



Executive Summary

General

1. Innovation consists of novelty, entrepreneurship and diffusion. Novelty is a new abstract idea, while entrepreneurship is to turn this idea into a new product/service. Diffusion, which is the public acceptance of the product, differentiates an innovative product from just another new product. Entrepreneurship is also required for a successful diffusion. These elements are regarded as the Trinity of Innovation.
2. Social innovation shares the same trinity, but focuses on social needs. In this case, novelty is the identification of a social problem. A new product/service is regarded as the output while the changes invoked by the output on stakeholders is regarded as the outcomes. A new product/service without any outcomes cannot be diffused to public even with entrepreneurship, therefore the introduction of outcome-based measurements is an important step to foster social innovation. The outcome-based measurement that we propose can be collectively regarded as social impact assessment (SIA). SIA consists of two stages: evidence-based analysis for outcomes and valuation of outcomes (including market and non-market outcomes).
3. Social enterprises can apply SIA in product refinement, fundraising and public procurement processes. Fund providers and philanthropies can apply SIA in selecting proper social projects for investments or donations. The Government is the main stakeholder of SIA and can apply the techniques for a better and more transparent policy formulation.
4. With the belief of 'SIA is necessary yet insufficient', our recommendations focus on introducing SIA complemented with other supportive measures, so as to construct a healthy ecosystem of social sector in Hong Kong.

The United Kingdom Experience

5. The United Kingdom (UK) is one of the most experienced nations in social innovation, and its experience can provide us with insights. SIA is required for most public policies in the UK and there are a number of official SIA guidelines issued. To facilitate the whole process, the UK Government has set up seven What Works Centers to provide evidence-based analyses for policies. It has also modified the Annual Population Survey (APS) to provide important data for the valuation of outcomes.
6. Public Services (Social Value) Act in the UK requires public procurement agencies to consider social benefit in the selection processes, this opens up more opportunities for social enterprises. Moreover, the Futurebuilders Fund was established to provide repayable finance for social enterprises in delivering public services.
7. Geoff Mulgan, a UK expert in social innovation, initiated the idea in matching resource-rich businesses and impactful social innovators. This idea is regarded as 'bees and trees'.
8. There is a growing social investment market to finance social enterprises, including equity investments and loans. Bridges Ventures, Charity Bank and Big Society Capital are the active fund providers in the UK. Social Impact Bond has also been introduced.
9. In the UK, UnLtd, the School for Social Entrepreneurs, the Skoll Center and Nesta are the major capacity builders for social innovation. These institutes provide resources, coaching and mentoring to encourage social entrepreneurship and scale up social innovations.
10. Community Interest Company (CIC) is a legal form of company in the UK as an official recognition of social enterprises. Asset lock and dividend cap are two major requirements of a CIC. There are over 10,000 CICs registered in the UK.

Our Recommendations

Our recommendations can be categorized into four areas: improving policy formulation, engaging business, inducing competition for social outcomes and capacity building.

Improving Policy Formulation:

11. The Hong Kong Special Administrative Region (HKSAR) Government should champion the use of SIA to propagate the importance of social impact. It should collaborate with local universities and professional bodies to establish evidence-advisory units in specialized areas. These units will provide social impact assessments for public policies. They will also provide advice to public issues with their publicly accessible findings, toolkits and guidelines. Large-scale subjective well-being surveys should also be conducted regularly to collect sufficient data for valuing non-market outcomes and the data should be opened to public.

Engaging Business:

12. SIA should be included as a key performance indicator in the Environmental, Social and Governance (ESG) reporting required for listed companies in Hong Kong Exchanges and Clearing Limited (HKEX).
13. The HKSAR Government should support the establishment of a 'Bees and Trees' platform to scale up the impact of outcome-proved social innovation.

Inducing Competition for Social Outcomes:

14. SIA could be applied in public procurement processes to take candidates' social impacts into account, opening a new operation pathway for social enterprises, as they are currently disadvantaged because of their higher accounting costs than normal businesses.
15. SIE Fund, as well as other funding bodies for social enterprises and social innovation projects, should integrate SIA in their funding processes as much as possible. Together with the previous recommendation, competitions for social outcomes can be created and social innovation could be promoted.
16. The HKSAR Government could establish a funding mechanism in providing repayable finance to social innovation projects.

Capacity Building:

17. Awareness of SIA application should be increased among officials in the Treasury, which is the central paymaster of the HKSAR Government. Efficiency Unit, SIE Fund secretariat, Audit Commission, Social Welfare Department, Home Affairs Department and subvented non-governmental organizations (NGOs) should also be prioritized.
18. The HKSAR Government could encourage businesses to integrate social innovation into their business strategies.
19. The HKSAR Government should increase senior officials' awareness of the importance of social innovation, and introduce possible ways to foster social innovation.