

HONG KONG

SOCIAL INVESTMENT LANDSCAPE IN ASIA



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ABOUT THE REPORT

Now in its second edition, the Social Investment Landscape in Asia serves as a resource for funders and resource providers to assess the opportunities and challenges for social investment in 14 markets in North, South and Southeast Asia. It is designed to be a guide for new social investors and intermediaries looking to enter the Asian market and existing actors exploring partnerships as well as cross-border or cross-sector opportunities.

Each market report provides a holistic overview of the current and emerging trends in the social economy, including:

- Fact File: key demographic, economic and social investment indicators,
- Development Context: progress towards the Sustainable Development Goals and government initiatives to address development gaps,
- The Social Investment Landscape: key trends and notable actors,
- Social Economy Development: an assessment of the current landscape relative to the other 13 Asian markets, and
- Opportunities, challenges and recommendations for social investors and intermediaries.

An online decision-making tool and a detailed mapping of key actors are available at:
www.avpn.asia/si-landscape.

LIST OF ACRONYMS

A	ADB	Asian Development Bank
	ANDE	Aspen Network of Development Entrepreneurs
B	BRI	Belt and Road Initiative
C	CAF	Charities Aid Foundation
	CAPS	Centre for Asian Philanthropy and Society
	CSR	Corporate Social Responsibility
	CUHK	Chinese University of Hong Kong
E	ESG	Environmental, Social and Governance
F	FDI	Foreign Direct Investment
G	GDP	Gross Domestic Product
H	HKBSI	Hong Kong Business Sustainability Index
	HKEX	Hong Kong Exchanges and Clearing Market
	HKGFA	Hong Kong Green Finance Association
	HKU	University of Hong Kong
N	NGO	Non-Governmental Organisation
	NPI	Non-Profit Incubator
P	PPP	Purchasing Power Parity
S	SDG	Sustainable Development Goal
	SE	Social Enterprise
	SFi	Sustainable Finance Initiative
	SFC	Securities and Futures Commission
	SIB	Social Impact Bond
	SIP	Social Investment Partners
	SME	Small and Medium Enterprise
	SPO	Social Purpose Organisation
T	SVhk	Social Ventures Hong Kong
	TCFD	Task Force on Climate-related Financial Disclosures
W	WEF	World Economic Forum

HONG KONG

Hong Kong, a Special Administrative Region of the People's Republic of China, is often lauded as the freest economy in the world with free trade, low taxation and minimal government intervention.¹ In 2018, the city state posted a strong GDP growth of 3.8% and sustained high FDI inflow of USD 112 billion, ranking it 4th in the world in terms of ease of doing business.² Nonetheless, Hong Kong's open economy is susceptible to trade fluctuations and is projected to slow down in 2019 due to trade tensions between the US and China, its largest trade partners.³ Recent growing political pressures from the Chinese government have also put Hong Kong's open business and independent legal environment increasingly into question.⁴

Impressive economic growth has also not translated into equitable welfare distribution. Income gaps between the rich and the poor continue to widen as the city state recorded a Gini coefficient of 0.539 in 2017, the highest in 45 years.⁵ Hong Kong's ageing society and shrinking labour force pose significant challenges to growth and fiscal sustainability. Meanwhile, air pollution and extreme weather events like typhoons are significant environmental risks.

Hong Kong's social economy is characterised by foundations with sizeable philanthropic assets as well as a legacy of pronounced government support and funding for social enterprises. Corporates are steadily increasing sustainability reporting in response to the government reporting mandate. However, sustainable investing has yet to be adopted by mainstream investors or family offices. Recent developments in green finance and venture philanthropy show continued engagement with innovative social investment practices.

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2. World Bank, 2018, Doing Business

3. Trade and Industry Department, 2019, Hong Kong's Principal Trading Partners in 2017

4. Nikkei Asian Review, 2018, China's assault on Hong Kong's freedoms threatens city's global role

5. South China Morning Post, 2018, Why the wealth gap? Hong Kong's disparity between rich and poor is greatest in 45 years, so what can be done?



FACT FILE

Population
2017

7.4 million

GDP Growth
2017

3.8%

GDP (PPP, current USD)
2017

USD 454.9 billion

World Rank 43

GDP per capita (PPP, current USD)
2017

USD 61,540

World Rank 11

World Giving Index Rank
2017

25/139

● % giving money: 51%

● % volunteering time: 17%

● % helping a stranger: 59%

World Giving Index Rank (2015) - 26/145

DEVELOPMENT CONTEXT

Hong Kong is grappling with a rapidly ageing society and a shrinking labour force. Its median age of 43 years is the 9th highest in the world,⁶ and the total labour force is projected to plateau in 2019.⁷ Elderly and child poverty rates are particularly stark with 1 in 3 elderly and 1 in 4 children living below the national poverty line according to the government's most recent statistics in 2016.⁸ The city state is also highly prone to far-reaching climate change risks, exacerbated by serious air pollution.

In 2015, the Planning Department unveiled "Hong Kong 2030+: Towards a Planning Vision and Strategy Transcending 2030" to guide the city state's policy-making along 3 key building blocks:⁹

- Enhancing liveability by retrofitting the densely developed urban areas and optimising new development areas,
- Equipping Hong Kong with land and space, supporting infrastructure and human capital for the economy to move up the value chain,
- Building long-term capacity to sustain social and economic development and enhance climate change response.

In alignment with Hong Kong 2030+, the government's 2018 policy agenda focuses on enhancing public governance, building a diversified economy and liveable city, creating better jobs and improving livelihoods.¹⁰



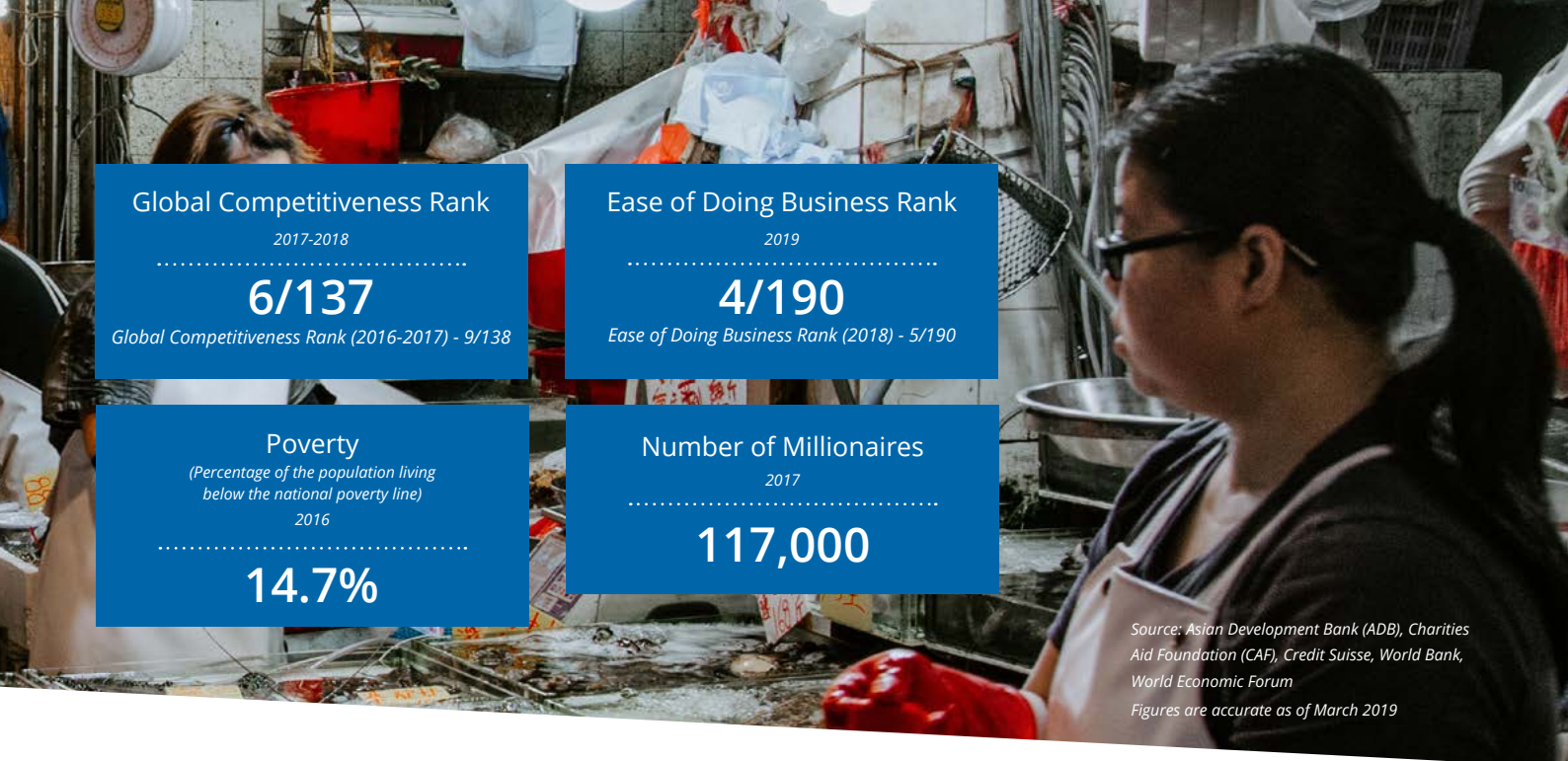
6. Quartz, 2018, The world is running out of Japanese people

7. Census and Statistics Department, 2017, Hong Kong Labour Force Projections for 2017 to 2066

8. South China Morning Post, 2018, Why the wealth gap? Hong Kong's disparity between rich and poor is greatest in 45 years, so what can be done?

9. Planning Department, 2016, Hong Kong 2030+: Towards a Planning Vision and Strategy Transcending 2030

10. The Hong Kong Special Administrative Region of the People's Republic of China, 2018, The Chief Executive's 2018 Policy Address – Policy Agenda



Global Competitiveness Rank

2017-2018

6/137

Global Competitiveness Rank (2016-2017) - 9/138

Ease of Doing Business Rank

2019

4/190

Ease of Doing Business Rank (2018) - 5/190

Poverty

(Percentage of the population living below the national poverty line)

2016

14.7%

Number of Millionaires

2017

117,000

Source: Asian Development Bank (ADB), Charities Aid Foundation (CAF), Credit Suisse, World Bank, World Economic Forum

Figures are accurate as of March 2019

GOVERNMENT INITIATIVES TO ADDRESS DEVELOPMENT GAPS

IMPACT AREA	GAP	GOVERNMENT INITIATIVES
Climate action	<ul style="list-style-type: none"> Renewable energy only accounts for 1% of Hong Kong's generating capacity.¹¹ Hong Kong's 2030 carbon emissions target exceeds the C40 Cities-designated pathway by 78%.¹² 	<ul style="list-style-type: none"> Hong Kong's Climate Action Plan 2030+ aims to reduce carbon intensity by 65-70% by 2030 from the 2005 base line. Key policy measures towards this goal include reducing coal-fired electricity generation, increasing the share of renewable energy, improving energy efficiency, and achieving carbon emission peak before 2020.¹³
Education and employability	<ul style="list-style-type: none"> The university enrolment rates of 19- and 20-year-olds from the wealthiest 10% of families and those with household incomes less than half of the median level was 9.3% and 8% respectively in 1991, but the gap widened dramatically to 48.2% and 11% in 2011.¹⁴ 30% of young people enrolling in associate's degree, professional diploma and similar programmes came from families living below the poverty line in 2016, but the potential earning differential from having these qualifications has fallen significantly vis-à-vis post-secondary entry into the workforce, from 40% in 1996 to 13% in 2016.¹⁵ 	<ul style="list-style-type: none"> In the Chief Executive's 2018 policy address, several funding schemes to promote quality education in public sector schools were announced, which include an additional HKD 1.5 billion (USD 188 million) for teachers' professional development.¹⁶ The government has allocated HKD 120 million (USD 15 million) for the 2019-2020 academic year to provide subsidies for students in vocational training programmes for specific industries up to HKD 36,000 (USD 4,500).¹⁷
Land use	<ul style="list-style-type: none"> According to government estimates, Hong Kong will require 4,800 hectares of land in the next 3 decades but so far has only identified 2,600 hectares.¹⁸ Our Hong Kong Foundation, an independent think tank, suggests an even wider gap of 6,400 hectares.¹⁹ 	<ul style="list-style-type: none"> The government is rezoning single site, multiple use, new town extensions, developing artificial islands and adopting green urban systems to improve land use.²⁰ From 2019 onward, 70% of housing units that are built on newly developed land will be for public housing.²¹
Poverty alleviation	<ul style="list-style-type: none"> Hong Kong had the second highest Gini coefficient in the world at 0.539 in 2017.²² The most recent government statistics reveal that 1 in 4 children, aged 18 and below, and 1 in 3 elderly, aged 65 and above, live below the national poverty line.²³ 	<ul style="list-style-type: none"> The government rolled out a series of enhancements for its Low-income Working Family Allowance in April 2018. The measures increased all rates of allowance and expanded the allowance to include individuals and introduced new tiers of support to better address single-parent households.²⁴

11. CarbonCare InnoLab, 2018, Paris Watch Climate Action Report: Hong Kong's Contribution to the Paris Agreement Goals

12. Hong Kong Free Press, 2018, Hong Kong falls 78 per cent short of 2030 carbon emissions target - study

13. The Government of the Hong Kong Special Administrative Region, 2017, Hong Kong's Climate Action Plan 2030+ announced

14. SCMP, 2013, Education is key to closing Hong Kong's wealth gap

15. South China Morning Post, 2018, How higher education in Hong Kong reinforces social inequalities

16. The Hong Kong Special Administrative Region of the People's Republic of China, 2018, The Chief Executive's 2018 Policy Address: V. Nurturing Talent

17. South China Morning Post, 2018, Snubbed again? Hong Kong sub-degree students complain about being left out of government education initiatives

18. South China Morning Post, 2018, Hong Kong's land shortage worse than predicted, officials say

19. Our HK Foundation, 2018, OHKF Pinpoints Lacunae in Land Planning

20. The Hong Kong Special Administrative Region of the People's Republic of China, 2018, The Chief Executive's 2018 Policy Address - Policy Agenda

21. News.gov.hk, 2018, Gov't to boost public housing

22. South China Morning Post, 2017, What hope for the poorest? Hong Kong wealth gap hits record high

23. Oxfam Hong Kong, 2018, Hong Kong Inequality Report

24. The Government of the Hong Kong Special Administrative Region, 2018, Hong Kong Poverty Situation Report 2017

IMPACT AREA	GAP	GOVERNMENT INITIATIVES
Social protection	<ul style="list-style-type: none"> As of 2017, 16% of the population was 65 years old or older.²⁵ The Census and Statistics Department projects that by 2064, 36% of the population will be over the age of 65.²⁶ With the world's longest life expectancy of 81.3 years for men and 87.3 years for women, Hong Kong's demographic imbalance will only become more exacerbated with time.²⁷ 	<ul style="list-style-type: none"> The government's total social welfare expenditure for 2017-2018 was over HKD 79.8 billion (USD 10 billion), which was 86% higher than the allocated amount 5 years ago.²⁸ The government has planned to provide an extra monthly elderly allowance of HKD 1,060 (USD 135) starting February 2019.²⁹ This is in addition to the Normal and Higher Old Age Living Allowance schemes that are already in place.³⁰ In the 2017-2018 budget, the government earmarked nearly USD 4 billion (HKD 30 billion) for elderly services and rehabilitation services for persons with disabilities.³¹

Source: AVPN analysis

Note: Development indicators and SDG dashboard are not published separately for Hong Kong.

THE SOCIAL INVESTMENT LANDSCAPE

NEW DEVELOPMENTS IN 2017-2019

- According to the 2018 Global Philanthropy Report, Hong Kong holds USD 10.6 billion worth of philanthropic assets, accounting for 3.3% of its GDP. This is the largest share of philanthropic assets of total GDP in Asia.
- RS Group launched the Sustainable Finance Initiative (SFi) as a community platform to help private investors move towards sustainable investment in 2018. SFi has published a mapping study of Hong Kong's sustainable finance landscape to identify key stakeholders, opportunities and challenges.³²
- In June 2018, the Social Innovation and Entrepreneurship Development (SIE) Fund launched a multi-sectoral programme with the Hong Kong Council of Social Service and Our Hong Kong Foundation to develop a geron-technology ecosystem to address challenges brought by the city's ageing population.³³ The SIE Fund has also organised several sharing sessions and workshops in 2018 that seek to catalyse the pilot development of Social Impact Bonds (SIB) in Hong Kong.³⁴
- Hong Kong recorded over USD 8 billion in green bond issuance in the first 9 months of 2018,³⁵ up from USD 2.6 billion in 2017.³⁶ In 2018, the city unveiled the Green Bond Grant Scheme and an inaugural sovereign green bond programme slated for 2019. The Hong Kong Green Finance Association (HKGFA) was launched in September 2018 as a collaborative of over 80 Hong Kong financial institutions, foundations, investors, and other stakeholders in the green finance sector.
- In September 2018, the Securities and Futures Commission (SFC) announced a strategic framework to promote green finance focusing on improving listed companies' consistent and comparable information disclosure on environment and climate.³⁷

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26. CIA, 2018, The World Factbook

27. South China Morning Post, 2018, Hongkongers top life expectancy rankings worldwide for second year in a row

28. The Hong Kong Special Administrative Region of the People's Republic of China, 2018, Analysis of poverty situation in Hong Kong in 2017 announced.

29. South China Morning Post, 2019, Hong Kong's leader to offer more money to elderly after lawmakers revolt over welfare change

30. The Government of the Hong Kong Special Administrative Region, 2018, Higher Old Age Allowance launched

31. The Government of the Hong Kong Special Administrative Region, 2018, LCQ17: Elderly Services Programme Plan

32. Sustainable Finance Initiative, 2018, Mapping Sustainable Finance in Hong Kong

33. SIE Fund, 2018, Sharing Session on the Current Landscape and Latest Development of the Gerontechnology in Hong Kong

34. SIE Fund, 2018, Piloting Pay-for-Success in Hong Kong

35. South China Morning Post, 2019, Hong Kong highlights its role as a green bond hub for mainland firms

36. China Daily, 2018, HK\$100 billion boost for green finance hub

37. SFC, 2018, SFC announces green finance strategic framework.

Government efforts through the SIE Fund propel social innovation

The Hong Kong government has fostered social innovation primarily through the Social Innovation and Entrepreneurship Development (SIE) Fund.³⁸ In April 2018, SIE Fund launched the “Social Innovation Co-working Space Subsidy Scheme” to provide up to HKD 6,000 (USD 765) per month to social entrepreneurs addressing poverty and social exclusion.³⁹ In June 2018, the SIE Fund launched a multi-sectoral programme with the Hong Kong Council of Social Service and Our Hong Kong Foundation to develop a geron-technology ecosystem to address challenges brought on by the city’s ageing population.⁴⁰ In 2018, the SIE Fund also organised knowledge sharing sessions on social impact bonds and pay-for-success partnerships to engage interested parties and solicit proposals to pilot the new social innovation model.⁴¹

As of December 2018, the SIE Fund’s Innovative Programmes initiative had funded over 960 social innovative ideas generated by 142 social innovators through 4 selected intermediaries.⁴² The SIE Fund has committed HKD 56 million (USD 7 million) in funding for these ventures and the intermediaries have further attracted a nearly HKD 40 million (USD 5 million) matching fund from external funders, including corporations, foundations, and impact investors. Over 53,200 individuals are estimated to have benefited from these ventures, and over 3,100 potential social entrepreneurs have received training from the 68 capacity building programmes organised by the intermediaries.

The government has continued to support other intermediaries that play important roles in strengthening the SE ecosystem. This includes the Hong Kong Council of Social Service, whose Social Enterprise Business Centre supports over 650 social enterprises through fostering partnerships with the private sector, providing start up and scaling funding, and running public awareness campaigns.⁴³ The government is also the major sponsor of Hong Kong Social Enterprise Forum’s Social Enterprise Summit,⁴⁴ an important cross-sector platform for social entrepreneurship which attracted over 3,200 participants at its 11th conference in 2018.⁴⁵

High potential for transformative philanthropy and next generation-led engagement

Hong Kong is estimated to have over USD 10.6 billion worth of philanthropic assets according to the 2018 Global Philanthropy Report.⁴⁶ This accounts for 3.3% of Hong Kong’s GDP, the largest share of philanthropic assets per total GDP in Asia. Despite this, the city ranked 20th in philanthropic expenditures, indicating a relatively low annual expenditure rate. However, this suggests latent potential for future philanthropy whose impact can be amplified through strategic and innovative models favoured by the next generation of high net worth families.

There is a long legacy of giving in Hong Kong, driven by several prominent philanthropists. In 2017, a total of HKD 875 million (USD 110 million) was given by just 47 donors in 104 separate gifts.⁴⁷ These large philanthropic gifts provide the financial leverage to tackle social issues and transform society. Some notable examples include:

- The Li Ka Shing Foundation has given over HKD 25 billion (USD 3.2 billion) to education and health initiatives, helping to educate 120 million students and serving 17 million patients since 1980.⁴⁸
- The Yidan Prize has awarded an annual HKD 30 million (USD 3.75 million) prize for both education research and education development since 2016 from its HKD 2.5 billion (USD 320 million) endowment.
- The Lui Che Woo Prize for World Civilisation awards HKD 20 million (USD 2.5 million) to up to 3 organisations or individuals contributing to sustainable development, the betterment of mankind, and social harmony every year.⁴⁹ Established in 2015, the prize is supported by a HKD 2 billion (USD 255 million) endowment,⁵⁰ and its selection committee includes global thinkers such as Dr. Condoleezza Rice, Dr. James Wolfensohn, and Dr. Rowan Williams.⁵¹

With the next generation of these high net worth families becoming increasingly engaged with family philanthropy, the ways they engage with social

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39. SIE Fund, 2018, Guide to Subsidy Application

40. SIE Fund, 2018, Sharing Session on the Current Landscape and Latest Development of the Gerontechnology in Hong Kong

41. SIE Fund, 2019, Piloting Pay-for-Success in Hong Kong

42. SIE Fund, 2019, Innovative Programmes

43. Social Enterprise Business Centre, Core Business

44. The Government of the Hong Kong Special Administrative Region, 2018, Speech by CS at Social Enterprise Summit 2018 grand opening

45. Social Enterprise Summit, 2018, Social Enterprise Summit 2018 International Symposium Concludes

46. Harvard University, 2018, The Global Philanthropy Report: Perspectives on the Global Foundation Sector

47. Hong Kong Tatler, 2019, How Foundations In Asia Are Being Passed Down To The Next Generation

48. Li Ka Shing Foundation, Our Initiatives

49. Lui Che Woo Prize, About the Prize

50. Philanthropy News Digest, 2016, Lui Che Woo Prize Names Inaugural Prize Recipients

51. Lui Che Woo Prize, 2016, Lui Che Woo Prize – Prize for World Civilisation Prize Presentation Ceremony

investment are expanding. UBS finds that nearly 40% of millennials across the world plan to increase the impact or ESG investment allocations of their family offices.⁵² Hong Kong is still at the early stages of impact investing compared to countries like India where the approach and practice is more established. However, as it gradually gains traction among the younger generation, banks, including UBS, Credit Suisse, Standard Chartered and BNP Paribas, are developing impact investing products and providing philanthropy consulting services to respond to this interest. For example, BNP Paribas has chosen to locate its Next Gen Asia Programme in Hong Kong and in 2018 convened nearly 40 young heirs to discuss potential alignments of family business, impact investing, and purpose-led businesses.⁵³

Sustainable investing continues to lack widespread adoption

Despite being one of Asia's financial hubs, Hong Kong is yet to develop a thriving sustainable investing ecosystem. In a 2018 mapping of the sustainable

finance sector by RS Group, 75% of the surveyed stakeholders believed sustainable finance to be important to Hong Kong's continued role as a financial centre in Asia, yet nearly 90% acknowledged that Hong Kong is behind compared to other developed economies.⁵⁴ Hong Kong investors in a 2018 Schroders global survey reported collectively allocating only one-fourth (25%) of their entire investment portfolio to sustainable investments, lagging behind their global (39%) and Asian counterparts (38%).⁵⁵ This is largely due to a lack of awareness or understanding.

As a younger generation transitions into leadership roles as asset managers and asset owners, a more progressive approach to investing with social impact is emerging. Hong Kong millennials surveyed expressed a strong desire (37%) to become leaders in sustainable finance, over 3 times as much as previous generations.⁵⁶ The survey report also suggests more positive government support through incentives, subsidies, policies and regulation could help drive the adoption of sustainable investment.⁵⁷



RS Group: leading collaboration within Hong Kong's sustainable finance sector

In 2017, RS Group, a family office and leader in social investment launched the Sustainable Finance Initiative (SFi) as a community platform to help other private investors embark on a similar journey.⁵⁸ SFi has three key pillars:

- **Educate:** SFi offers workshops to educate investors across the spectrum of sustainable finance expertise and runs an "Investor Circle" to spur collective action amongst already active investors.
- **Demonstrate:** SFi conducts research to address gaps and identify opportunities for sustainable finance in Hong Kong.
- **Connect:** SFi engages young professionals and collaborates with "champions" in its six stakeholder groups.

RS Group has built a 100% mission-aligned portfolio based on the concept of "blended value", comprising 3 key allocations: sustainable and responsible investments, targeted impact investments and strategic philanthropy.

52. UBS, 2018, The Global Family Office Report 2018

53. BNP Paribas Wealth Management, Hong Kong 2019

54. RS Group, 2018, Mapping Sustainable Finance in Hong Kong

55. Schroders, 2018, Global Investor Survey

56. RS Group, 2018, Mapping Sustainable Finance in Hong Kong

57. RS Group, 2018, Mapping Sustainable Finance in Hong Kong

58. Sustainable Finance Initiative, About

Corporates becoming more progressive in their social impact efforts

Hong Kong-listed companies donated USD 2.1 billion to charity in 2018, an increase of 28% from 2016.⁵⁹ While this is significant, some corporates have been making especially ground-breaking efforts to expand their engagement with social impact beyond donations. For example Hong Kong Broadband Network, the largest metro Ethernet network, has incorporated supporting social enterprises into its business model by outsourcing customer helpline and canteen services to social enterprises starting from 2013.⁶⁰ Credit Suisse provides funding and support to social enterprises and has partnered with the Hong Kong government on a collective impact initiative under the SIE Fund since 2016.⁶¹

Corporates are also looking to build partnerships with SPOs and the community to increase their social impact. In 2018, the Airport Authority Hong Kong

introduced its community investment partnership with Social Ventures Hong Kong (SVhk) which provides employment opportunities for working youth and non-Chinese speakers as well as family support services to airport staff through non-profits and social enterprises.⁶² SVhk is engaging with other corporates to achieve larger spillover effects and synergies.

Companies have also been working to improve the overall sustainability of their own operations. In January 2019, the 4th Hong Kong Business Sustainability Index (HKBSI) by the Chinese University of Hong Kong (CUHK), which assesses CSR activity of the 50 companies that constitute the Hang Seng Index, showed improvements in the scores for corporate sustainability. The overall average score was 10% higher than that of the 3rd HKBSI released in 2018, with significant improvement of 32% for the top 20 companies.⁶³ 86% of the index companies published standalone sustainability reports in 2018, up from 72% in 2017.⁶⁴



Towngas: Top corporate sustainability performer in 2019

The Hong Kong and China Gas Company Limited, also known as Towngas, is the city's oldest public utility company, and the top performer in the 4th Hong Kong Business Sustainability Index. Towngas aspires to become a leading clean energy supplier with a focus on innovation and environmental friendliness. In line with this vision, in 2017 the Group achieved a 23% reduction in greenhouse gas emissions from 2005 levels. In 2017, Towngas developed a Green Bond Framework in accordance with the International Capital Market Association's Green Bond Principles and became the first and only utility company in Hong Kong to issue a green bond to fund waste-to-energy investments.⁶⁵

59. South China Morning Post, 2018, Hong Kong-listed companies donated US\$2.1 billion to charity last year, an increase of 28 per cent on 2016

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61. Pioneers Post, 2017, Making the most of the market in Hong Kong

62. Hong Kong International Airport, Community Investment

63. CUHK, 2019, CUHK Business School Announces the 4th Hong Kong Business Sustainability Index

64. CUHK, 2019, CUHK Business School Announces the 4th Hong Kong Business Sustainability Index

65. Towngas, Sustainability Report 2017

Recent initiatives show promise for green finance sector to become a regional leader

While Hong Kong is a global financial centre, green finance experienced relatively slow growth until a recent spike in 2018 when the city recorded over USD 8 billion in green bond issuance in the first 9 months,⁶⁶ up from USD 2.6 billion in the whole of 2017.⁶⁷ In April 2018, the World Bank issued its first ever green bond in Hong Kong dollars at HKD 1 billion (USD 125 million).⁶⁸ In September that year, the Hong Kong Green Finance Association (HKGFA) was launched, demonstrating new levels of private sector and industry support for green finance. The association is a collaboration of over 80 Hong Kong financial institutions, foundations, investors, and other stakeholders in promoting green finance.⁶⁹ HKGFA aims to assist the government in developing green finance policies, promoting the adoption of best practices, and identifying opportunities for participation in the green finance market in mainland China and along the Belt and Road Initiative. To further bolster green finance, the Hong Kong government recently announced several initiatives:

- The Green Bond Grant Scheme, promulgated in the 2018-2019 budget, will provide subsidies for eligible green bond issuers to obtain certification under the Green Finance Certification Scheme established by the Hong Kong Quality Assurance Agency.⁷⁰ Issuers can receive up to HKD 800,000 (USD 10,000) per bond issuance to cover the extra cost for green labelling.
- An inaugural sovereign green bond programme is slated for 2019 with total value up to HKD 100 billion (USD 12.7 billion) to fund green public works projects.⁷¹
- In September 2018, the Securities and Futures Commission announced a strategic framework to promote green finance focusing on enhancing listed companies' consistent and comparable information disclosure on environment and climate, aiming to align with the Task Force on Climate-related Financial Disclosures' (TCFD) recommendations.⁷² As of that time, SFC had authorised 21 funds with an investment focus on climate, green, environmental or sustainable development.⁷³



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67. China Daily, 2018, HK\$100 billion boost for green finance hub

68. World Bank, 2018, World Bank Issues Its First Hong Kong Dollar Green Bond

69. Markets Insider, 2018, Hong Kong Green Finance Association Announces Official Launch on 21st September

70. The Government of the Hong Kong Special Administrative Region, 2018, Government launches Green Bond Grant Scheme











71. The Asset, 2018, Hong Kong set to launch largest sovereign green bond programme

72. SFC, 2018, SFC announces green finance strategic framework

73. SFC, 2018, Update on the SFC's Asset Management Strategy for Hong Kong

SOCIAL ECONOMY DEVELOPMENT

The social economy in Hong Kong is growing rapidly with strong government support, a well-established philanthropic culture and increasing corporate sustainability efforts

CATEGORY	FACTOR	RATING	DESCRIPTION
SPOs	Presence, size and maturity		<ul style="list-style-type: none"> There are more than 654 SEs operating as of end-2017⁷⁴ and 150 NPOs listed on the Social Welfare Department's website as of January 2019.⁷⁵ While the majority of SEs are in the early to growth stage,⁷⁶ it has been estimated that 60% are already profitable.⁷⁷
	SEs' sectoral presence		<ul style="list-style-type: none"> SEs focus on employment provision to socially disadvantaged groups, community development, health care, environmental protection and elderly care.⁷⁸
Investors	Philanthropic contributions		<ul style="list-style-type: none"> Institutional philanthropy is a well-established culture in Hong Kong. The city holds USD 10.6 billion worth of philanthropic assets from 2,000 foundations accounting for 3.3% of its GDP.⁷⁹
	Managed funds		<ul style="list-style-type: none"> While there is some evidence of funds and family offices engaging in impact investing, overall volume remains low.⁸⁰ The strong interest and financial status of Hong Kong are not fully reflected in the still nascent sustainable finance market.
	Corporate sector		<ul style="list-style-type: none"> Corporate sustainability has seen progressive advancement. 86% of the companies in the Hang Seng Index publish standalone sustainability reports, up from 72% in 2018.⁸¹ There are new but relatively rare examples of corporates supporting SEs by leveraging their business models and acumen.
Enablers and Intermediaries	Policy environment		<ul style="list-style-type: none"> The Hong Kong government has put in place several initiatives to jumpstart green finance and pilot SIBs in the city. It has also continued support for SPOs through the SIE Fund.
	Incubators, accelerators and capacity builders		<ul style="list-style-type: none"> The Jockey Club Incubation programme for Social Innovation and the Social Enterprise Business Centre under the Hong Kong Council of Social Service are some of the most notable incubators. The Social Enterprise Business Centre provides capacity building, as does OurConservatory, an intermediary to facilitate impact investments. The SIE Fund has been supporting intermediaries to design and administer various programmes for the Fund's priority areas of Capacity Building and Innovative Programmes since 2015.
	Networks and platforms		<ul style="list-style-type: none"> AVPN, the Aspen Network of Development Entrepreneurs (ANDE), CSR Asia, Hong Kong Social Entrepreneurship Forum and Hong Kong Policy Research Foundation run networks and platforms to advance social investment. The most recent new platform is SFi which promotes sustainable finance among private investors.
	Knowledge and research		<ul style="list-style-type: none"> Local universities including Hong Kong University of Science and Technology, the Chinese University of Hong Kong, and Hong Kong Baptist University offer social innovation and social entrepreneurship courses to MBA and undergraduate students. University of Chicago Booth School of Business is also offering Social Impact Leadership Series and courses funded by the Hong Kong Jockey Club. AVPN, British Council, Harvard University, RS Group, Our Hong Kong Foundation and SIE Fund have published various studies on the Hong Kong social economy. However, most research is on individual facets of the social economy and remains relatively siloed.
	Partnerships		<ul style="list-style-type: none"> Notable partnerships include SVhk's engagement with the corporate sector, RS Group's SFi with private investors and HNWIs, and the SIE Fund's multi-sector geron-technology initiative. However, Hong Kong is only just starting to explore blended financing and collaborative models.

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79. Harvard University, 2018, The Global Philanthropy Report: Perspectives on the Global Foundation Sector

80. Asia Centre for Social Entrepreneurship & Philanthropy, 2018, Impact Investments by Foundations in Singapore and Hong Kong

81. CUHK, 2019, CUHK Business School Announces the 4th Hong Kong Business Sustainability Index

OPPORTUNITIES

- High quality infrastructure, an enabling business environment and a burgeoning start-up ecosystem are factors that can significantly stimulate social investment.
- Given the government's stated short- and long-term focus on climate and environment initiatives, its liberal foreign investment legislation, and the impending issuance of green bonds by the Hong Kong Monetary Authority, there will likely be an influx of capital for environmentally sustainable projects in the near future.
- The longstanding culture of HNWI philanthropy in Hong Kong, coupled with the emergence of venture philanthropy, demonstrates the early stages of a robust continuum of capital that can drive long-term and sustainable growth for the city's SPOs throughout their life stages.
- Government concerns around the spatial distribution of jobs, its support for SE start-ups, as well as its interest in providing job opportunities for disadvantaged populations, create ample opportunity for investment in strategically located SPOs.
- The recent growth of corporate sustainability and ESG reporting requirement for HK-listed companies could lead to improved impact measurement tools and mainstreamed impact investment.
- As an international financial centre, Hong Kong's infrastructure has the potential to support the growth of innovative social investing models such as SIBs, which the Hong Kong government is beginning to pilot through the SIE Fund.
- The Greater Bay Area offers a promising potential for collaboration with 11 organisations from Hong Kong and mainland China joining The Greater Bay Area Social Innovation Hong Kong Initiative to promote social innovation and sustainable development at the Social Enterprise Summit in November 2018.⁸²



82. Song Ching Ling Education Center on Philanthropy, 2018, The Center jointly initiated the Greater Bay Area Social Innovation Hong Kong Initiative

CHALLENGES

- There is a large discrepancy between demand for and supply of qualified human capital for SPOs in Hong Kong. This gap is largely attributed to the typically lower pay grade for SPO careers in an expensive city.⁸³
- Under China's 2017 Overseas NGO law, philanthropists and foundations in Hong Kong which have been giving to mainland China must establish a representative office or file for temporary activities to continue programmatic and financial support. While some are going through the registration process, others have decided to suspend their activities in China.
- While venture philanthropy has gained some traction, sustainable investing has been slow. Investors, despite being interested, perceive sustainable investing as risky. With few current mainstream examples, there needs to be more concerted efforts to drive sustainable investing.
- The lack of scalable and investment-ready social ventures is one of the main stumbling blocks to market growth in Hong Kong. Social investors thus have very limited options to achieve both social impact and financial returns.
- Mainstream involvement in social impact initiatives by financial institutions and corporates is still limited compared to other high-income Asian economies such as Japan, South Korea and Singapore.
- Although the government has provided a multitude of support initiatives for SPOs, advanced models to mobilise private capital for impact such as collective impact models and social impact bond are only starting to be explored.

RECOMMENDATIONS

● Development gaps:

- Affordable housing, clean energy, public healthcare and environmental issues remain gaps which would benefit significantly from social investment.

● Social investment:

- Further advocacy around the importance of support for SPOs as they begin to scale could help to strengthen the SE sector and allow for the application of Hong Kong's philanthropic assets as innovative risk capital.
- Local foundations and corporates could consider investing in social innovations as a way to maximise social impact and further their missions and corporate sustainability strategies, respectively.
- Family offices and foundations could take a more holistic approach to social investment, learning from organisations such as the RS Group which adopts a highly evolved Total Portfolio approach.
- Institutional investors could consider moving towards impact investing to meet the city's needs and make financial returns at the same time. Partnerships with the government, incubators, accelerators and capacity builders could help investors build the pipeline of investible social ventures.
- There needs to be greater synergy between different types of investors, intermediaries and the government to coordinate efforts and effectively build a comprehensive ecosystem to grow and scale social innovations.

● Ecosystem support:

- Stronger advocacy and messaging around SEs and social innovation is required to attract mainstream attention. In addition to growing social enterprises, more programmes can be put in place to encourage start-ups to be more socially-minded.
- Human capital remains a significant challenge among SEs in Hong Kong. A near-term solution for attracting talent into the SE sector could be to translate the existing interest to give back among corporate employees into capacity building and mentoring opportunities for SEs and current SE employees.
- Depending on the background of the social entrepreneurs, substantial effort may be required to build up their financial acumen and

83. CAPS, 2018, Doing Good Index

execution capability. A hands-on mentoring culture among social investors in Hong Kong, whereby investors play the role of team members, would contribute towards this.

- Knowledge creation and further research on the social economy can provide evidence of success models, thus encouraging more strategic social investment practices.
- Creating greater awareness among family businesses and foundations to convert a part of their existing philanthropic portfolios into social investment would increase the financial resources available to SEs. Networks and platforms can play a lead role in forging partnerships and facilitating co-investments

among family businesses, corporates and other social investors.

- Creating a platform to link SPOs with the public and businesses and building alliances to generate synergies for greater impact will allow for further mainstreaming of cross-sectoral collaboration around collective impact.

RECOMMENDED READING

- Asia Centre for Social Entrepreneurship & Philanthropy, 2018, Impact Investments by Foundations in Singapore and Hong Kong
- RS Group, 2018, Mapping Sustainable Finance in Hong Kong

Appendix: Legislative Framework for SPOs in Hong Kong

Social purpose organisations in Hong Kong can be legally registered as non-profits or for-profits.

NON-PROFIT STRUCTURES	
Society	Societies must register with the Societies Office of the Hong Kong Police Force where a society is defined as any club, company, partnership or association of persons which is organised or based in Hong Kong. ⁸⁴
Charity	Charities must be established for public benefit and operate in at least one of four charitable areas: relief of poverty; advancement of education; advancement of religion; and other purposes of a charitable nature beneficial to the Hong Kong community. Charities are eligible for tax exemptions and any donations made to an Approved Charity are tax deductible for Hong Kong taxpayers. ⁸⁵ Application for Approved Charity status takes approximately six to eight weeks. ⁸⁶
FOR-PROFIT STRUCTURES	
Company limited by guarantee	Companies limited by guarantee have no share capital and do not pay out any dividends. Members of the company guarantee to contribute a predetermined sum stated in the Articles of Association in the event whereby the company winds up. ⁸⁷ This structure is commonly used for non-profit entities. ⁸⁸
Company limited by shares	Companies limited by shares ⁸⁹ make up most limited companies incorporated in Hong Kong. SEs registered with this structure have the ability to raise equity investment.

An SE registered as a charity with the Hong Kong Inland Revenue Department and that is profitable is eligible for tax exemption if:

- Profits are used solely for charitable purposes and cannot be distributed to members.
- Profits are not expended substantially outside Hong Kong.
- The trade or business is exercised in the course of carrying out of expressed objects of the institution (for example, a religious body might sell religious tracts).
- The work in connection with the trade or business is mainly carried out by persons for whose benefit such institution or trust is established (for example, a society for the protection of the blind might arrange for the sale of handicraft work made by the blind).⁹⁰

84. Hong Kong e-Legislation, 2018, Cap. 151 Societies Ordinance

85. Inland Revenue Department, Tax Guide for Charitable Institutions and Trusts of a Public Character.

86. AVPN, 2017, Social Investment Landscape in Asia: Insights from North and South Asia.

87. Companies Registry Hong Kong, Incorporation of a Local Limited Company.

88. AVPN, 2017, Social Investment Landscape in Asia: Insights from North and South Asia.

89. InvestHK, Company type and name.

90. Inland Revenue Department, Tax Guide for Charitable Institutions and Trusts of a Public Character

METHODOLOGY

HOW WE CURATE INSIGHTS IN THIS REPORT

The research team used a combination of primary and secondary research methods and a particular process to curate information into useful insights:

- We sketched the landscape by compiling relevant standard indicators, indices and rankings from secondary sources.
- We plotted the trends and actors from secondary literature and AVPN's various member engagement activities.
- We expanded on this understanding by interviewing key actors, ranging from foundations to impact investors, intermediaries, and social entrepreneurs, to understand their investment/implementation philosophies, challenges and barriers they face, and key recommendations they have for anyone looking to invest in or support the social economy or specific causes therein.
- We corroborated the information we received from the interviews with secondary data to discern common patterns, contexts and evolutions which have led to certain trends.
- We computed the ratings for the social economy based on secondary data and insights from interviews.
- Once we had completed the landscape, we revisited the social economy ratings to perform a relative regional comparison and adjust the ratings accordingly.
- We also vetted the completed landscape with experts as listed in the acknowledgement.
- Overall, we aimed to bring the data and analysis together to provide practical recommendations for social investors and intermediaries across the spectrum.

Throughout the profile, we have attempted to map out recent developments, interesting partnerships and key actors that could form a basis for future collaborations. We have also provided detailed citations with embedded links to original sources and a list of recommended readings for further reference.



Definitions

While there might be different interpretations of the following key terms across Asia, our working definitions are as follows:

Supply of social investment	
Corporate	A company that invests directly in social impact through CSR or through establishing a corporate foundation
Development finance institution	A financial institution that provides development aid and/or capital towards private sector development in developing countries
Family office	A wealth management advisory or establishment for high net worth and ultra high net worth individuals
Foundation/Trust	A not-for-profit organisation that funds social and/or environmental causes
Impact fund	A fund that invests with the intention to generate positive, measurable social and environmental impact alongside a financial return
Demand for social investment	
Impact business	A company that focuses on creating positive outcomes for specific stakeholders of the business including employees, communities, customers, and the environment
Non-profit organisation	An entity dedicated to furthering a particular social or environmental cause (also referred to as non-governmental organisations)
Social enterprise	A company with a social mission that is aspiring to or able to generate revenues out of its products and services
Social purpose organisation	An umbrella term for non-profit organisations, social enterprises and impact businesses
Intermediaries	
Incubators, accelerators and capacity builders	Organisations that provide facilities, expertise and other forms of non-monetary support to entrepreneurs
Networks and platforms	Online and offline locations that convene stakeholders
Research and knowledge	Academic institutions and organisations that publish on the social economy

Mapping and Rating Methodologies

Government initiatives to address development gaps

For this section, we referenced Toniic's SDG Impact Theme Framework to map government initiatives to the different impact areas and relevant SDGs. The goal of the framework is to allow social investors to align their investments with the SDGs and thereby find greater alignment and synergy with the government and other key stakeholders.

For government initiatives, we analysed the latest national plans, policies and programmes to determine

national priorities for sustainable and inclusive development. We also examined SDG sub-indicators in order to pick out the worst-performing indicators, gaps in these areas and initiatives that have put in place to solve the problem.













Social economy development

















To overcome the issue of limited data availability, we adopt the Harvey ball methodology to assess the stages of development for key factors constituting a social economy including SPOs (demand for social investment), investors (supply of social investment), intermediaries (organisations that support investors and/or SPOs) and enablers, including the policy













environment and partnerships. A simple 1- 4 scoring method is used to uniformly quantify the status of each factor so that relative comparisons can be made.

Each factor has a total of 4 scenarios depicted by the 4 Harvey balls equivalent to ratings from 1 to 4.

These scenarios have been delineated based on the typical progression of the different factors in the Asian context. The framework has been adapted from BCG's SE maturity framework, Monitor Institute's definitions, Acumen's early-stage impact investing, Toniic's framework, and AVPN's analysis.

CATEGORY	FACTOR	RATING
SPOs	Presence, size and maturity	 Low presence of non-profits organisations and SEs (relative to the other 13 Asian markets). The majority are in early stages.
		 Average presence of non-profit organisations and SEs (relative to the other 13 Asian markets). The majority are relatively established and creating discernible social impact.
		 High presence of non-profit organisations and SEs (relative to the other 13 Asian markets). Many are financially sustainable, with evidence of raising equity investments.
		 High presence of non-profit organisations and SEs (relative to the other 13 Asian markets). Many have reached regional or national scale, with a relatively high number of equity investments made.
	SEs' sectoral presence	 The majority of SEs focus on job creation and basic social services such as education and health care
		 The above plus presence of SEs in proven models such as microfinance and energy
		 Diverse SE operations in an array social and environmental issues
		 A holistic range of products and services targeting both the bottom of the pyramid and the environment in urban and rural areas
Investors	Philanthropic contributions	 Evidence of philanthropic contributions and/or religious giving
		 Evidence of sustained, well-managed institutional philanthropy
		 Evidence of informed and collaborative philanthropy to multiple causes with diverse tools
		 Informed and collaborative philanthropy with diverse tools and innovative approaches

CATEGORY	FACTOR	RATING
Investors	Managed funds	 Presence of social investment with no clear classification of investors
		 Presence of managed funds with evidence of investments
		 Presence of international and local funds with diverse financing instruments
		 Presence of international and local funds with diverse financing instruments, co-investment and/or innovative approaches
	Corporate sector	 Corporate donations, volunteerism, compliance-based CSR and few examples of strategic CSR
		 Evidence of strategic and sustained CSR across multiple causes
		 Evidence of strategic and sustained CSR, support for SEs, sustainability reporting
		 Evidence of shared value, support for SEs, sustainability reporting with innovative approaches/partnerships
Intermediaries and Enablers	Policy environment	 Neutral policy environment with no recognition or targeted support for the social economy
		 Friendly policy environment with basic recognition and support for the social economy
		 Enabling policy environment with multiple incentives to develop the social economy
		 Strong policy support to build an effective social economy in the form of legislation, incentives, incubation and acceleration
	Incubators, accelerators and capacity builders	 Presence of social incubators, accelerators and capacity builders for SPOs offering co-working spaces and basic coaching
		 Presence of social incubators, accelerators and capacity builders for SPOs offering access to expertise
		 High presence of social accelerators and capacity builders for SPOs with sustained access to expertise, networks and seed funding
		 The above plus ecosystem support through partnerships with other stakeholders

CATEGORY	FACTOR	RATING
Intermediaries and Enablers	Networks and platforms	 Evidence of convenings of social economy stakeholders
		 Presence of formal networks and/or platforms dedicated to social economy stakeholders
		 The above plus presence of cross-sectoral platforms
		 High presence of formal networks and platforms that convene multiple sectors plus a variety of events to raise public awareness of the social economy
	Knowledge and research	 Availability of landscape mapping
		 Regular landscape mapping with some quantitative data
		 The above plus social economy research across a variety of topics and availability of courses on social entrepreneurship
		 Regular landscape mapping, social economy research across a variety of topics and availability of formal social entrepreneurship programmes
	Partnerships	 Evidence of partnerships between two entities
		 Presence of multi-stakeholder partnerships and collaborations between the government and social economy actors
		 The above plus presence of a pooled fund and/or co-investment
		 The above plus presence of innovative partnerships such as collective impact and impact bonds



ABOUT AVPN

AVPN is a unique funders' network based in Singapore committed to building a vibrant and high impact social investment community across Asia. As an advocate, capacity builder, and platform that cuts across private, public and social sectors, AVPN embraces all types of engagement to improve the effectiveness of members across the Asia Pacific region.

OUR MISSION

The core mission of AVPN is to increase the flow of financial, human and intellectual capital to the social sector by connecting and empowering key stakeholders from funders to the social purpose organizations they support.

With over 500 members across 32 countries, AVPN is catalysing the movement towards a more strategic, collaborative and outcome focused approach to social investing, ensuring that resources are deployed as effectively as possible to address key social challenges facing Asia today and in the future.

Visit us at: www.avpn.asia
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AVPN is a unique Pan-Asian funders' network catalysing the movement toward a more strategic and collaborative approach to social investment to address key social challenges facing Asia today and in the future.

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