

# Beyond Capital

Emphasizing investment as more  
than just financial returns

A Community By



Strategic Partner



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**Misk مسك**  
مؤسسة محمد بن سلمان  
Mohammed Bin Salman  
Foundation

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## Misk Foundation

Mohammed bin Salman Foundation, “Misk,” is a non-profit organization established in 2011 by His Royal Highness Prince Mohammed bin Salman bin Abdulaziz. The foundation aims to promote learning and skill development among youth to build a better future for the Kingdom of Saudi Arabia. To achieve this, Misk supports young people across the Kingdom by providing diverse opportunities to develop their talents and creative energies, fostering a nurturing environment for their growth, and helping them thrive.

**Misk focuses on empowering Saudi youth through a holistic ecosystem that designs programs and builds partnerships with both local and global organizations to advance efforts toward creating a knowledge-based society.**

The foundation and its affiliated entities work to achieve these goals by developing programs, forming partnerships across various sectors, and unlocking the full potential of Saudi youth through a wide range of incubators. Misk believes that its institutional presence reinforces efforts to build a knowledge-driven society and contributes to delivering tangible achievements and added value to the Saudi community.



## Venture Capital and Private Equity Association

An entity that supports venture capital and private equity established by a resolution issued by the Saudi Council of Ministers in 2019 to integrate expertise and professionalism in addressing the challenges faced by investment fund managers, angel investors, and start-ups.

By coordinating meetings with relevant stakeholders, reviewing and improving regulations in the sector, improving the legislative environment, and increasing awareness through quality training programs and discussion sessions that highlight its promising prospects and future directions; In addition, the association seeks to provide exclusive features that increase the attractiveness of attracting more innovative investments and stimulate taking a bold and sustainable step towards the venture capital and private equity sector.

# 01

## Report Abstract

Globally and in the Kingdom as well, social investment has emerged as a transformative approach to align financial returns with social and environmental goals. This model shifts traditional investment into a more inclusive and sustainable framework by prioritizing investments that generate measurable positive outcomes alongside profit. However promising social investment may be, it presents unique challenges, particularly in defining and measuring impact. While financial returns can be quantified objectively, social impact is often subjective, context-dependent, and difficult to standardize or compare with other investments.

The challenge of impact measurement lies in its diverse nature—what constitutes and is perceived as a positive social impact varies from one geographical area to another, influenced by differing cultures and individual priorities. For instance, a renewable energy project may be lauded in one context for reducing carbon emissions but criticized in another for its potential displacement of local communities. These nuances complicate impact measurement, requiring both qualitative insights and quantitative metrics, which are often hard to reconcile.

In Saudi Arabia, impact is further defined and measured through a unique blend of social, religious, and national considerations. Social values rooted in religion emphasize justice and the welfare of the community (the common good), while Vision 2030 outlines an ambitious economic and social development agenda with clear national priorities. Through its various facets—such as empowering women and youth, fostering innovation, promoting sustainability, and supporting local industries—Saudi Arabia's Vision provides a crucial lens for assessing the social impact of investments. For example, investment in renewable energy may not only align with global sustainability goals but also with national objectives to diversify the economy and reduce dependence on fossil fuels.

Therefore, the importance of social investment in Saudi Arabia transcends the mere application of general global metrics and indeed requires a more tailored approach. Investments necessitate higher alignment with local cultural values and national aspirations, all while maintaining accountability and transparency. These distinctive factors present a broader challenge in the field of social investment: how can the lack of objectivity in social investment be transformed from a challenge into a strength? This report will explore how social investment can balance these challenges, providing actionable insights for fund managers, investors, and decision-makers in the Kingdom seeking to drive meaningful change while achieving sustainable financial performance.

# 02

## Introduction to Impact Investing

With this to report we aim to **quantitatively and qualitatively highlight the intended value**, considerations, and nuances inherent in investing in socially and economically impactful area known as “**Impact Investing.**” Limited partners in venture capital and private equity will increasingly require knowledge of these opportunities, their pitfalls, and the disciplinary status quo to evaluate them within the full landscape of potential investment opportunities.

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## Defining Impact Investing

Impact investing refers to the allocation of capital with the intent to generate co-linear financial returns and measurable social, environmental, and economic benefits. While renewable energy has been a dominant focus globally, **impact investing in Saudi Arabia extends beyond sustainability to include sectors such as education**, digital economy, urban development, cultural preservation, and social equity. It also plays a role in enhancing financial inclusion, healthcare accessibility, workforce development, and the expansion of tourism and entertainment industries.

**While impact investing operates within both for-profit and nonprofit spheres**, the for-profit model is the focus of this report, particularly as it has gained significant traction due to its potential scalability and sustainability. For-profit impact investing aims to simultaneously balance financial market-competitive returns with the social or environmental good generated by the firm. Non-profit models, on the other hand, focus primarily on maximizing the social impact, likely at the expense of certain financial returns. Due to the heterogeneity of the modern investor pool, it's impossible to deem one approach favorable to the other. But they undeniably come with different challenges and sacrifices, such as the task of valuing non-financial returns.

## Investment Approaches & Strategies

Beyond mere profit-motive and focus, these investment groups are further differentiated by their approach to maximizing and measuring impact. Socially Responsible Investing (SRI) integrates ethical or value-based criteria into investment decisions, typically excluding companies that are seen as harmful to society or the environment. Environmental, Social, and Governance (ESG) investing evaluates investments based on these three factors, focusing on how a company's practices affect stakeholders, with ESG criteria being applied in both passive and active investment strategies. Sustainable investing emphasizes achieving sustainability goals, such as those outlined by the **United Nations Development Programme (UNDP)** and can also be either passive or active.

Impact Investing aims to be the most active approach and goes a step further. It involves actively directing capital toward organizations and projects whose core mission is to generate positive social and environmental outcomes, with the co-linear expectation of financial return. In essence, it is a more proactive approach than SRI or ESG, as it seeks out opportunities to drive change while still delivering financial performance at market levels.

It's expected that these investments will offer a financial return to the firm but also create additional social benefits that aren't fully reflected in the financials. To capture both, analysts often calculate the social return separately. This approach adds the **Net Present Value (NPV)** of social benefits to the NPV of the firm's financial returns (projected cash flows), resulting in a blended NPV:

**Blended NPV = NPV (Financial Returns) + NPV (Social Benefits)**

This gives a more complete picture of the overall value generated by the investment, accounting for both financial and societal impacts.

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## Evolution of Impact Investing

While the origins of impact investing are often traced to the **socially responsible investment (SRI)** movements of the 1970s, a real boom occurred in the early 2000s when firms such as BlackRock, Goldman Sachs, and TPG began launching dedicated impact investment funds. The rise of **Environmental, Social, and Governance (ESG)** considerations as part of institutional investment strategies further boosted the popularity of impact investing. Today, such funds have grown to manage trillions of dollars, indicating a mainstream acceptance of the idea that businesses can do well financially while doing good socially. One firm, **the Rise Fund** launched and managed by the **TPG Growth Fund** has successfully raised over \$6 billion across three funds to target sectors where financial returns and social outcomes align.

However, the narrative of “win-win” investing, where financial and social returns succeed co-linearly, is likely overly optimistic. This concept works at scale only if the market is full of mismanaged firms. The trade-offs between financial returns and social impact are real, and investors must remain cognizant of them.



# 03

## The Impact Investing Landscape

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## Global Trends and Adoption

The rise of **Environmental, Social, and Governance (ESG)** factors as a standard part of investment analysis has further boosted the popularity of impact investing. Globally, impact investing is no longer confined to a few niche funds but is a mainstream strategy employed by major financial institutions. For example, **BlackRock's** commitment to incorporating ESG principles across its \$9 trillion portfolio has set a new standard for institutional investors. The company is attempting to demonstrate that large-scale investments can achieve both financial and social outcomes, particularly in sectors like renewable energy and healthcare. Alongside **The Rise Fund**, firms like **Generation Investment Management**, **Bridges Fund Management**, and **LeapFrog Investments** have raised significant capital to drive social and environmental change in sectors like renewable energy, healthcare, and financial inclusion. However, the correlation between ESG ratings across different providers is low, leading to uncertainty for investors when comparing impact across funds.

## Saudi Arabia's Impact Investment Landscape

The Kingdom's emphasis on economic diversification and sustainability has created new opportunities for both foreign and domestic investors to engage in impact-driven projects. Noting that some industries are considered more critically important (as they impact people's day-to-day life and well-being more), Saudi Arabia has identified long-term impact investment opportunities in areas including:

- **Digital Economy & Financial Inclusion** – Expanding fintech, e-commerce, and AI-driven enterprises to create inclusive financial opportunities.
- **Healthcare & Well-Being** – Strengthening access to affordable healthcare and investing in medical innovation. The growth of Saudi Arabia's entertainment sector not only diversifies economic revenue streams but also enhances local quality of life by increasing access to cultural and recreational activities.
- **Tourism, Culture & Entertainment** – Expanding Saudi Arabia's arts, entertainment, and tourism industries to drive economic growth and cultural gains (i.e. improved preservation and accessibility of Hajj and Umrah experience).


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■ **Sports Infrastructure** - Investments in sports infrastructure and youth programs aim to promote a healthier, more active population while positioning Saudi Arabia as a leader in global sporting events.

■ **Sustainable Infrastructure & Urban Development** – Smart cities, affordable housing, and improved transportation networks. Beyond increasing housing ownership, impact investments in real estate focus on affordability, community well-being, and sustainable urban planning to enhance long-term quality of life. Smart city investments focus on optimizing transportation networks, reducing congestion, and enhancing public transit systems, improving urban mobility and livability.

■ **Education & Workforce Inclusion:** Beyond formal education, impact investments support vocational training, digital literacy, and STEM education to prepare the workforce for the demands of a technology-driven economy. A key focus of labor market reforms is ensuring equal employment opportunities for individuals with disabilities through targeted workforce integration programs and employer incentives.

These diverse investments help ensure that economic growth is accompanied by improvements in quality of life and social well-being.





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## The Role of the National Development Fund and Social Development Bank

Saudi Arabia's Jada Fund of Funds, a subsidiary of Public Investment Fund "PIF", and the Saudi Venture Capital Company (SVC), a subsidiary of the SME Bank and the National Development Fund (NDF), play crucial roles in facilitating capital flows into high-impact sectors. As one of the main engines of economic and social development, the NDF is central to Saudi Arabia's long-term growth strategy. By blending public and private capital, the NDF supports the national Vision 2030 to build a sustainable ecosystem that supports a thriving and vibrant society rich with entrepreneurship and innovation across a vibrant range of sectors.

By fostering financial sustainability and aligning with national priorities, the NDF plays a critical role in stimulating private sector participation, diversifying the economy, and ensuring sustainable development. Localization strategies are ensuring that global investments translate into local job creation, knowledge transfer, and sustainable industrial growth. Investment in advanced manufacturing capabilities, including automation and AI-driven production, is key to increasing Saudi Arabia's global competitiveness in the industrial sector

The NDF adopts a dual-focus framework to evaluate the impact of its initiatives:



## 1 | Economic Impact:

This dimension emphasizes stimulating growth in strategic sectors such as technology, renewable energy, healthcare, and agriculture. The focus is on developing human capital by enabling entrepreneurship, upskilling the workforce, and driving innovation through financial support and public-private partnerships.

- **Gross Domestic Product (GDP) Growth:** The NDF aims to inject over SAR 570 billion to boost GDP growth, with a target to triple the share of non-oil GDP to reach SAR 605 billion by 2030.
- **Private Sector Participation:** The strategy seeks to stimulate the contribution of the private sector, aiming to maximize its developmental impact by more than three times.
- **Employment Generation:** The NDF measures success by the number of job opportunities created, contributing to the Kingdom's employment objectives.



## 2 | Social Impact:

The NDF evaluates social impact using various indicators of success, such as improving access to affordable housing or healthcare. Creating equitable opportunities for underrepresented groups and promoting environmental sustainability through projects that align with global climate goals and agreements.

- **Quality of Life Enhancements:** Initiatives are assessed based on improvements in citizens' quality of life, including access to housing, healthcare, and education.
- **Human Capital Development:** Metrics include the number of individuals trained and employed, aiming to develop a productive and qualified Saudi workforce.
- **Sustainable Development Goals (SDGs) Alignment:** The NDF ensures that its programs contribute to the United Nations SDGs, focusing on areas like poverty reduction, gender equality, and environmental sustainability.

The NDF oversees 22 sectoral funds, each with specific objectives tailored to different facets of development, ranging from infrastructure and real estate to cultural and creative industries. For example, the Saudi Industrial Development Fund (SIDF) supports industrial diversification, while the Social Development Bank (SDB) provides financial assistance to low-income families and entrepreneurs. This diverse portfolio ensures that the NDF's impact extends across economic and societal dimensions, making it a cornerstone of Saudi Arabia's long-term development strategy. Saudi Arabia views startups and entrepreneurship as critical drivers of both economic and social value. Consequently, fostering the growth of these sectors remains a central component of the Kingdom's impact goals, reflecting their importance in achieving long-term sustainable development. This structured and strategic approach enables the NDF to not only align its investments with national priorities but also establish frameworks for measuring and maximizing both financial and social returns. By blending public and private capital, funds like the SVC and Jada ensure that the private sector is an active participant in realizing Vision 2030's ambitious goals.

## EXAMPLE FUNDS

Fund Name	Sector	Strategic Objective
<b>Real Estate Development Fund (REDF)</b>	Real Estate & Housing	Provide and develop diverse and balanced financing programs to enable affordable housing solutions.
<b>Saudi Industrial Development Fund (SIDF)</b>	Industry & Manufacturing	Achieve goals related to industrial development, fostering growth and innovation in non-oil sectors.
<b>Social Development Bank (SDB)</b>	Social Finance	Provide facilitated developmental financing programs for citizens, supporting low-income families and entrepreneurs.
<b>Agricultural Development Fund (ADF)</b>	Agriculture	Serve as a government credit institution in agricultural activities, promoting sustainable practices and enhancing food security.
<b>Human Resources Development Fund</b>	Human Resources	Develop a productive, sustainable, and qualified Saudi national workforce.
<b>Saudi Export-Import Bank (Saudi EXIM)</b>	Trade & Export	Enhance the development of Saudi exports by providing financial support and services.
<b>Tourism Development Fund (TDF)</b>	Tourism	Stimulate and enable the development of the tourism sector, attracting investments and promoting sustainable tourism.
<b>Events Investment Fund</b>	Events & Entertainment	Build strategic partnerships to maximize impact in culture, entertainment, sports, and tourism sectors.
<b>National Infrastructure Fund</b>	Infrastructure	Enable and accelerate strategic infrastructure projects, contributing to Vision 2030 objectives.

### SOURCE

Saudipedia, List of Saudi Development Funds and Banks. Available at: [Saudipedia](#)  
 Leaders MENA, A Look into the Tasks of Saudi National Development Fund. Available at: [Leaders MENA](#)

# 04

## **Impact Investment Strategies and Approaches**

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## Venture Capital & Early-Stage Funding

Impact investment strategies vary widely depending on investor objectives, sector focus, and risk tolerance. In Saudi Arabia, venture capital is essential for funding early-stage startups, particularly in high-growth areas such as technology and renewable energy, which align with Vision 2030's goals. Venture capitalists typically invest in companies during their formative stages, providing the financial resources needed for innovation and growth. This early-stage focus allows VCs to target sectors where rapid expansion can generate significant returns while simultaneously fostering societal benefits, such as job creation and advancements in clean technology.

## Private Equity & Large-Scale Investments

In contrast, private equity generally targets more mature companies and employs a mix of debt and equity financing for acquisitions or expansion projects. PE firms are often involved in large-scale infrastructure investments, including renewable energy plants or public utilities, which demand significant upfront capital. Public-Private Partnerships (PPPs) are frequently utilized to spread financial risk between private investors and government bodies. This approach is especially suited for capital-intensive projects that align with Saudi Arabia's sustainable development and economic diversification goals under Vision 2030.

A private equity approach to impact investing is illustrated by **LeapFrog Investments**, which specializes in financial services, climate change, and healthcare in emerging markets. Unlike venture capital, which may target small startups with high growth potential, LeapFrog focuses on established companies that can expand their operations to underserved markets. This strategy aims to generate financial returns while improving access to essential services for low-income populations. LeapFrog's investments in companies providing microinsurance and healthcare services demonstrate the PE approach's ability to deliver both financial returns and social impact by supporting businesses with proven models that are ready to scale.

## Vision 2030-Aligned Thematic Impact Investing

In Saudi Arabia, the government's Vision 2030 initiative has catalyzed a shift toward thematic impact investing, focusing on sectors that support economic diversification and sustainable development. Vision 2030 outlines a comprehensive plan to reduce the country's dependence on oil by promoting investments in renewable energy, healthcare, and technology. These sectors are not only vital for the Kingdom's economic resilience but also align with broader global sustainability standards, such as the **United Nations' Sustainable Development Goals (SDGs)**.

Naturally, investments under Vision 2030 targets projects that deliver dual benefits, providing financial returns while generating positive social and environmental impacts, such as reducing carbon emissions and enhancing healthcare accessibility. For instance, Saudi Arabia has committed to developing significant renewable energy capacity, with plans to generate 50% of its electricity from renewable sources by 2030, reflecting the country's alignment with international climate goals.

Investments in healthcare also aim to improve quality and access, addressing national needs and meeting global benchmarks for health system performance. Efforts include expanding digital health solutions and telemedicine to improve healthcare access across both urban and rural communities. Beyond economic growth, Vision 2030-driven impact investments also aim to reinforce core Saudi values such as moderation, tolerance, perseverance, and national identity, fostering a society that thrives on innovation and inclusivity.

# 05

## **The Investment Process for Impact Investing**

The investment process for impact investing is inherently more complex than traditional investment approaches due to the dual objectives of achieving both financial returns and measurable social outcomes. This complexity necessitates a thorough process that involves detailed screening, comprehensive due diligence, and the development of metrics for evaluating social impact alongside financial returns. In Saudi Arabia, these processes are particularly important given the country’s economic transition under Vision 2030, and the aims to diversify the economy and promote sustainable development. While Vision 2030 goals are not obligatory, they provide a comprehensive framework that aligns with consensus objectives of a thriving economy and vibrant society. As a result, many investors integrate these goals into their evaluation criteria for non-financial returns, aligning with the macro impact and aspirations of the Kingdom.

## Screening and Due Diligence: A Structured Approach to Impact Investing

Step	Description
<b>Step 1: Identify Key Evaluation Criteria</b>	Define metrics to assess both financial returns and social/environmental impacts. Focus areas include: <ul style="list-style-type: none"> <li>- Financial Metrics: NPV, IRR.</li> <li>- Social Metrics: Carbon emissions reductions, job creation.</li> <li>- Alignment with SDGs and Vision 2030.</li> </ul>
<b>Step 2: Active Screening Process</b>	Filter investments based on mission alignment and scalability: <ul style="list-style-type: none"> <li>- Core Mission Alignment: Ensure organizations addressing societal/environmental challenges.</li> <li>- Scalability: Assess regional/global scaling potential while balancing risks.</li> </ul>
<b>Step 3: Relevance to Saudi Arabia</b>	Highlight Saudi-specific priorities: <ul style="list-style-type: none"> <li>- Government-backed initiatives like SVC catalyzing high-impact sectors.</li> <li>- Scalable projects like Red Sea Development Company, renewable energy.</li> </ul>
<b>Step 4: Conduct Comprehensive Due Diligence</b>	Evaluate financial and non-financial factors: <ul style="list-style-type: none"> <li>- Social Impact: Use tools like IMM or IRIS+.</li> <li>- Organizational: Analyze governance, leadership, and mission alignment.</li> </ul>

## Measuring & Tracking Impact

Once an investment is made, ongoing management involves monitoring both financial performance and social outcomes. Impact investors typically set impact targets, such as carbon emissions reduced or jobs created, and track these metrics over time. Impact measurement takes place in a growing number of sectors and industries, with key indicators including the following:

•**Financial Inclusion** – The growth of small business loans, fintech adoption, and access to digital banking services.

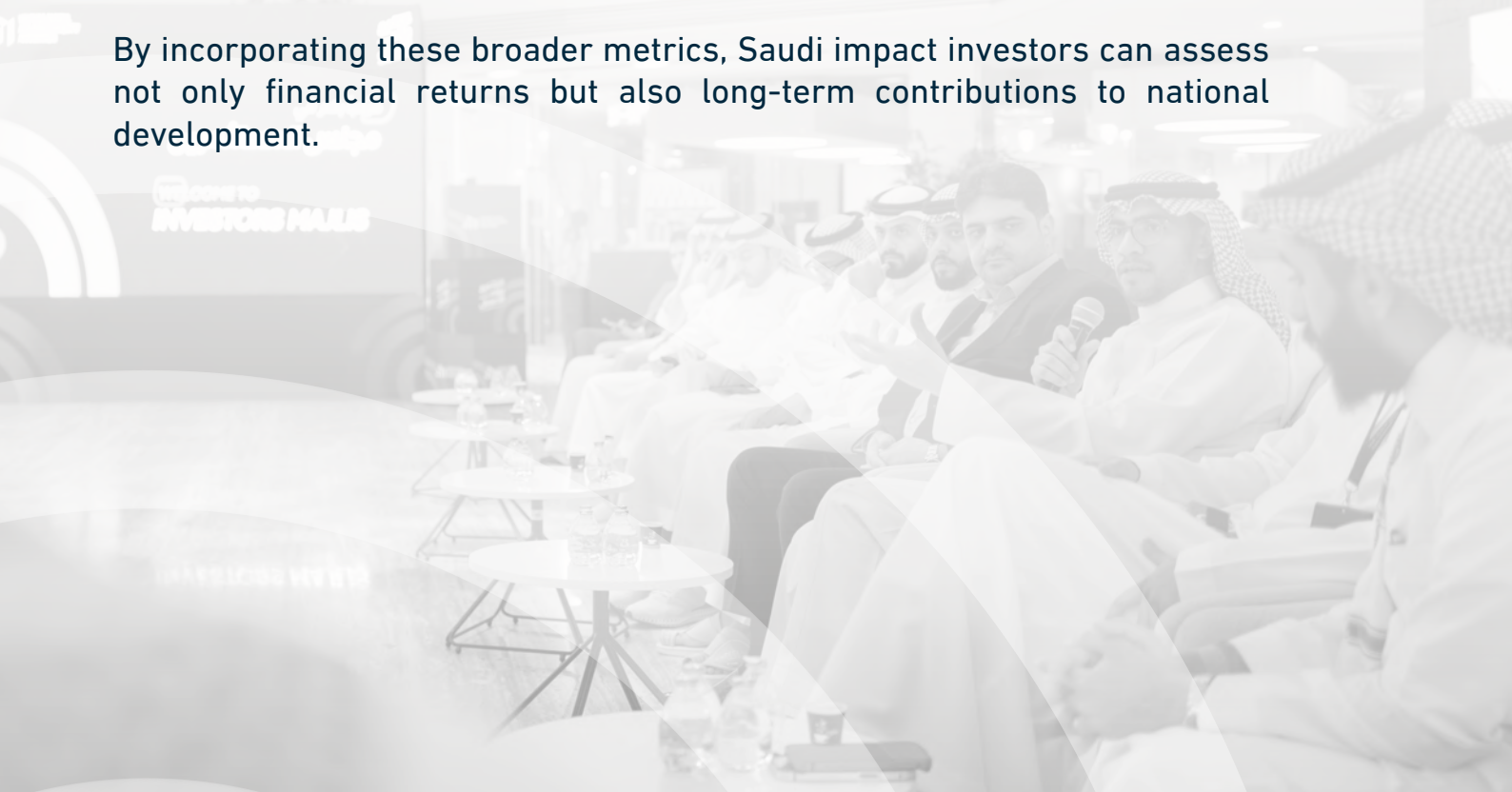
•**Urban Quality of Life** – Metrics assessing improved public transportation, housing affordability, and urban infrastructure.

•**Cultural and Tourism Growth** – Evaluating investment in entertainment, tourism, and national identity projects.

•**Healthcare Access** – Measuring increased availability of specialized medical services, preventive care, and digital health adoption.

•**Education + Media** - Preservation and promotion of the Arabic language, ensuring its role as a cornerstone of national identity and a key element of Saudi cultural diplomacy.

By incorporating these broader metrics, Saudi impact investors can assess not only financial returns but also long-term contributions to national development.



## Tools & Challenges in Impact Measurement

The tools for tracking impact have advanced significantly in recent years. Many investors now use standardized third-party frameworks, such as:

■ **IRIS+ System:** Developed by the Global Impact Investing Network (GIIN), IRIS+ helps investors:

- Track consistent metrics across different investment types.
- Compare the impact performance of their portfolios.

■ **Blended Value Framework:** Combines financial and social returns into a single evaluative framework to assess the total value generated by an investment.

While impact tracking tools improve standardization, measuring social outcomes presents distinct challenges. Unlike financial returns, social impact is inherently subjective and sector-specific, making direct comparisons between investments more difficult.

■ **Alignment with Objectives:** Investors must ensure that the company's mission aligns with their desired social outcomes by answering key questions:

- How does the investment define "impact"?
- Which environmental, social, or economic outcomes are prioritized?

Fundamentally, it's not possible to standardize and scale the measurement of impact social NPV like one can Future Cash Flow (FCF to firm). But this doesn't negate the potential value and intent of an impact investment.

Unlike financial returns, which can be quantified via NPV measures like Free Cash Flows, social returns are at least partially subjective and difficult to measure. In response to this challenge, many impact investors use a blended value approach, which combines financial and social returns into a single framework. The blended value approach allows investors to assess the total value generated by an investment, including both financial and social outcomes.

In Saudi Arabia, impact investors often focus on sectors where social outcomes can be more easily measured, encompassing a wide array of initiatives aimed at transforming the Kingdom across multiple dimensions, including education, culture, tourism, and digital transformation. Measurement and evaluation is largely sector-specific, with examples including:



**1. Carbon Emissions Reduction:** Essential for renewable energy projects.



**2. Job Creation:** A critical measure of economic contribution, especially in infrastructure and technology.



**3. Access to Services:** Relevant for healthcare and education projects, measured by the number of beneficiaries

In response to the challenge of measuring social impact consistently, many investors are turning to third-party organizations that specialize in creating tools and frameworks for managing and assessing the performance of impact investments. These organizations provide attempts at standardized approaches to evaluating both financial and non-financial outcomes, hoping to increase balanced outcomes for aspiring impact investors.

# 06

## **Asset Allocation and Portfolio Construction**

Developing an impact investment portfolio requires a careful balance between maximizing financial returns and generating social or environmental outcomes that are as unambiguous as possible. Like anywhere, Saudi investors, from family offices to institutional investors, must approach asset allocation with a dual focus on profitability and societal impact.

## **Diversifying Across Asset Classes**

Like any investment approach, the foundation of impact investing lies in building a diversified portfolio that includes a range of asset classes. Investors typically allocate capital across equities, debt instruments, and real assets to manage risk and ensure financial stability. As discussed, high-impact sectors such as renewable energy, technology, and healthcare are of particular interest due to their long-term growth potential and alignment to the Kingdom's economic diversification goals under Vision 2030.

For example, investors might allocate a portion of their portfolio to venture capital to support early-stage companies in sectors like clean energy, while also investing in private equity for more mature companies looking to scale in pursuit of both increased returns and impact. Additionally, debt financing may be used to fund large-scale infrastructure projects, such as renewable energy plants, which require significant upfront capital but offer long-term societal benefits.

## **Blended Finance & Public-Private Partnerships (PPPs)**

In Saudi Arabia, blended finance models, which combine public or philanthropic capital with private investment, are gaining traction. These models help mitigate the risks associated with high-impact sectors, such as infrastructure, financial inclusion, digital transformation, cultural sector growth, and sustainable urban development by spreading the financial burden across multiple stakeholders.

**Public-Private Partnerships (PPPs)** also play a vital role in financing capital-intensive projects that contribute to the country's sustainability goals. By leveraging both public and private capital, investors can achieve the dual objectives of financial returns and positive societal impact.

### How & Why Blended Finance Works:

#### ■ **Shared Financial Responsibility:**

- Spreads the financial burden between public, private, and philanthropic entities.

#### ■ **Mitigating Risks in High-Impact Sectors:**

- Enables funding for sectors with high capital needs, such as renewable energy and healthcare.

### Long-Term Investment Strategies

Family offices in Saudi Arabia, like their global counterparts, are uniquely positioned to adopt **longer-term investment strategies**. This flexibility allows them to:

#### ■ **Support Extended Time Horizons:**

- Invest in sectors that require years to generate returns but yield significant social benefits.

#### ■ **Diversify Across Asset Classes:**

- Engage in renewable energy, healthcare, and other key sectors aligned with Vision 2030.

**Through these strategies, differing investor clientele can achieve both financial stability and generate desired positive societal outcomes.**

# 07

## Challenges and Barriers to Impact Investing

Despite the promising growth of impact investing, several challenges remain, particularly in emerging markets like Saudi Arabia. These challenges can hinder the ability to balance financial returns with social outcomes in a manner that's agreed upon across the heterogeneous investor pool, making it difficult to scale impact investments.

## Measuring & Standardizing Social Impact

One of the most significant challenges in impact investing is the consistent measurement of social outcomes discussed in Section 4. Unlike financial returns, which can be easily quantified using traditional metrics, social returns are typically more subjective and difficult to measure. Beyond that, "impact" can be measured in countless ways, with different metrics and varying weights for those metrics across the pillars of impact. For example, while a renewable energy company might prioritize carbon emissions and clean technology, a healthcare company would focus on access to healthcare and human capital development. As a result, comparing the "social impact" of different firms on a single scale becomes near impossible. Even within a single venture capital or private equity firm, measuring the net present value (NPV) of social impact across a diverse portfolio poses significant challenges.

Additionally, the lack of standardization in how social returns are calculated further complicates matters. Many investors are deterred by the wide variation in how social returns are computed, making it difficult to compare different investment opportunities. The **Rise Fund** attempts to address this by developing the **Impact Multiple of Money (IMM)**, a metric that quantifies social impact by assessing the risk-adjusted economic value of achieving a social or environmental outcome. However, even with rigorous metrics, there is an inherent subjectivity in how social outcomes are valued—different stakeholders may place varying levels of importance on different types of social impact interventions. This contrasts sharply with financial outcomes, where success is more objectively measured (e.g., "more is more"). How well the impact investing industry adapts to this lack of standardization will play a crucial role in its growth moving forward.



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## Limited Scale of Investment Opportunities

Another aspect that presents a barrier to the growth of impact investing is the limited scale of investment opportunities available. A study by **Cambridge Associates and the Global Impact Investing Network (GIIN)** found that smaller impact funds—those with less than \$100 million—tend to outperform their larger non-impact counterparts. However, larger impact funds, with over \$100 million in assets, often see lower returns. This trend may be explained by the idea that impact investments tend to be more effective at smaller scales compared to traditional investments. For instance, a social investment in Myanmar's mobile phone industry might yield strong returns, but only if conducted within a limited scope. Therefore, impact funds may be better suited for projects that, while smaller in scale, have the potential to deliver high returns.

This restricted choice of asset classes and limited scale of opportunities is compounded by the fact that, according to a survey by the **GIIN**, the median size of impact investments remains relatively small. While large institutional investors such as **TPG** and **KKR** have entered the field of impact investing, signaling the growing profitability of the sector, the scale of impact investments relative to traditional investments remains limited.

## Trade-offs Between Financial & Social Returns

A final challenge in impact investing is the inherent balance and trade-off between financial returns and social impact. Achieving meaningful social or environmental outcomes often requires investments with longer time horizons and higher upfront capital requirements, which may result in lower short-term financial returns. For instance, while investments in clean energy may deliver substantial environmental benefits, they may take years to reach market-competitive financial returns. This longer time horizon and the inherent risk involved can be a deterrent for investors focused primarily on maximizing immediate financial gains.

Impact investors also face a smaller universe of investment opportunities due to the nature of their focus. For example, many impact funds avoid industries such as carbon-heavy energy or tobacco, even if those sectors promise strong financial returns. This limitation, combined with the broader challenges of balancing social impact with financial returns, contributes to the difficulties that investors face in scaling impact investments.

# 08

## Conclusions and Key Takeaways

Impact investing has transitioned from a niche strategy into a globally recognized approach that combines financial returns with social and environmental benefits. In Saudi Arabia, this approach is closely aligned with Vision 2030, which emphasizes economic diversification and sustainable development.

### Key Takeaways:

#### ■ Global Trends in Impact Investing

- The integration of Environmental, Social, and Governance (ESG) criteria has become standard among institutional investors globally.
- Successful funds like The Rise Fund and LeapFrog Investments demonstrate that sectors such as renewable energy, healthcare, and financial inclusion can yield both competitive returns and measurable societal outcomes.

#### ■ Saudi Arabia's Progress & Vision 2030 Alignment

- Vision 2030 and initiatives like the National Development Fund (NDF) are driving growth of impact investing across sectors such as clean energy, healthcare, technology, and entrepreneurship.
- Programs like the Saudi Venture Capital Company (SVC) and the Jada Fund of Funds highlight the Kingdom's commitment to fostering innovation and economic transformation

#### ■ Challenges to Overcome

- Measuring and standardizing social outcomes remains complex, with tools like IRIS+ and Impact Multiple of Money (IMM) providing emerging solutions.
- The inherent trade-offs between financial returns and societal impact require careful balancing.

#### ■ Opportunities for Investors

- High-growth sectors such as technology and renewable energy provide significant investment potential while aligning with Saudi Arabia's Vision 2030 Goals.
- Blended finance models and Public-Private Partnerships (PPPs) in Saudi Arabia are opening new pathways for investors to achieve both profitability and impact.

Ultimately, impact investing is not without its risks. But it's a unique opportunity to actively align financial goals with social benefits. As Saudi Arabia positions itself as a leader in the space, investors must carefully balance profitability with societal goals, often taking a long-term view that may involve higher upfront costs and delayed returns. But for those willing to engage, the potential to generate both financial and social value makes impact investing an increasingly attractive option, particularly as global and local economies—like Saudi Arabia's—move toward more sustainable and diversified futures. As Saudi Arabia positions itself as a leader in this space, Vision 2030 provides a comprehensive framework for leveraging impact investing to drive sustainable economic and social progress.



# 09

## **Misk Foundation's Theory of Impact: Investing in Youth for Lasting Impact**



As a catalyst for sustainable impact, Misk Foundation believes that long-term change is best achieved by investing in youth—empowering them with the education, skills, and opportunities needed to shape the future. By focusing on key pillars such as education, leadership, and entrepreneurship, the foundation is cultivating a generation of capable, forward-thinking individuals who are actively contributing to Saudi Arabia’s economic diversification and social progress. As part of its commitment to advancing youth development through financially sustainable impact models, Misk Foundation has established a portfolio of mission-aligned subsidiaries that blend social value with economic viability. Among these, Riyadh Schools Group (RSG) and Misk City stand out as flagship examples of how purpose-driven investment can generate measurable outcomes while maintaining strong financial fundamentals. Both entities reflect Misk’s broader strategy: to convert social initiatives into scalable, self-sustaining platforms that contribute to national development and align with Vision 2030.

## **Case in Point: Entrepreneurial Impact Enabling Growth and Innovation**

As part of its commitment to empowering youth and helping them access employment opportunities, create jobs, and more, Misk has significantly impacted entrepreneurship landscape in Saudi Arabia and the region, providing young founders with access to capital, mentorship, and resources to build successful ventures. This has resulted in remarkable economic contributions, with a cumulative valuation of 2.89 billion SAR across its supported startups by 2024, reflecting strong growth from 850 million SAR in 2021. Additionally, Misk-backed ventures have attracted 937.5 million SAR in funding within Saudi Arabia, as a primary focus, while expanding their presence in key markets like the UAE, Egypt, and Jordan. These efforts not only fuel economic diversification but also foster a thriving entrepreneurial ecosystem, ensuring that young Saudi entrepreneurs play a central role in shaping the Kingdom’s future economy.

Misk's approach to youth empowerment and entrepreneurship aligns closely with impact investing principles laid out in this report, where financial capital is strategically deployed to generate both economic returns and measurable social benefits. By investing in human capital and fostering innovation-driven enterprises, Misk exemplifies how sustainable investment strategies can create long-term socioeconomic value. Its initiatives demonstrate that empowering the next generation is not just philanthropy but a high-impact investment in the Kingdom's future prosperity.

## Investing in Youth, Sustaining the Future: Misk Foundation's Model for Impact

Riyadh Schools Group (RSG), a wholly owned subsidiary of Misk Foundation, channels impact investment into a sustainable education ecosystem. With a strategic rollout plan to open 44 schools by 2030. Entities such as Riyadh Schools have exceeded enrollment targets, proving that mission-driven education can also be commercially successful. Impactful programs like the Education Leaders Institute (ELI) and the Football Academy further demonstrate RSG's commitment to holistic development while enhancing operational value. Operating on a tuition-backed model, RSG covers all operating costs and reinvests any surplus into expanding campuses, modern learning technologies, and teacher-development programs. By linking earned revenue to clearly measured social outputs—access, quality, and values-based curricula—RSG transforms education spending into an investable, cash-flow-backed thesis that directly supports human-capital goals. Performance is tracked using dual metrics: Financial (enrollment conversion, cost efficiency, revenue) and social (student retention, educator training, community engagement). RSG's model positions it as a national benchmark in impact-driven education and a scalable platform for future investment and expansion.

Misk City, the world's first purpose-built nonprofit urban district, illustrates how large-scale place-making can meet institutional impact-investor criteria. With a long-term investment value of SAR 21.7 billion—of which approximately 33 percent has already been deployed into Phase I infrastructure—Misk City spans a 3.4 km<sup>2</sup> master-planned district that reinvests all operating surpluses back into community services ([Argaam](#), [David Henry](#), CEO of Misk City). Upon completion, the city will generate a projected SAR 12 billion in GDP and create 11,000 direct jobs by 2030, while supporting 14,800 employees and housing 19,500 residents within its live-work ecosystem. The SAR 1.5 billion Ilmi Centre exemplifies how Misk City converts lease income, event fees, and knowledge-economy partnerships into a perpetual-impact flywheel ([SetupinSaudi](#)).

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**Ministry of Commerce and The  
National Center for Non-profit  
Sector (NCNP):  
Perspective on Impact Investing**

المركز الوطني لتنمية  
القطاع غير الربحي  
National Center for  
Non-Profit Sector



The Saudi National Center for the Non-Profit Sector views impact investing as a strategic approach that balances financial returns with measurable social and environmental benefits. Their framework emphasizes three key criteria: generating a positive impact on community challenges, ensuring financial viability, and defining measurable outcomes. By channeling capital into sectors like education, health, environment, and housing, impact investing not only enhances community infrastructure but also empowers the non-profit sector, reduces unemployment, and drives long-term social development. This perspective underscores the role of impact investing in creating sustainable solutions that align with Saudi Arabia's broader economic and social objectives. Meanwhile, Ministry of Commerce has dedicated its efforts to ensure full regulatory framework that allows for innovation and scaling of impact investing with the New Companies Laws which paves that way whether you are a for-profit or non-profit and whether your focus is broad national sector or a specific impact area individually defined.

## About the author

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Robert E. Siegel has spent his career at the intersection of academia, innovation, and entrepreneurship. As a Lecturer in Management at Stanford Graduate School of Business, he teaches courses on leadership, innovation, and entrepreneurial strategy. Robert brings deep experience from both the business and academic worlds, having authored over 115 business case studies used at top universities and contributed significantly to research on how organizations grow and adapt in a fast-changing world.

Robert is also a General Partner at XSeed Capital and a Venture Partner at Piva Capital, where he focuses on early-stage technology investments. Previously, he was the General Manager at GE Security, overseeing a \$350 million global division, and co-founded Weave Innovations, a digital imaging company later acquired by Kodak. He sits on the boards of several companies including Avchato, FindMine, TTech Auto, and HERE Technologies, and holds four patents related to digital imaging and compression.

His work extends beyond the classroom and boardroom. Robert served as lead researcher for Intel co-founder Andy Grove's bestseller *Only the Paranoid Survive* and has won multiple Case Centre Awards for his contributions to entrepreneurship education. He is also the author of two books exploring corporate innovation and systems leadership, including *The Brains and Brawn Company*.