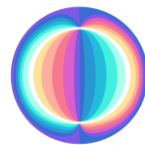


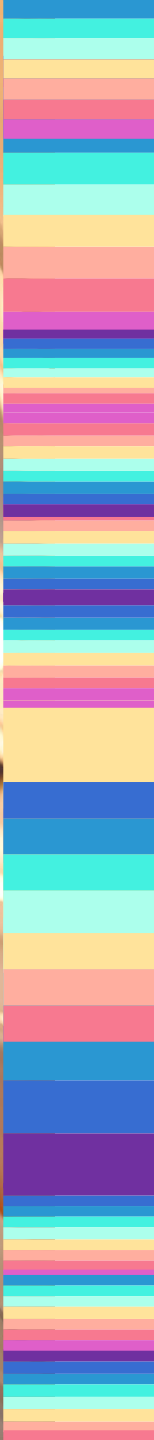
Outcome-based financing (OBF) ecosystem for Hong Kong & China

Event Summary

CENTUM
CHARITAS
FOUNDATION



Outcomes
Lab



OBF Scoping Meeting Introduction

Date: August 21, 2024

Time: 3:00 PM to 6:00 PM

Venue: Mira Hotel, Tsim Sha Tsui, Hong Kong

Background of the Meeting:

- Centum and Outcomes Lab announced their strategic partnership to advocate for and build an OBF ecosystem in Hong Kong and Asia.
- The partnership aims to establish a model in Hong Kong that can be replicated in Mainland China.
- Attendees included:
 - Major intermediaries of the Social Innovation and Entrepreneurship Fund (SIEF) including Oxfam and HKCSS
 - Charity foundation and impact investors including Chow Tai Fook Charity Foundation & Gravity Capital Partners etc.
 - OBF professionals such as Social Value International, Climate Finance Asia & Tri-Sector
 - Service providers delivering OBF projects such as Dialogue in the Dark, Save the Children and Let's talk ADHD etc.

OBF Scoping Meeting Introduction

Objectives of the Meeting:

1. Review the progress and current status of Outcomes-based financing (OBF) in social innovations, comparing it to the developments in Singapore and Europe.
2. Assess market readiness and willingness to participate in a upcoming OBF projects in Hong Kong across sectors and segments.
3. Raise Excitement, Confidence, and Commitment in driving OBF in Hong Kong.

Follow up Actions of the Meeting:

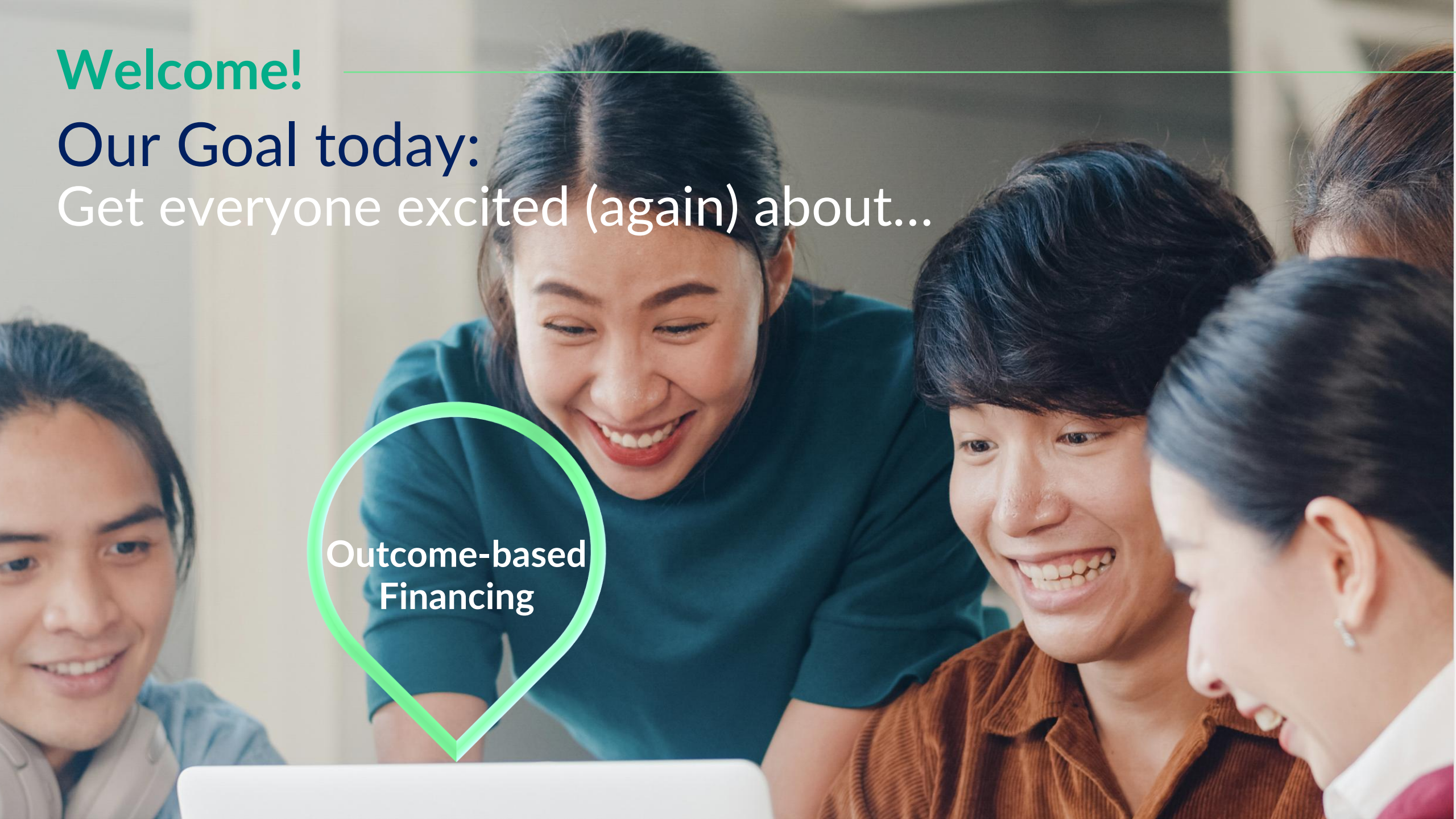
1. Summarize key consensus points from participants and produce a presentation deck combining the day's insights for communication with the government.
2. Forming a task force to kickstart planning for the next immediate OBF project with key service provider – Dialogue in the Dark Foundation (DIDF), Save The Children, including defining roles and responsibilities. Intermediary and impact measurement experts, such as Oxfam, HKCSS and SVI are willing to assess pipelines and contribute to market advocacy. And potential funders have expressed commitment to support upcoming OBF deals.

Welcome!

Our Goal today:

Get everyone excited (again) about...

**Outcome-based
Financing**



Our Run-down today

Session 1	Centum x Outcomes Lab's vision on Outcome-based financing (OBF) for Hong Kong & China	1500-1530
Session 2	OBF from HK to global landscape and innovation	1530-1605
Break		1605-1615
Session 3	Our OBF initiatives pipeline	1615-1700
Break		1700-1710
Session 4	Round Table - The next steps	1710-1735
Summary		1735-1745
Dinner		1800-2000

Who are we?

Centum Charistas Foundation & Outcomes Lab: Fans of 'Outcomes'



Kevin Orr

**Vice President , Centum
Charitas Foundation**

Group Vice President & Chief
Investment Officer, Winner
Medical Group



Cora Chu

**Secretary General,
Centum Charitas Foundation**



Jessica Cheung

Co-founder Outcomes Lab

Co-founder Impact Data Consortium
Chain ([IDCC](#))

Teaching MSUD Urban Collaborative,
School of Architecture, CUHK

CUHK, Columbia U



Chris Chau

Co-founder Outcomes Lab

Founder Colearna

Strategy consultant, World bank IFC
Environmental Impact Quantification,
Impact Investment,

Imperial College UK, Cambridge U

Looking back at PFS in HK

The Pay for Success (PFS) took roots in HK from 2017, the various works cumulated to the successful completion of the first PFS in 2023

2017



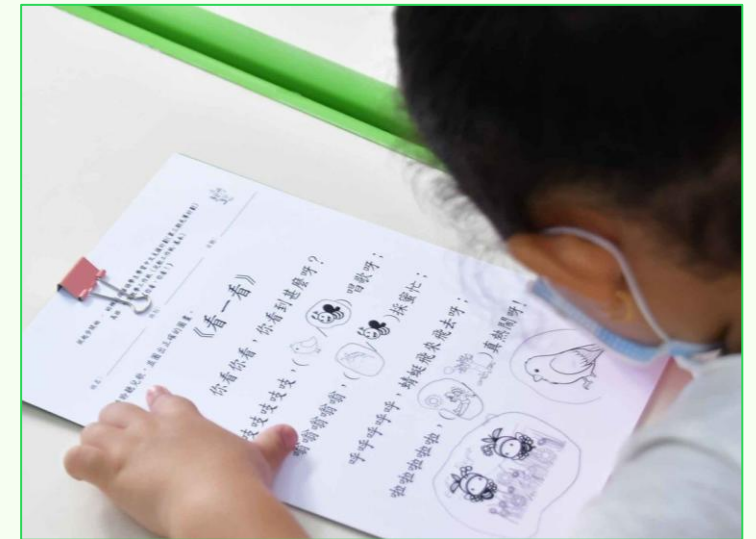
Our HK Foundation's PFS study

2018



SIEF's PFS Pilot Stakeholders Engagement Workshop

2019~



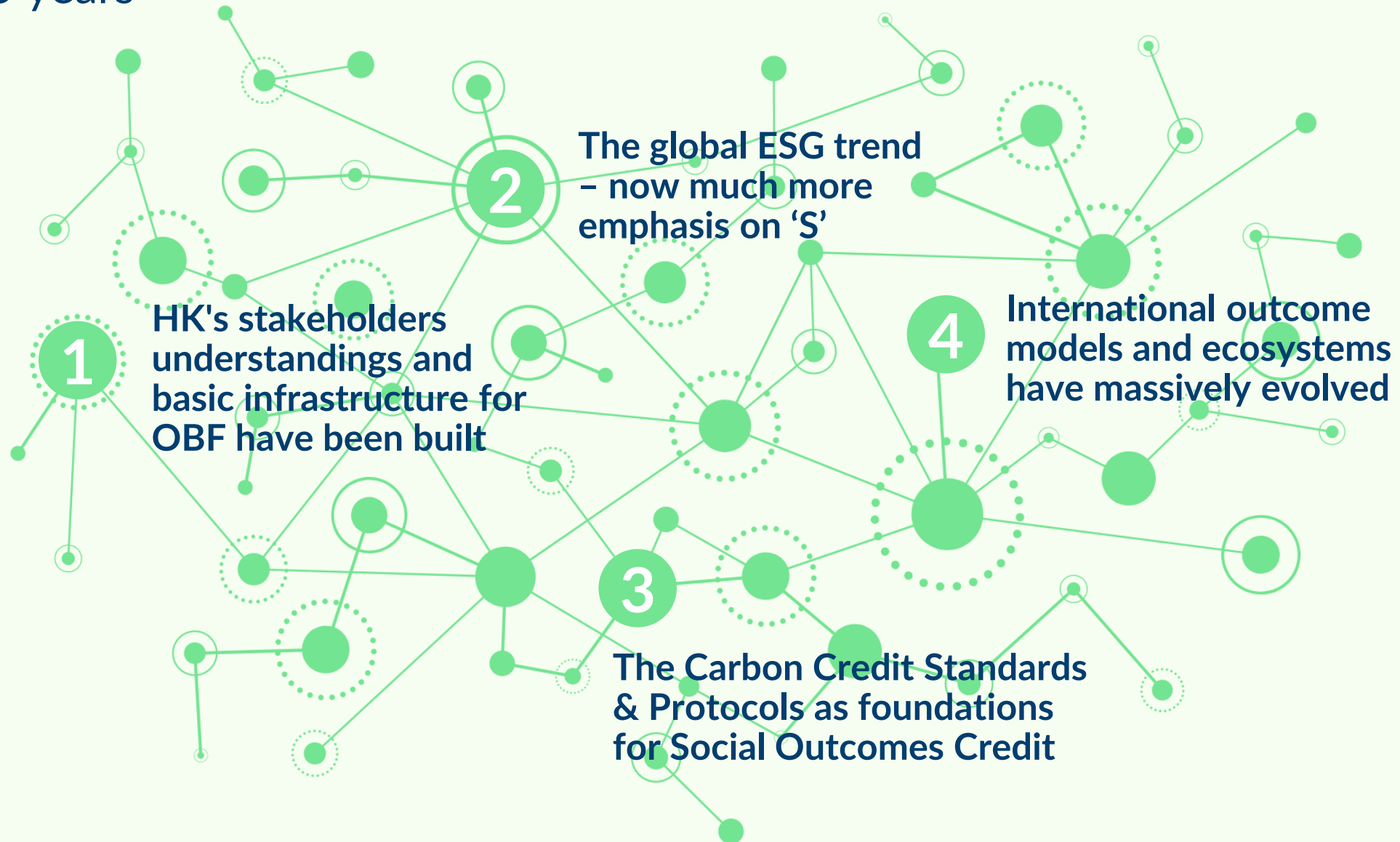
SIEF x Oxfam 1st PFS

If **PFS** is vanilla ice-cream, then **OBF** is ice-cream, with all sorts of flavours for different stakeholders



Why now?

4 reasons why we think now is a good time to start Outcome-Based Financing again, after 5 years



Why now (1/4): HK's infrastructure on PFS

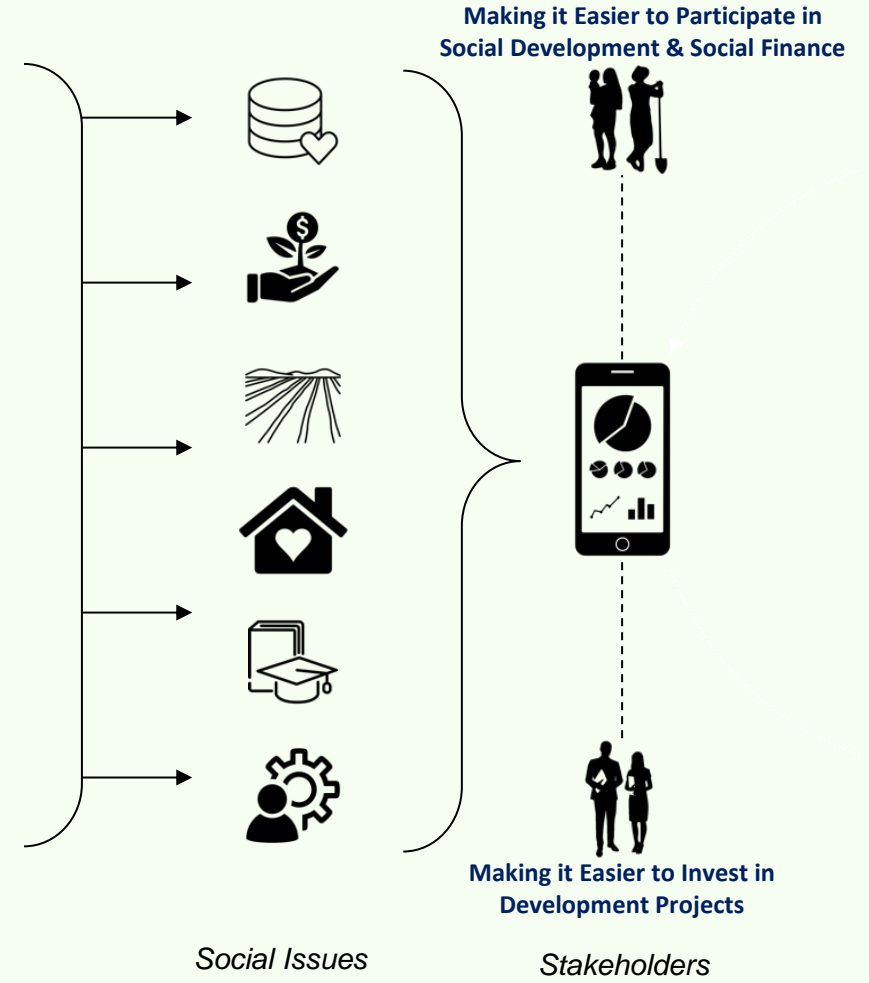
Hong Kong's stakeholders have built the fundamental understanding and infrastructure for Outcomes – fostering new & continual interests for OBF



1st PFS done



IDCC build capacity on impact with lots of SPO



Web3 IMM and Social Finance Infrastructure

The global ESG trend has heightened the awareness, emphasis and spending on “S”

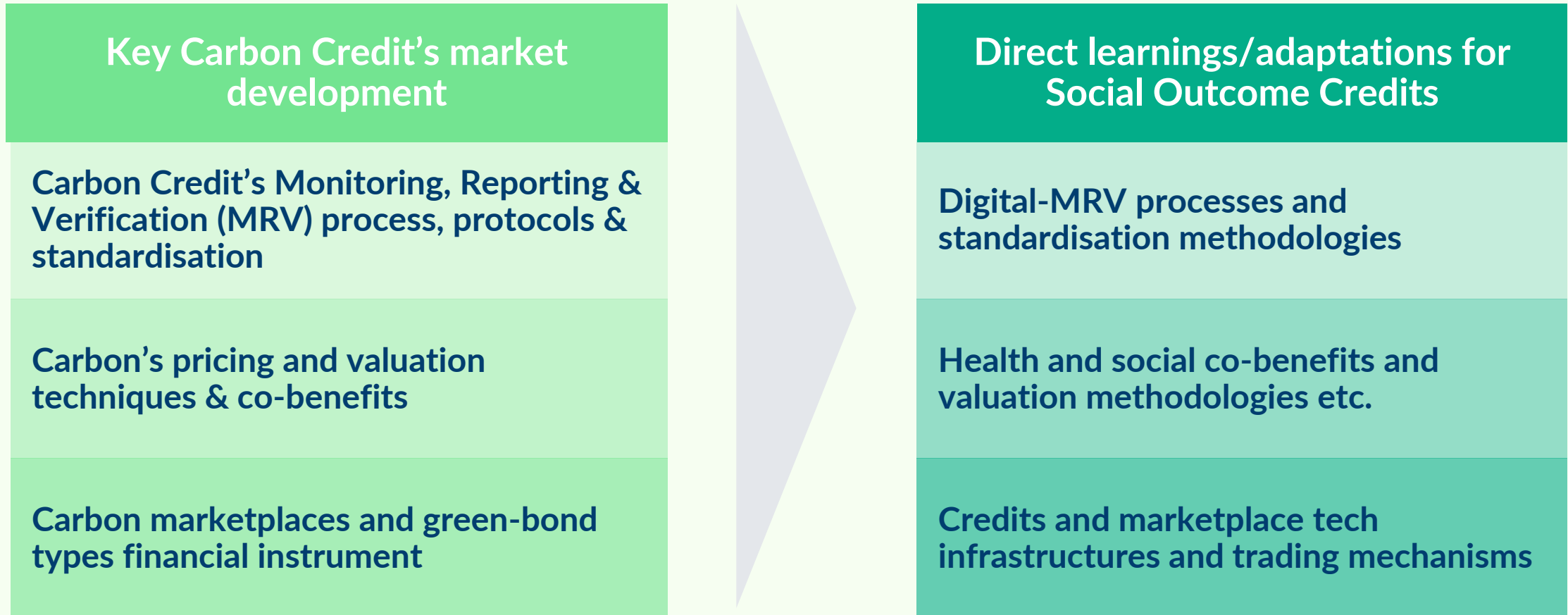
More funders and stakeholders understanding of “S”

Increasing need for corporates to act on “S”: therefore more opportunities for social projects and SPO

CSR funding from corporates for social projects' outcomes



Standards and Methodologies from Carbon Credit market's development are highly applicable to Social Outcome Credit (SOC): helped SOC to ground immediately



Why now (4/4): Outcomes systems

International outcome movements have evolved massively



Social Impact Bonds

GMCA database & Social Value Banks

Social Outcomes Valuations

Universal Outcomes Framework & models



IMPACT GENOME
REGISTRY®



Good Finance

Outcome Funds



Social Outcomes Credit Marketplace

Outcomes

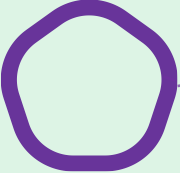


What's Outcomes?

The **Outcome System** can measure the **Units of Change**, and calculate the **Magnitudes of Impacts**

IMPACT PROGRAMS

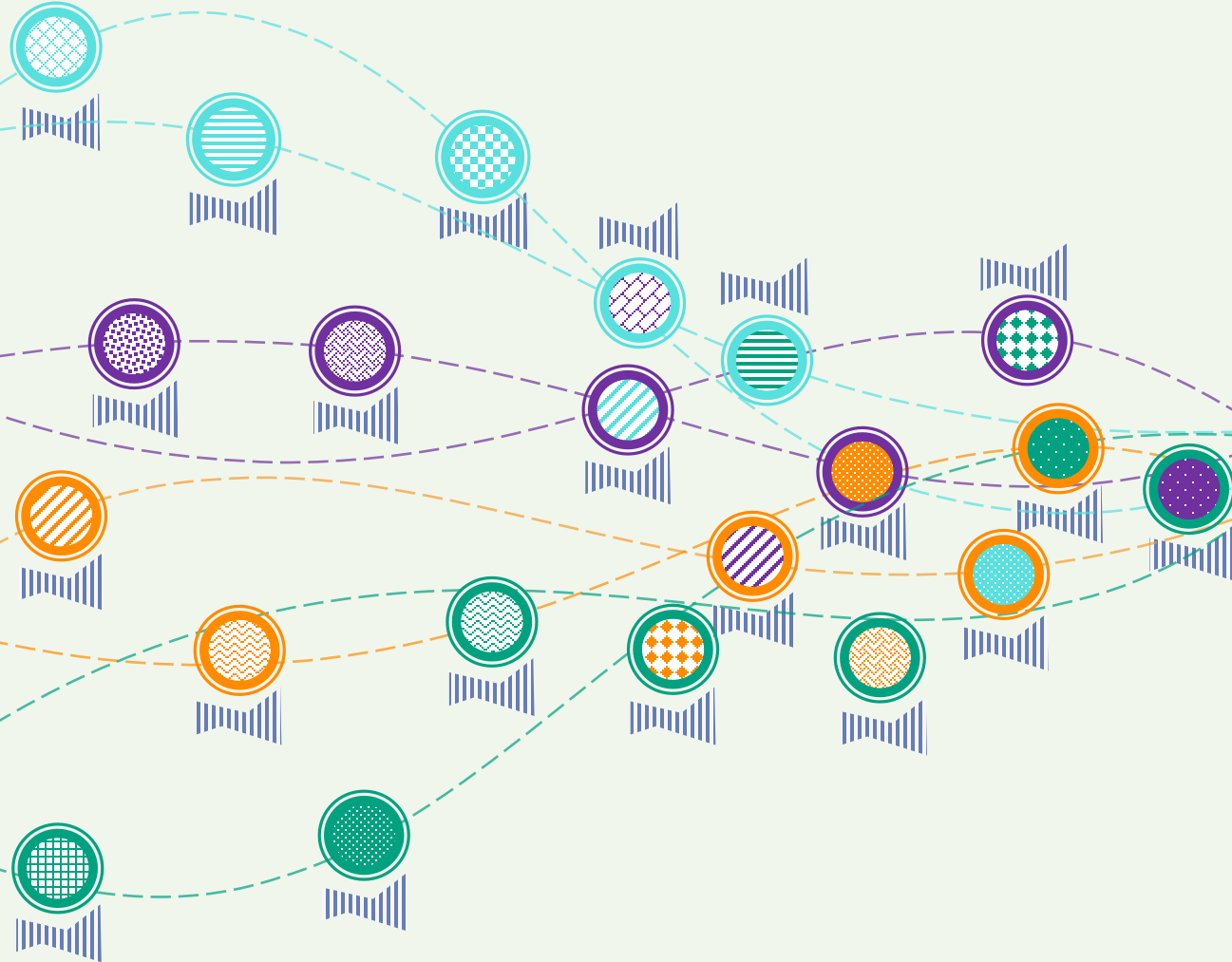

Youth Employment


Early Child Education

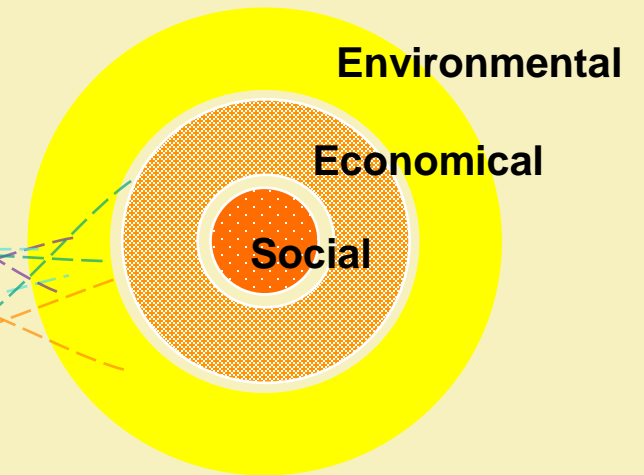

Elderly Care


Mental Health

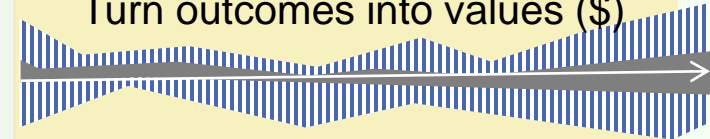
OUTCOME PATHWAYS & VALUATION



UNIVERSAL OUTCOME:
Addressing the most urgent
and pressing social issues



OUTCOMES Valuation
Turn outcomes into values (\$)



A close-up photograph of two hands, one from a darker-skinned person and one from a lighter-skinned person, reaching towards each other. The hands are positioned in the center of the frame, with the fingers slightly curled. The background is a bright, clear blue sky with soft, white clouds. The lighting is natural, highlighting the texture of the skin and the creases on the hands.

Our Vision for a Better World in 2-3 years

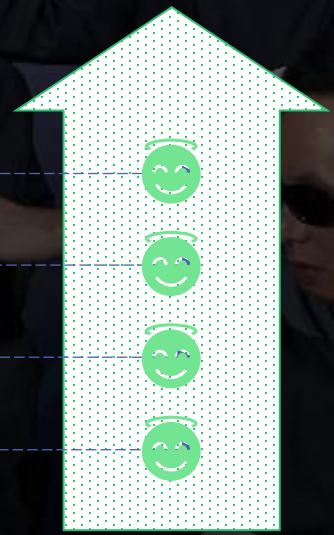
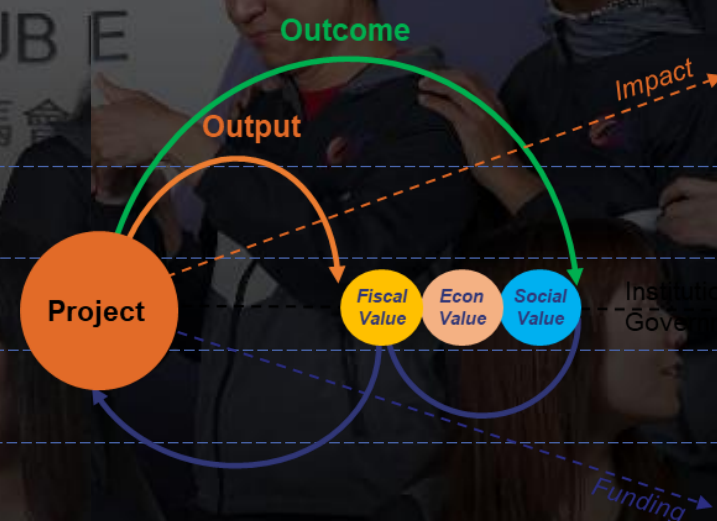
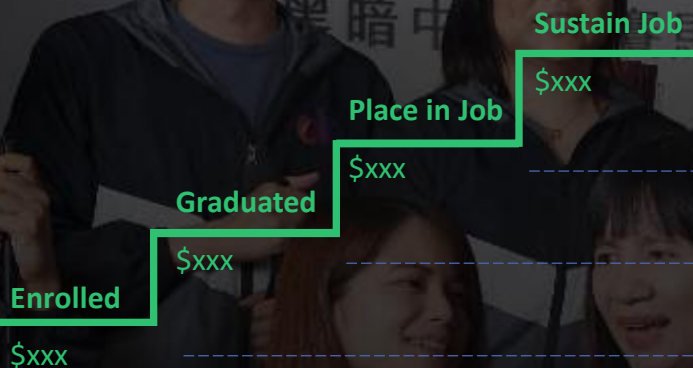
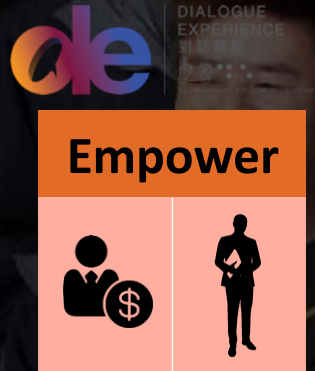
**We envision a world where all
Social Purpose Organisations' good works can**

“be Precise,

be Seen,

be Paid”

“be Precise, be Seen, be Paid”



Est. average unit cost of Programme
~ = HK\$ 80k / PoD

Est. unit value of Social Outcomes generated
~ = HK\$70k-140k / PoD

Government
Philanthropist
Corporates
Impact Investor

Centum & Outcomes Lab as the intermediary

As an OBF Intermediary, we will build Consensus, Infrastructure & Methodology



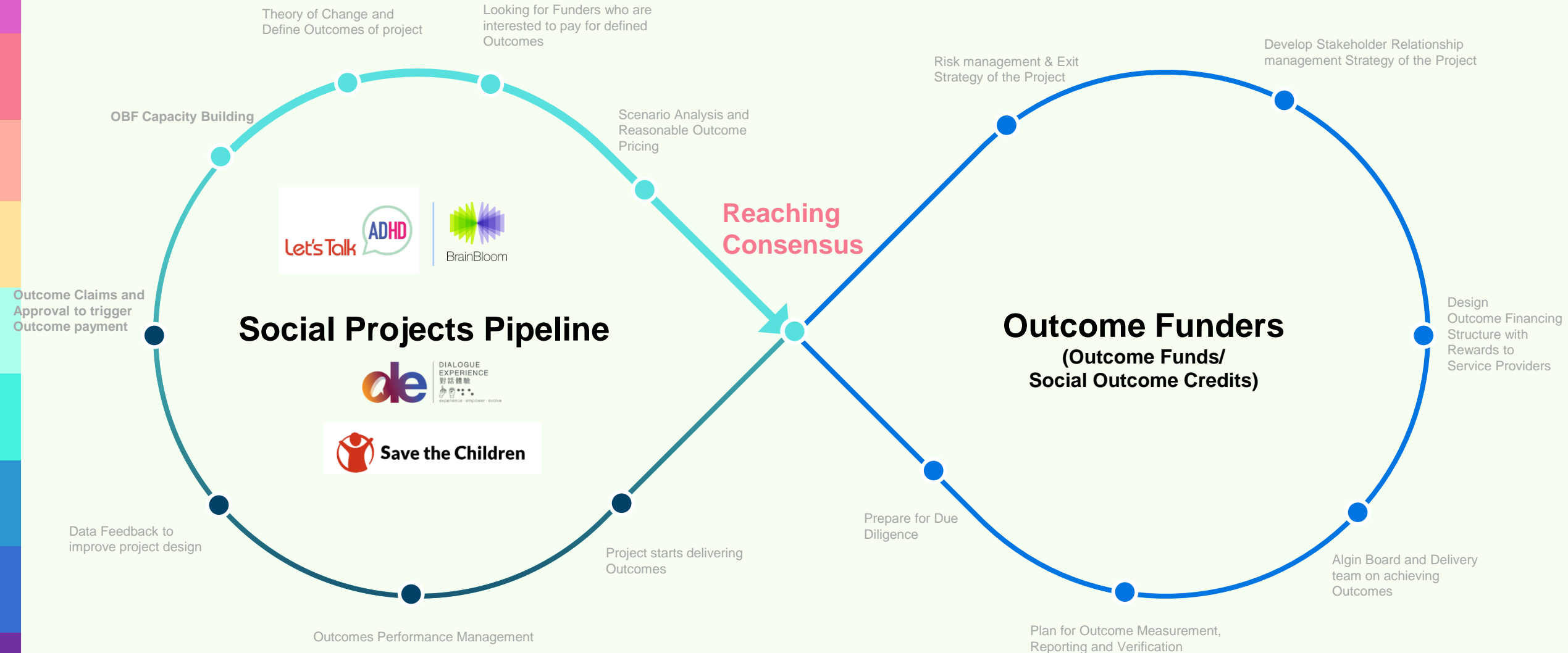
**Collaborations
& Consensus**

**Outcomes
Infrastructure**

**Outcome
Methodologies**

What we do (1/3) – Collaborations and Consensus

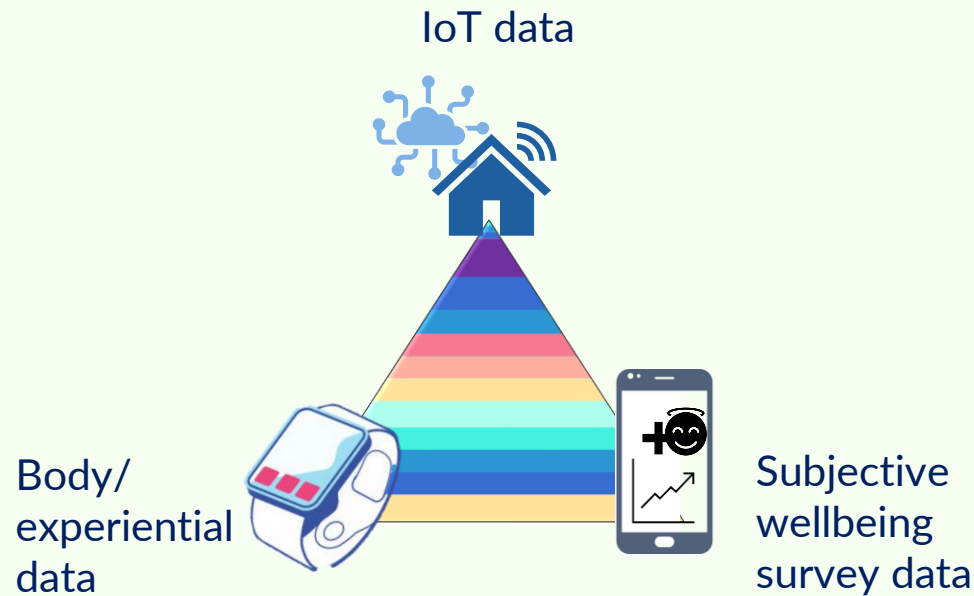
We use Outcomes to bridge Projects and Funders, and build consensus on how good work can be delivered and paid



We apply dMRV systems with data triangulation for automatic outcomes verification & we wish to build an Universal Outcomes Library for Hong Kong

Digital Monitoring Reporting and Verification (dMRV)

Outcomes measurement and verification by triangulating data from multiple sources, both subject and objective



Social issues unit costs database

1	A	B	C	D	E	F		G	H
						Agency bearing the cost / making the fiscal saving			
2	Outcome category	Outcome detail	Cost code	Cost / saving detail	Unit	Level 1	Level 2	Estimated cost/saving	
2	EMPLOYMENT & ECONOMY	BENEFITS	E&E1.0	Job Seeker's Allowance Fiscal and economic benefit from a workless claimant entering work	Per claimant per year	/P	Multiple	£ 12,657	
3	EMPLOYMENT & ECONOMY	BENEFITS	E&E2.0	Employment and Support Allowance Fiscal and economic benefit from a workless claimant entering work	Per claimant per year	/P	Multiple	£ 12,818	
13	EMPLOYMENT & ECONOMY	BENEFITS	E&E3.0	Income Support Fiscal and economic benefit from a workless claimant entering work	Per claimant per year	/P	Multiple	£ 5,932	
23	EMPLOYMENT & ECONOMY	BENEFITS	E&E4.0	Personal Independence Payment Daily living component: higher rate	Per week	/P	JCP	£ 92	
36	EMPLOYMENT & ECONOMY	BENEFITS	E&E5.0	Disability Living Allowance for Children Care component: highest	Per week	/P	JCP	£ 92	
40	EMPLOYMENT & ECONOMY	BENEFITS	E&E6.0	Disability Living Allowance (HISTORIC) Care component: highest	Per week	/P	JCP	£ 92	
45	EMPLOYMENT & ECONOMY	BENEFITS	E&E7.0	Attendance Allowance Higher rate	Per week	/P	JCP	£ 92	
52	EMPLOYMENT & ECONOMY	BENEFITS	E&E8.0	Carer's Allowance Weekly payment	Per week	/P	JCP	£ 70	
55									

> Introduction Guidance Crime Education & Skills **Employment & Economy**

Accessibility: Investigate

Source: Greater Manchester Combined Authority (formally New Economy), since 2014 (last updated 2022)

Our Vision for a Better World:

We are considering developing the outcomes systems in 3 directions – we would love your thoughts and support



Key Consensus Points from the OBF Scoping Meeting (1/3)

1. Scoping meeting's participants validated a strong interest in constructing more OBF/PFS deals to drive social sector change for social purpose organisations (SPOs):

- There were **keen interests from all SPOs to develop their own OBF/PFS deals in the immediate short term.**
- Participants all appreciated and validated the importance of Hong Kong's first Pay-for-Success initiative; **and thought it would be waste not to follow up** with further OBFs.
- Potential funders present had **expressed interests to financially support the pipelines presented.**
- Participants are in general consensus that OBF has the potential to **induce significant cost-savings for the government, to quantify the 'S' in ESG or CSR and to revolutionaries SPOs' funding model and cycle:** thereby driving social sector change.

2. Next steps for OBF in HK: develop a roadmap towards establishing an Outcome Fund for Hong Kong

- Participants were encouraged that there is a renewed interest on OBF for SPOs and social finance professionals; however, there is **still a clear understanding gap for the public.**
- HKCSS, SVI and Save the Children, among others, have **volunteered to lead/contribute to general advocacy and education** to bridge understanding gaps.
- Participants agreed that **"outcomes funds with universal outcomes unit or segment"** is a likely next step for OBF evolutions. These funds can create scalable impact, align with policy agendas, and attract diverse stakeholders, including government and corporate players.
- Participants agreed that **Social Outcomes Credits (SOCs) and marketplace** would require more standardisation and will be **a few years further down the roadmap**
- Participants were in consensus to support **Centum & Outcomes Lab's plan to act as an OBF intermediary** for HK: a task team was formed to support market advocacy and OBF pipelines.

Key Consensus Points from the OBF Scoping Meeting (2/3)

3. Key consideration points on building the OBF project pipelines in HK:

- SPOs have shared **concerns about the costs** and resources involved with drawing OBF deals; in particular with reference to the high perceived deal costs of the first PFS.
- Participants agreed the **standardisation of Social Outcome Contracts (SOC)** (aka OBF contract) is likely to be done through the sample contractual terms from the first PFS. This will be key to reduce complexity and the transactional costs.
- Further down, **process digitalisation and technology-driven screening** will be vital for identifying suitable projects and managing costs.
- **Capacity building for SPOs** and standardized contracts are key to streamlining processes: participants shared viewpoints in simplifying and centralising the messages to SPOs.
- Emphasis on developing a **sector-based** project pipeline to **standardise measurable outcomes**: the first sectors/segments of focus will be: **'employment, particularly for people of difference (PoD)', 'children & youth development', 'elderly - ageing in place', 'special education needs', 'social capital community building', 'well-being' and 'targeted poverty alleviation segment groups'**

4. Strategic government involvement in HK is crucial for success:

- Participants shared **strong consensus that government support is crucial for success** and to build confidence among funders: particularly as supporters of outcome-systems or as commissioners for OBF.
- **Hong Kong is at a critical juncture for Greater China's social financing developments**: globally, Europe is leading in social finance innovations, US leads with marketisation and credit marketplaces; Singapore leads in Asia in terms of western-collaborations and solution imports. It is a **critical time for Hong Kong to decide** upon its social financing positioning in the global landscape.
- Participants are in general consensus that OBF has the potential to **induce significant cost-savings for the government**, and would like to establish communication channels with the government to validate the possible cost-saving channels.

Key Consensus Points from the OBF Scoping Meeting (3/3)

5. The importance of 'Wellbeing measures' as a Universal Outcome and the general measurement and tracking of 'soft outcomes'.

- **WELLBY (Wellbeing-Adjusted Life Years)** approach frameworks are gaining recognition as a new 'gold standard' for measuring wellbeing. It is a variant of the Quality-Adjusted Life Year (QALY) metric, to measure the impact of social interventions on wellbeing and compared across projects of countries. This method is being integrated into global frameworks such as the **HM Treasury Green Book** in the UK with unitised monetary values. Participants overwhelmingly welcomes these methods and sees it as a **watershed moment** signaling a time for the market to renew its effort for outcome measures.
- Similarly, global's '**universal outcome frameworks**' research e.g. impact genome (US), good finance (UK) are now sufficiently mature for marketisation. Expert participants agreed that a **systemic localisation** to tailor for HK is possible and efficient.
- Participants **agree government's buy-in** on wellbeing evaluation methods is crucial for alignment with global standards and to establish **comprehensible methods to quantify SROI** etc for SPOs.