Source, not sink:
Reassessing Middle East in Global Impact Investing

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Abstract

The Middle East is routinely characterised as underweight in global impact investing, at under two per cent of global impact assets. This chapter argues that the underweight is institutionally and directionally heterogeneous. Drawing on New Private Markets impact-fund data, Preqin sustainability-themed private equity, and proprietary sovereign wealth fund investments classified against the IRIS+ taxonomy, it constructs two baselines and decomposes the Middle East share by channel and directional flow. The region remains peripheral in private markets but emerges as a significant sovereign originator of impact-aligned capital while remaining a modest destination. It is therefore best understood as an asymmetric participant whose impact orientation is understated by self-identified fund definitions. The binding constraints are structural rather than a lack of pipeline, and the chapter sets out how the region's sovereign, family-office and Islamic social-finance pools might be mobilised as intentional impact capital.

Keywords: impact investing; Middle East; sovereign wealth funds; IRIS+; sustainable private equity; impact measurement; emerging markets

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1. Introduction

1.1 Background and motivation

Impact investing has emerged over two decades as one of the most dynamic strands of contemporary finance. Originating in the 2007 Bellagio convening organised by the Rockefeller Foundation (Bugg-Levine & Emerson, 2011), it has grown into a substantial asset class: the Global Impact Investing Network estimates the market at approximately US$1.57 trillion in 2024, across some 3,907 organisations and growing at 21 per cent a year over five years (GIIN, 2024a). Three features distinguish it from adjacent practices such as ESG integration and socially responsible investing: the intention to generate positive social or environmental outcomes, the financial-return objective, and the explicit measurement of impact alongside financial performance (Bugg-Levine & Emerson, 2011; Höchstädter & Scheck, 2015).

This growth has been accompanied by a parallel expansion of the field's measurement infrastructure. The IRIS+ system maintained by the GIIN catalogues impact themes, goals and core metrics across more than fifteen thematic areas, providing a standardised framework for classifying and reporting investments (GIIN, 2024c). The IFC's Operating Principles for Impact Management establish governance and disclosure standards now adopted by more than 175 signatories representing over US$500 billion in committed impact assets (IFC, 2024). The integration of impact investing with the UN Sustainable Development Goals framework has, in turn, provided a globally recognised policy backdrop for capital-allocation decisions.

Notwithstanding this expansion, the field's empirical mapping remains geographically uneven. North America and Europe manage approximately three-quarters of global impact assets under management, and emerging markets around 24 per cent (GIIN, 2024a, 2024b). Within that universe the Middle East is consistently the smallest category, at roughly 2 per cent of global impact AUM and fewer than 1 per cent of impact investors. It is underfunded on two fronts: impact investing is a small asset class globally, and the region's share of it is smaller again. The same thinness holds in venture capital, where the region drew under 1 per cent of global funding in 2024 (about US$1.9 billion of some US$328 billion worldwide; MAGNiTT, 2025; Crunchbase, 2025), and capital raised explicitly against impact-screening criteria is rarer still, with the region's first dedicated impact-screened vehicle, Anara Impact Capital, launching only in 2026, just beyond this 2024 window (Ngige, 2026). Against this thin supply sits an acute development profile: MENA holds around 6 per cent of the world's population but about 2 per cent of its renewable water, is the most water-stressed and fastest-warming region globally, and pairs widespread food insecurity with a population nearly 60 per cent under thirty (Global Ventures & C3, 2025). The gap between this potential and the capital committed is the puzzle the next section examines.

1.2 The Middle East puzzle

This empirical pattern is puzzling on its face. The Middle East encompasses some of the world's largest sovereign capital pools, the GCC sovereign wealth fund complex alone managing an estimated US$5–6 trillion, roughly 40 per cent of the global total (Global SWF, 2025; Deloitte, 2025), and hosts a US$3 trillion Islamic finance industry whose normative framework, the maqasid al-Shariah, overlaps substantively with the SDG agenda (Hassan et al., 2023). Beyond these capital stocks, the region is also a significant flow donor: the UAE has long maintained a high official development assistance to gross national income ratio, reaching 0.61 per cent of GNI in 2025 (USD 3.4 billion, preliminary), close to the UN's 0.7 per cent target (OECD, 2025), while Gulf zakat and waqf flows direct further capital toward social ends.

Economic diversification away from hydrocarbons is now a defining GCC priority, and because several of its core targets, notably energy transition, water and food security, and human-capital development, coincide with established impact themes, the agenda channels state capital toward impact-related sectors as a by-product of national strategy. Multi-trillion-dollar pipelines align with environmental and developmental themes (Masdar City, The Sustainable City, Red Sea Global, the Mubadala renewables platform; PwC, 2024; Baker Institute, 2025), as do major health and education programmes such as Saudi Arabia's Human Capability Development Program, Qatar Foundation's Education City and Abu Dhabi's M42 platform. This shift is increasingly matched by dedicated sustainable-finance instruments, including the Gulf's first blue bond, one type of sustainable-finance instrument, earmarked for ocean and water-related assets, issued by First Abu Dhabi Bank (Elliot, 2025).

The disjunction between the scale of regional capital nominally directed toward sustainability and SDG-aligned objectives and the modest 2 per cent impact-AUM figure invites closer examination. Two interpretations are available. The first is that the figure is approximately correct: the GCC's sovereign and Islamic-finance pools, despite their sustainability rhetoric, do not meet the field's standards of intentionality and measurability, making the underweight a structural fact. The second is that it reflects the GIIN sampling frame rather than the substantive scale of impact-aligned capital: meaningful regional pools deploy with explicit impact intent and measurement against frameworks such as IRIS+, but through vehicles that do not self-identify under the GIIN's definition and so fall outside the standard baseline.

This chapter takes neither position uncritically. It argues instead that the regional underweight is institutionally and directionally heterogeneous, structural in some channels of impact-aligned capital and artefactual in others, and substantially asymmetric between the region's role as an originator and its role as a destination. The empirical question is therefore not whether the Middle East is underweighted, but in which channels and directional flows it is and is not, and by how much.

1.3 Approach and contribution

To address this question, the chapter combines three data sources not previously assembled together for the region. Fund-level impact data come from the New Private Markets database, the closest proxy for the GIIN's definitional perimeter; sustainability-themed private equity from Preqin, capturing impact-adjacent capital without the impact label; and SWF investments from a proprietary dataset classified against the IRIS+ taxonomy, capturing capital that does not flow through GIIN-surveyed intermediaries. Each source separates Middle East-originated from Middle East-destined capital, enabling a directional decomposition the literature has not undertaken. On this basis the chapter constructs two baselines, a narrow one from the self-identified impact-fund universe and a broader one adding sustainability-themed private equity and IRIS+-classified sovereign capital, each decomposed by channel and direction.

The contribution is twofold. Methodologically, the chapter recasts the regional underweight as institutionally and directionally heterogeneous rather than uniform, showing that the definitional frame and the directional decomposition of flows are the two decisions that most shape regional measurement. Empirically, it offers the first multi-source mapping of impact investing in the Middle East along both dimensions. The central finding is that the regional share rises sharply but unevenly from the narrow to the broader baseline: in private markets the region remains peripheral as both originator and destination, whereas in the sovereign channel it emerges as a globally significant originator while remaining a modest destination. The region is thus better read as an asymmetric participant, modest in private impact markets and significant as a sovereign originator. We will also show that constraint is not binding the supply of investable solutions. A 2025 mapping of the regional pipeline by Global Ventures and C3 organises the opportunity into three interdependent layers of access: a healthy planet (clean energy, sustainable agriculture, water and the circular economy), human potential (healthcare, education and workforce inclusion), and enabling infrastructure (digital finance, payments and credit alongside mobility and urban systems). The pipeline behind these layers is deep and maturing, with the Middle East and Africa completing more than 5,000 venture deals between 2019 and 2024 (Global Ventures & C3, 2025). Drawing on our own pipeline mapping (Global Ventures & C3, 2025), this suggests the shortfall is one of capital allocation rather than deal flow.

1.4 Structure of the chapter

The remainder of the chapter proceeds as follows. Section 2 reviews the literature on impact investing in the Middle East. Section 3 describes the three datasets and the construction of the narrow and broader baselines. Section 4 presents the descriptive analysis under each baseline and directional flow. Section 5 examines the binding constraints and how the underweight might be addressed and capital unlocked. Section 6 concludes.

2. Literature Review

2.1 Early scholarship and the emergence of impact investing in MENA

Academic work on impact investing in MENA is recent and uneven. The first sustained treatments, practitioner–academic hybrids from the Wamda Research Lab and the Gerhart Center at the American University in Cairo, emerged in the early 2010s. Wyne (2014a, 2014b, 2015) mapped the funding landscape for the region’s social entrepreneurs and identified a nascent ecosystem in Egypt, Lebanon, Jordan, Morocco and Tunisia, constrained by definitional confusion, the dominance of traditional philanthropy and thin intermediary infrastructure. A parallel post-2011 strand examined the shifting landscape of giving and social investment (Zidi, 2013; Shehadi et al., 2013) across the porous boundary between philanthropy and impact investment (Jamali & Karam, 2018).

Much of this early work was practitioner-led and necessarily qualitative, since systematic transaction-level data were scarce: the ecosystem was mapped through case studies, expert insight and programme evaluation rather than fund-level evidence. Edited volumes asked whether regional social enterprise was a "false hope or new dawn" (Hill & Nocentini, 2015); programme-based assessments, including C3’s social impact assessment work in the Actions and Insights MENA series (Burton et al., 2019), began to build a structured evidence base; and later practitioner guides such as the Abu Dhabi Entrepreneur’s Journey (Nocentini et al., 2023) translated these lessons into hands-on frameworks for founders. Such efforts addressed the early evidence gap by qualitative means, even as the transaction-level data this chapter relies on remained unavailable.

These contributions established a stylised claim that the region is structurally underweighted in global impact capital, with successive GIIN and JP Morgan–GIIN surveys placing its share at roughly two per cent of impact assets and fewer than one per cent of impact investors (Saltuk et al., 2014; GIIN, 2020, 2024a). That narrative rests on a narrow base, self-reporting by GIIN-network members, whose robustness this chapter tests against broader private-market and sovereign data.

A more recent practitioner study supplies the most substantial primary evidence to date. Drawing on a GIIN-modelled survey of sixty regional investors, predominantly venture capitalists, with twenty expert interviews through the C3 network (Holliday, 2022), it characterised the MENA impact market as between infancy and growth, with no respondents regarding it as mature. This C3 survey identified suitable exit options, the availability of investment data, and definitional fragmentation as the most binding constraints. As a qualitative, self-reported study of a mainly venture-capital base, it is a strong guide to practitioner perception but not a substitute for the transaction-level evidence assembled here; it is a study whose findings are returned to in the closing discussion.

2.2 Institutional context and structural constraints

A second strand examines the institutional features that shape the regional opportunity set. Jamali and colleagues argue that the business–society relationship in the Arab world is mediated by distinctive logics that complicate the transposition of Anglo-American impact-investing models (Jamali, 2007; Jamali & Mirshak, 2007; Jamali & Karam, 2018). Four features recur. First, religious and philanthropic traditions, notably zakat and waqf, channel substantial capital toward social ends but have operated outside the formal financial system, and are increasingly treated as concessional capital for blended finance (Mohieldin et al., 2012; Biancone & Radwan, 2018). Second, the state's pronounced role in welfare provision has slowed the social-enterprise segment in several GCC economies, even as fiscal constraints open space for private impact capital elsewhere (El-Zoghbi et al., 2017; Wyne, 2015). Third, family business and family-office structures dominate regional private capital, with effects on impact appetite that remain thinly evidenced (Welsh & Raven, 2006). Fourth, a persistent gap in financial intermediation constrains both the pipeline of investable enterprises and the channels through which capital reaches beneficiaries, with acute gaps for women-led firms (El-Zoghbi et al., 2017; Patel, 2018). The recurring theme is a mismatch between novel terminology and deep-rooted ethical practice: though family conglomerates account for an estimated 60 per cent of regional GDP and 80 per cent of the workforce, respondents rate them weak actors in the impact ecosystem, attributing this to a persistent two-pocket separation of profit from charitable giving (Holliday, 2022).

2.3 Islamic finance: a scope boundary

A substantial literature documents the conceptual convergence between Islamic finance and impact investing: the maqasid al-Shariah overlap with the SDG framework, Shariah screening parallels exclusionary SRI, and zakat and waqf echo the affirmative logic of impact (Hassan et al., 2023), with green and sustainability sukuk extending it to environmental and social outcomes. For this chapter, however, Islamic finance marks a scope boundary: its social-finance flows are not captured at the granularity required here, and no comparable dataset yet exists for Shariah-compliant capital. Convergence (2024) estimates that well under one per cent of the roughly US$3 trillion Islamic-finance pool is currently deployed against measurable impact objectives. The chapter treats this convergence as adjacent context, and an IRIS+-equivalent measurement infrastructure for Islamic social finance as a priority for future work.

2.4 Sovereign capital, the transformation agendas, and measurement

A fourth, more recent strand examines the GCC national transformation agendas, Saudi Arabia's Vision 2030, the UAE's Net Zero 2050, Qatar's National Vision 2030, Oman's Vision 2040 and Bahrain's Economic Vision 2030, and the sovereign wealth fund complex through which they are operationalised. Combined GCC SWF assets are estimated at roughly US$5–6 trillion, around 40 per cent of the global total (Global SWF, 2025; Deloitte, 2025), led by the Public Investment Fund, the Abu Dhabi Investment Authority, Mubadala, ADQ and the Qatar Investment Authority. A largely practitioner literature documents the integration of ESG and impact considerations into these mandates: accession to the One Planet Sovereign Wealth Funds initiative, sustainability sukuk issuance, and the alignment of giga-projects such as Red Sea Global and Masdar with renewable-energy and circular-economy themes (Baker Institute, 2025; PwC, 2024; One Planet SWF, 2024). Gulf SWFs have thus become significant global originators of impact-aligned capital, much of it deployed beyond the region.

This literature is, however, analytically uneven: it tends to conflate ESG integration, sustainability-themed investing and impact investing, and how much sovereign capital meets the field's intentionality and measurability standards has gone largely untested (PwC, 2022; Convergence, 2024). A smaller strand begins to address this by mapping sovereign investments against the IRIS+ taxonomy maintained by the GIIN (Bortolotti et al., 2023). The methodological implication, which this chapter operationalises, is that sovereign capital classifiable against IRIS+ themes and metrics meets a defensible measurability threshold independent of whether the institution self-identifies as an impact investor, the foundation for the broader baseline in Section 3.

3. Data and baseline definitions

3.1 The narrow baseline: self-identified impact funds

The chapter's measurement strategy rests on a deliberate separation of two empirical perimeters. The narrow baseline is built from the New Private Markets impact-fund universe, which records private-market vehicles that explicitly self-identify as impact-investing and report against the criteria of intentionality, financial return and impact measurement (New Private Markets, 2025). Because inclusion is conditioned on self-identification, it is the closest available proxy for the perimeter that GIIN-network self-reporting implicitly applies, making the resulting Middle East share most directly comparable with the approximately 2 per cent reported in successive GIIN surveys (GIIN, 2024a). The narrow baseline thus anchors the analysis to the prevailing convention and provides the reference point against which expansion under the broader perimeter is measured.

3.2 The broader baseline: sustainability-themed private equity and IRIS+-classified sovereign capital

The broader baseline expands the narrow perimeter along two complementary dimensions, each motivated by Sections 2.2 and 2.4. The first adds sustainability-themed private equity from the Preqin database, capturing capital in impact-adjacent territory – climate, energy transition, inclusion, health – that does not necessarily adopt the impact label, often for marketing or regulatory reasons such as the Article 8 versus Article 9 distinction under the EU Sustainable Finance Disclosure Regulation (Preqin, 2025). Including this layer addresses the well-documented tendency of the self-identification frame to understate capital deployed with substantive sustainability intent but without the formal designation.

The second dimension adds sovereign capital from the proprietary dataset, in which SWF investments are classified against the IRIS+ taxonomy maintained by the GIIN (Bortolotti & Mangat, 2024). As argued in Section 2.4, classification against IRIS+ themes, goals and metrics establishes a defensible threshold of measurability, independent of whether the originating institution self-identifies as an impact investor. The broader baseline accordingly comprises the union of three sources, self-identified impact funds, sustainability-themed private equity, and IRIS+-classified sovereign capital, with overlaps reconciled to avoid double counting. The two baselines are not competing estimates of one quantity but distinct constructions, bracketing the regional figure between a conservative, self-identification-bound lower bound and a measurement-bound upper bound for impact-aligned, sustainable investment.

3.3 Origination, destination, and the directional decomposition

Each of the three sources allows capital to be attributed to a directional category, and this attribution enables the chapter's central analytical move. A commitment is Middle East-originated where the managing or committing institution – the fund's general partner, the sponsoring sovereign vehicle, or the transaction sponsor – is domiciled in the region, and Middle East-destined where the capital is deployed into portfolio assets in the region, irrespective of where the manager is based. The two categories are orthogonal: capital may be both originated and destined within the region, originated within it but deployed abroad, or originated externally and deployed into it.

Several conventions govern ambiguous cases. Capital committed through multi-region funds is apportioned in proportion to disclosed or estimated regional deployment rather than attributed in full on headquarters location; co-investments and fund-of-funds structures are attributed to the ultimate originating and destination institutions to avoid double counting. Applied consistently within each baseline, this directional decomposition resolves the regional underweight into its institutional and directional components, distinguishing the Middle East's role as an originator of impact-aligned capital from its role as a destination.

4. The Middle East across the narrow and broader baselines

This section presents the descriptive analysis of the narrow baseline, drawing on the New Private Markets impact-fund universe: 2,091 funds raised between 2000 and 2024 by 1,088 general partners in 76 countries, with aggregate capital raised of approximately US$483 billion; figures are disclosed for 81.9 per cent of funds (1,712 of 2,091), on which capital-weighted statistics are computed. Two caveats follow. Fund size is proxied by total capital raised, current net asset values being unavailable; and the regional unit is the New Private Markets 'Middle East' classification, a geographic proxy for the GCC that includes economies such as Israel and Turkey, so the figures should be read as a lower bound on the broader regional aggregate. Throughout, capital raised by managers headquartered in the region is treated as origination and capital deployed into regional assets as destination, following Section 3.3.

4.1 A marginal originator and a marginal destination

On the origination measure the Middle East is a marginal participant in the global impact-fund market. Managers headquartered in the region account for 41 of the 2,091 funds and approximately US$4.2 billion of capital raised, 0.9 per cent of the global total and roughly 2 per cent of the fund count, ahead only of Latin America and the Caribbean and far behind North America and Europe, which together originate 86.7 per cent of impact capital (Table 1). On the destination measure the picture is thinner still: funds targeting the region number 32 and have raised US$3.0 billion, 0.6 per cent of global impact capital and 1.5 per cent of the fund count. The narrow baseline thus confirms, on both measures, the conventional reading of the region as structurally underweight in the private-markets channel.

Two features qualify even this modest footprint. The regional total is highly concentrated: UAE-domiciled managers account for 80.8 per cent of regional capital raised, and a single life-sciences manager, TVM Capital Healthcare, accounts for approximately US$2.6 billion, close to three-fifths of the total, across thirteen funds. Private equity, inclusive of venture capital, represents some 77 per cent of regional capital. Only 40.7 per cent of capital raised by Middle East managers targets the region, the rest flowing chiefly to North America and Europe; because the largest regional manager invests predominantly in developed-market life sciences, the headline origination figure overstates impact capital that both originates in and is deployed within the region. Measured strictly, the private-markets channel rests on a narrow, concentrated base.

Table 1. The global impact-fund universe by general-partner headquarters region (narrow baseline, vintages 2000–2024)

GP headquarters region	Funds (n)	Capital raised (US$m)	Share of capital (%)
North America	847	217,060	45.0
Europe	797	201,309	41.7
Asia-Pacific	245	47,502	9.8
Africa	121	10,181	2.1
Middle East	**41**	**4,217**	**0.9**
Latin America & Caribbean	40	2,386	0.5
Total	**2,091**	**482,655**	**100.0**

Notes: Capital raised reported for the 1,712 funds disclosing capital. Shares of capital are computed on the disclosing subset and may not sum to 100.0 owing to rounding. Source: authors' calculations from the New Private Markets impact-fund universe.

4.2 Modest growth on a thin base

In absolute terms the region's impact-fund activity has grown: the number of Middle East-headquartered impact funds rose roughly fourfold, from four in 2000–2009 to sixteen in 2020–2024 (Table 2). Its share of the global fund count and of originated capital fell over the same span, from 4.9 to 1.2 per cent and from 8.7 to 0.3 per cent, while the destination share rose to 1.3 per cent in 2015–2019 before easing to 0.4 per cent. These shares rest on a very small base, and the early-period figures reflect only a handful of funds, so they are volatile and should not be read as a structural decline. The more measured reading is that regional activity has grown in absolute terms but has not kept pace with a far faster-growing global market, leaving the region a consistently small participant.

Table 2. Middle East share of the impact-fund universe, by vintage period (per cent)

Vintage period	Origination, funds	Origination, capital	Destination, capital
2000–2009	4.9	8.7	0.0
2010–2014	4.1	1.8	0.9
2015–2019	2.5	1.4	1.3
2020–2024	**1.2**	**0.3**	**0.4**

Notes: Origination measured by general-partner headquarters; destination by fund target region. Each cell is the Middle East share of the global total for the column and period. Source: authors' calculations from the New Private Markets impact-fund universe.

4.3 Under the radar within emerging markets

Benchmarking against emerging-market peers rather than the global total does not materially alter this assessment. Within the emerging-market subset, some 280 funds and US$43 billion of originated capital under the IMF classification, the Middle East accounts for 27 funds and US$3.8 billion, or 8.8 per cent of emerging-market impact capital, well behind Asia-Pacific (62.0 per cent) and Africa (23.7 per cent). As a destination it is smaller still, at 2.2 per cent of emerging-market-targeted capital, and its share of emerging-market origination has compressed to 3.1 per cent in 2020-2024 as fund formation in Africa and Asia-Pacific has scaled. Even against its most natural comparators, the region remains under the radar in private markets.

Taken together, the narrow baseline confirms the conventional reading for the channel it covers: in self-identified private-markets impact funds the Middle East is a marginal originator and a still more marginal destination, and its relative position has weakened over time. Whether this characterisation survives the widening of the measurement perimeter to sustainability-themed private equity and IRIS+-classified sovereign capital – and whether the directional symmetry observed here gives way to asymmetry in the sovereign channel – is the question to which the broader baseline turns.

4.4 The broader baseline: sustainability-themed private equity

Widening the perimeter to sustainability-themed private equity enlarges the regional footprint without overturning the private-markets conclusion. In the Preqin sustainable-investment universe, 3,666 funds and approximately US$1.16 trillion in aggregate fund size, Middle East managers account for 222 funds and US$43.8 billion, or 6.1 per cent of funds and 3.8 per cent of fund size (Preqin, 2025). This is several times the region's share of the narrow impact universe, yet still a modest global position, and on the more reliable fund-count measure the relative share declines across vintages even as the absolute count triples. Two caveats apply: fund-size coverage for recent vintages falls below half, understating capital-weighted shares, and the regional total is inflated by a single vehicle of approximately US$30 billion. The region is not marginal only relative to emerging-market peers: it leads the emerging-market sustainable universe on fund count and capital, and is the second-largest emerging-market destination after Asia-Pacific, a first sign that its position is stronger in origination than the narrow baseline implies.

4.5 The broader baseline: IRIS+-classified sovereign capital

The sovereign channel is where the regional picture changes decisively. The proprietary TIL-IFSWF dataset records 1,116 IRIS+-classifiable investments by 42 sovereign wealth funds, with disclosed deal value of approximately US$162 billion. Middle East sovereign funds originate US$81.4 billion of this, 50.1 per cent of global IRIS+-classified sovereign deal value against 31.3 per cent of deals, concentrated in the Abu Dhabi, Qatari and Saudi vehicles; the regional share has risen over time, reaching roughly half of global value and 37 per cent of deals in the most recent vintage. On this measure the region is the single largest originator, rivalled only by Asia-Pacific. The thematic mix aligns with the transformation agendas of Section 2.4: infrastructure (35.0 per cent), energy (28.4 per cent) and health (23.0 per cent) dominate, with energy's share rising across vintages.

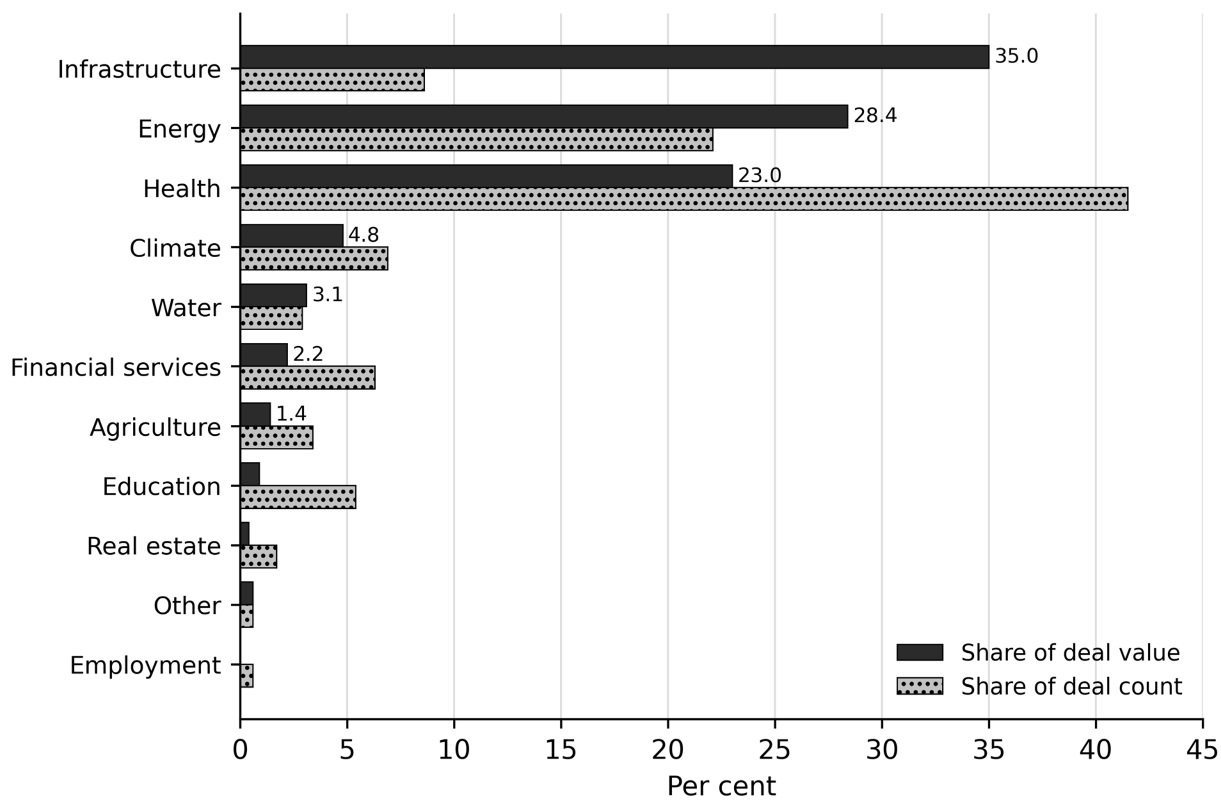

Figure 1. Middle East sovereign IRIS+ investment by impact theme: shares of deal value and deal count (2000–2024).

Source: authors' calculations from the proprietary IRIS+-classified sovereign dataset.

Crucially, this origination is overwhelmingly outward-directed. Roughly three-quarters of Middle East sovereign IRIS+ value is deployed cross-border – chiefly into Europe, North America and Asia-Pacific – and only about one-quarter is deployed within the region itself. As a destination, the Middle East receives US$20.8 billion, or 12.8 per cent of global IRIS+-classified sovereign value: larger than its private-markets destination shares, but still behind Europe, Asia-Pacific and North America, and far below its own share as an originator. The largest single transactions illustrate the pattern, a domestic Qatari rail-infrastructure investment standing alongside major cross-border commitments to European and North American infrastructure, healthcare and energy assets.

4.6 Two baselines, two directions: the regional underweight reconsidered

Read across the three channels, impact-aligned, sustainable investment originated in the Middle East rises from roughly US$4 billion under the narrow definition to approximately US$125 billion under the broader, measurement-based perimeter, the great majority of it sovereign (Table 3). The expansion is uneven. In the private-markets channels the region remains peripheral as both originator and destination, with a declining relative share, consistent with the dominance of developed-market intermediation. In the sovereign channel it is a globally significant originator whose share is rising, even as it remains a modest destination that sends most of its capital abroad. The conventional reading of the Middle East as uniformly under-funded therefore holds only in private markets and only on the destination side; across the broader perimeter it is better understood as an asymmetric participant, modest in private impact markets but a significant and growing sovereign originator whose impact orientation is underrepresented by self-identified impact-fund definitions.

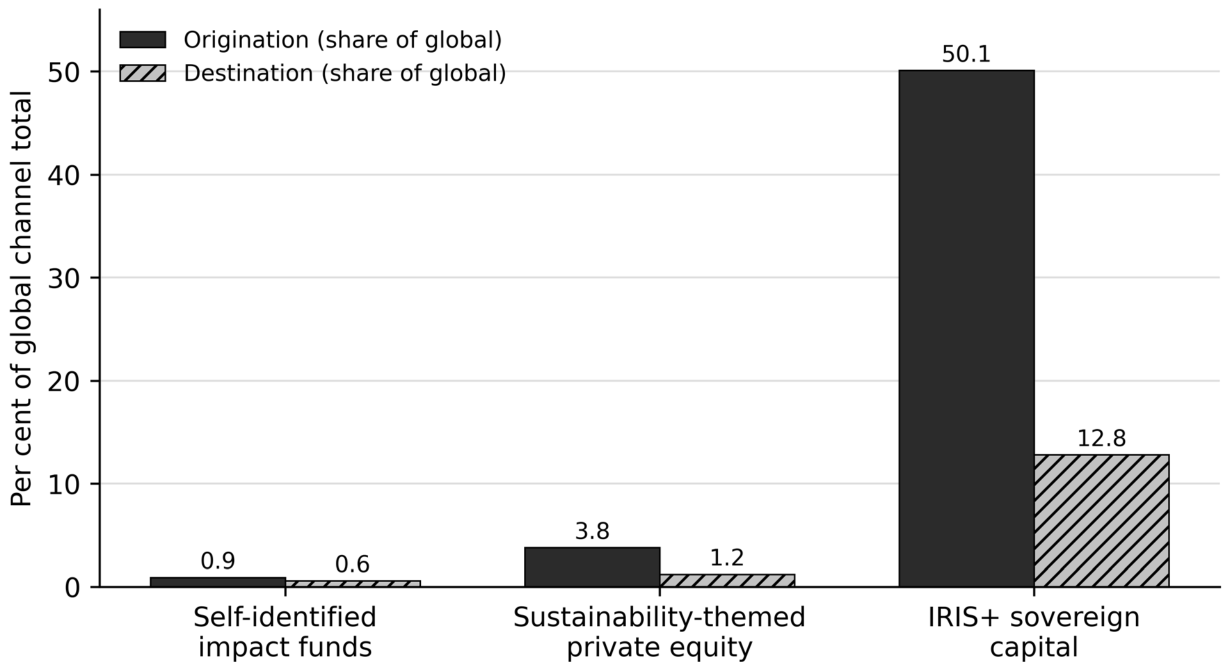

Figure 2. The Middle East across the narrow and broader baselines: origination and destination shares by channel (2000–2024).

Source: authors' calculations from the New Private Markets, Preqin and proprietary IRIS+-classified sovereign datasets. Each share is expressed relative to that channel's global total.

Table 3. The Middle East across the narrow and broader baselines, by directional flow (vintages 2000–2024)

Channel	Originated (US$bn)	Origination share (%)	Destined into region (US$bn)	Destination share (%)
Self-identified impact funds (narrow)	4.2	0.9	3.0	0.6
Sustainability-themed private equity	43.8	3.8	14.0	1.2
IRIS+-classified sovereign capital	81.4	50.1	20.8	12.8
Broader baseline (PE + sovereign)	**≈125.2**	—	**≈34.8**	—

Notes: Figures are indicative and combine three measurement bases (impact-fund capital raised; sustainable-fund size; sovereign deal value), so the broader-baseline totals are bracketing aggregates rather than a single audited quantity. Origination and destination shares are each expressed relative to that channel's global total. The broader baseline treats sustainability-themed private equity as the private-markets layer to avoid double counting self-identified impact funds; the private-equity component is inflated by a single vehicle of approximately US$30 billion and is subject to fund-size coverage gaps in recent vintages. Source: authors' calculations from the New Private Markets, Preqin and proprietary IRIS+-classified sovereign datasets.

5. Discussion: Constraints on, and pathways to, unlocking sustainable capital in MENA

5.1 The binding constraints

Section 4 established the shape of the regional underweight: a pronounced asymmetry in which the Middle East originates impact-aligned capital at scale, chiefly through sovereign vehicles, while absorbing little of it and remaining marginal in private markets. This section asks two distinct questions: why so little impact-aligned capital is deployed into the region, and, separately, why so little of what is deployed is recorded as impact, and how both might change. The pattern matches the constraints regional practitioners identify. In the C3 survey, the most binding challenge is the scarcity of suitable exit options, reflecting thin regional markets for IPOs and trade sales, which maps onto the destination side of the present analysis. This constraint is beginning to ease, however: regional public markets and trade-sale activity have deepened markedly in recent years, led by a wave of GCC listings, and as the exit channel matures the benefit should gradually extend to impact ventures.

A second cluster concerns information and definition: respondents rank the availability of investment data and the absence of a common understanding of what qualifies as impact investing among the most serious obstacles, each rated a significant challenge by roughly 43 to 53 per cent of respondents (Holliday, 2022). These are precisely the conditions that make the region's measured share so sensitive to the definitional frame, reinforcing the chapter's argument that the narrow self-identification perimeter understates regional activity.

Two further challenges follow from the chapter's own findings. The first is measurement fragmentation: the survey shows regional institutions rely overwhelmingly on the SDGs and make little use of transaction-level taxonomies such as IRIS+, limiting comparability and complicating the translation of stated intentions into verifiable outcomes. The second is the thinness of the regional manager base, with a small number of general partners, concentrated in the United Arab Emirates, originating the large majority of the region's impact and sustainable capital and constraining the diversity of strategies and sectors it can support. Respondents rate human capital quality, philanthropy and government support as comparatively minor, suggesting the binding constraints are structural and market-level rather than a shortage of talent or political will.

It is worth situating the first of these challenges in its global context, since impact measurement is not standardised anywhere. Reporting frameworks, methodologies and metrics vary widely, and independent verification remains the exception. These problems are sharper in emerging impact markets, where participants are still building measurement capability. The regional pattern documented above, heavy reliance on the SDGs and limited use of transaction-level systems such as IRIS+ (GIIN, 2024c) or the Operating Principles for Impact Management (IFC, 2024), is therefore best read as a more acute local instance of a global gap rather than a uniquely regional deficiency. This nascency also carries an advantage: with few institutions locked into legacy systems, the region could adopt a common international standard wholesale once one emerges, provided participants treat today's reliance on the SDGs as a temporary baseline rather than letting it harden into the fragmentation they might otherwise leapfrog.

A further structural constraint concerns the narrowness of the regional capital stack. Many impact-oriented business models do not follow the venture-capital growth trajectory around which the region's risk-capital market is organised, yet the instruments suited to slower-compounding or asset-heavy ventures, including venture debt, structured equity, revenue-based finance, working-capital facilities and grant or first-loss catalytic layers, remain thinly developed, and hybrid financing has only recently begun to emerge alongside equity even in the United Arab Emirates. The consequence is a financing mismatch: ventures that need a blend of instruments are pushed toward equity that may not fit, or are left unfunded. This compounds the destination-side weakness identified above, since a shallow instrument set limits not only how much impact capital the region absorbs but the kinds of impact business it can support.

5.2 From constraints to capital: levers for closing the gap

The constraints set out above are structural and market-level rather than evidence of weak demand or a thin pipeline, and they point toward a specific set of levers. The chapter's central finding frames the opportunity: the region is already a globally significant originator of impact-aligned capital yet remains a modest destination, deploying roughly three-quarters of its sovereign commitments abroad. Unlocking additional capital is therefore largely a matter of converting an existing originator strength, together with large but underrepresented domestic pools, into intentional, measurable and locally deployed investment. Four interlocking levers follow.

The first is measurement. Because the region's recorded share is so sensitive to the definitional frame, wider adoption of transaction-level frameworks such as IRIS+ and the Operating Principles for Impact Management, applied alongside the SDGs rather than in their place, would make intentional impact legible, improve comparability and reduce the impact-washing risk that a fragmented reporting environment invites. As Section 5.1 noted, the region's limited lock-in to legacy systems is itself an asset: adopting a common standard as it consolidates would let regional capital that already deploys with impact intent be recognised and counted, narrowing the artefactual component of the underweight.

The second is the supply side of intermediation. Origination today rests on a narrow base concentrated in the United Arab Emirates. Broadening it, in particular by supporting general partner formation in Saudi Arabia and the wider GCC, would reduce dependence on a single hub and widen the strategies and sectors regional capital can support. This deepening must extend to the instrument stack: developing venture debt, structured and revenue-based finance, working-capital facilities and first-loss catalytic layers alongside equity would let the many impact models that do not fit the venture-capital growth path be financed domestically, directly addressing the destination-side weakness identified in Section 4.

The third is the mobilisation of under-deployed pools. The region’s sovereign and family-office capital and its substantial Islamic social-finance flows are precisely the patient, concessional capital that blended structures require, yet they remain thinly represented as impact limited partners relative to their capacity. Channelling even a fraction of the sovereign capital currently deployed abroad toward domestic impact, and positioning zakat and waqf flows as first-loss layers, would close part of the destination gap and crowd in private capital. The fourth, enabling lever is institutional: the two-pocket separation of profit from charitable giving should give way to an integrated view, operationalised through co-investment platforms that pair concessional with commercial capital and supported by closer collaboration between governments, established managers and entrepreneurs.

6. Conclusion

This chapter set out to test whether the conventional characterisation of the Middle East as underweight in impact investing survives a widening of the measurement perimeter and a directional decomposition of flows. The answer is that the underweight is real but heterogeneous, and better read as an early-stage opportunity than a settled deficit. In private markets, self-identified impact funds and sustainability-themed private equity, the region is a modest originator and a smaller destination whose relative share has yet to keep pace with a fast-growing global market. In the sovereign channel the picture inverts: classified against the IRIS+ taxonomy, Middle East sovereign wealth funds originate roughly half of global sovereign impact-aligned deal value, and a rising share, even though most is deployed abroad. The regional aggregate accordingly rises from roughly US$4 billion under the narrow definition to well over US$100 billion under the broader one. The region is therefore best understood as an asymmetric participant whose impact orientation is understated by conventional fund definitions, and as a largely greenfield one: it already commands the sovereign capital, the development need and the maturing pipeline that impact investing requires, and has only begun to channel them through intentional, measured and locally deployed vehicles. The central challenge ahead is not mobilising capital from scratch but redirecting what already exists, converting the dominant outward orientation of sovereign impact-aligned flows into domestic deployment, and bringing the private-markets and sovereign channels into closer alignment

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