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# Unique Opportunities for PFS in Hong Kong

How will PFS work differently in East Asia and Hong Kong?

19 October 2018

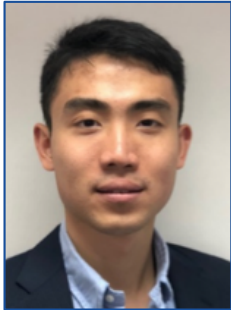
# Agenda

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- **What have been some recent developments in using PFS to solve complex social issues in East and Southeast Asia?**
- Why have stakeholders wanted to deploy PFS in the region, and how has the rationale been different from our experiences in the US?
- What are potential opportunities and barriers in adapting this tool to the unique Hong Kong context?

**We are a non-profit dedicated to unlocking social innovation by combining global best practices with the unique Asian cultural context**

**Key Tri-Sector Associates Team**



Kevin Tan  
**Founder, Tri-Sector Associates**  
Led multiple US PFS projects,  
Former Harvard Kennedy School  
Social Impact Bond Lab



Richard Edwards  
**US Advisor**  
Former Head of Global Project  
Finance, JP Morgan Chase (based  
in Asia)



Eugenia Lo  
**Consultant, Hong Kong**  
Advisor to impact start-ups.  
Former CEO of SOW Asia, Kroll  
Advisory MD, KPMG Adv. Partner



Patsian Low  
**Director, Project Advisory**  
Former Head of DBS Foundation,  
Director National Volunteer and  
Philanthropy Centre



Dennis Ye  
**Project Lead**  
Former Research Lead of Reapra,  
Consultant at JFDI.Asia and Bill &  
Melinda Gates Foundation China

- Combining IP from Third Sector Capital Partners with local Asian context
- Won awards from raISE Singapore and Singtel Future Makers 2018
- Supporters include Economic Development Board of Singapore, the BinjaiTree Foundation and Philip Yeo Initiative

**We have had the chance to partner with some of the leading players in Asia and the world to help advance PFS**

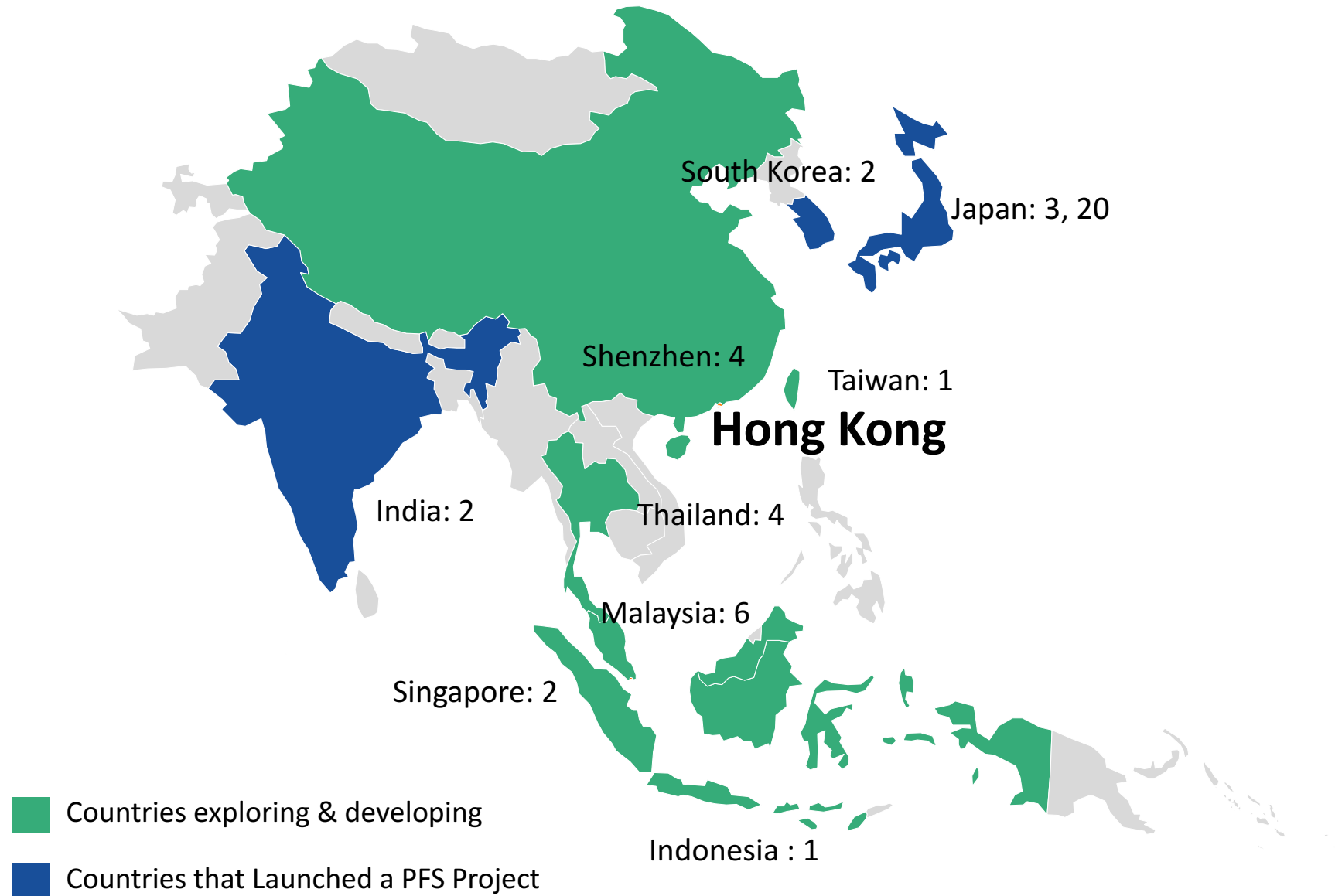
**Selected Organizational and Project Partners (TSA and TSCP)**



**LIVING CITIES**  
INNOVATE ► INVEST ► LEAD

# HK has the opportunity to be the centre of PFS innovation in the region

The PFS tool is increasingly being used around Asia



# In Asia we have seen an exciting use of PFS to tackle new issue areas as well as unique twists of traditional issue areas

## Observed PFS Issue Areas in Asia (Non-Exhaustive)



Drug/Female  
Recidivism



Diabetes  
Prevention/  
Cancer Screens



Employment of  
Persons with  
Disabilities



Elderly Frailty/  
Dementia Prevention



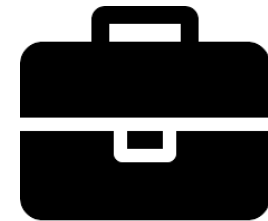
Mental Health Peer  
Support/  
Employment



Environment/Waste  
Management



Childhood education/  
Special Needs/ Early



Reskilling/  
Women  
Unemployment

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## PFS is now being deployed in a budget surplus context

### Recent headlines in Asian Cities

#### **S'pore enjoys a record Budget surplus of S\$9.61 billion for FY2017**

*Largest since 1997.*

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Feb 28, 2018 1:59pm

#### **Land premiums, stamp duties help HK reap record budget surplus**

## Common Questions about PFS in Asia

Why doesn't  
government  
just fund ?

Why doesn't  
philanthropy  
just fund?

# **Social spending by Government in HK and Singapore is rising dramatically – however, will it be spent effectively?**

## **Recent Headlines**

### **Singapore**

## **Singapore near-triples social expenditure in last 10 years**

02 Mar 2017

Investments in healthcare, education and the like increased from S\$12.7 billion in FY2006 to S\$34 billion in 2016, Finance Minister Heng Swee Keat reveals.

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## **Extra billions in social welfare spending ‘failing to meet needs’ of Hong Kong’s ageing population**

13 April, 2018

Research released by the city’s legislature shows that despite pledges to spend more in the coming years, Hong Kong is still underprepared for a greying citizenry, and some funds even go unused

## Government “just funding” often does not lead to intended social outcomes

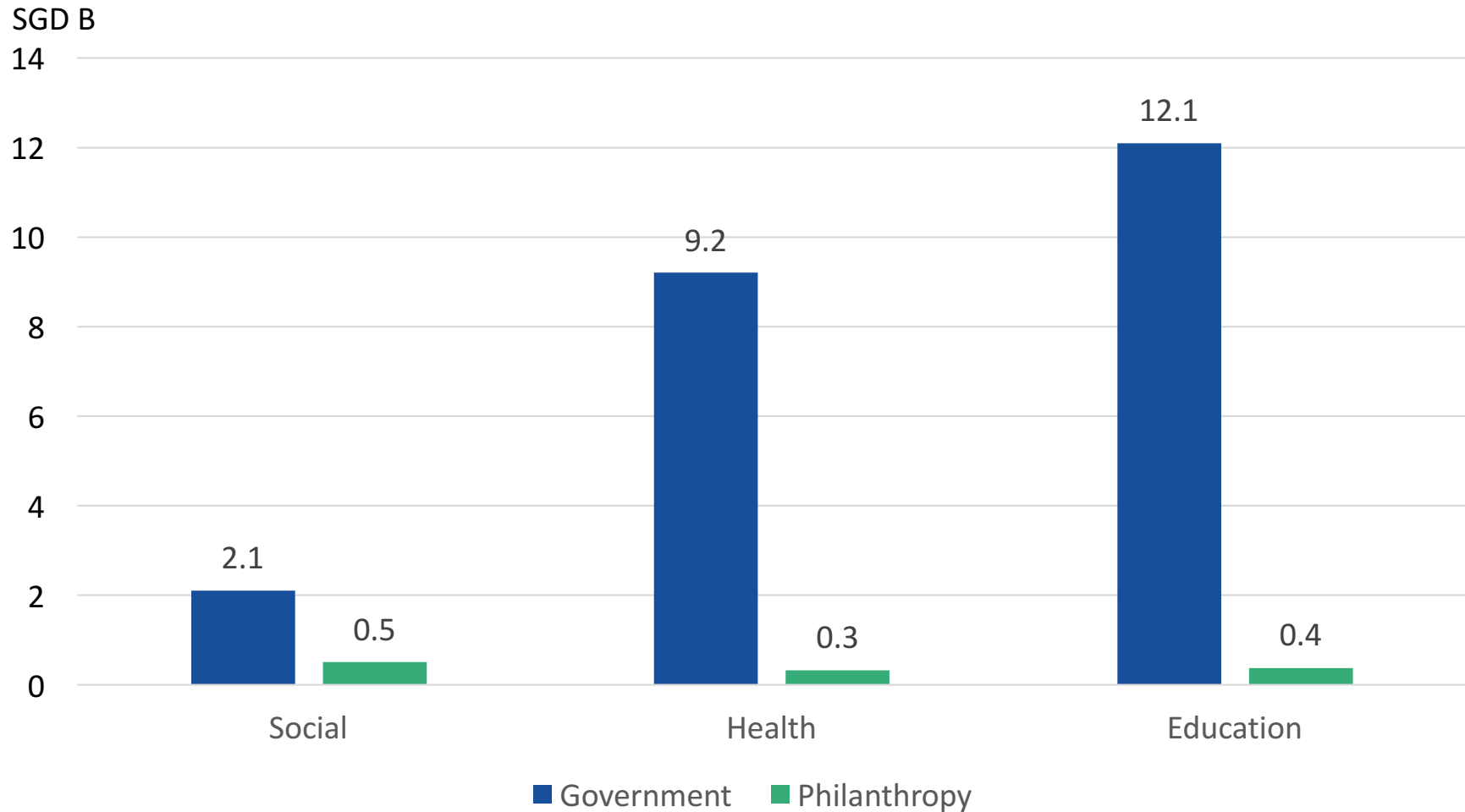


**“Of the 90 interventions evaluated in Randomized Controlled Trials....  
approximately 90% were found to have weak or no positive effects”**


*- Jon Baron  
Coalition for Evidence Based Policy*

# Philanthropy “just funding” will likely not lead to impact at scale

Singapore Social Expenditure 2015 by Source



**PFS is a combination of two tools that allows philanthropy to be used 1) repeatedly 2) transparently 3) and flexibly to unlock new innovation**



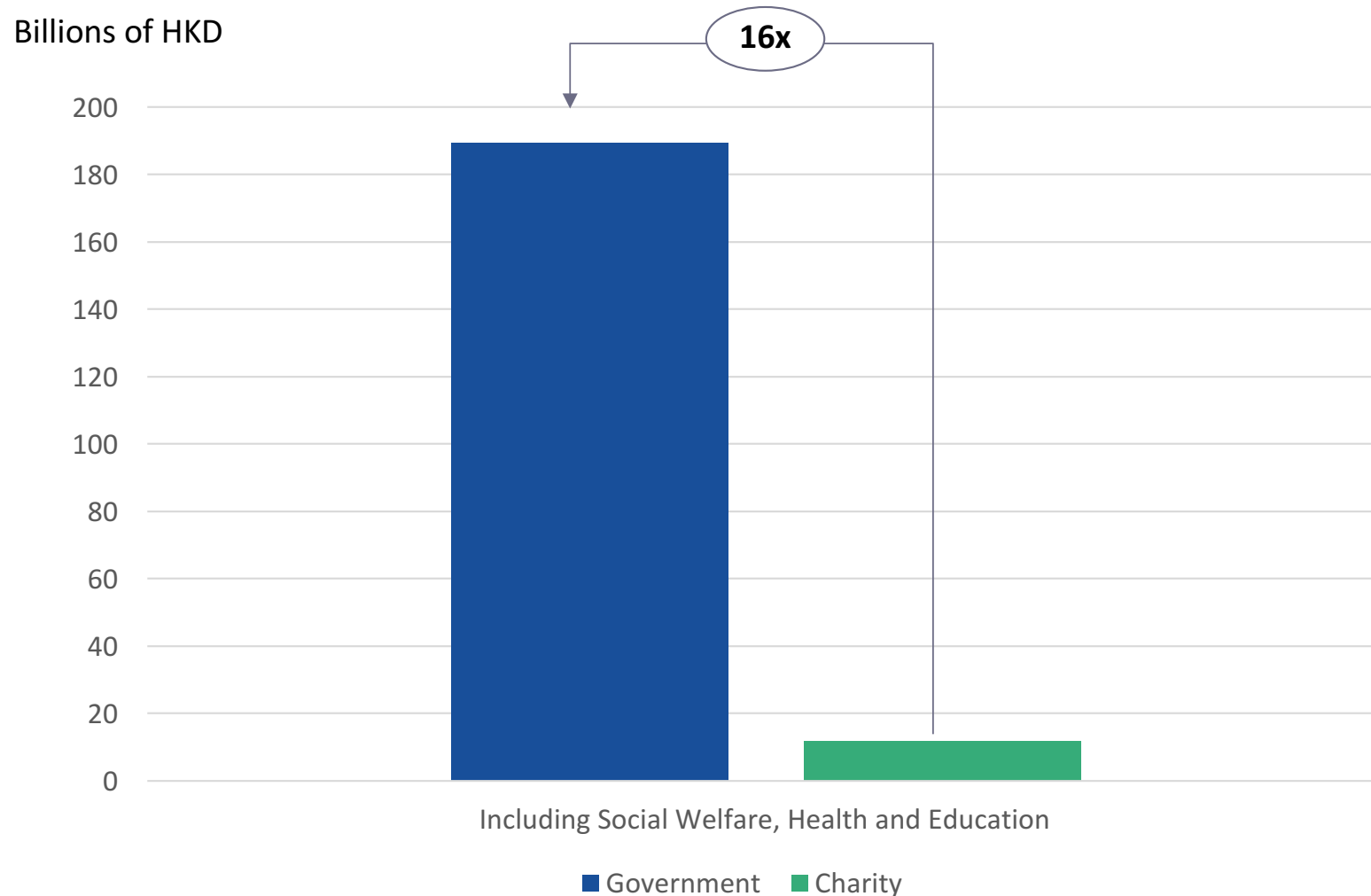
**Government  
Outcomes  
Contracting**



**Upfront  
Impact  
Funding**

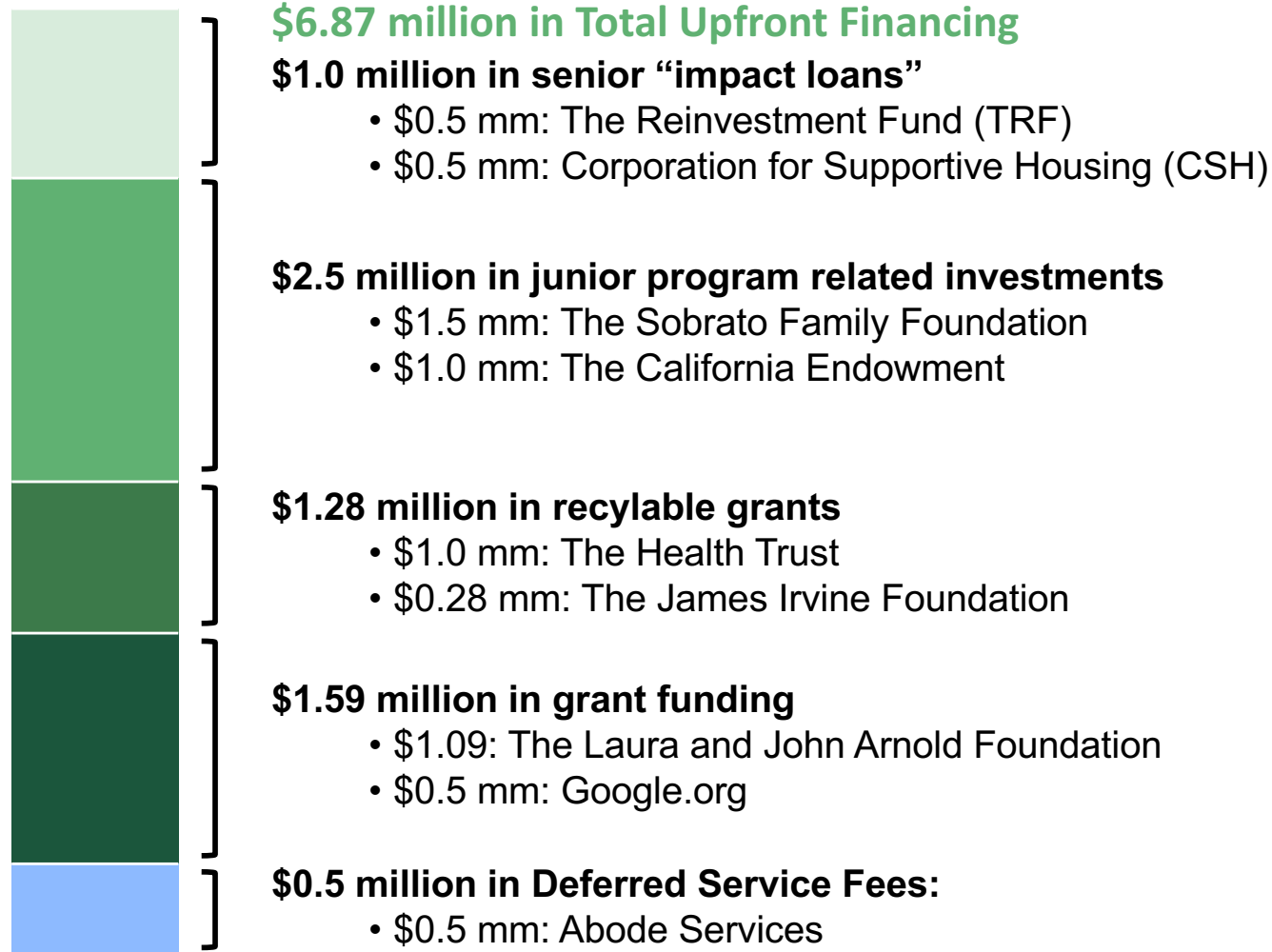
# 1) Funders can greatly leverage their impact by helping to improve how government funding is deployed

Hong Kong Social Spending 2014-2015 by Source (Latest Available)



# 1) Silicon Valley Example: Funders get leverage either by re-deploying their money again, or by crowding-in other players

## Silicon Valley Homelessness Project: Project Capital Stack

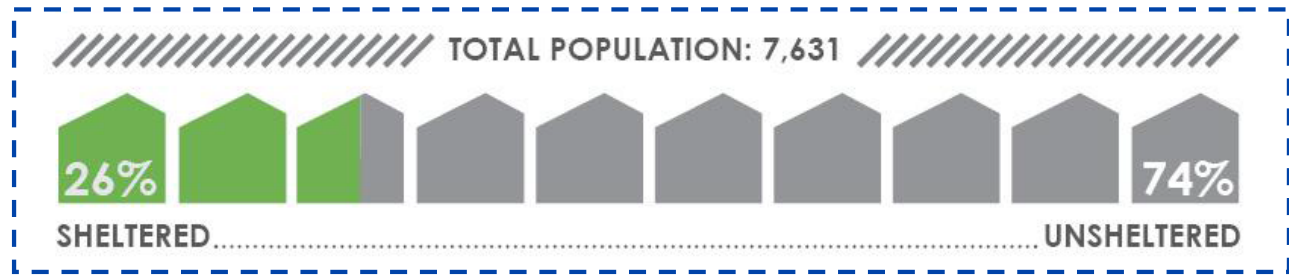


## 2) In addition, funders in Asia have liked that PFS leads to greater transparency in outcomes than traditional giving models

### Example: Silicon Valley Homelessness PFS Project

#### Target Population Profile

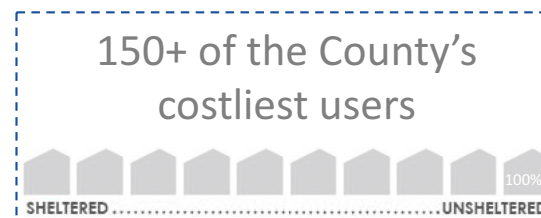
County's  
Homeless  
Population



Chronically  
Homeless  
Population



PFS Target  
Population



**3) Funders also believe that collaboration across sectors unlocks innovation: Ansari X Prize led to 10X investment and a new space age**





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# We see many of the fundamental positive rationales and preconditions to use PFS in Hong Kong

## Potential Reasons for PFS in Hong Kong

I

**Maximize Impact.** Use philanthropy over and over again to pioneer programs.

II

**Build Smart City.** Stimulate data-driven culture in evaluating social outcomes.

III

**Unlock New Solutions.** Enable scaling of innovative programs that work.

IV

**Collaborate Across Sectors.** Tap on strengths in multi-sector partnerships.

V

**Drive Cost-Efficiency.** Improve outcomes-per-dollar for taxpayers.

**However, as PFS is still a relatively new concept for the ecosystem, there remains a large amount of technical & “human” work to be done**

**Common Questions from Key PFS Stakeholders in Hong Kong**



**FUNDERS**

- How does PFS investing fit within our mandate?
- Is the “overhead” of a PFS project worth paying for?



**GOVERNMENTS**

- How much is a fair return for investors?
- How can we be sure that any impact we see is due to the PFS program?



**SERVICE PROVIDERS**

- Why should we participate in an outcomes based contract?
- What additional value can private investors bring to us?



**EVALUATORS**

- What outcomes should be measured for policy decision-making?
- How can we get access to the necessary data for measurement?



# We believe that PFS could stimulate a much larger systems-change in focusing on outcomes in the social sector

## Examples of Large-Scale Outcomes-Oriented and Data-Driven Contracting



With Stanford CPI, Third Sector is integrating the **1.3 billion datapoints of the US tax database** with local provider and government datasets for data-driven funding



Third Sector is partnering with U Penn's AISP to **integrate foster care databases** to enable predictive analytics and outcomes-based funding



Cuyahoga County, OH, is exploring outcomes contracts for more than **\$350M in funding** for housing, foster care and lead abatement



Washington State is planning to implement outcomes contracts for over **\$1B in funding** for services for children



Los Angeles County, CA is working with Third Sector to transition over **\$2B in funding** for mental health services to outcomes contracts