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Title

Global Landscape of Social Impact Bond and Challenges for Hong Kong

Abstract

Social Impact Bond (SIB), also known as Pay-for-Success, is a financing mechanism utilized by the government to raise funds from private investors or philanthropists for social services where the financial return is tied to specific targets outcomes. With a mission to reduce the remediation costs for social problems, SIB is usually implemented in preventive services that incur cost savings. Not only does it contribute to the sustainability of public finances, the collaborative nature of this mechanism presents a new opportunity for philanthropists to invest in impactful solutions on top of traditional grants.

Developed countries like the United Kingdom and the United States have already implemented the mechanism in different policy areas with positive results. In the context of rising public expenditure on social services and healthcare, this paper examines the possibilities of implementing SIB in Hong Kong. It consists of a review of the global landscape along with an analysis of the foreign and local context, which unveils the opportunities and challenges for Hong Kong philanthropists to adopt such an innovative tool.

One of the major conclusions of this paper is that the underdevelopment of social impact assessment is the vital barrier to an effective implementation of SIB in Hong Kong. As mentioned, the success or failure of each project is strictly defined by the target outcomes agreed by all parties. To measure social outcomes, a solid evaluation methodology with sufficient social impact data is indispensable. Unlike the United Kingdom and the United States, where well-established social impact data systems are already in place, Hong Kong seems lagging far behind in terms of assessment infrastructure.
The lack of financial incentive on the government side is another major challenge to implementing SIB in Hong Kong. Most countries, usually experiencing continuous severe fiscal deficits, adopt SIB because it can potentially relieve pressure on government budget. The Hong Kong government, however, has been recording budget surplus of billion dollars every year, which undermines the financial incentive of the administration to employ an alternative financing method.

Despite the challenges presented by the SIB model of public-private partnership, it is of paramount importance to harness the power of innovation to catalyze the philanthropic sector in Hong Kong. This paper calls for further research in search of feasible solutions.

**Keyword**

Social Impact Bond; Pay For Success