing renewable energy integration. ■

SUMMARY OF DATA CENTRE REGULATORY AND INCENTIVE LANDSCAPE

Country	Data Protection Laws	Data Residency Laws	National AI/ICT Strategy	Licensing Clarity	Sovereign Incentives*	Foreign Ownership
Saudi Arabia	Yes	Yes	Yes	Yes	Yes	Yes
UAE	Yes	Yes	Yes	Yes	Yes	Yes
Qatar	Yes	Yes	Yes	Yes	Yes	Partial
Oman	Partial	Partial	Partial	Partial	Partial	Yes
Kenya	Yes	Yes	Yes	Yes	Yes	Yes
South Africa	Yes	Yes	Yes	Yes	Partial	Yes
Ethiopia	Partial	Partial	Yes	Partial	Yes	Yes
Morocco	Yes	Yes	Yes	Yes	Yes	Yes
Egypt	Yes	Yes	Yes	Partial	Yes	Yes

Source: Author's own analysis

*"Sovereign Incentives" refers to direct or indirect support provided by national governments or sovereign wealth entities to promote data centre investment and digital infrastructure development. These incentives can come in various forms, including financial support, tax and regulatory incentives, strategic land allocation and priority infrastructure enablement, amongst others.