



GUIDE

# 2024 IMPACT INVESTING IN SAUDI ARABIA

TANMEYA  
CAPITAL

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## EXECUTIVE SUMMARY

Saudi Arabia has already started reorienting its focus from an oil-based economy to a diversified and sustainable one. This act has proved that it is the new era of transformation under Vision 2030 through the hands of Crown Prince Mohammed Bin Salman. After having already seen a [downfall of 3.7%](#) in the economy in 2023, primarily due to lessened oil activities and falling crude prices, the kingdom has started moving toward impact investing to bring back economic recovery and diversification.

Impact investments in Saudi Arabia are not just a local strategy, but a global initiative. It is a critical strategy, harvesting social and environmental returns in the process. It links the country to the world trend in sustainable development. Such alignment speaks to Saudi Arabia's commitment to global sustainability and responsibility as a global citizen.

Impact investments in Saudi Arabia stand out for their unique approach, where investments are not just about financial gains but also about making a positive impact on the environment and society. This distinctive strategy has led to significant investments in sectors such as health, education, renewable energy, and entertainment, shaping the kingdom's infrastructure and socio-economic objectives.

# WHAT IS IMPACT INVESTING?

In recent years, impact investments have been made to seek positive social and environmental results and achieve some financial returns. The overall purpose is to utilize monetary and investment capital to search for positive social results.

One of the most important objectives of impact investing is to reduce the negative effects of business activity on the social or physical environment. In this regard, the new type of investment becomes important for addressing some of the world's critical issues, including climate change, poverty, and inequality.

It affirms an increased focus on investing in impact instead of profit-driven motives. The new investment mode encourages a more holistic approach focusing on social and environmental impact and financial returns.

**While impact investments vary, they are primarily concentrated in four main sectors:**

## Renewable Energy:

The country leads in clean energy to cut carbon by the Public Investment Fund. It will also mean a huge investment in solar to take the country to a net-zero emission state by 2060 through projects like the Solar Energy Plan 2030 in partnership with Softbank.



## Entertainment:

With the ease of social barriers, the entertainment industry is now set for a boom. Programs like "Film Saudi" present local and international movie producers with an opportunity to participate in a developing movie industry, which is now being diversified with massive government investments in infrastructure, such as cinemas.



## Education:

Heavy budgetary allocations are made for it in the education sector. Education has been further enhanced with the infrastructure development of educational institutions that have introduced international curricula.



## Healthcare:

The Kingdom is improving the health sector, given increasing concerns for lifestyle diseases and an aging population. The impact investments are made to bring health facilities and services up to par with the use of technology and innovation to raise the bar of the quality of care extended to the citizens.



[Tanmeya Capital](#) offers some of the best alternative investment funds aligned with Saudi Arabia's Vision 2030, covering growth sectors such as real estate, healthcare, education, and financial services.

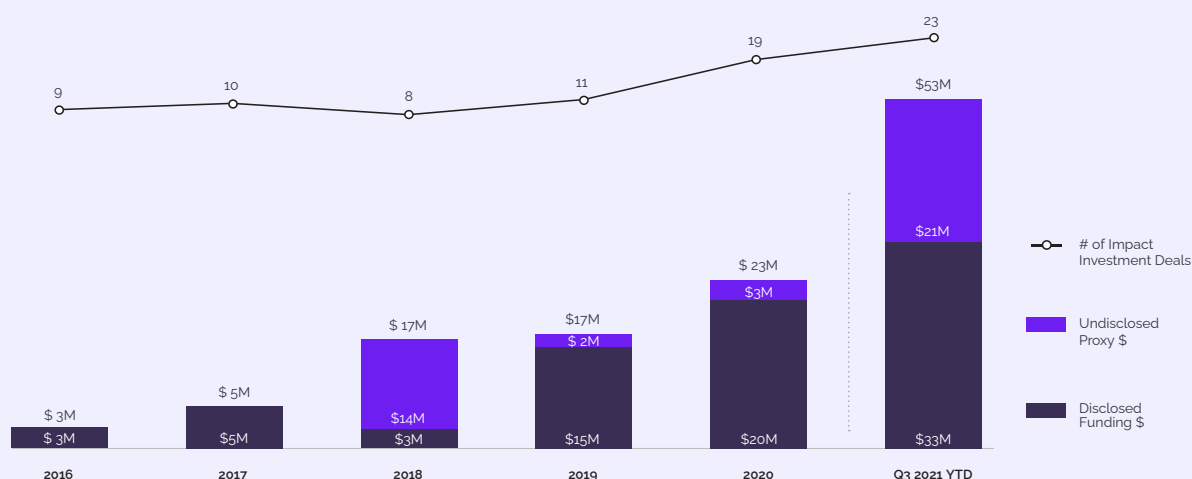
Its role encompasses fundraising, management, and sponsorship. The firm also boasts in-depth expertise in hunting assets through proprietary deal flow, i.e., companies that are not available for sale publicly.

# IMPACT INVESTING IN SAUDI ARABIA

Impact investing is becoming increasingly popular and common in Saudi Arabia as companies and individuals look to enhance society's and the environment's well-being. The shift is fuelled by sovereign funds' increasing focus on projects pushing for social and environmental well-being.

Since 2016, Venture capital towards' impact investing 'has been increasing in Saudi Arabia, affirming the Kingdom's attractiveness to foreign investments. The increase came even as the COVID-19 pandemic caused many venture capitalists to go slow on investments due to growing concerns about the global economy's health.

VC Impact Investment evolution in KSA by amount (\$ M) and number of deals (#)



Source: [argaam plus](https://www.argaam.com.sa/)

Likewise, the government is also pivotal in enhancing and encouraging investments that have the potential to impact society and have positive environmental outcomes. Last year, it announced more than \$6.4 billion in assets and initiatives in tech startups, data infrastructure, and future technologies in the race to transform the Kingdom into an innovation-based economy.

Tanmeya Capital is a one-stop shop for anyone looking to impact investing opportunities in Saudi Arabia. Its investments are made to generate a positive impact alongside good financial returns. It also emphasizes measurable impact metrics by setting quantifiable goals related to social or environmental improvements and tracking the outcomes of these investments.



## Saudi Arabia Green Bonds

Additionally, Saudi Arabia has issued its first-ever green bond as it seeks to raise funds to support its high-cost green agenda as part of its impact investment push. Under the Green Financing Framework, the government aims to issue green bonds that meet heavy funding requirements. The country's sovereign fund, Public Investment Fund, issued two green bonds in 2022 and 2023, totaling [\\$8.5 billion](#).

The Sovereign Fund has already provided a roadmap for future green bond issuance to fund projects in eight green categories: Sustainable management of living resources & land use, Energy efficiency, Renewable energy, clean transportation, Pollution prevention & control.



# IMPACT INVESTING IN ENERGY

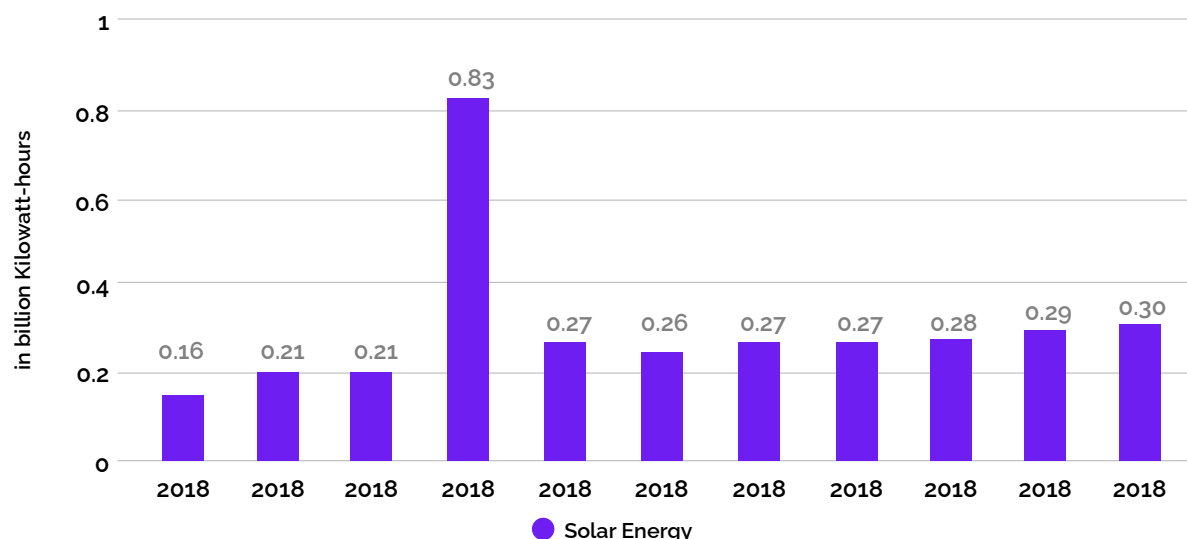
## PIF Fund on Renewable Energy

The other fund linked to the flagship is the Public Investment Fund and is aimed at fast-tracking Saudi Arabia into clean energy. The kingdom, which now has been among the richest and most prosperous nations due to the highly profiting and commercial success in the oil business, is now increasingly looking at ways in which it can reduce its carbon footprint.

As a result, among the sovereign funds—focused on investing billions in renewable energy projects in line with the Kingdom's impact investments—is the Public Investment Fund. It will be expected to be at the epicenter of the PIF with a pledge by the Kingdom to carry out a green agenda and achieve [net-zero carbon emissions by the year 2060](#).

It has been said that Saudi Arabia has been wielding funds from the Public Investment Fund in the investment of renewable energy projects that could cut its CO2 emissions by [278 million tons per annum](#) come the year 2030. Equally, the fund is geared towards helping the Kingdom achieve 70% of its renewable energy targets.

This renewed effort toward impact investments in the renewable energy sector comes as the Kingdom tries to reduce its dependency on oil and gas, which has also fueled a huge surge in the country's carbon footprint. Renewable energy generation is growing at [2.67% annually](#) and is expected to reach 0.27bn KWh by 2024.



Source: [Statista](#)

Saudi Arabia hopes to reach the optimal power generation mix by replacing liquid energy sources with renewable energy sources by 2030. The Ministry of Energy aims to increase the renewable energy mix to [about 50% by 2030](#), with the remaining 50% coming from high-efficiency gas-powered power plants.





## Solar Energy Focus

The push into renewable energy has already seen the Public investment fund team up with the Softbank Vision Fund to create a Solar Energy Plan 2030. The two have already hit the road running in developing the Kingdom's [first 3GW solar generation](#) capacity and battery manufacturing ecosystems as part of the Impact investing push.

As part of its blueprint for a modern and diversified economy, Saudi Arabia is resorting to impact investing to enhance the development of its solar energy sector. The Kingdom targets 9.5GW of renewable energy, which will be achieved through projects that localize the renewable energy chain.

Recently, the Public Investment Fund, at the heart of the Kingdom's impact investments in the energy sector, has inked deals for two local affiliates to install 4.55GW solar photovoltaic capacity. Once complete, it will become the most significant addition to the Kingdom's renewable pipeline as it also seeks to develop another 3.37 GW of carbon-free power.

The Public Investment Fund (PIF) is developing five renewable energy projects with a total capacity of 8GW and more than [US \\$6 billion in investment](#) from the Public Investment Fund and its partners. The renewable energy projects by PIF include Sudair Shuaibah and 2 Ar Rass renewable energy projects designed to support and enable the local private.



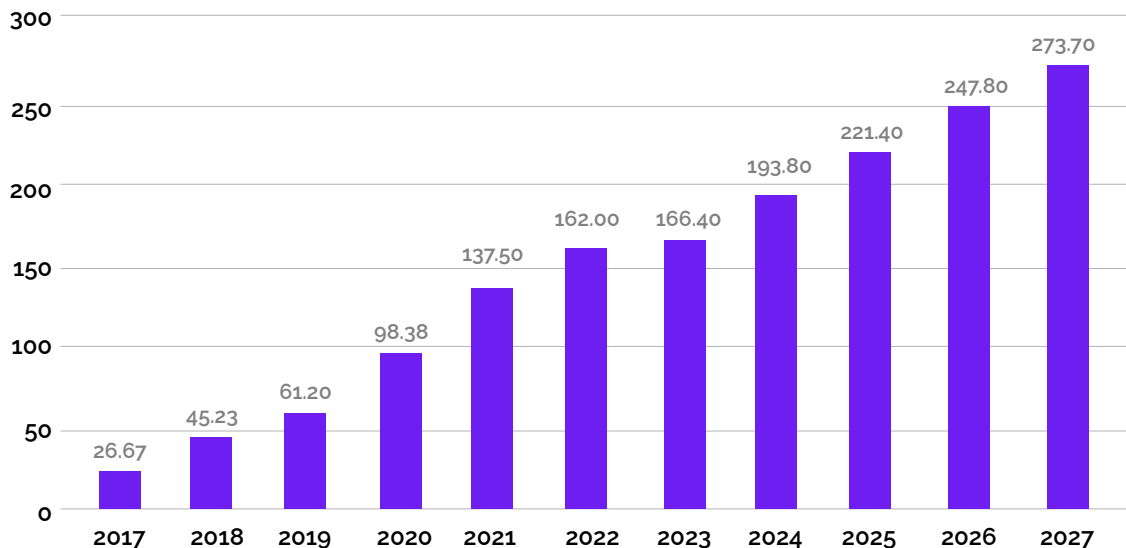
# IMPACT INVESTING IN ENTERTAINMENT

While impact investing also focuses on the social well-being of society, the Saudi Arabian government has also been encouraging investments in its entertainment sector. It has already relaxed social restrictions as one of the ways of fostering growth. The government has also made significant investments in the entertainment industry over the last ten years, as the Crown Prince gives the industry particular attention under Vision 2030.

Acknowledging the critical role that movies play in influencing public opinion, MBS and other Saudi officials have initiated several expansive initiatives to loosen Wahhabism's strict regulations, promote social reform in Saudi Arabia, and enhance Riyadh's standing internationally. The most significant initiative, "Film Saudi," seeks to persuade domestic, foreign, and regional film producers to establish their production companies in Saudi Arabia.

## Entertainment Sector Growth

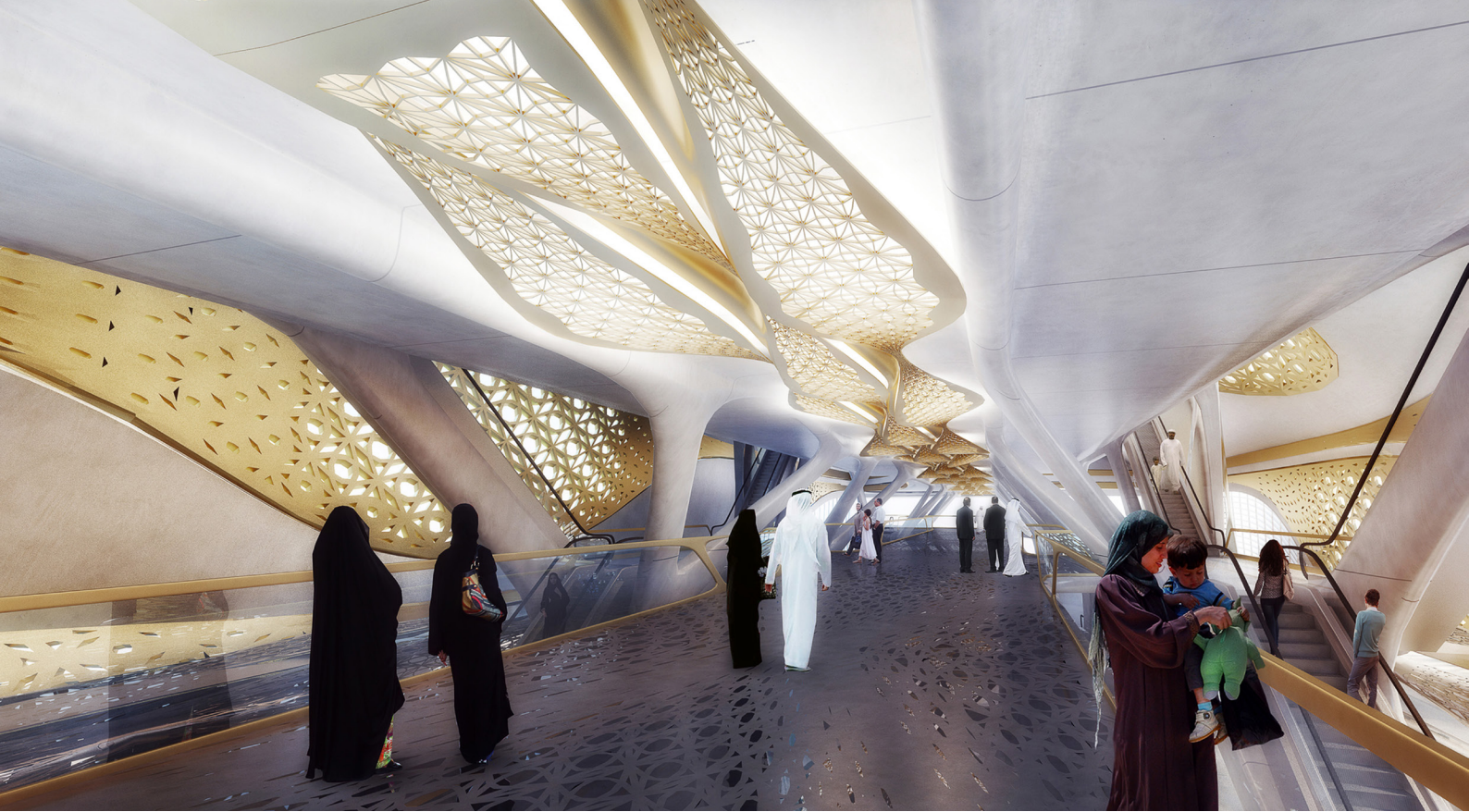
With societal constraints lessening, the Saudi entertainment and sports industry is well-positioned to attract international impact investments. Many foreign investors are likely to take an interest in the country's untapped entertainment industry following the easing of social restrictions.



Notes: Data reflects market impacts of the Russia-Ukraine war.

Source: [Statista](#)

The Kingdom's entertainment industry remains the center of attention, providing tremendous opportunities for impact investments. For starters, the sector generated \$166 billion in revenue in 2023 and is expected to grow at a compound annual growth rate of 12.20% from 2022 to 2027.



## Growing entertainment investments:

The government wants to sign agreements with production studios in Saudi Arabia for end-to-end film production, and the nation hopes to construct hundreds of movie theaters. The push is part of an effort to unlock the entertainment industry's potential and impact the general population.

By 2030, Development Investment Entertainment Company wants to open 50–100 theaters across Saudi Arabia. Additionally, it has stated that it will open 600 screens for [\\$533 million](#) over the next five years, adding 3,000 new jobs. The nation is anticipated to have the capacity for up to 2,600 screens overall as its population increases. The desire of Saudi residents to spend money may also benefit from the expansion of movie theaters and screens. The government intends to double household spending from 2.9% to 6% of GDP by 2030 and create a 30 billion riyal (\$8 billion) market for leisure services.

The Saudi Film Commission has already [confirmed a 40% cash rebate](#) on qualifying expenses during film production inside Saudi Arabia if specific requirements are met, like hiring Saudi talent and portraying the Kingdom in a positive light. This is meant to encourage production within the Kingdom.

Incentivizing film productions is one of the efforts that will enable the Kingdom to tap into the potential of the growing film industry, showcase our unique and breathtaking landscapes, and attract a diverse range of productions to the Kingdom. As Saudi cultural authorities outline plans to rank among the top 20 global, the prospect of attracting more impact investors is a string

The Kingdom is eyeing rights to host the Formula One Grand Prix, the European Golf Tour, the Dakar Rally, and the Diriyah ePrix are just a few of the prestigious events that the SAG hopes to host in the future, along with Expo 2030. Furthermore, there is an apparent demand for artistic and cultural events based on the success of recent film festivals and concerts.

As the government invests in the entertainment sector and lessens restrictions that have hindered growth in the past, impact investing opportunities should crop up. For starters, there will be opportunities to partner with local talents in film production as one of the ways of propelling them into the global scene while also shaping societal attitudes in the process.

# IMPACT INVESTING IN HEALTHCARE

Gradually, the world has come to accept the impact of climatic change, poor eating habits, and other emergent trends that take a toll on the health sector. This is no exception in the kingdom of Saudi Arabia since it faces a myriad of issues that call for more capital in the re-establishment of the health sector. Conversely, the Saudi Arabian health system is being transformed to be suitable for offering high-quality health care to all members of society.

With over 37 million people, it is by far one of the largest healthcare systems in the region, commanding about 60% of the country's Gulf Cooperation Council State healthcare expenditure. It thus means governmental investments in health infrastructure, while private investments, through public-private partnerships, spur growth.

The healthcare industry is growing along with the Kingdom's population. Social development and healthcare spending totaled \$50.4 billion in 2023, accounting for 16.96% of the government's yearly budget—the most significant share after education. This has been applied to enhance patient care, healthcare indicators, infrastructure, and technology.

Reducing the prevalence of lifestyle and non-communicable diseases like diabetes, obesity, and cardiovascular disease has attracted significant investment. The Ministry of Health is pushing the adoption of digital information systems and increasing workforce education and training in the area.

While the government has been the sector's leading provider of healthcare services, private investment has increased as investors take note of the impact of investment opportunities up for grabs. Likewise, the Saudi government sees the private sector as an essential part of the puzzle in a bid to achieve national health goals and enhance access to high-quality healthcare. With the government planning to increase private sector contribution from 40% to 65% by 2030, investment opportunities are increasingly cropping up.

The bid to expand access to healthcare in the Kingdom presents some of the best impact investing opportunities for the building of hospitals and the provision of medical equipment and drugs. In addition, impact investors can provide much-needed capital for vital but often neglected or underfunded components of the healthcare sector, such as eye care and dental care. As companies and individuals offer these much-needed resources, they stand to generate significant returns while at the same time contributing to the well-being of society.

Impact investors also have an opportunity to contribute to strengthening mental health and wellness systems in the Kingdom.



## Healthcare impact investing opportunities

The COVID-19 pandemic led to school closures, increased mortality, social distancing, and disruptions to personal and professional lives. In the aftermath, there has been a need for improved access to high-quality mental health care. The World Health Organization (WHO) reports that during the first year of the pandemic, the prevalence of anxiety and depression [increased by 25% worldwide](#). More people are turning to TeleHealth and other technological treatment options due to COVID-19.

Impact investors can tap into the emerging opportunity of developing and running facilities that can help improve mental well-being in the Kingdom. One can focus on offering new drugs and behavior change apps to create long-term engagement, thus fostering mental health.

There is also an emerging opportunity to support an aging population in Saudi Arabia.

With the number of people aged greater [than 65 years per 100 people](#) expected to more than double between 2020 and 2030, there is a growing need to offer solutions to this subset of the population.

Getting the necessary financing to pursue impact investment opportunities in the Kingdom's healthcare sector should never be challenging. Tanmeya Capital is a one-stop shop for investment capital. The firm has already raised ten funds [worth SAR 2.7 billion](#) across Private Equity, Real Estate, and Impact investing in four years, a testimony to Investors' confidence.

KSAMust consider how the aging population will affect the financial demands on its healthcare system in the future. The management of the rising age-related non-communicable disease (NCD) burden in Saudi Arabia is a significant concern.



# IMPACT INVESTING IN EDUCATION

The Kingdom of Saudi Arabia is regarded as one of the Middle East's biggest markets for education. The Saudi Ministry of Education reports that due to the ongoing rise in demand for education, there [were 34,590 public and private schools](#) in the Kingdom in 2020. On the other hand, the number of public and private universities and colleges in the Kingdom increased dramatically; according to data from the Ministry of Higher Education, there were 85 universities and colleges in 2021, up from 65 in 2015.

The robustness of the education sector stems from the government allocating [close to \\$50 billion](#) in the industry in 2023, which is the most significant allocation compared to neighbors. The allocation is even higher compared to what is spent in the US, UK and Germany, affirming the importance of the sector and its prospects for impact investment opportunities.



## Sectors Allocations From Budget Expenditures 2022



### Basic Equipment and Transportation

SAR **\$42** bn



### General Items Sector

SAR **\$182** bn



### Security and Administrative Regions Sector

SAR **\$101** bn



### Military Sector

SAR **171** bn



### General Administration Sector

SAR **\$32** bn



### Economic Resources Sector

SAR **54** bn



### Health and Social Development Sector

SAR **\$138** bn



### Municipal Services Sector

SAR **50** bn



### Education Sector

SAR **\$185** bn

Source: [Arabnews](#)

Likewise, the education sector in the oil-rich nation has advanced significantly owing to the increased financing, with all students enrolled in secondary and intermediate programs. Diverse options are provided by new subjects, curricula, and online courses, and the Kingdom's dedication to technology is demonstrated by digital tools. Notwithstanding advancements, educational pathways and K-12 achievement still require work.

Gaps in equity and access continue to exist, and issues like community involvement and well-being must be addressed. Private investment lags behind other GCC nations, offering US businesses an opportunity. Similarly, a strong demand exists for high-quality K-12 education as Saudi Arabia works to improve its educational system.

The youthful demographic of the nation, along with a growing focus on academic distinction, fosters an environment conducive to funding for education, curriculum creation, technology integration, and teacher preparation initiatives.

Ample impact investment opportunities can yield substantial returns while contributing to the education sector.



## Private Public Partnerships

The Saudi Government has been pushing for solid collaborations between private and public sectors to create investment opportunities in the education sector. The government has been encouraging joint ventures and management contracts to allow investors to leverage existing infrastructure to expand their reach in the education sector.

## International Curriculum

With the opening of the world amid the digital revolution, there is a growing demand for schools offering international curricula. Consequently, impact investors can tap into the massive opportunity by opening schools that provide internationally recognized programs to attract local and expatriate students.

Nevertheless, impact investors looking to venture into the education sector should consider the following things.

**Regulatory compliance:** There is a need to familiarize oneself with the country's regulatory framework, focusing on licensing requirements and other procedures needed to establish any learning institution in the Kingdom.

**Market research:** Extensive market research is also needed to identify specific needs and preferences, which are highly needed in the Kingdom's evolving education sector. Understanding the local cultures and education preferences is essential to designing tailored educational offerings.

**Partnerships and Local Expertise:** It's essential to consider engaging in local partnerships as one of the ways of optimizing returns and impact in the Kingdom's education sector through impact investments. Collaborating with regional partners, educational consultants, and experienced operators will equip one with the necessary insights on approaching the industry in pursuit of opportunities.

**Long-term planning:** Create a sustainable business plan aligned with Saudi Arabia's long-term educational objectives. Consider elements like infrastructure upkeep, ongoing curriculum development, teacher hiring and training, and scalability.



# IMPACT INVESTMENT RISKS IN SAUDI ARABIA

While there are tremendous impact investment opportunities in Saudi Arabia, investor worries about political risk, business predictability, and transparency persist. There has been little progress on fundamental freedoms of speech and religion, and although some prisoners have been released, the ongoing detention and prosecution of activists and individuals for their social media commentary remains a serious concern.

The Saudi Arabian government has taken steps that have made the nation's investment climate less favorable in the future due to

pressure to produce non-oil revenue and give Saudi nationals more job opportunities. Some private sector operations have been disrupted by rising fees for foreign employees and their dependents and by "Saudization" policies mandating that certain companies hire a certain percentage of Saudi laborers.

Furthermore, Saudi Arabia declared in 2021 that international corporations wishing to do business in the country must establish regional headquarters. The stringent measures scare potential investors who would have wanted to invest in the country.

## BOTTOM LINE

Investments made to produce both a financial return and a positive, quantifiable social and environmental impact are known as impact investments. The world's most pressing issues are being addressed with capital from the expanding impact investment market in areas like microfinance, affordable and accessible essential services like housing, healthcare, education, sustainable agriculture, renewable energy, and conservation.

Saudi Arabia is one of the countries with some of the best impact investment opportunities as the Kingdom looks to reduce its reliance on the oil business. Impact investment opportunities are increasingly cropping up in the education, entertainment, and healthcare sectors as the government pumps billions in funding to unlock hidden potential. Whether setting up schools, hospitals or entertainment joints, one will generate significant returns while positively impacting the economy.

Tanmeya Capital offers funding solutions designed to meet client's capital requirements. The firm specializes in arranging debt and credit financing that companies and individuals can use to pursue impact investments in any market, including Saudi Arabia. The firm leverages technology and predictive models to assess credit eligibility and grant loans within a very short turnaround time.