

September 2018

# Social Innovation and Entrepreneurship Development Fund

## Stakeholder Engagement Workshop on Piloting Pay for Success (PFS) in Hong Kong Executive Summary



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## Executive Summary

- Objectives of the study and purpose of this report
- Workshop agenda, participants and themes
- PFS readiness gaps identified
- PFS building blocks

## Objectives of the Study

*As set out in the original study brief, the objectives of this engagement are ...*

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a) to gather interested and relevant parties to appraise the potential and long term development of the PFS model in Hong Kong, explore the feasibility and readiness for Hong Kong to pilot PFS project(s), and brainstorm the possible framework and structure of any potential pilot project(s);

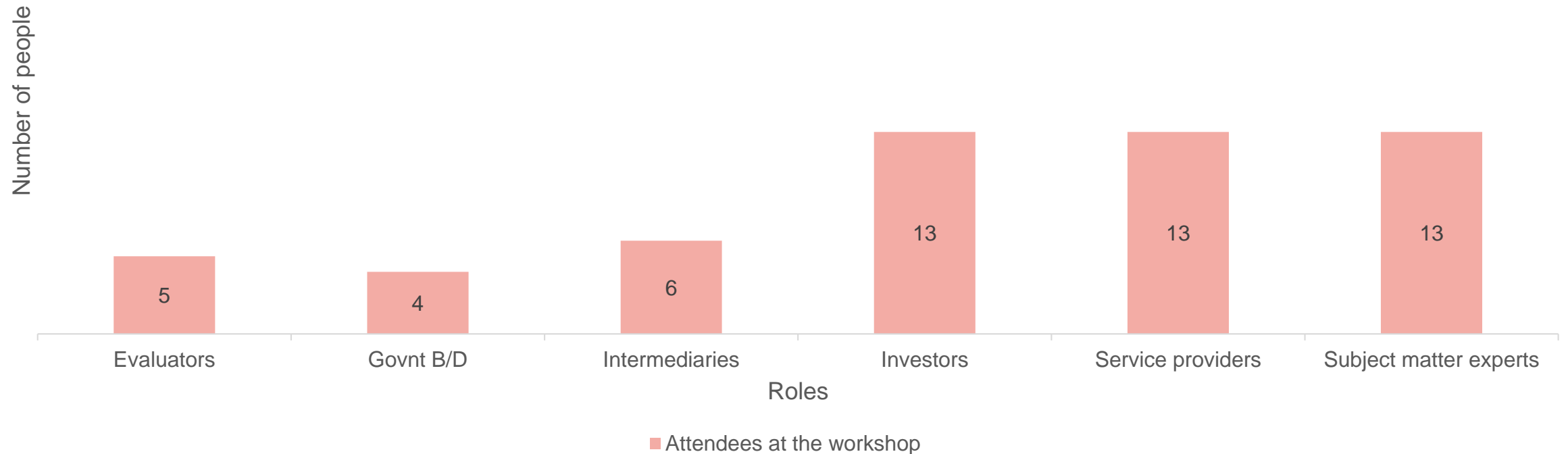
b) to line up and engage interested parties in any further development of the PFS model in Hong Kong after the Workshop.

The workshop followed our Catalyst approach of Scan – Focus – Act, including the sessions opposite

Lunch and Walkabout	
Introduction and Presentations	
“Scan”	Keynote Sharing
	Tradeshows – studios sharing actual overseas PFSs
“Focus”	Introduction to potential initiatives for piloting PFS in Hong Kong
	Feasibility Discussion – co-creation session for discussion on a particular potential initiative among a mix of participants
	Present Back
	Debrief, live polling
“Act”	Road-Mapping
Wrap Up and Close	

# Interested PFS players were identified across all stakeholder groups and strong attendance was achieved (1/2)

Number of interested PFS players in Hong Kong who attended the workshop on 20 June 2018










# Interested PFS players were identified across all stakeholder groups and strong attendance was achieved (2/2)

Roles	Number of attendees at the workshop	Indicative list of organisations represented
Evaluators	5	Hong Kong Polytechnic University, The University of Hong Kong, The Education University of Hong Kong, The Chinese University of Hong Kong
Govnt B/D	4	Elderly Commission, Financial Services and the Treasury Bureau (The Treasury Branch), Education Bureau
Intermediaries	6	Shifted, Water Drops Foundation, Hong Kong Council of Social Services, Third Sector Capital Partners
Investors	13	Hong Kong Jockey Club (Charities Division), D H Chen Foundation, Cazenove Capital Management / Schroders, HSBC, Stan Group, Wu Jieh Yee Charitable Foundation, The Yeh Family Philanthropy, Credit Suisse, UBS Optimus Foundation, Macquarie Group Foundation
Service providers	13	Tung Wah Group of Hospitals, Oxfam Hong Kong, Hong Kong Council of Social Services, DiD HK Limited, Ebenezer School for the Blind Hong Kong, MentalCare Connect Co Ltd, St. James Settlement
Subject matter experts	13	SIE Fund Task Force, Our Hong Kong Foundation, United Way Worldwide

# Four social issues were discussed on the day

While the projects identified for Feasibility Discussions were chosen to capture some of the key social issues in Hong Kong, there are other social issues that could be considered for PFS in the future

Name of project	Themes						
	 Education	 Health	 Unemployment	 Homelessness	 Child Welfare	 Recidivism	 Others...
Oxfam NCS	✓						
Smart Centre		✓					
DE Empower			✓				
Social Housing Movement				✓			

Other potential themes for Hong Kong to explore PFS in

# Three key gaps were identified in examining the readiness for PFS in Hong Kong

This readiness assessment takes a retrospective view of the Hong Kong situation. After considering all the local cases for readiness in Hong Kong the following summarises, at a high level, the common and key gaps in Hong Kong to implementing PFS:

## Funding

- **More immediate priorities**, such as securing funding in the short term, may overshadow taking on the challenge of new models such as PFS for some NGOs.
- **A lack of understanding of PFS** means some funders in Hong Kong are not yet ready to explore the new model.
- **The inherent high risk of outcomes payment is unattractive** when more tried and tested options are available.

## Outcome measurements

- **Outcome metrics** are being discussed by service providers but are not yet linked to payments.
- **Data availability** is restricting the ability to explore and test outcome metrics.
- **Understanding of PFS structures by Service providers is lacking**, especially with regard to the implications of introducing outcome measurements to their work.
- **Implications of outcome measurement** are yet to be appropriately appreciated by funders.

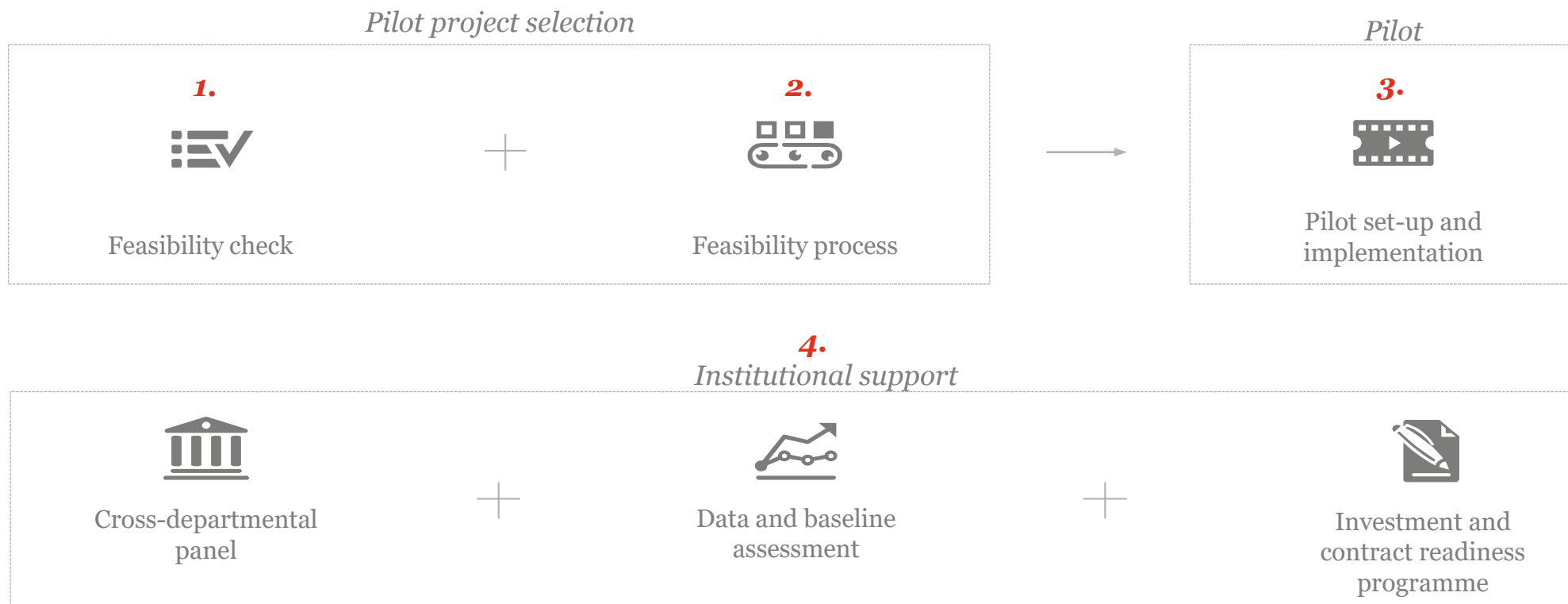
## Market

- **Alternatives exist and are well established**, with few players in the Hong Kong market ready to innovate and implement PFS and shift the mindset of social service.
- **A regulatory framework** is needed to clarify, minimise and / or mitigate risks associated with PFS.
- **Stakeholders are in the preliminary stages** of gaining understanding of PFS as a funding approach.
- **Sector capacity** for PFS implementation will require further investment in support and training.



# Overcoming the gaps to proceed with a pilot requires four building blocks

This feasibility assessment takes a forward looking view. It builds on the commentary of the readiness assessment and informs the building blocks for PFS in Hong Kong. We consider three key building blocks for any project as well as a fourth “institutional support” building block that is important in supporting all projects:





## Feasibility check

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Prior to consider piloting a PFS in Hong Kong it will be important to establish the feasibility of a PFS by validating:

- The social issues (reviewed during the workshop) could potentially be better addressed through earlier and / or new and innovative forms of intervention than the status quo;
- Adoption of such forms of intervention can be procured and funded in part or whole through outcome payments;
- The providers of these services require third party sources of working capital (to deliver services and/or reduce their own risks) in order to supply services under such a payment process; and,
- Public sector commissioners can contract with providers and investors under a PFS model where investor returns are in some form linked to provider outcomes and activities.



## Feasibility process

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The various actions or steps needed to address the above include:

- Defining the social issue and beneficiary cohort;
- Assessing baseline data to determine the levels of government costs related to this issue and relevant cohort;
- Undertaking an options appraisal and cost benefit analysis of approaches to reduce these costs and improve cohort circumstances;
- Agreeing, on the basis of the above, a preferred intervention approach; and, where a PFS is selected,
- Identifying market capability to deliver the PFS through soft market testing with providers and investors; and,
- Selecting a procurement and contracting route that allows for the engagement of these providers and investors.



# Pilot set-up and implementation

Pertinent issues to implementing a pilot include:

## **Defining outcome measures**

This requires all stakeholders (commissioners, providers and investors) prior to formal procurement to agree (in principle) an objective mechanism for assessing social outcomes and how and when positive changes in these outcomes will “trigger” commissioner payments;

## **Developing an operating model**

That involves more detailed consideration of an operating plan and financial model and payment terms that will form the basis of the PFS contract;

## **Raising investment**

Once a financial model and proposed operating plan has been agreed the process of raising investment can commence through further discussions with investors; and,

## **Procurement**

Upon having potential investment in place commissioners can launch a procurement process in order to select and / or appoint either a service provider(s) or an intermediary (the latter of which might oversee service provision and funding).



## Institutional support

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It may also be beneficial in a Hong Kong context to:

- Establish a cross departmental advisory panel to advise on and provide input to the development of the strategy and to identify the market appetite for the concept of PFSs and wider social investment approaches;
- Undertake a detailed analysis and review of data availability in Hong Kong to address improvements in data gathering and collation needs if outcomes contracting is to have appropriate and robust data on which to measure outcomes; and,
- Assess the need to develop an investment and contract readiness programme for providers interested in developing and delivering preventative and outcomes based programmes.
- Assess the need to develop a knowledge sharing platform where interested and potential stakeholders can learn and share planning and implementation experience; and a PFS deal sharing platform where interested parties can access and evaluate potential PFS opportunities.

A person wearing a grey knitted sweater is holding a lit sparkler. The sparkler is bright yellow and orange, with many sparks flying out. The background is a soft, out-of-focus blue. The text "Thank you!" is overlaid in the center in a white, serif font.

# Thank you!

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