

Abu Dhabi Investment Authority (ADIA) - documenting the story of one of the world's largest sovereign wealth funds.

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Abstract

The surge of interest in ADIA in recent years has increased their interest in documenting and recording their history. The national centre for research and development has recently become the United Arab Emirates national archive centre having the largest documentation in the GCC. As an extremely private, reserved and fast growing sovereign wealth fund, ADIA offers unique new challenges to NCRD. This study analyses the methods being used in this project. Apart from collecting, saving, and digitising all existing documents from the company's 36 year history, a considerable amount of documentation will be based on oral interviews with past and present employees. These oral history interviews will considerably enlighten many and answer important scholarly questions on the founding, evolution and growth of the largest sovereign wealth fund in the world today.

Key words: Oral History Interviews, Sovereign Wealth Fund, Business History, National Centre for Research and Development, Abu Dhabi Investment Authority.

Documenting the history of a sovereign wealth fund can be a very tricky business. It is one thing to document SWFs history in general. A variety of institutions and researchers have done this, especially during the last few decades, drawing on different perspectives.⁽¹⁾ But when it comes to documenting and securing the story of a specific sovereign wealth fund one comes upon quite different problems. Overall we can point to some basic questions: Has the organization significant documents worth saving? Have relationships and agreements even been recorded for future generations to understand? Or have such documents been disposed of because they do not represent any real value and are therefore seen as non-valid, space-consuming or possibly obstacles to embracing new visions or agreements for future investment? 'With such explosive growth in the region ⁽²⁾ my interview with ADIA enlightened me further on progress.

National Centre for Documents and Research: a collection of corporate history

Since its establishment, the National Center for Documentation & Research has been a unique organization: archives from several countries are housed under its roof in what may be regarded as the earliest and the richest collection of foreign archival source materials concerning the Gulf region. By virtue of its strategic position as the link between the sea route to India and the overland route to Europe, the Gulf region came directly into the orbit of European influence in the 16th century. The Portuguese traders were the first Europeans to establish settlements there, and were followed later by other European traders from Britain, Holland and France. During the period of rivalry that ensued, the Portuguese lost their ascendancy, the French did not succeed in maintaining their foothold, and the Dutch predominance gradually came to an end by 1766, leaving Britain's position in the Gulf practically unchallenged by other European powers.

Viewed in this historical perspective, it was only natural that volumes of documents were amassed comprising commercial correspondences and political dispatches by these four countries. These documents, along with material from official sources in Germany, India, Iran, Japan, Russia, Turkey, USA and the Vatican, cover an impressive range of subjects relating to the area over a period of five centuries, and provide unique and invaluable sources for the study of the history of the entire Gulf region.

The National Center for Documentation & Research has started implementation of a comprehensive Archive Management System for the digitization and subsequent processing of archival material. The main benefit will be for the user, as it will be easier to navigate and find resources. The NCDR became the UAE's national archive in 2008 after Federal Decree number 7. Zayed University is one of its partners allowing academics access in the hope that archives will one day in the not to distant future, be available in the NCDR.

One of the largest SWFs

The history of ADIA began with the vision of its leader and founder of the United Arab Emirates; Sheikh Zayed bin Sultan Al Nahyan in 1976, just five years after the UAE formed a federation.



ADIA was created in 1976 with a core mission of securing the prosperity of Abu Dhabi's future generations at a time when survival of a small population in harsh lands was still a concern. Sheikh Zayed wanted to prudently invest Abu Dhabi's financial assets with a sound investment strategy focused on long-term creation of value with the most diversified portfolio of holdings across asset classes, geographies and sectors. The original concept and mission remains the same today. The company was very successful and after investing its first petrol dollars mainly in Emirati businesses creating networks within the country, often having an ADIA member on the board of directors which is the case with Abu Dhabi National

Oil Company, the largest producer of oil in the Middle East. ADIA then expanded in the GCC forming agreements with Kuwait and Qatar Investment Authority which is still the case today with an agreement to buy Marriott Hotels Group worth around \$973m, following investments within the MENA region. ADIA broke into the US when it took a major role in bailing out major financial institutions, particularly Citigroup. CFIUS controls what ADIA can do in the US. In the 36 years since its formation Sheikh Zayed has brought ADIA from its first petrol dollars to what is often referred to as the largest SWF in the world with considerable state petroleum revenues and Joint Ventures. Today ADIA invests in all the international markets - equities, fixed income and treasury, infrastructure, real estate, private equity and alternatives (hedge funds and commodity trading advisers - CTAs). ADIA's global portfolio is broken down into sub-funds covering a specific asset class. Each asset class has its own fund managers and in-house analysts covering it. At the time it was novel for a government to invest its reserves in anything other than gold or short-term credit. Even today, investment in short-term paper remains the strategy for the vast majority of countries so ADIA remains unique today with approximately \$880bn worth of the world's estimated \$4.2tn SWFs worth.

Company Culture and Values

Understanding the UAE and ADIA is impossible without understanding the life of Sheikh Zayed and his deep religious faith, his vision, his determination and hard work, his generosity at home and abroad, and the way in which he devoted his life to the service of his people and the creation of a better world. He is to the UAE what George Washington is to the US, the founding father figure. Born around 1918 in Abu Dhabi, Sheikh Zayed was the youngest of the four sons of Sheikh Sultan bin Zayed Al Nahyan, Ruler of Abu Dhabi from 1922 to 1926. At the time Sheikh Zayed was born, the emirate was poor and undeveloped, with an economy based primarily on fishing and pearl diving and on simple agriculture in scattered oases inland. In 1970, recognizing that Abu Dhabi was embarking on a process of rapid development, Sheikh Zayed formalized the consultation process and established the National Consultative Council, bringing together the leaders of each of the main tribes. A similar body was created in 1971 for the entire UAE: the Federal National Council, the state's parliament.

ADIA culture is conservative, secretive, bureaucratic and patriarchal today. Despite around 80% of its assets being administered by external managers many of those are passively tracked. ADIA does not disclose or intend to disclose quarterly reports let alone any strategies for the future, however, as of 2012, they have started publishing an annual report on their website. The board of directors has full control over the fund and today it is composed of a chairman, managing director, and other board members, all of whom are senior government officials appointed by the Ruler's Decree. It is one of very few organizations that are not required to adhere to the Emiratization laws allowing it total freedom and as such the authority does not set any internal limits. This often prompts external host countries to set limits for a variety of political reasons.

A unique level of privacy in corporate history

Privacy is of the upmost importance to ADIA. Unlike other countries in the region such as Egypt, Kuwait and Qatar who have publically announced their investments, ADIA attempts to minimize public interest and access to their investments and does not currently have official archives, yet, business and country history is of great importance to this organization. It is believed that much of this privacy is valid and due to a desire to maintain political stability. The US for example expressed its concern that ADIA may use its assets for political reasons and subsequently limits the percentages of their investments; an example being Citi at 5%. Recently with both economic and political unrest within the Middle East, privacy is seen as a priority and low risk, growing economies that are not required to provide transparency are highly desirable.

Looking for information from the past

Limited paper documentation is available along with such strict privacy regulations for the benefit of the countries political status and security. As ADIA was founded after the federation, the only real known sources prior to that are those of Sheikh Zayed, his journals, now available in NCDR. These mostly document Abu Dhabi, there is little on the rest of the Emirates. The main goal of this paper and the start of this project is to collect, save and digitize existing documentation of ADIA's investments, relationships and evolution through a variety of media sources: photos, film, publications, internal and external interviews, documents and annual reports. Recorded or written oral history interviews with a range of employees will be an important component. Sources in academic research from various disciplines in connection with ADIA during its 36 years of existence will also be documented.

Oral history interviews

To fill out the large gaps where historical gaps are missing or unavailable, documenting will be heavily based on semi-structured oral history interviews with ADIA members much like the information in this paper. This preserves the silent knowledge, relationships, agreements and experience of past and current employees and will sanguinely provide significant insight into ADIA in addition to their annual reports.

Looking for the history and focusing on the future - how can the archives of NCDR be used?

This project is estimated to take three to five years and be continuous. The rights to all the materials in the prospective archive will remain that of ADIA and the government. One of the chief aims would be to enable the company access to its own history going forward. In addition it may be accessible to academic researchers (subject to permission by ADIA). Possible links with other partners such as the International Archives Council (IAC) may be able to provide access to researchers in the future through research secretariats who have the authority to give qualified answers to specific questions without revealing secrets and at the same time preserving the need for confidentiality.

Summary

With such a surge in the level of public and political interest in sovereign wealth funds. ADIA, recognizes the importance of building a clear understanding of who they are, what they invest in and why, in order to maintain the strong, trusted relationships they have built with governments and regulators around the world over the past 36 years. It appears at this point that ADIA is unlikely and unable to start archiving documents at this point in time for access. However, they are willing to allow interviews which can be documented, as an important first step, with more acceptance of interviews in the recording of business history. The evolution and history of ADIA should soon open up future research opportunities as well as provide a better understanding of the history behind this SWF that soared to number one in the world.

Notes

1. Lyons, State Capitalism; Green and Forry, Sovereign Wealth Funds, 2010; Chen, Effect of Size, 2012; Jory and Perry, Role Sovereign Wealth Funds, 2012.
2. Hodgson and Clausen, "Accreditation in MENA Region," 2012.

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