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香港金融發展局

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Unlocking impact capital in Hong Kong

Learnings from global ecosystems

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Foreword

Lester G Huang
Chairman,
Institute of Philanthropy

Society's needs are rapidly evolving, from ageing and public health, to youth development, social mobility, and climate resilience. Responding effectively requires communities to draw more deliberately on the full range of resources available. With its strong tradition of giving, commitment to social welfare, sophisticated financial services ecosystem, and growing community of wealth and family offices, Hong Kong is well placed to bring together capital and capabilities in all its forms for public good.

Government, philanthropy, and private capital each have distinct and necessary roles. In particular, philanthropy is well placed to support innovation, respond flexibly to emerging needs, and convene partners around shared priorities. Through closer cross-sector collaboration, it can also help mobilise wider resources and capabilities for lasting impact.

The value of impact capital is in its ability to help bridge gaps between existing funding approaches by combining flexibility with appropriate discipline. It can help promising ideas build evidence, attract the right partners and progress towards wider adoption, while complementing, not displacing, the essential roles of government, philanthropy, and the market.

For philanthropy, this reinforces a distinctive role: providing patient, and catalytic capital for public good. Philanthropy can move before evidence is complete, invest in the capabilities that make organisations more resilient and convene partners around challenges requiring shared action. At its best, it can absorb early risk to unlock learning, build confidence, and create pathways to wider impact.

This is the spirit in which the Institute of Philanthropy (IoP), the Financial Services Development Council and the Hong Kong Academy for Wealth Legacy have supported this research. Established by The Hong Kong Jockey Club and its Charities Trust, IoP is committed to advancing philanthropic thought leadership, shared learning, and partnership for social impact. Drawing on Hong Kong's own experience and lessons from impact ecosystems globally, the report explores how impact capital can be developed in ways that reflect Hong Kong's strengths, priorities, and context. It does not prescribe a single model, but contributes to a practical conversation on deploying capital more intentionally and collaboratively for lasting impact.

We sincerely thank the philanthropic institutions, family offices, social purpose organisations, policymakers, and thought leaders who generously shared their perspectives. This report is, above all, an invitation to continue the conversation: how Hong Kong can bring together its public commitment, philanthropic tradition, financial expertise, growing family office community, entrepreneurial energy, and social sector experience to finance impact with greater intention, discipline and common purpose. Through this, Hong Kong can offer a distinctive example of how capital, capability, and collaboration can come together to serve people, communities, and future generations.

Benjamin Hung
Chairman,
Financial Services
Development Council

Hong Kong has long connected markets, capital and ideas. As investors increasingly seek both financial returns and measurable outcomes, the challenge is no longer whether capital is available, but how to mobilise it more effectively towards solutions that deliver sustainable impact.

Impact investing has moved firmly into the mainstream. Governments, financial institutions, philanthropies, and private investors increasingly recognise that financial performance and positive outcomes can reinforce one another. The focus is now shifting from ambition to execution and from individual initiatives to scalable markets.

For Hong Kong and the wider region, the significance of impact investing extends beyond financial returns. Asia faces substantial investment needs across areas such as climate resilience, healthcare, education, and social inclusion. Mobilising private capital towards these opportunities can help address pressing societal challenges while supporting sustainable economic growth.

Hong Kong is well placed to play a leading role in meeting this need. As an international financial centre, it combines deep capital markets, professional expertise, a strong regulatory framework, and extensive regional connectivity. The next step is to build a trusted market that can attract global capital and direct it towards opportunities with measurable impact.

This report makes a valuable contribution by examining how impact ecosystems around the world have evolved and scaled. Its findings reinforce an important lesson: while there is no single blueprint for success, leading markets share common foundations, including clear market signals, trusted standards, catalytic capital, and effective platforms that connect investors with opportunities. I commend the contributors to this study for their rigorous analysis, timely insights, and practical recommendations.

Hong Kong has the building blocks to become a leading impact capital hub in Asia and beyond.
The next phase of growth will favour those who can mobilise capital with scale, credibility, and purpose.
The responsibility now rests with all of us to turn ambition into tangible outcomes.

Adrian Cheng
Chairman,
Hong Kong Academy
for Wealth Legacy

Legacy for families has never been only about preserving and transferring financial wealth. It is also about the values we uphold, the knowledge we share, and the contribution we make to society. An enduring legacy brings together a family's financial, human, intellectual, and spiritual capital, giving each generation the confidence to build on the past and the purpose to shape the future.

Hong Kong and Asia are entering a historic period of intergenerational wealth transfer. A new generation of wealth owners is bringing fresh perspectives to investment, philanthropy, and social responsibility. Many families no longer see these as separate conversations. They are seeking practical ways to align family purpose with measurable impact.

These findings point to a role for family governance that is practical, not abstract. Governance helps a family translate shared values into decisions: which outcomes to pursue, what risks to accept, which forms of capital to use, and how different generations will participate. It creates the mandate and discipline to move from fragmented giving to intentional deployment across different assets. It also allows families to ask a more powerful question: not only how wealth should be preserved, but how it can be transformed into a purposeful and lasting force for good.

Impact capital expands the ways families can answer that question. Family offices can deploy grants, patient or concessional capital, recoverable funding, and commercial investment according to the needs, readiness, and risk profile of each opportunity. Their contribution is not merely a cheque, but the combination of capital, capability, connections, and conviction: entrepreneurial experience, professional networks, and a willingness to support promising ideas over the long term. With clear objectives, credible measurement, and trusted partners, these strengths can help innovation build evidence, attract wider participation, and progress towards scale. The impact of families in aggregate illustrates how Hong Kong can position itself as a leading hub for philanthropy and impact capital, and showcases how wealth can be used to build both stronger communities and legacies.

Hong Kong now has an opportunity to turn these individual strengths into a shared advantage. By connecting families with government, philanthropy, social purpose organisations, and professional intermediaries, we can build an ecosystem rooted in local needs and open to global learning. Hong Kong should be known not only for the wealth it manages, but for the purpose, responsibility and lasting value with which that wealth is deployed. That is how family legacy and community progress can reinforce one another across generations.

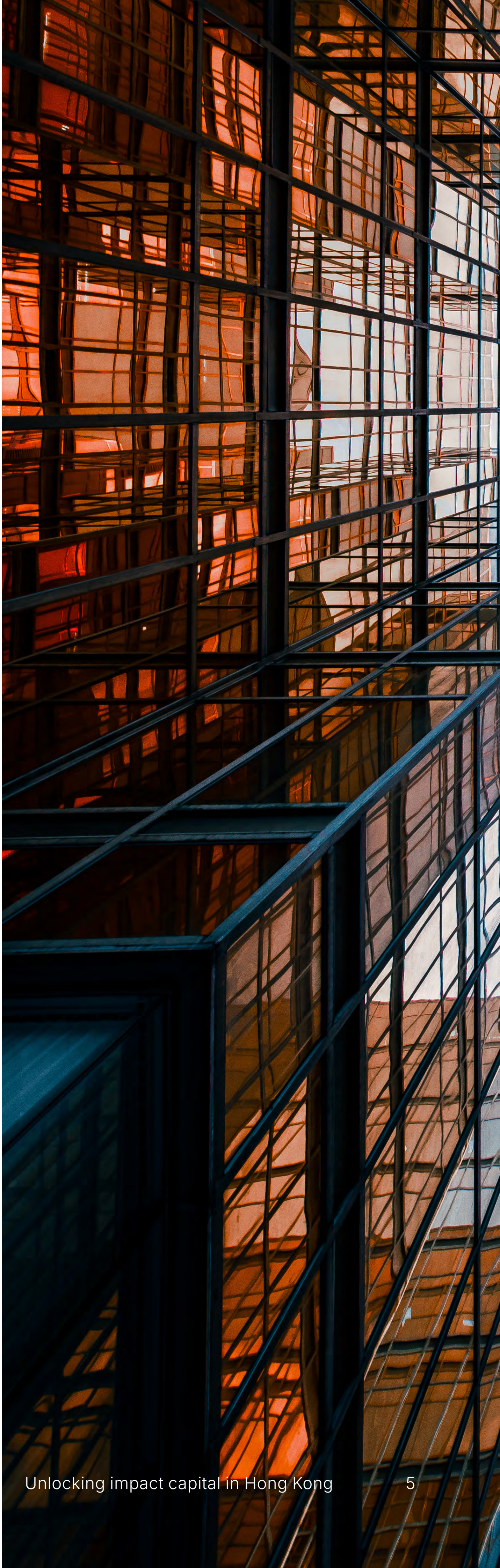
About this report

This report was developed by the Institute of Philanthropy, Social Finance, and Tri-Sector Associates, in collaboration with the Financial Services Development Council and the Hong Kong Academy for Wealth Legacy.

Insights from the report draw on primary and secondary research conducted between January and July 2026. The research combined a review of relevant literature, an in-depth stakeholder consultation across Hong Kong, the United Kingdom, Japan, and Singapore, desk-based research into other global impact capital ecosystems, and a poll of Hong Kong-based family offices.

Over 50 stakeholders and their teams were consulted across the four markets, including funders, social purpose organisations, intermediaries, government representatives, academics, and other experts. Interviews were semi-structured and explored the opportunities, barriers, and enabling conditions for impact capital in Hong Kong, as well as the development of impact capital ecosystems internationally.

The qualitative research was complemented by a poll of family offices, principals, and related funders identified via the Hong Kong Academy for Wealth Legacy Impact Link (iLink) network. The poll received 20 responses and explored respondents' familiarity with impact capital, prior experience, interest in future use, and the factors shaping their decision-making. The findings are intended to provide directional insight and should not be interpreted as representative of the wider family office population in Hong Kong.



Introduction

Why now, and why impact capital

Hong Kong is at an important moment of transition.

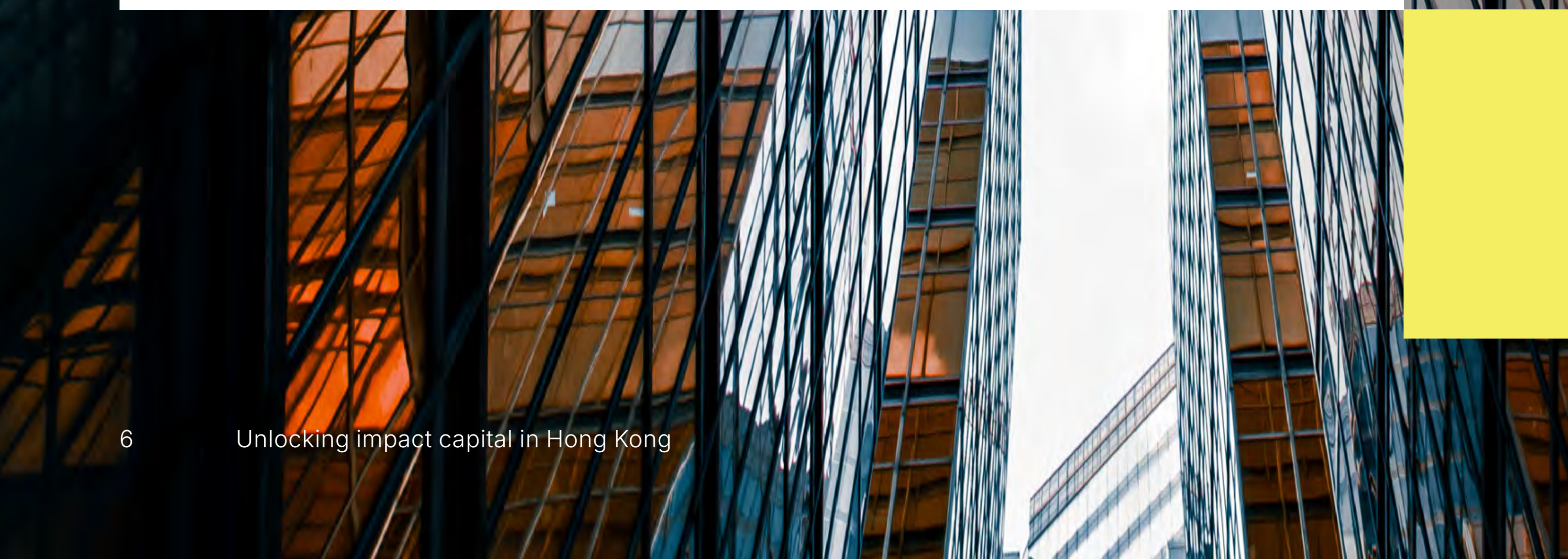
The Government of the Hong Kong Special Administrative Region, China, has set out a renewed commitment to strengthen the city's role as a global hub for family offices, philanthropy, and impact-oriented capital, building on its longstanding strengths as an international financial centre and regional 'super connector'. This ambition is important, not only for Hong Kong's economic competitiveness and societal dynamism, but also for how increasingly complex community needs are funded and financed.

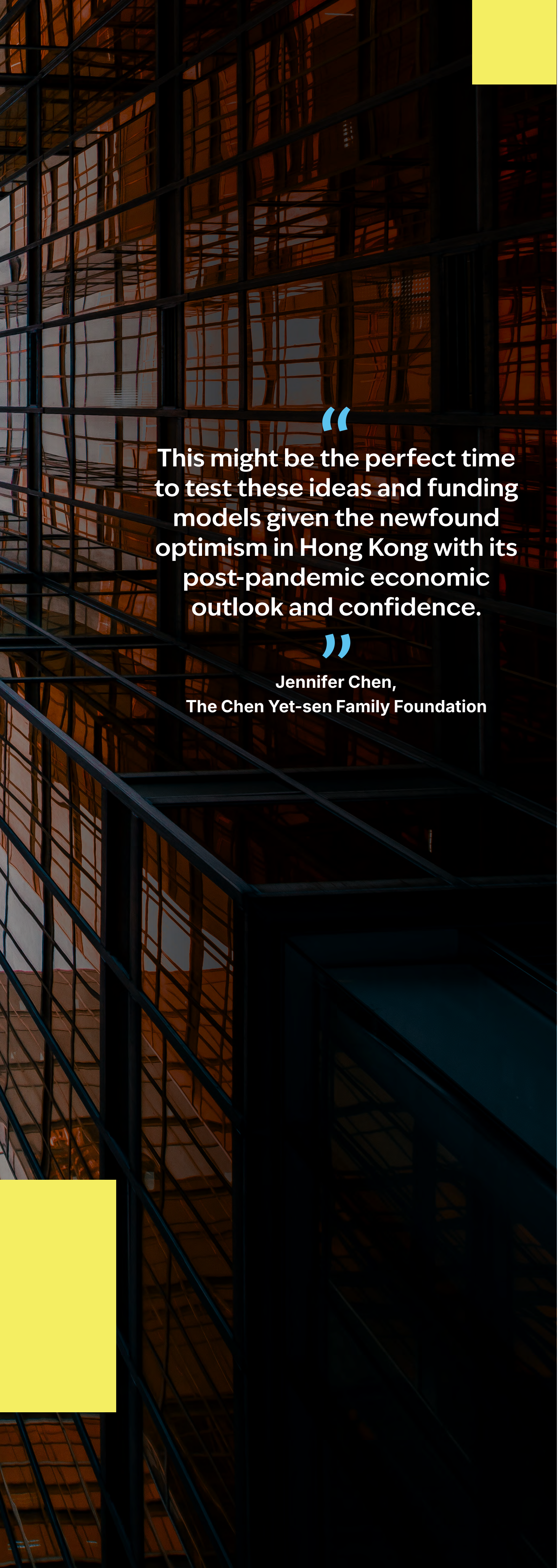
Today, Hong Kong's social impact funding landscape is structured around three main capital streams: public, philanthropic, and private, each of which has delivered strong outcomes for the city. The opportunity now is to expand how that capital is deployed, both within each stream and across them, and amplify their collective impact in ways that will respond more effectively to today's fast-changing societal needs.

This is where impact capital can play a role. Rather than a separate pool of funding, impact capital is an approach to deploying and combining capital in structures that are centred around deliberate accountability for measurable social and environmental outcomes.

In practice, this spans a wide range of tools that are designed to match different forms of capital to different needs and to stages of development. By changing how funding is structured and how different types of capital can come together in new, blended structures, impact capital offers a fuller range of tools, stronger partnerships, and expanded pathways through which Hong Kong can grow its common prosperity.

The value of impact capital lies in using it where and how it is best suited. When structured well, it enables public, philanthropic, and private capital to work together more intentionally – building on the distinctive strengths of each stream to produce a whole greater than the sum of its parts.





> **"This might be the perfect time to test these ideas and funding models given the newfound optimism in Hong Kong with its post-pandemic economic outlook and confidence."**
>
> **Jennifer Chen,**
> **The Chen Yet-sen Family Foundation**

Hong Kong now has a timely opportunity to put this approach into practice. The city, and the wider region, are entering a period of unprecedented intergenerational wealth transfer, with a new generation increasingly open to aligning capital with social impact: in a recent poll of 20 Hong Kong family offices, principals, and advisors conducted for this research, over half of respondents said they would be open to using impact capital as part of their philanthropy in future.[1] These shifting attitudes to capital deployment coincide with a changing landscape of social needs, many of which will require earlier intervention, more integrated support and new models of delivery – and a reimagining of the funding toolbox.

Turning this growing appetite into effective deployment will require more than capital alone. Hong Kong will need to develop the enabling environment and necessary supporting functions that facilitate impact capital to flow at scale – in other words, build an ecosystem. An effective impact ecosystem is not defined solely by the amount of capital available, but by its ability to connect the right capital to the right opportunities at the right time.

The experiences of markets such as the United Kingdom, Japan, and Singapore show that there is no single pathway for achieving this: each has developed different mechanisms to bring together government, philanthropy, private capital, and social purpose organisations (SPOs) around shared social objectives.

For Hong Kong, the opportunity is therefore not to replicate any single model, but to draw on the lessons most relevant to its own context and strengths: deep financial capabilities, a sophisticated professional services sector, a strong philanthropic tradition, growing policy support for philanthropy and family offices, and its highly entrepreneurial ethos. The chapters that follow explore how, by bringing these strengths together, Hong Kong can use impact capital to address its most pressing social challenges and reinforce the city's position as a leading hub for capital in Asia.

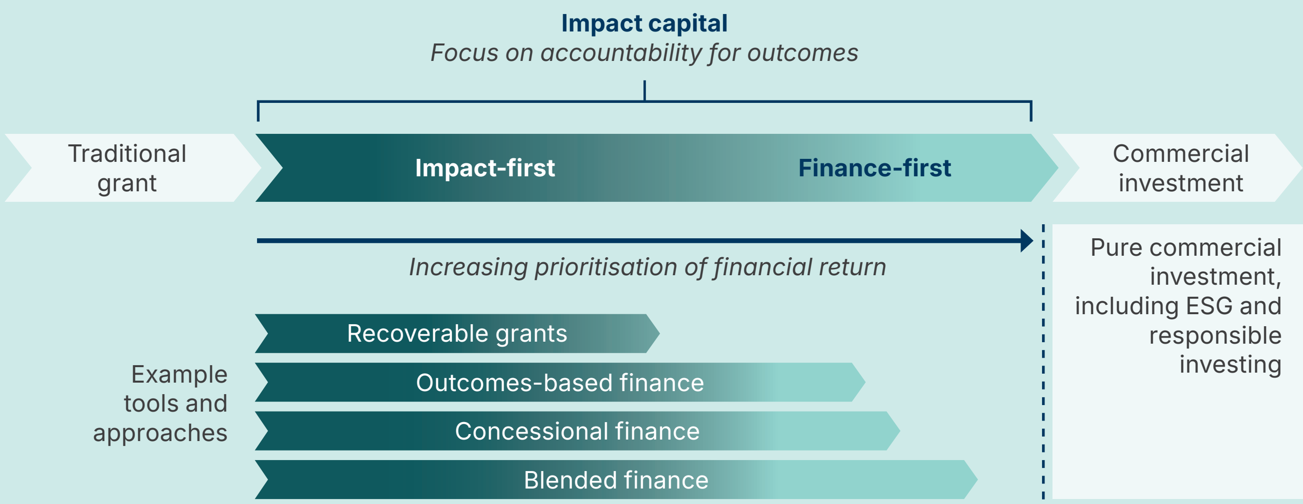
What is impact capital?

Impact capital refers to capital deployed with the intentional aim of generating positive social or environmental outcomes alongside financial objectives, with accountability for delivering measurable impact.[2] In practice, impact capital approaches span a broad spectrum:

- At one end are **finance-first** approaches that add an impact lens to mainstream investment products, such as green bonds, sustainable finance, and market-rate impact investing.
- At the other end are **impact-first** approaches, which prioritise outcomes ahead of financial return and share some characteristics with investment. **Impact-first approaches are the focus of this report.**

Impact-first approaches include tools such as outcomes-based finance, recoverable grants, concessional capital, and blended finance. They almost always accept a trade-off in financial return in pursuit of impact and can be deployed in different ways by different types of funders. Many of these approaches combine different actors and streams of capital, often in new types of partnerships, requiring strong collaboration across sectors, and a combination of investment, grant-giving, and commissioning skillsets. All require a clear focus on outcomes and impact measurement.

Impact capital spectrum[3,4,5]



- **Recoverable grants:** Grants provided with the expectation that some or all of the funding may be repaid if the project succeeds, allowing the funder to reuse the capital for future impact.
- **Outcomes-based finance:** Funding where payment is linked to the achievement of pre-agreed social or environmental outcomes, rather than activities delivered, often with an upfront funder taking early delivery risk.
- **Concessional finance:** Capital provided on more flexible or favourable terms than the commercial market, accepting, for example, lower returns, reduced interest, longer repayment periods, or greater risk tolerance, in pursuit of impact.
- **Blended finance:** An approach by which funding from different sources with different risk-return profiles is combined to increase investment into social and environmental outcomes.

Chapter I

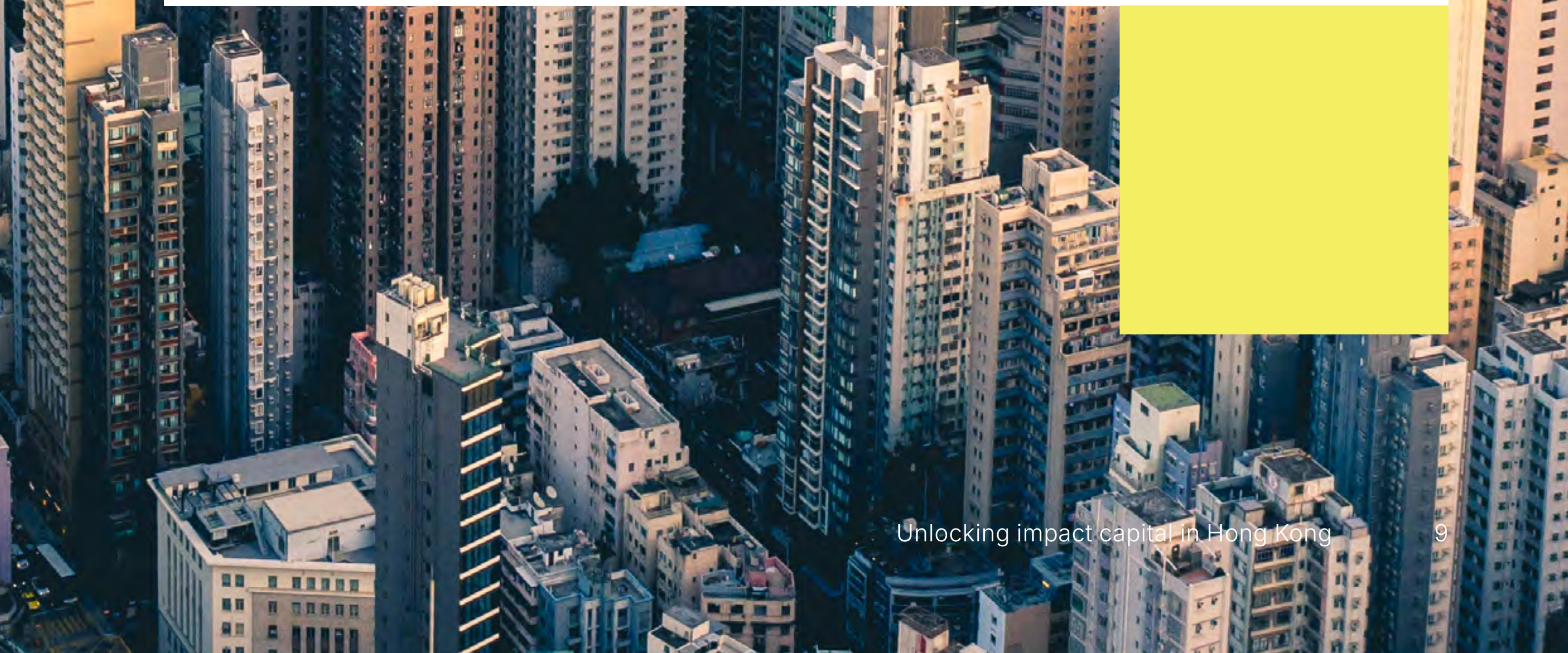
How social impact is funded in Hong Kong today

Hong Kong's social impact funding landscape is built on three distinct but complementary streams of capital.

Public funding is the largest and most stable stream, channelled primarily through the government's subvention system to sustain proven services at scale. Alongside this, philanthropic capital, underpinned by the city's longstanding culture of giving, is more flexible: it can take risks, pilot new approaches, address under-served issue areas, and catalyse models for sustainability through broader partnerships. Private capital, meanwhile, brings enormous assets, talent, and expertise, with the city already a leading market for sustainable finance in Asia. Each plays a critical role in financing social impact in the city, but each also has structural limits, as discussed in this chapter.

Public funding

Public funding is the cornerstone of Hong Kong's essential service system. Across healthcare, social welfare, and education, the Government allocates substantial recurrent resources to sustain services at scale, uphold standards, and support equitable access. In social welfare, one important channel is the Social Welfare Department's subvention system, through which SPOs operate services under clearly defined Funding and Service Agreements,[6] providing around 90% of Hong Kong's public welfare services.[7]



Public funding's core strengths of scale, continuity, equity, and accountability make it well suited to essential services that need to be available across the city, delivered to consistent standards, and sustained over time. It also plays a key role in setting the policy direction and providing the infrastructure through which proven models can be adopted and scaled.

Recurrent government expenditure in 2026/27 budget[8]

HK$357bn
60% of recurrent government spending goes to social welfare, health and education

However, public funding is often less suited to supporting innovative approaches before evidence has been established. New models may require experimentation, adaptation, and evidence-building before they are ready for wider adoption through mainstream funding channels. This is illustrated by the Evangelical Lutheran Church Social Service Hong Kong's (ELCHK) Smart Food Warmer for elderly residents: ELCHK initially developed their novel technology using their own reserves, before securing Labour and Welfare Bureau co-funding for wider rollout based on their demonstrable track record. As Schwinger Wong from ELCHK shared, *"It's not easy for traditional government funding to accept these kinds of highly innovative ideas."*

Acknowledging this, the Hong Kong Government has developed dedicated innovation vehicles, including the Community Investment and Inclusion Fund (CIIF)[9] and the Social Innovation and Entrepreneurship Development Fund (SIE Fund),[10] recognising that effectively addressing social needs may require new models, cross-sector collaboration, and early-stage experimentation, alongside established service channels. Recent policy directions, such as the Primary Healthcare Blueprint,[11] also signal growing interest in supporting prevention-oriented, community-based, and cross-sector models.[12]

Even with these innovation channels, there remains a gap in the funding continuum that enables promising ideas to demonstrate early proof of concept before they are ready for public co-funding or wider adoption. Impact capital can help bridge this gap, funding early testing, adaptation, and evidence-building, so that effective models are better positioned to scale through public funding.

> **"Hong Kong's stable government subvention is a real advantage. It gives NGOs a steady base to build from, and impact capital (in addition to philanthropy) can then be deployed on top of it – for services and populations that are difficult to reach through subvention."**
>
> **Josephine Lee, St James' Settlement**

Philanthropy

Philanthropy is one of the most flexible and catalytic sources of funding within Hong Kong's impact landscape. Rooted in a longstanding culture of giving, it complements public funding by supporting innovation, responding to emerging needs, and enabling partnerships across sectors.

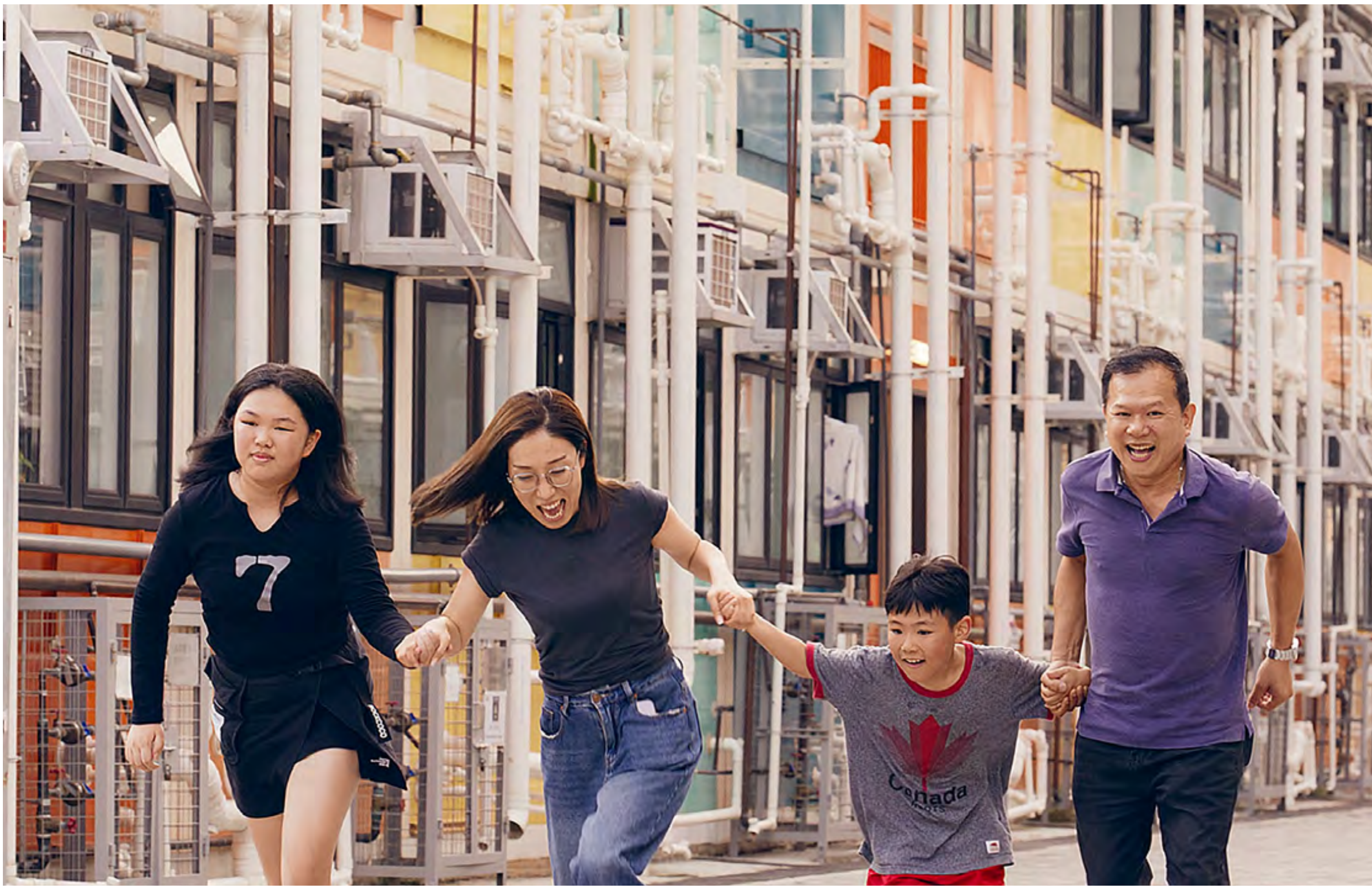
Its distinctive role lies not only in providing funding, but in taking considered risks, testing new approaches, and convening partners. By absorbing the early risk of unproven models and generating evidence of what works, philanthropy can help promising approaches build the track record needed to attract longer-term funding and support for broader adoption.

This role is reflected across Hong Kong's philanthropic ecosystem. The Lee Hysan Foundation supported a telehealth care project for elders in rural areas, embedding health outcome targets from the outset to build evidence of impact and cost-effectiveness, which later facilitated adoption by the Hospital Authority.

Similarly, various funders' support for Light Be's affordable housing model illustrates how philanthropy can absorb the enabling costs and early implementation risks of new models. Funders including RS Group, Lee Hysan Foundation, and Chow Tai Fook Charity Foundation helped bring together funding, land, and delivery capacity, to provide below-market community housing to lower-income households.

These examples reflect a broader shift towards a more outcomes-oriented approach. Funders are increasingly looking beyond funding focused on outputs and deliverables towards measurable, long-term outcomes, supported by clearer goals, stronger evidence generation, and deeper collaboration across sectors. This shift creates a natural entry point for impact capital.

Below: Family participating in a new public-private-philanthropic programme to alleviate urban poverty.



Above: Aerial view of Hong Kong's high-density urban environment.

At the same time, whilst philanthropy in Hong Kong is significant, it remains a relatively scarce resource compared to other funding streams. In 2023-24, philanthropic giving in Hong Kong amounted to ~HK$12bn[13] – less than 4% of total recurrent public expenditure on health, social welfare, and education over the same period.[14] Grant funding alone cannot sustain every effective model indefinitely, making strategic deployment even more important. The challenge is therefore how philanthropic capital, across foundations, institutional donors, family giving, and corporate giving, can be deployed where its flexibility and risk appetite are most valuable: building evidence, absorbing early-stage risk, mobilising partnerships, and creating pathways to longer-term impact.

Private capital

Private capital can bring scale, investment discipline, specialist expertise, and access to markets. It is most relevant where there are credible revenue, repayment, or business models generating risk-adjusted returns. In Hong Kong, this is visible in areas such as green finance, private healthcare, and education, where demand and potential returns are clearer. Hong Kong is already a leading sustainable finance market in Asia, with over HK$336bn (US$43.1bn) of green, social, sustainability, and sustainability-linked bonds arranged in 2024.[15]

However, many community needs remain difficult for private capital to invest in, not because they lack value, but because that value is hard to capture as financial return. One barrier is market creation: new models must first prove demand, build infrastructure, and engage regulators. These early costs are often borne by first movers, while later entrants, including commercial investors, may see an opportunity once the market is established. Sectors such as off-grid solar and financial inclusion illustrate this pathway: grant and catalytic capital helped build the conditions for investment over many years, before private capital could enter to scale proven models.

A second barrier is affordability. Services such as complex mental health support, ageing care, and support for ethnic-minority communities are responding to an acute and growing demand, but remain underfunded where beneficiaries have limited ability to pay or where revenues are insufficient to support commercial investment.

Finally, some social value is effectively a public good – like reduced reoffending, better population health, and stronger social cohesion, which create material benefits for society and public budgets – but does not generate cashflows that can support commercial investment.

This does not mean private capital has no role. Rather, it must be matched to the right stage of development, the right revenue model, and the right risk profile to deliver greater impact.

The private wealth opportunity

Alongside these three streams of funding, a new opportunity is emerging to unlock more forms of private wealth for public good, as Hong Kong strengthens its position as a premier global family office and wealth management hub. In Hong Kong alone, billionaire heirs are projected to inherit HK$1.4tn (US$180bn) over the next 15 years.[16] This transfer of wealth coincides with rising interest among next-generation wealth holders in more integrated approaches to deploying capital – viewing giving, investing for impact, and commercial investment not as separate activities, but as complementary tools.

This matters because family office capital can occupy different positions on the capital spectrum. Unlike pure commercial investors, many family offices have greater flexibility to deploy different pools of capital, with different expectations.

Some capital may be fully philanthropic; some may be catalytic, patient, or concessionary; and some may seek commercial return alongside impact. This appetite is echoed by family offices themselves: 70% of family offices in Hong Kong polled agreed that more flexible funding options are needed to deliver greater impact.[17]

The Government's 2023 *Policy Statement on Developing Family Office Businesses in Hong Kong* sets out measures to build a vibrant ecosystem for global family offices and asset owners, including establishing the Hong Kong Academy for Wealth Legacy (HKAWL),[18] which supports practitioners, asset owners, and wealth inheritors in areas including wealth succession, family governance, impact investing, and philanthropic impact.

Above: Tsing Ma Bridge, one of the world's longest suspension bridges for rail and road traffic connecting Tsing Yi and Ma Wan islands in Hong Kong.

Chapter II

The opportunity for impact capital in Hong Kong

Impact capital can help Hong Kong move from strong but separate funding streams to a more intentional capital continuum for social impact.

Hong Kong's funding system starts from a position of strength, with public, philanthropic, and private capital each playing an essential role in delivering strong social outcomes and sustaining high standards of health, education, welfare, and community service across the city. As social needs become more complex and fast-changing, however, many of the most pressing challenges require earlier intervention, more integrated support, and new models of delivery that do not always fit neatly within existing mandates, incentives, or time horizons. The opportunity for impact capital is to connect Hong Kong's existing strengths more deliberately: matching different forms of capital to the needs, stages of development, and risk-return profiles for which they are best suited, so that the city's full capital base can be deployed more effectively in pursuit of greater social impact.

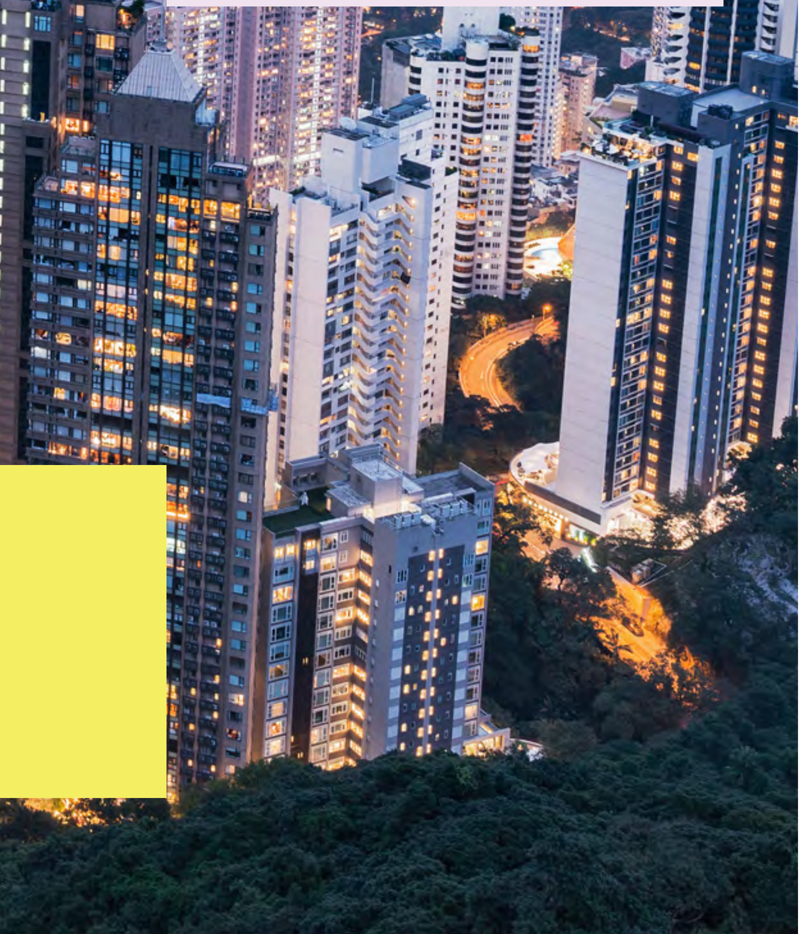
> **"I don't think the limitation is capital in Hong Kong. Rather, it may be a matter of redirecting the capital to worthwhile opportunities."**
>
> **Lawrence Tsang,**
> **The D. H. Chen Foundation**

Three ways impact capital can add value to Hong Kong

1 **Helping existing funding go further:** Impact capital can help public and philanthropic funding achieve more by directing capital towards what works and recycling capital where repayment is possible.

2 **Mobilising additional capital for impact:** Impact capital can bring additional private capital into social impact by improving the risk-return profile of opportunities that would otherwise remain unfunded.

3 **Building capabilities, evidence, and networks:** Impact capital can leave behind benefits that outlast individual transactions, helping organisations strengthen their measurement and learning practices, and build new cross-sector networks and partnerships.



1 Helping existing funding go further

Directing capital towards what works

Hong Kong's subvention system provides the accountability needed for delivering essential services at scale. However, this approach to public procurement may be less well suited to interventions where models are still being tested or where providers need flexibility to adapt their intervention to deliver greater impact. In these cases, government risks paying for interventions that may not deliver the intended outcomes, and so often defaults to funding established programmes, even where greater impact could be delivered through alternative models.

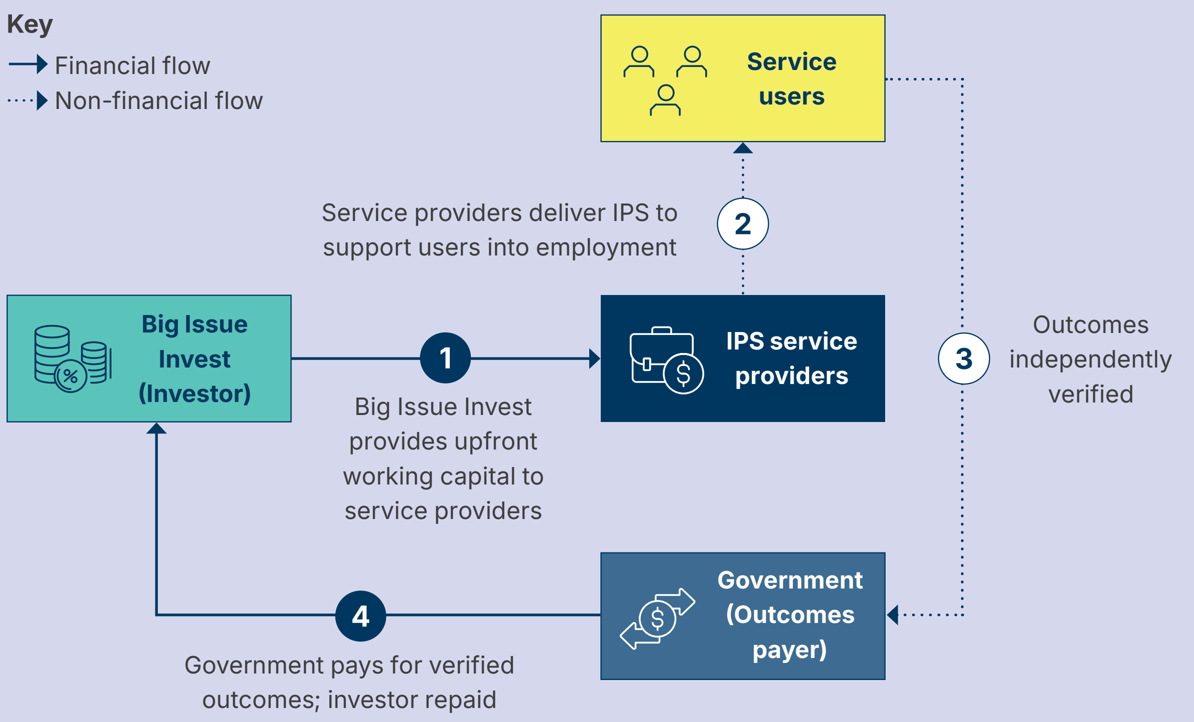
Outcomes-based financing offers a way to maintain the accountability that public funding requires, while allowing space for interventions to be tested and refined. Rather than paying for activities delivered, government commits to paying for verified outcomes. Upfront funders, typically philanthropic or impact investors, can provide working capital and share performance risk with SPOs, and providers are given the flexibility to adapt and improve service effectiveness in pursuit of pre-agreed outcomes. This structure allows government (in some cases, with philanthropy) to test promising models without immediately committing recurrent funding. It also generates evidence on what works, for whom, at what cost, and under what delivery conditions, informing decisions around whether a model should be scaled, adapted, or discontinued. Evidence from the UK indicates that across 86 outcomes contracts, HK$18.8bn (£1.8bn) in public value was created from HK$2.27bn (£217mn) of government expenditure, equating to an 8:1 benefit–cost ratio.[19] Beyond the UK, outcomes-based approaches have been adopted widely: more than 320 social impact bonds have now been contracted across some 40 countries, mobilising over HK$6.82bn (US$870mn) in upfront investment capital.[20]

Mental Health and Employment Partnership

The Mental Health and Employment Partnership (MHEP) was established in 2015 to scale outcomes-based vocational support for people with severe mental illness in the UK. There was strong international evidence for the effectiveness of Individual Placement and Support (IPS) in helping people with severe mental illness enter paid employment. However, UK-based evidence was limited, and government was therefore not prepared to commit to recurrent funding. MHEP was created as a special purpose vehicle to manage a series of social impact bonds (SIBs) to test and develop IPS in the UK. Big Issue Invest provided upfront investment to de-risk setup for providers, while local and central government bodies disbursed payments for outcomes achieved and independently verified, including job placement and sustainment, enabling the upfront investor to be repaid. The outcomes-based model was accompanied by wraparound support for providers to manage and adapt services to achieve outcomes.

MHEP supported over 2,000 people into work from 2015 to 2024, successfully demonstrating the efficacy of IPS in the UK, and generating the evidence government needed to support future commissioning.[21] The programme was a key driver behind national adoption of IPS, with the NHS now targeting support for over 140,000 people through IPS by 2028/29.[22]

Social impact bond model



The above provides a simplified illustration of a social impact bond. In some outcomes-based funding structures, there is no upfront investor; instead, service providers cover the upfront delivery costs themselves before receiving payments for the outcomes achieved.

Recycling capital

Impact capital can also help scarce funding stretch further where there is some ability to repay. Unlike a standard grant or public funding model, where capital is deployed only once, even as the need continues, recyclable structures reuse the same capital: repayments flow back into the original fund and can be redeployed to successive cohorts or projects over time.

Tools such as recoverable grants and revolving loan facilities make this possible, structuring funding to allow partial or full repayment. For funders, this capacity to put the same pool of capital to work more than once is a key appeal, with 60% of Hong Kong family offices rating the ability to recycle capital for future impact an important consideration in deciding whether to use impact capital.[23]

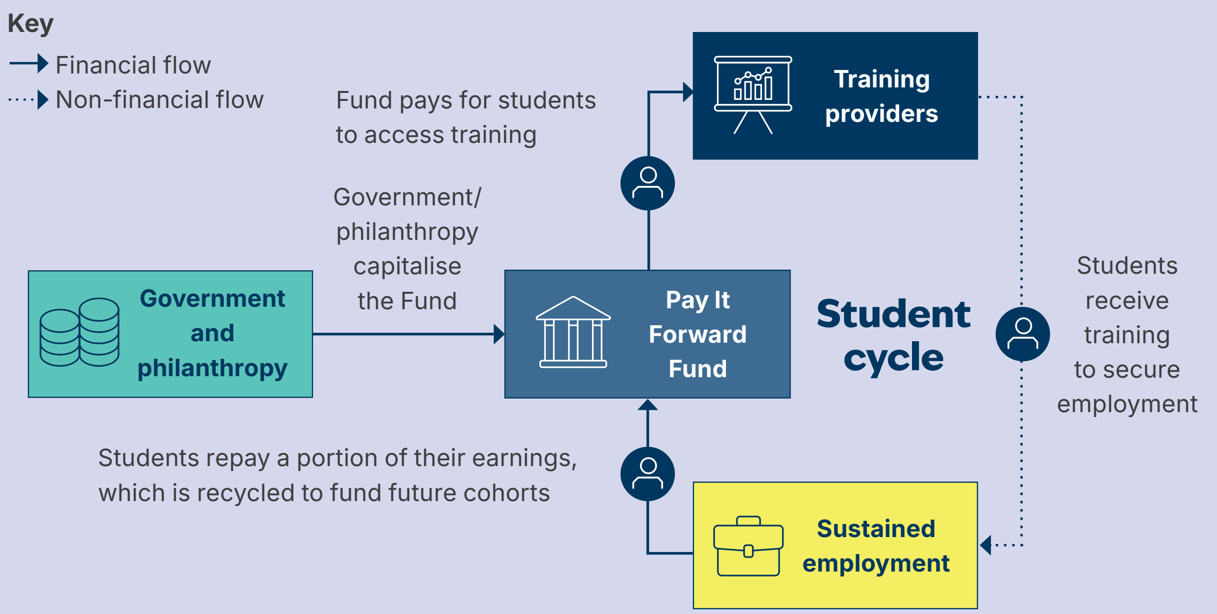
Chow Tai Fook Charity Foundation's income-linked subsidy programme provides a local illustration. Here, the Foundation funds a student's education up front, and the student only repays the subsidies once they have graduated and are in full-time employment. *"This allows the foundation to deploy the same pool of capital over and over again into the scholarships fund, supporting more high school to university students over time."* – Chow Tai Fook Charity Foundation

Scaled versions of this mechanism operate internationally, such as the New Jersey Pay It Forward Program and other US state-level workforce funds, some of which intentionally build in high rates of loan forgiveness to incentivise students to move into high-impact jobs.

New Jersey Pay It Forward Program

The New Jersey Pay It Forward Program is a HK$204mn (US$26mn) revolving workforce fund that helps learners access training for in-demand jobs in sectors such as healthcare, IT, and clean energy. Participants can access zero-interest loans to cover tuition fees, alongside living stipends and wraparound support services, removing barriers for individuals who may lack savings or credit history. There is no financial return to investors on the initial capital; instead, all repayments are recycled into the fund to support future learners. As of June 2026, 560 learners had been supported.[24]

Pay it forward model



An extension of this recycling concept uses impact capital to help SPOs move towards greater financial sustainability. These are organisations who could plausibly reduce or remove their reliance on grant funding, but who need support to test whether and how repayment is realistic, and to build the staff, systems, and capabilities required for a revenue-generating proposition.

The Hong Kong Sheng Kung Hui Welfare Council's (SKHWC) exploration of fee-paying services illustrates the gap in the market. As Patricia Lau describes, *"Fee-paying segments of the population could be served at scale if seed capital were available, specifically to build a mixed team of expertise comprising people with commercial mindsets and professional service delivery experience, develop revised service delivery models, and target new customer segments."*

Xiaofei Guo of SEKSL highlights the same gap from the funder perspective, describing how many organisations can generate both impact and returns, just not at the level that commercial investors require, *"We aim to set up a 'third envelope' that targets companies that are not 'unicorn' type – small businesses and ventures or new impact general partners that will never deliver market-rate returns but are still worth backing as they have the potential to generate considerable positive impact."*

Tools such as low-interest, long-term, or impact-linked loans can help bridge this gap by giving SPOs access to mission-aligned funding. Structured appropriately, impact capital can help organisations build more sustainable revenue streams, reducing long-term dependence on grants, while enabling funders to back pathways to sustainability that commercial markets are not yet willing to support.

Below: Elderly person and caregiver in Hong Kong.

2 Mobilising additional capital for impact

Impact capital also offers the potential to bring new money into impact, most often by structuring funding in such a way that commercial investors can participate in models that otherwise would be deemed too risky.

As outlined in Chapter I, many impact opportunities fall outside commercial investment risk-return thresholds. Philanthropic or public funding can improve the risk-return profile of an opportunity, either by helping build a model towards investability, i.e., 'sequential crowding in', or by absorbing specific risks within a blended structure so commercial investors can participate from the outset, i.e., 'simultaneous crowding in'. In both cases, the impact logic is the same: a smaller amount of flexible, impact capital is used to unlock a larger pool of private capital for social or environmental outcomes.

Sequential crowding in

In a sequential crowding in model, impact capital takes early risk and exits as commercial investors enter. Its return is both financial and evidential, building the track record needed to prove revenue models and demonstrate investability. Contented Living illustrates this: at a stage where few commercial investors would fund a novel student accommodation model, a HK$1.5mn concessional loan from Social Impact Partners in 2022 provided both funding and credibility. The model has since expanded to 10 buildings across Hong Kong Island, Kowloon, and the New Territories, with equity investors now seeking to participate. Another example is RS Group, which also funds high-risk, early-stage ventures in Hong Kong and Southeast Asia – occupying a space that neither venture capital nor development finance institutions typically enter, by bearing the early risk that ultimately makes projects investable.

Simultaneous crowding in

In a simultaneous crowding in model, concessional and commercial capital support an opportunity at the same time, on terms aligned with their respective mandates. Public or philanthropic funding absorbs a portion of the risk, allowing commercial investors to take positions they otherwise would not.

For Hong Kong, with its strengths in finance, wealth management, and professional services, these types of structures could be highly relevant. Family office capital may be particularly well placed to take catalytic, concessional positions within blended structures, especially for those opportunities that closely align with legacy ambitions. Commercial investors may then participate where the resulting structures meet their risk-return requirements. As Ronald Young from the Hong Kong Monetary Authority observes, *"Many private banks and their clients are interested in impact-focused investments; but they would want to be compensated by achieving a certain level of risk-adjusted returns at the same time. If the commercial and financing structures work to provide the impact focus as well as the requisite level of returns, this type of investment would attract interest from them."*

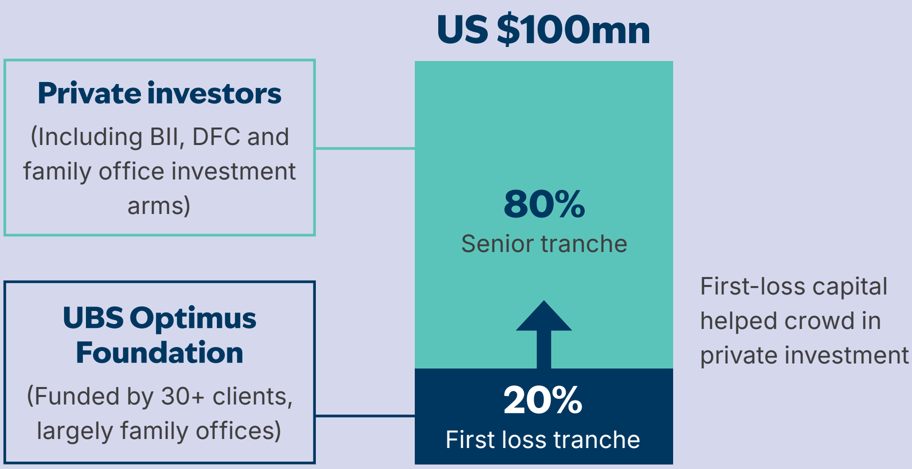
The opportunity to crowd in commercial capital is not an argument for applying blended finance everywhere. Many social needs will never be commercially investable, and grants or public funding will remain the right instruments. The value of impact capital lies in identifying the subset of opportunities where better risk-sharing can unlock additional resources without distorting the social purpose of the work.

UBS Optimus Foundation SDG Outcomes Fund

The HK$780mn (US$100mn) Sustainable Development Goals (SDG) Outcomes Fund is a blended finance fund designed to support outcomes-based programmes in low- and middle-income countries. UBS Optimus Foundation, funded by donations from over 30 UBS clients – largely family offices – provided 20% first loss capital, which then unlocked additional impact capital from private investors, including the investment arms of the family offices, alongside British International Investment and the U.S. International Development Finance Corporation.[25] The fund targets large-scale projects aligned with the UN Sustainable Development Goals in health, education, economic empowerment, and the environment.

Family office capital, structured as first loss, was the catalyst that mobilised institutional commercial capital into impact opportunities they otherwise would not have entered – a direct proof point for the role that Hong Kong's private wealth base could play.

Blended finance fund model



3 Building capabilities, evidence, and networks

The value of impact capital extends beyond transactions themselves, as the intentional structuring around impact leaves the funders, SPOs, and partners involved with capabilities, relationships, and evidence that outlast the transaction and shapes how they work in future.

> **"Impact capital can enable a stronger learning culture that embraces risk taking and sharing among SPOs and funders. Importantly, it can help the sector imagine new partnerships for Hong Kong's future."**
>
> **Francis Ngai, Social Ventures Hong Kong**

Strengthening measurement, evaluation, and learning

The most consistent of these effects is sharpening outcomes and evidence discipline. Impact capital structures require funders and SPOs to co-create clear outcomes from the outset, build measurement frameworks, and generate evidence for learning and improvement. They can also create the budget, governance and accountability structures to support stronger evaluation that is not always present in conventional funding models. For funders, this builds the capacity to specify what impact they are paying for and hold delivery partners accountable. For SPOs, it builds the data infrastructure and measurement practice needed to demonstrate impact. These are capabilities that other funding relationships can benefit from, whether impact capital or not.

An illustration of this is seen in Oxfam Hong Kong's Start from the Beginning programme. In this structure, the government-backed SIE Fund, acting as the outcomes payer, worked closely with upfront funders, the service provider, and a third-party evaluator to define what outcomes mattered most from a policy perspective and were realistic to achieve on the ground. By prioritising outcomes over activities, Oxfam and local teachers could continually adapt the programme based on the emerging evidence, enabling it to reach 74 kindergartens – around one-fifth of Hong Kong's total – and deliver significant improvements in Chinese proficiency among participating non-Chinese-speaking children.[26]

Other SPO practitioners also see it as one of impact capital's core advantages over traditional grants. As Brian Cheng of Generation Hong Kong acknowledges, *"Impact capital would strengthen the sector's effectiveness and credibility by directing resources toward verified outcomes. It would also help SPOs build the types of capabilities – robust evidence, talent development, and flexible programme innovation – that traditional restricted grants rarely support, thereby reducing the 'starvation cycle' that many organisations are typically trapped in."*

Right: Teacher with non-Chinese-speaking family in Hong Kong.

Building networks and talent pools

Another effect is the formation of new working relationships and capability combinations across sectors. Impact capital deals typically require actors who do not usually work together to align around a shared structure: philanthropic funders alongside commercial investors; service providers alongside professional advisers on financial structuring; outcomes payers alongside upfront funders. As they do so, they build practical experience of how each other's mandates, incentives, and expertise can work together. These combinations are difficult to build through grant funding alone, where relationships tend to be bilateral and structured around reporting rather than co-design. Where impact capital transactions succeed, the working relationships and cross-sector fluency they produce often persist and inform new transactions.

For example, rather than leaving each SPO to assemble legal, accounting, and investment support transaction by transaction, a network of professional partners that organisations can draw on as they grow can be developed by an impact capital intermediary, turning a set of one-off relationships into shared infrastructure that outlasts any single deal.

The approach taken by Social Impact Partners Hong Kong, as described by Josephine Price, highlights this: *"Social entrepreneurs are often working so hard that taking a weekend off for training may not be possible. Rather than an 'accelerator', SIP taps into a network of pro-bono partners to provide the legal, accounting, investment, and other capabilities that SPOs can tap into to facilitate growth and the additional impact capital they need. This approach can be professionalised and scaled even further."* In addition, the disciplined and outcomes-oriented nature of impact capital helps to ensure that these resources are tailored and deployed in a systematic way towards achieving impact.

Above: Cross-sector social innovation programme bringing together young entrepreneurs, educators, and corporate leaders.

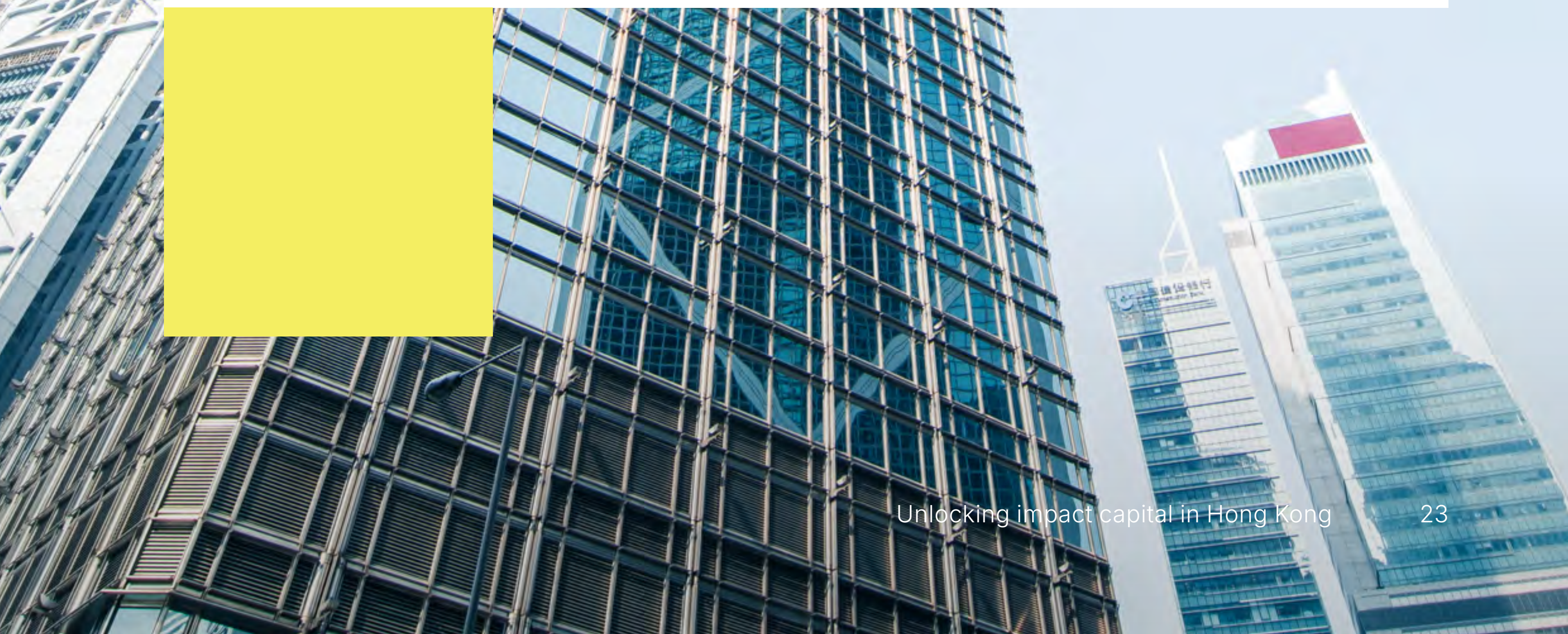
Chapter III

Global pathways to building an impact capital ecosystem

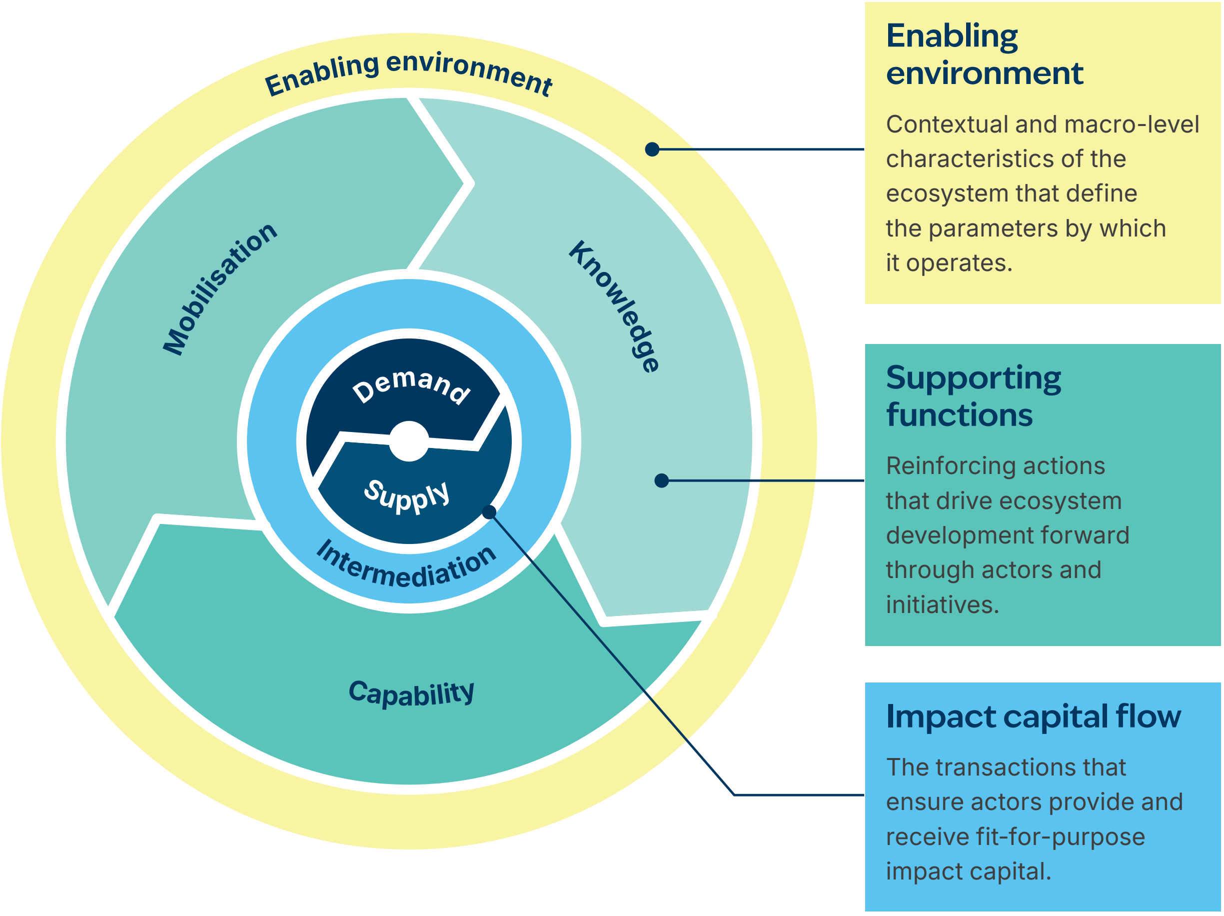
Lessons from the UK, Japan, and Singapore show that impact capital ecosystems share common functions, but take shape differently in each market.

An impact capital ecosystem is the set of conditions and functions that enables capital to flow at scale towards the opportunities where it can achieve the greatest impact. At its core is the relationship between **supply** and **demand**: funders with the appetite and mandate to deploy such capital, SPOs and other delivery organisations with opportunities to absorb it, and the **intermediation** activities and instruments that connect the two.

Around this core are three supporting functions. **Mobilisation** helps build shared direction and market confidence; **capability** equips funders, SPOs, and intermediaries to deploy and absorb impact capital; and **knowledge** refers to the systems and practices that capture and disseminate learning, so that early transactions become a resource for the wider ecosystem. These supporting functions are shaped by the wider **enabling environment**, including policy, regulation, incentives, and the infrastructure of the financial and social sectors.



An impact capital ecosystem



How these functions come together over time looks different in every market. To inform Hong Kong's own pathway, this chapter examines three examples of how impact capital ecosystems have developed in Europe – **United Kingdom**, North Asia – **Japan**, and Southeast Asia – **Singapore**. These case studies are not presented as models to replicate, but as reference points for understanding how these markets have built the conditions for deploying impact capital at greater scale, and how the different elements of these ecosystems have developed.

Three ecosystem pathways at a glance

	Europe: United Kingdom	North Asia: Japan	Southeast Asia: Singapore
Core development pathway	Government-led, top-down ecosystem building, using policy, catalytic capital, and institution building to stimulate demand and coordinate actors.	Philanthropy-led ecosystem building, developing infrastructure, capability, and early pilots ahead of significant demand; government support increasing over time.	Parallel-track ecosystem building, combining government-led capital attraction with philanthropic network building, alongside institution creation by large anchor organisations.
Relative stage of impact capital ecosystem development	Mature ecosystem developed over 25+ years, with well-established market architecture and public-sector-led outcomes-based commissioning.	Maturing ecosystem (10+ years) with core architecture established, but with less developed underlying demand and limited impact-first capital supply.	Maturing ecosystem with 10+ years of capital attraction and 5+ years of ecosystem building; finance-first impact capital market growing; impact-first capital remains early-stage.
Primary capital sources	Public and dormant-asset[27] funding have anchored the market; philanthropy provides catalytic capital; institutional investment concentrated in lower-risk areas (e.g., social and affordable housing).[28]	Philanthropy has funded early ecosystem development; government has supported outcomes-based contracting and unlocked dormant-assets funding; limited pools of patient, concessional capital.	Large anchor organisations have funded institution building and finance-first impact investing; philanthropic and corporate foundations have supported early impact-first pilots; government supports social enterprises.

Europe – United Kingdom

Building an ecosystem through public leadership

The UK represents one of the most mature impact capital ecosystems globally, developed over more than 25 years of concerted activity across government, philanthropy, intermediaries, and sector leaders. Sustained government involvement across different political cycles has been central to this pathway, leveraging public capital to build market infrastructure and stimulate activity. Outcomes-based contracting has developed as a distinctive strand of market development, creating a structured route for funding measurable social outcomes.

> **"The UK's impact capital ecosystem emerged by bringing together the different pillars of the market – government, philanthropy, intermediaries and practitioners – around a shared vision for impact, with government repeatedly helping to create the conditions for the market to grow."**
>
> **Sarah Gordon, Office for Investment, Department for Business and Trade**

Left: Aerial view of London at dusk.

Key development milestones

2000

Social Investment Task Force launched

Much of the UK's ecosystem originates with the **Social Investment Task Force** (SITF), convened by HM Treasury in 2000[29] amid a wider policy shift to tackle social deprivation through public sector reform and new cross-sector approaches. SITF explored whether private capital could complement public and voluntary-sector action to improve outcomes in some of the UK's most deprived communities. In doing so, it helped establish impact capital as a serious policy proposition and brought public, private, and voluntary actors together to explore how it could work in practice.

2002

Bridges Fund Management founded

SITF's action-orientated recommendations helped catalyse early proof points. **Bridges Fund Management** (Bridges)[30] launched its first impact-driven fund in 2002, demonstrating that social impact and financial return could be pursued together, and that catalytic capital could crowd in private investment. A small number of leading foundations also began testing new approaches through their portfolios, helping build wider confidence in using investment to achieve social impact.

The Sustainable Growth Fund

Bridges' first fund, the Sustainable Growth Fund, launched with HK$210mn (£20mn)[31] of government funding and crowded in a further HK$210mn (£20mn) of private capital. Bridges has since raised over HK$21bn (£2bn)[32] for impact-focused investment and expanded into outcomes-based investment models that support public sector provision. To date, the latter have supported 107 projects that have unlocked an estimated HK$200bn (£19bn) of public value in the UK.[33]

2008

Dormant Bank and Building Society Accounts Act passed

Building on these early proof points, interest in establishing a dedicated institution to provide capital at scale and develop the market emerged. The **2008 Dormant Bank and Building Society Accounts Act** created the legislative basis for a social investment wholesaler to develop and scale the market, later launched in 2012 as BSC.

2010

First social impact bond launched

In parallel, different actors began exploring new ways to deploy impact capital ahead of the launch of a social investment wholesaler. In 2010, Social Finance UK launched the **first social impact bond**, a HK$52mn (£5mn) pilot project that linked repayment of impact capital to reductions in reoffending. This lighthouse project demonstrated how outcomes-based commissioning could fund innovative interventions, with private investors or philanthropy providing upfront risk-based working capital, and government funds repaying only if agreed outcomes were achieved.

The first social impact bond (SIB)

The first SIB helped prove that government could pay for outcomes rather than activities. It was an important early catalyst for wider interest in outcomes-based commissioning and in new ways of defining, measuring, and paying for social impact. While the pilot was funded by the Ministry of Justice with support from the National Lottery, securing agreement from HM Treasury, particularly given the need for modified accounting treatment, was critical to enabling wider adoption.

2011

Charity Commission guidance on mixed-motive investments issued

As the market developed, regulatory clarification helped reduce uncertainty for charities and foundations considering whether endowment assets could be leveraged to generate impact. **Charity Commission guidance** published in 2011 clarified that charities could accept lower financial returns on investments where this was justified by the impact achieved.

Better Society Capital established

Better Society Capital (BSC, formerly known as Big Society Capital) launched in 2012,[34] capitalised with HK$4.2bn (£400mn) from dormant accounts and HK$2.1bn (£200mn) from four major banks.[35] As a wholesaler, BSC channels funding to impact funds rather than investing directly in frontline organisations, helping crowd in investors, expand the impact investor base, and build intermediary capacity.

2012

First outcomes fund launched

Following the early pilots, outcomes-based funding became an increasingly distinctive part of the UK ecosystem, allowing government to test new interventions and fund preventative services while only paying for what works. The government set aside funding for dedicated **outcomes funds**, including the HK$320mn (£30mn) Innovation Fund and the HK$735mn (£70mn) Life Chances Fund,[36] to scale outcomes-based contracting models and better understand the conditions for success.

2015

Access - The Foundation for Social Investment established

It became clear that capital alone was not enough to build the market. Government and partners such as the Big Lottery Fund launched investment-readiness initiatives, including the HK$210mn (£20mn) Investment and Contract Readiness Fund, to support SPOs to take on repayable finance. And, as BSC was unable to reach all parts of the market, **Access – The Foundation for Social Investment** (Access) was established in 2015 as a complementary initiative for this part of the market. Using grant funding, it targeted smaller, underserved SPOs via investment-readiness support, and was also able to provide subsidy into blended finance structures so that they could access smaller-scale, higher-risk, and more affordable finance.

2016

Government Outcomes Lab established

As the number of outcomes-based transactions grew, learning and evaluation moved from an in-house government function into a dedicated institution. The **Government Outcomes Lab** (GO Lab), established in 2016 as a partnership between government and the Blavatnik School of Government at the University of Oxford, was created to build the evidence base, strengthen market capability, and share learning across the field, helping outcomes-based approaches become easier to understand and use.

First charity-led recyclable outcomes finance fund launched

Outcomes-based innovation was also piloted by philanthropic funders. Macmillan Cancer Support pioneered the **first charity-led social investment fund** focused on healthcare, showing how philanthropy could use repayable capital to fund upfront delivery of new models of care, with the NHS repaying the fund for outcomes achieved.

2019

Impact Investing Institute established

Over the following decade, the UK impact capital ecosystem continued to mature. Existing outcomes-based funds continued to support projects, while specialist funds emerged. In 2019, the **Impact Investing Institute** was established to promote impact investing and build market capability, while place-based investing gained traction as a model for mobilising capital around the needs and opportunities of specific communities and local areas.

2025

Social Impact Investment Advisory Group (SIIAG) convened

The government elected in 2024 has renewed momentum behind impact capital as a policy lever. It convened the **Social Impact Investment Advisory Group** (SIIAG) to explore how public, private, and philanthropic capital could be better coordinated to generate greater social impact. Its recommendations led to the HK$5.3bn (£500mn) **Better Futures Fund**, as match-funding for outcomes-based commissioning to crowd in a further £500mn of public and philanthropic capital, as well as the **Office for the Impact Economy**, a hub to coordinate more deliberate government partnerships with philanthropy, as well as private investors and businesses.

SIIAG recommendations

To mobilise impact capital at scale, SIIAG recommended that government adopt a 'mobilisation mindset' by shifting from acting as the sole funder of projects to using public capital to attract private and philanthropic investment. It paired this with recommendations to clarify fiduciary duties for pension schemes, embed leverage considerations into public spending and procurement decisions, and strengthen incentives for philanthropy and impact investment.

Building on this momentum, attention is increasingly turning to how the UK's mature market infrastructure can be used to mobilise larger pools of capital. This reflects a broader shift towards viewing the impact economy not as fragmented sectors or actors, but as a connected system that brings diverse actors together to address shared social challenges.

Below: Public space alongside the River Thames.

Learning from the UK's pathway

Government can accelerate market formation by combining policy direction, capital formation, and institution building.

Sustained cross-government commitment helped shape the market by setting clear policy signals, deploying capital through dedicated institutions such as BSC, and supporting outcomes-based commissioning models. Government can play a catalytic role not only by funding initiatives, but by creating the conditions, incentives and infrastructure that enable other forms of capital to participate with confidence.

Early proof points build confidence across the market.

Bridges' first impact fund demonstrated that returns were achievable alongside social impact;[37] the first social impact bond demonstrated that outcomes-based commissioning was viable;[38] and pioneering foundations demonstrated that philanthropic capital could be deployed with greater intentionality. Together, and in the context of wider government policy ambition, these early transactions provided tangible proof points that new approaches could work in practice, helping build the cross-sector confidence and momentum needed for wider adoption.

> **There's a pioneer effect: when a credible organisation is willing to go first and show what's possible, it gives others the confidence to follow.**
>
> **Michele Giddens, Bridges Fund Management**

Capital needs to be designed to meet the needs of different parts of the market.

BSC helped scale the market, but its return requirements meant it was better suited to larger, diversified fund investments. Access was created to address this gap, providing grant subsidy and investment-readiness support to enable smaller, higher-risk, and more affordable finance for SPOs.[39,40] Together, they illustrate the need for complementary structures serving different levels of investment readiness, risk, and transaction size.

Specialist intermediaries and knowledge institutions are core market infrastructure.

Organisations such as Investing for Good, Finance Earth, and Social Finance helped turn policy intent and funder appetite into investable transactions, while accumulating practical learning from early deals. Over time, this was codified through frameworks such as Bridges' Spectrum of Capital and global initiatives such as the Impact Management Project, and embedded in the market through institutions including BSC, Good Finance, GO Lab, and the Impact Investing Institute.

Impact capital resonates more when grounded in recognised social challenges.

The UK's early efforts focused on market-building and defining social investment as a new concept. Experience suggests that broader engagement is often driven by the social challenges impact capital can help address, rather than by framing the agenda around financing mechanisms or capital mobilisation. For early-stage ecosystems, this highlights the importance of linking impact capital to tangible social challenges and practical examples.

> **"People tend to be moved more by stories and by problems they recognise. The most compelling case is not the mechanism itself, but the difference it can make to challenges people care about."**
>
> **Nick Hurd, GSG Impact**

Even mature ecosystems face challenges in mobilising capital at scale.

The UK has shown how policy, institutions, and intermediaries can structure a market, but has yet to mobilise private wealth at scale.[41] The Office for the Impact Economy reflects a shift from funding ecosystem development towards using public capital to unlock larger pools of private and philanthropic investment.

North Asia – Japan

Laying ecosystem foundations through anchor philanthropy

Over the past decade, Japan has developed the foundations of an impact capital ecosystem against a backdrop of significant social pressures, including an ageing population and rural decline. Early development was largely philanthropy-led, with The Nippon Foundation seeding early pilots and infrastructure, including establishing the Social Innovation and Investment Foundation (SIIF) as a dedicated intermediary to lead field-building efforts ahead of wider market demand.

Government engagement has grown over time through support for pay-for-success models and establishing a dormant-asset wholesaler, strengthening the wider social-sector funding base. Today, Japan has a strong and growing finance-first impact capital market, while impact-first capital remains at an earlier stage, emerging from the ecosystem-building efforts of the past decade.

> **“To mobilise impact capital, you need the passion and conviction to structure capital around the needs of the market and deploy it in new ways.”**
>
> **Ken Shibusawa, Shibusawa and Company, Inc.**

Left: Mount Fuji in the background of Tokyo’s cityscape.

Key development milestones

2013

Japan Venture Philanthropy Fund established

In 2013, the **Japan Venture Philanthropy Fund** was established as a pilot to develop a venture philanthropy model in Japan. Driven by leaders from The Nippon Foundation with co-funding from Social Investment Partners, it provides grants, equity, and debt investment upwards of HK$485K (¥10mn) to SPOs, alongside managerial support.

Japan National Advisory Board (NAB) established

The Japan Venture Philanthropy Fund became the entry point for Japan's engagement with the G8 Social Impact Investment Taskforce, introducing finance-first impact investing to Japan at a time when there was little understanding of the concept. This led to the establishment of Japan's **National Advisory Board** (NAB) as a member of GSG Impact,[42] for which The Nippon Foundation provided funding and secretariat support. The NAB brought together influential champions from philanthropy and the private sector, and, over time, government, helping build awareness, legitimacy and momentum for impact investing in Japan.

2014

Social Investing Promotion Office established

Building on this early momentum, The Nippon Foundation set up the **Social Investing Promotion Office** to explore and advocate for finance-first impact capital. This work focused on building interest and understanding, including exploring how social impact bonds might be adapted to the Japanese context, and developing the capability and tools needed to support it.

2015

First outcomes-based funding pilot launched

The Nippon Foundation funded early **outcomes-based pilots** to test how these models could work in Japan, with SIIF playing multiple roles across the emerging pipeline as investor, intermediary, and ecosystem builder. These built capability in outcomes definition, measurement, and multi-stakeholder delivery, while generating proof points that informed growing government interest.

2016

The Social Impact Management Initiative (SIMI)

In 2016, The Nippon Foundation launched SIMI[43] to build shared understanding and tools for impact measurement in Japan. This helped establish early standards and credibility ahead of wider market activity, including in anticipation of the dormant-assets agenda and its emphasis on evidencing outcomes.

2017

Social Innovation and Investment Foundation (SIIF) established

In 2017, the Social Investing Promotion Office spun out into a dedicated intermediary, the **Social Innovation and Investment Foundation** (SIIF), to continue to coordinate early ecosystem-building efforts. SIIF, with core funding from The Nippon Foundation, brought together investment activity, convening, advocacy and experimentation within a single organisation.

The role of SIIF

SIIF's role has broadened over time in line with the evolving ecosystem. Following its 2019 merger with the Institute for the Advancement of Social Innovation, a 2022 strategy refresh positioned it more explicitly around systems change, recognising that finance-first impact capital, which had become an increasing focus in the market, is only one component of a broader approach to driving change requiring both philanthropic and investment capital.

2019

The pay-for-success model

Pay-for-success in Japan has taken a distinctive form. Most projects are funded upfront by service providers themselves with government payments linked to outcomes achieved. As of March 2026, 379 PFS projects had been implemented, largely in health and social care.[44] Most remain small-scale policy experiments, helping regional authorities test new approaches.

Office of Pay-for-Success Promotion established

In 2019, the Cabinet Office established the **Office of Pay-for-Success Promotion** to scale the use of outcomes-based approaches in public services to support innovation, productivity, and outcomes-based management. In addition to funding projects, it has developed guidance, case studies, and coordination across central and local government.

JANPIA established

The establishment of the **Japan Network for Public Interest Activities** (JANPIA) in 2019 introduced a larger and more structured source of capital to an underfunded social sector. Using dormant assets, the wholesaler channels funding through intermediaries, including SIIF. JANPIA was initially mandated to provide grants only, focusing on multi-year funding alongside capacity-building and innovation support, having allocated HK$1.7bn (¥36.1bn) as of April 2025.[45] JANPIA has strengthened the sector's funding base through grant-making and has recently begun testing blended finance, signalling a potential shift toward a deeper repayable impact capital market in Japan.

Hataraku Fund established

SIIF's activity increasingly focused on finance-first impact capital, reflecting where momentum and partners were available. It designed and fund-managed several VC-style funds, such as the **Hataraku Fund** (established in 2019), which applied an impact lens within venture-style, market-rate investment structures and attracted participation from major financial institutions. These initiatives provided early demonstration projects and built capability and interest as the wider finance-first impact investing market developed.

2021

Japan Impact-driven Financing Initiative launched

The finance-first impact capital base has grown significantly in recent years, supported by both government and the private sector. The **Japan Impact-driven Financing Initiative** launched in 2021, led by major financial institutions, has become a key platform for advancing practice and convening investors, while government has reinforced this through the Financial Services Agency's official guidance, a public-private consortium on impact investing, and growing engagement from Japan's public pension fund, which in 2025 formally recognised impact investing as part of its sustainability strategy.

2024

JANPIA investment division launched

In 2024, JANPIA launched an **investment division** to demonstrate what impact-first investment could look like in Japan. Using concessional capital within blended finance structures, JANPIA accepts return of principal only, allowing other investors to capture additional upside. At present, the function remains comparatively small, ~HK$196mn (¥4bn) across four funds, but represents an important step in demonstrating how impact-first capital can be used to mobilise private capital.[46]

Today, Japan's strong finance-first impact capital segment remains largely separate from philanthropic activities. Attention is increasingly turning to how the ecosystem-building efforts of the past decade can be translated into greater deployment of impact-first capital.

Below: Tokyo Tower at night.

Learning from Japan’s pathway

Philanthropic leadership can catalyse early ecosystem formation before government or private markets are ready.

In Japan, early backing from The Nippon Foundation helped seed experimentation, transactions, and market infrastructure, laying the foundations for the field to take shape, while government engagement was gradual and initially supportive rather than directive.

A dedicated intermediary can accelerate ecosystem formation.

SIIF concentrated core ecosystem-building functions – including transaction structuring, capital deployment, convening, and knowledge-sharing – within one institutional base, giving the field a coherent early driving force and creating feedback loops between different parts of the ecosystem.

> **Driving interest requires working across the system – by building partnerships with a wide range of actors, engaging government, and creating platforms for collective learning and participation.**
>
> **Mitsuaki Aoyagi, GSG Impact Japan and SIIF**

Early transactions are needed to create locally credible and actionable proof points.

Small pay-for-success projects and early funds have been used to test how new impact capital models can work in the Japanese context. While modest in scale, the relatively high number of transactions has helped build confidence, generated practical learning, and demonstrated how impact capital can add value.

> **Impact-first is still a relatively new concept in Japan. Many players do not fully understand what it means, so there is a need to build understanding of the concept. At the same time, concrete examples are critical – without a track record, it is difficult to persuade others or build wider momentum.**
>
> **Aiko Kozaki, JANPIA**

Building a market goes beyond scaling individual tools.

Japan's government has led the expansion of pay-for-success models, primarily as a public service contracting mechanism. In parallel, finance-first impact investing has grown through institutional investors. The result is a bifurcated market, with stronger activity in government-led pay-for-success contracting and finance-first investing, but a less-developed impact capital segment between them.

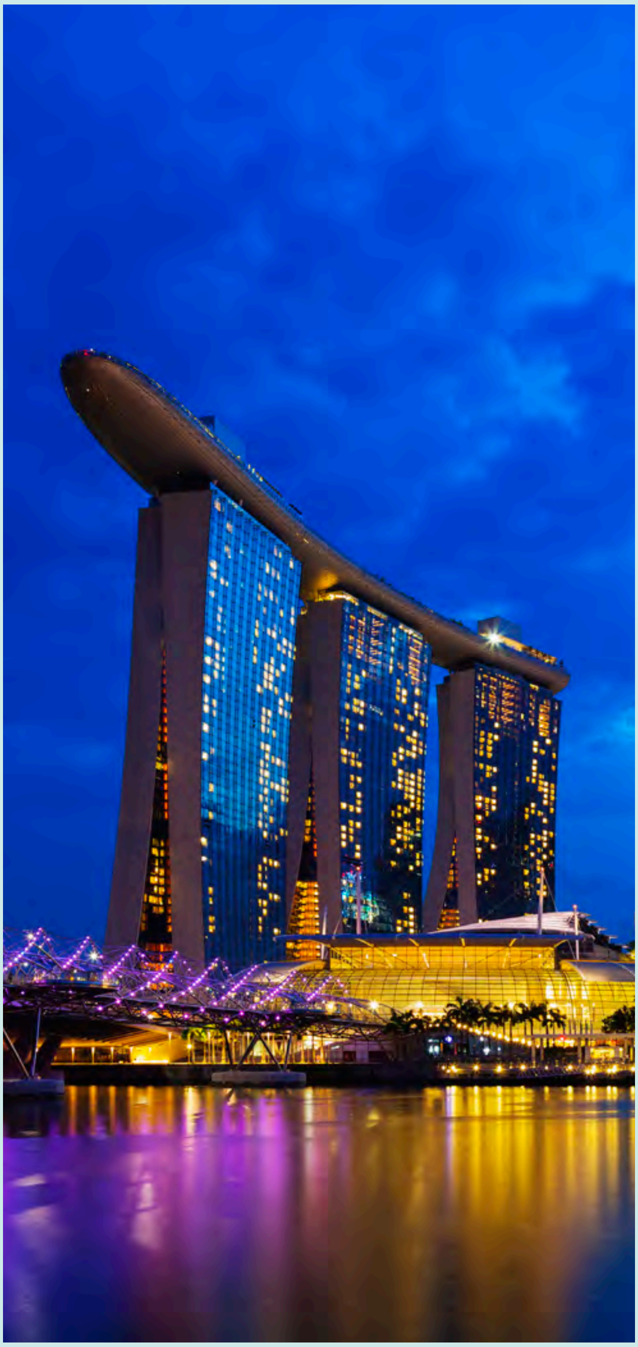
Ecosystem infrastructure alone does not guarantee scaled capital deployment.

In Japan, there is still a relatively small pool of actors providing concessional, risk-tolerant capital, alongside some caution from funders around deploying repayable capital in the social sector. On the demand side, many organisations are not yet ready to absorb repayable finance, although a growing cohort of for-profit social enterprises is seeking more flexible capital. As a result, whilst Japan has developed much of the infrastructure and tools associated with an impact capital ecosystem, its deep potential pool of impact-first capital is only just emerging.

Below: A popular urban crossing in Japan.

Southeast Asia – Singapore

Growing ecosystem momentum through parallel pathways



Singapore, like Hong Kong, is a globally connected financial centre with strong rule of law and efficient regulation. Its impact capital ecosystem has developed through several parallel tracks rather than a single market-building strategy. Government policy has focused on strengthening Singapore's position as a financial, family office, and philanthropic hub; philanthropists have built networks and collaborative giving platforms; and anchor organisations have invested in impact investment and philanthropic infrastructure, supporting substantial growth in finance-first activity. Impact-first capital remains earlier-stage, but recent policy reforms and intermediary-led pilots are beginning to connect these parallel parts of the ecosystem.

> "Impact capital can help bridge a funding gap for social enterprises in Singapore, between early-stage grant funding and the minimum investment thresholds of traditional impact investors. The key is selecting the right tool for the situation and designing incentives that support the impact you are trying to achieve."
>
> **Martin Tan, The Majurity Trust**

Left: Waterfront view of Singapore.

Key development milestones

2007

Government NGO attraction

In 2007, the Singapore government began working to position Singapore as a global NGO hub. Cross-government action led by the Economic Development Board (EDB), through the newly established **International Organisations Programme Office** (IOPO), focused on attracting large organisations, including NGOs and foundations, to establish a presence in Singapore.[47]

2008

Community Foundation of Singapore launched

In parallel to government efforts, from 2008 to 2015, through work led by pioneering individual philanthropists, philanthropic foundations came together in new networks and platforms to explore more collaborative models of giving. This included the establishment of the **Community Foundation of Singapore** in 2008, to administer donor-advised funds[48, 49] These platforms provided practical mechanisms to reduce the costs of giving, pool resources, and share expertise, while building stronger relationships across the sector.

2011

AVPN established

AVPN was launched from Singapore in 2011 to convene and enable venture philanthropy across Asia.

2015

Asia Philanthropy Circle established

Asia Philanthropy Circle was established in 2015, to catalyse Asian philanthropy.[50] Although philanthropists' focus was on enhancing giving rather than deploying impact capital, these organisations created networks and collaborative practices on which later market development continues to build.

raiSE established

In 2015, **raiSE** was established through collaboration between the Social Enterprise Association and multiple government bodies to build the social enterprise ecosystem and drive impactful change. This created a more structured source of support on the demand side of the ecosystem, helping social enterprises develop their business models toward financial sustainability.

2019

Government creates policy conditions to attract family offices

From 2019, government policy expanded its focus to strengthen Singapore's position as a global hub for family offices and fund management. EDB and the Monetary Authority of Singapore (MAS) established the **Family Office Development Team** to support the growth of the family office sector. Alongside this, MAS set up a new flexible corporate structure to make it easier to launch funds in Singapore.[51] These measures expanded the pools of capital, fund-management capability, and financial infrastructure present in Singapore, strengthening the supply-side conditions for the impact capital ecosystem.

Temasek Trust begins to launch new platforms

Beginning in 2019 with the creation of the impact investment fund now known as ABC Impact, **Temasek Trust** began to move beyond endowment stewardship into a more active ecosystem-building role,[52] launching organisations to address specific market needs.

2021

First pilots of impact-first capital instruments

Funders such as The Majurity Trust, raiSE, Temasek Foundation, and Temasek Trust began testing numerous impact-first capital instruments in 2021 and 2022, with support from intermediaries such as Tri-Sector Associates. Examples of these instruments include: a pay-for success model in the **Outcomes Amplifier** pilot,[53] the **social impact guarantee**,[54] and the **Maybank Momentum recyclable grant**, Singapore's first interest-free, recyclable grant facility.[55] Temasek Foundation also deployed recoverable grants and loan guarantees to support impact-first programmes in areas such as climate and health, demonstrating how catalytic capital can recycle funding and stretch philanthropic dollars further while supporting greater impact.

Social Impact Guarantee (SIG)

First used in 2021, the SIG is an example of how outcomes-based funding has been adapted in Singapore. In the model, a guarantor underwrites the achievement of agreed outcomes. The SIG was used for delivery of a Vocational and Soft Skills Programme by YMCA, supporting youth-at-risk to engage with education or employment. The TL Whang Foundation committed outcomes funding and The Lorinet Foundation acted as guarantor, promising the funder that where target placements were missed, they would fund another attempt or fund similar outcomes in other programmes.[56]

2022

Temasek Trust accelerates launching of new platforms

From 2022, Temasek Trust has supported the establishment of: the **Centre for Impact Investing and Practices** (CIIP) to strengthen impact investing data, language, and standards; **Philanthropy Asia Alliance** (PAA) to connect philanthropic capabilities and communities; and **Catalytic Capital for Climate and Health** (C3H) to direct catalytic capital into innovative early-stage companies. Together, these initiatives created a more coordinated institutional layer to Singapore's ecosystem, supporting investment practice, philanthropic collaboration, and catalytic capital deployment.

The Centre for Impact Investing and Practices (CIIP)

CIIP was established by Temasek Trust to build knowledge assets and enhance capabilities, champion industry standards for impact investing, and develop impact management practices across Asia. CIIP works with knowledge partners to translate research into actionable insights, and with training partners to co-develop and distribute learning programmes in relation to the full spectrum of impact capital instruments.[57]

Below: A busy street market in Singapore.

2023

Government guidance and clarity on impact capital

As capital, institutions, and talent began flowing to Singapore, government policy shifted to encourage family offices, NGOs, and foundations to collaborate on more impact capital projects together. In 2023 and 2024, through **MAS** and **Ministry of Culture, Community and Youth** (MCCY), Singapore amended its tax incentive schemes for family offices to encourage deployment of concessional capital into blended finance,[58] offered 100% tax deductions for family offices on overseas donations,[59] and provided guidance that grant-making foundations may disburse up to 10% of their charitable activities through instruments such as social impact bonds and loans, subject to safeguards.[60] Together, these reforms have widened the range of instruments available to philanthropic and family office actors and began to reduce the separation between Singapore's parallel giving, investment, and financial-hub agendas.

2024

Continued experimentation across the ecosystem

Since 2024, Singapore has seen impact capital experimentation becoming more connected across government, philanthropy, corporate foundations, and Temasek-linked institutions. Examples include the T-Ignite recoverable grant, funded by Temasek Holdings and administered by The Majurity Trust;[61] AVPN's ImpactCollab Outcomes Marketplace, launched in 2026 to provide a marketplace for outcomes-based funding across Asia;[62] and a community resilience fund launched in 2026 with an outcomes-payment component, funded by CapitaLand alongside AVPN and PAA.[63]

The growing number of projects show previously separate institutional, philanthropic, and intermediary capabilities beginning to connect around practical routes for impact capital deployment. Evidence suggests that these efforts to align different actors and create a strong, supportive ecosystem in Singapore are working – in 2026 Singapore became the first country in Asia to enter the highest category of 'Doing Excellent' in the Doing Good Index, administered by the Centre for Asian Philanthropy and Society (CAPS) which assesses the regulatory, fiscal, and societal conditions enabling capital to do good within a country.[64]

Learning from Singapore's pathway

Established financial and philanthropic sectors can provide a strong foundation for impact capital.

In Singapore, sustained efforts to strengthen the financial sector and attract family offices have created deep pools of capital and expertise, supported by extensive networks and institutional infrastructure. Regulatory incentives, philanthropic networks, and convening platforms have also helped connect capital providers with NGOs and other impact organisations. Together, these conditions have enabled impact capital to draw on Singapore's established strengths in finance, philanthropy, and wealth management.

Different actors can play complementary roles in building an ecosystem.

Early efforts were led by pioneering philanthropists that developed a strong community around strategic giving. Temasek Trust then supported the development of ecosystem infrastructure through initiatives such as the Catalytic Capital for Climate and Health (C3H), CIIP, Co-Axis, PAA, Temasek Shophouse, and TT Foundation Advisors.[65] Together, these efforts illustrate how different actors can contribute, build, and connect distinct capabilities across the ecosystem.

Intermediary 'plumbing' is essential to get the market moving.

Singapore has attracted significant pools of capital, but translating capital interest into investable opportunities remains a challenge. Funder intermediation has grown through organisations such as The Majurity Trust and membership organisations such as AVPN, while project-level intermediation is emerging through pilots of locally adapted models. As highlighted by Kevin Teo of AVPN, *"What's missing today is how we surface the opportunities and causes in a meaningful and compelling way to capital allocators. To get the water flowing, you want a decent plumber."*

Capital flow depends on demand and supply sides of the market developing together.

Funders need the capability to deploy appropriate instruments across the capital spectrum, while organisations need the financial, operational and impact-management capabilities to use them effectively. Furthermore, the Singaporean experience highlights that investment readiness development takes time, needs to be tailored, and that grants will remain necessary for many organisations, particularly those serving disadvantaged communities.

> **"Temasek Trust seeks to strengthen the broader impact ecosystem by bringing together partners, capabilities, and catalytic capital around shared priorities. We build platforms that help ideas move from pilot to scale, enable collaboration across sectors, and strengthen the capabilities and connections needed for lasting impact."**
>
> **Andrew Leo, Temasek Trust**

Chapter IV

Strengthening Hong Kong's impact capital ecosystem

Hong Kong can unlock the benefits of impact capital by strengthening the functions that enable capital to flow.

As Hong Kong's interest in impact capital grows, experience from other ecosystems suggests that the next phase of development will depend not only on the availability of capital, but also on strengthening the ecosystem functions that enable it to flow effectively: mobilisation, capability, and knowledge. When these develop together, early markets can move beyond discrete transactions, and towards a scalable ecosystem.

Building the supporting functions to accelerate Hong Kong's impact ecosystem development

1 **Mobilisation: Aligning the sector around a shared vision,** through:

- Leadership from early pioneers and anchoring organisations.
- 'Lighthouse' projects to inspire and drive engagement.
- Structures that help capital to flow more easily.
- Field-building initiatives that help organise actors to drive the agenda forward.

2 **Capability: Strengthening human capital across the sector,** including:

- Building organisational capabilities across SPOs and funders.
- Investing in intermediation and specialist advisory support.

3 **Knowledge: Codifying and sharing knowledge and learning** so others can follow, via:

- Formalising knowledge sharing and investing in learning as a public good.
- Consolidating independent hubs of knowledge in the longer term.

1 Mobilisation: Aligning the sector around a shared vision

Building confidence will be central to making impact capital a credible and practical tool in Hong Kong. Early activity has shown what is possible, but it has not yet been widely documented or translated into broader market momentum. For more actors to engage, visible leadership, practical local examples, clearer routes for capital deployment, and organising mechanisms that sustain momentum, will be needed.

Leadership from early pioneers and anchoring organisations

To catalyse market development, visibility matters. Credible first movers can help shift perceptions of impact capital from niche experimentation to a practical tool worth exploring. Internationally, early ecosystem development has often been accelerated by anchoring organisations that use not only their capital, but also their reputation and convening power, to give others confidence and tacit permission to act.

As highlighted in Chapter III, this anchoring role has taken different forms across markets, with governments, foundations, and mission-driven financial institutions each stepping in where they were best placed to lead. The United States offers a further example of philanthropy playing a pivotal role: the shared language of "impact investing" was itself coined at a 2007 convening hosted by the Rockefeller Foundation at its Bellagio Center, giving a clearer identity and public signal to what had until then been a fragmented movement of values-driven investing. In the years that followed, foundations including the Heron Foundation, the Robert Wood Johnson Foundation, and the MacArthur Foundation adopted visible and aligned deployment and market-building strategies, codifying emerging practice and sharing lessons across the sector. In all these cases, credible actors moved visibly, absorbed early risk, and helped make the market more accessible to others.

A similar anchoring role is needed in Hong Kong. Credible first movers can help build a stronger impact capital ecosystem, and in doing so, reinforce Hong Kong's position as a global wealth management centre. As Amy Lo of UBS argues, the city's position increasingly depends on leadership in newer areas of capital deployment, not just established ones.

> "To realise its full potential as a global asset and wealth management centre, Hong Kong must also establish itself as a dynamic impact hub. Success will depend on bringing together stakeholders across sectors to create an ecosystem where collaboration drives action, innovation, and real-world outcomes."
>
> **Amy Lo, UBS**

'Lighthouse Projects' to inspire and drive engagement

Global experience suggests that demonstration projects play an important role in building understanding of how impact capital works in context, particularly where they show clearly why impact capital is appropriate and adds value beyond current funding models. Their value lies not in prescribing a model, but in providing practical reference points that illustrate the issue being addressed, how capital was structured, the roles different actors played, the outcomes achieved, and the lessons that emerged. When intentionally designed to share learning, they also become a source of knowledge for the wider market.

Designing 'lighthouse' projects that can help move the market

The strongest demonstration projects provide visible proof points of where impact capital adds value and practical examples from which the wider market can learn. Common characteristics include:

- **Focus on a priority social issue.** Address a significant social challenge recognised by a wide range of actors, aligned with existing policy direction.
- **Demonstrate the value add of impact capital.** Show how coordinating and structuring capital differently can drive value, beyond current approaches.
- **Widen participation and practical experience.** Bring together actors across sectors, enabling funders, SPOs and, where relevant, government to build understanding and confidence by doing.
- **Share openly and document learnings.** Document how the project was structured, what it achieved and what was learned, allowing others to build on the knowledge, relationships, and structures.

Structures that help capital to flow more easily

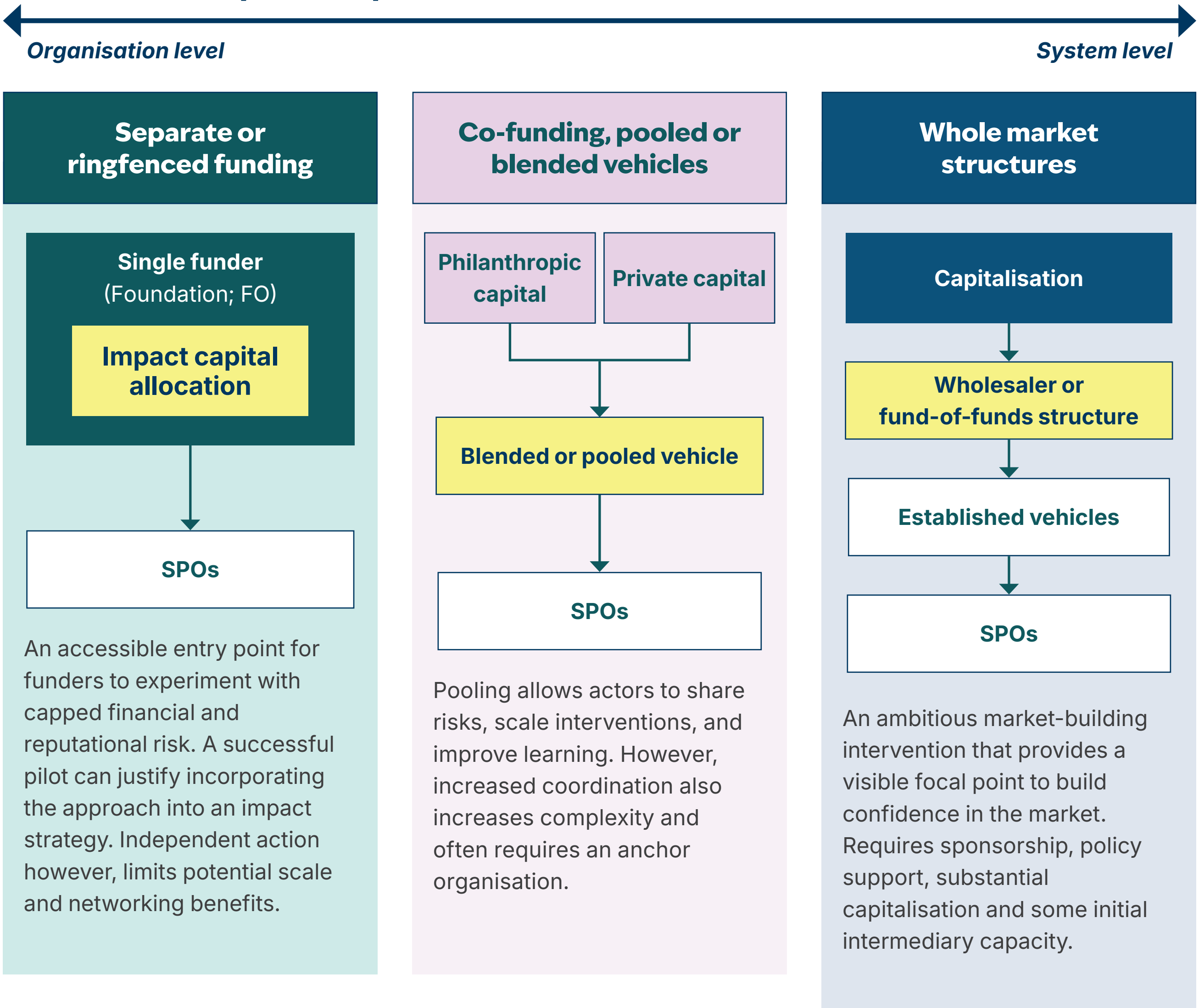
While some funders in Hong Kong are deploying impact capital, many examples are in silos as individual transactions and projects. New participants are often required to work through similar questions on mandate, governance, risk, structuring, and deployment, which lacks efficiency and carries the risk of relearning the same lessons. More replicable structures could reduce this friction by creating clearer pathways for funders to allocate impact capital. Feedback from family offices support this, with 75% of respondents to a poll identifying that structures and platforms they could seamlessly plug into would be a key enabler of impact capital deployment.[66]

Such structures could span a spectrum of ambition, from individual allocations of impact capital, through co-funded or blended vehicles, to systemic whole-market structures, such as the wholesaler model that channels capital through intermediaries. The viability of each option will depend on the market gap being addressed, regulatory context, available sponsorship and capital, demand and readiness of SPOs, and advisory capacity needed to deploy capital effectively. However, in all cases the aim is to support more capital to flow, more easily.

> **"Simplify to multiply – by eliminating unnecessary complexity and enabling seamless collaboration and resource sharing, even small contributions can scale into exponential social impact."**
>
> **Cecilia Ho, Lee Hysan Foundation**

Below: Child participating in an educational activity.

Illustrative impact capital structures



The wholesaler model: catalysing market development

Wholesalers deploy capital at scale through funds and intermediaries rather than directly to SPOs. This market-building role typically requires significant anchor capital and a long-term mandate. Funding may come from dormant assets, government, banks, philanthropy or private capital, with its source and terms shaping the wholesaler's independent mandate, risk appetite, and capacity for wider market development.

Models vary by market. The UK's Better Society Capital, funded through dormant assets and bank contributions, had invested HK$9.4bn (£898mn) by March 2024, unlocking an additional HK$31.5bn (£3bn) from other investors,[67] although its financial sustainability requirements favour larger fund investments. By contrast, Japan's JANPIA primarily channels dormant asset funding through intermediaries providing multi-year grants to strengthen SPO capacity, innovation, and impact measurement; South Korea's SVS, funded through private sector contributions, also provided HK$95mn (KRW18.3bn) to intermediaries by the end of 2023, which in turn mobilised HK$500mn (KRW95.6bn) from other private actors for onward investment and lending.[68]

Field-building initiatives that help organise actors to drive the agenda forward

Internationally, field-building has often been supported through networks, coalitions, and taskforces and similar leadership bodies: networks create space for relationship-building and peer learning; coalitions help align resources around shared priorities; taskforces, such as the UK's Social Investment Task Force, and leadership bodies, such as GSG Impact's National Advisory Boards, provide collective direction and coordination. In each case, the value lies less in their institutional form than in their ability to build shared understanding and common vision, identify practical challenges, and translate fragmented interest into coordinated, action-oriented activity.

Hong Kong already has platforms that convene parts of the philanthropic, family office, sustainable finance, and social innovation landscape. These provide an important base. Over time, there may be value in exploring how existing networks can be connected more deliberately around impact capital, particularly where there is appetite for sharing learning, documenting local examples, and identifying areas where further guidance or collaboration may be useful.

2 Capability: Strengthening human capital across the sector

Impact capital flow depends on the interaction between capital providers and SPOs, along with the requisite support from intermediaries and professional advisers. As such, new and strengthened capabilities are needed across the ecosystem: SPOs need to understand and absorb appropriate forms of capital; funders need to assess the fit with their mandate, as well as governance and risk; and intermediaries or advisers can help both funders and SPOs come together around viable opportunities. Some capabilities can be developed through training courses and knowledge products, but experience from other markets suggests that learning by doing, paired with integrated support, is often the most effective approach to building capabilities.

Building organisational capabilities across SPOs and funders

For SPOs, capability development includes learning to link cost accounting, outcomes measurement, and improved performance, to funding. Many SPOs have a strong track record of delivering their programmes, but need targeted support to translate this into models that can engage with repayable or outcomes-linked capital. The UK's Investment and Contract Readiness Fund illustrates one approach to meeting this need. By linking tailored support directly to real opportunities, it enabled organisations to build capability alongside accessing capital. An evaluation of the fund reported lasting improvements in investment readiness beyond the immediate transaction,[69] an approach later institutionalised through Access.

For funders, capability building begins with establishing confidence at the board and management level that impact capital aligns with organisational mandates, governance, and risk appetites. Working teams also need skills in deal structuring, impact diligence, and portfolio management across hybrid instruments: in the poll of family offices conducted for this report, 95% said team capacity to assess opportunities was a key requirement for considering impact capital.[70]

In practice, early progress is often driven by internal champions and ringfenced allocations that allow funders to test approaches within a defined risk envelope. This can be supported by peer learning, secondments, learning partnerships, and shared advisory support, enabling organisations to move from isolated activity to more consistent deployment.

Access: Combining finance with targeted capacity building

While the UK's Better Society Capital led to a mainstreaming of social investment, it emerged that many SPOs required much smaller-scale, flexible, affordable finance, combined with investment-readiness support. In response, the Cabinet Office, Big Lottery Fund, and BSC set up Access in 2015, specifically to address this gap.

> **If you're focused on financing community-scale organisations, you need a model that combines capital with support and works through the ecosystem rather than around it.**
>
> **Seb Elsworth, formerly of Access – The Foundation for Social Investment**

Access operates as a wholesaler of subsidised funding, providing grant funding into intermediated blended finance structures (rather than to SPOs directly). This subsidy helps make smaller, higher-risk finance viable by supporting fund costs, absorbing risk, and enabling the intermediaries to offer loans, grant-loan packages and grants on more affordable terms, better suited to SPOs' needs.

Access also provides grant funding to develop organisational capability. Programmes such as the Reach Fund (launched in 2016) provide targeted support to help SPOs strengthen financial planning, impact management, and investment readiness.

Under this model, social investors refer organisations with specific capability gaps to the Fund, which then connects them with tailored support aligned to their investment needs. Evaluation of the Reach Fund found that 58% of SPOs supported went on to raise investment, equating to £7.37 of investment raised for every £1 of grant spent.[71]

Investing in intermediation and specialist advisory support

Intermediation plays an important role in translating interest into transactions: 85% of poll respondents identified the availability of trusted intermediaries to structure and manage opportunities as a critical factor in whether they would deploy impact capital.[72] Specialist advisers can support evaluation, impact measurement, legal structuring, and financial modelling, while intermediaries play a broader role as critical market infrastructure. Organisations such as Social Impact Partners and Social Ventures HK, for example, are already helping establish impact capital funds and ventures. As Hong Kong's impact capital market grows, expanding this local capacity could support long-term development, complemented by global expertise where gaps remain.

Intermediary capacity rarely develops organically without deliberate investment, whether through anchor backing, institutional seeding or time-limited philanthropic funding. Such support can accelerate early transactions, help intermediaries establish sustainable models and build a shared repository of market learning. As Penelope Shen of Ho Shen Solicitors acknowledges, *"Impact capital can't take root in Hong Kong if it doesn't benefit the local community. However, the local market alone is too small to sustain both a commercial and impact-first ecosystem, and projects instead rely on pro-bono support to keep their costs down. We need a way to structure intermediary support at scale, and to position Hong Kong as a base for regional support as well."*

Intermediaries as critical market infrastructure

Intermediaries are critical to ecosystem development, acting as repositories of cross sectoral skills and enabling critical functions across the ecosystem, including:

- **Designing impact capital solutions:** structuring and launching new financing approaches, from concept origination through to due diligence, financial modelling, and risk management.
- **Mobilising and aligning capital:** bringing together partners that have never collaborated before, and helping them to bridge different perspectives, institutional objectives, and constraints.
- **Developing pipeline and investment readiness:** supporting organisations to strengthen their models, capabilities, and readiness for impact capital.
- **Scaling solutions and ecosystem development:** sharing evidence and learning, developing common standards, and coordinating activity to help the market grow.

3 Knowledge: Codifying and sharing knowledge and learning

Knowledge sharing helps actors participate effectively and enables the market to evolve. It also builds the evidence base for scaling projects, ecosystem initiatives and supportive policies. Hong Kong's early transactions offer valuable practical insights, but much of this knowledge remains within individual organisations or deals. Capturing and sharing it could strengthen confidence and help emerging approaches improve over time.

Formalising knowledge sharing and investing in learning as a public good

Global experience suggests that early markets need both trusted practitioner exchange and open, accessible knowledge resources. Closed-door peer learning can also help first movers discuss sensitive issues around mandate, governance, structuring, and implementation before approaches are fully codified. This may be particularly relevant for some parts of the market in Hong Kong, where family offices and private foundations often prefer smaller, invitation-only settings.

The wider market needs accessible, public-facing resources, including case studies, standardised contracts, and practical guidance on when and how impact capital can be used. Global resources from organisations such as AVPN, GSG Impact, the Innovative Finance Initiative and the Catalytic Capital Consortium help new entrants navigate the field, but locally relevant evidence and guidance are also important. The UK's Good Finance portal,[73] a repository jointly established by BSC and Access, offers another model for supporting SPOs with market-specific resources.

As Katy Yung of Sustainable Finance Initiative observes, *"To maintain momentum on local pilot projects and enable the broader ecosystem to leverage models with proven viability, we must ensure their lessons are properly documented and shared."*

A priority is therefore to embed learning in lighthouse projects from the outset, with dedicated resources to document their design, outcomes and challenges, and share lessons through formal convenings and informal networks.

Consolidating independent hubs of knowledge in the longer term

As impact capital activity grows, knowledge from transactions, evaluations, and practice often remains dispersed among first movers and shaped by their respective mandates and funding models. A trusted knowledge hub could consolidate this experience, curate insights, develop shared tools and language, and make evidence more accessible to practitioners, funders and policymakers.

Institutions such as the UK's Government Outcomes Lab illustrate how research, practical resources, and stakeholder engagement can bridge sectors and inform policy and market development. Hong Kong's universities, think tanks, and convening platforms provide a strong foundation for such a function, which could reduce fragmentation and support collaboration across different sources of capital.

Below: Skyscrapers in Hong Kong's Central District.

Chapter V

Looking ahead – from capital to common purpose

The promise of impact capital lies in aligning Hong Kong's financial strengths with a shared agenda for social progress.

As Hong Kong enters a new phase of long-term development planning – with renewed attention to family offices, philanthropy, innovation, sustainable finance, and community resilience – impact capital offers a practical way to connect these agendas where there is a clear mission, credible partners, and measurable public value.

The experience of other markets shows that impact capital ecosystems do not follow a single pathway. The opportunity for Hong Kong is not to replicate any one pathway but to build one from its own strengths and context: **market-driven**, drawing on its strengths in finance, wealth and asset management, and professional advisory; **government-enabled**, with policy direction, legitimacy, and routes to scale; **philanthropy-catalysed**, using flexible capital to absorb early risk and support field-building; and **community-rooted**, grounded in the realities of Hong Kong's people, neighbourhoods, and SPOs.

> **"Future generations will not judge capital solely by the wealth it creates, but by the impact it leaves behind on lives and the environment. The markets that understand this first will help define the future and benefit from it financially. The opportunity for Hong Kong is to turn one of the world's great financial centres into a leading centre for impact."**
>
> **Ronnie Cohen, GSG Impact**

Charting Hong Kong's own pathway is a collective task. Leadership must come from institutions willing to align their capital, credibility, and capabilities. This also requires social sector leaders, funders, family offices, public-sector stakeholders and intermediaries to align around a shared vision for how Hong Kong finances social impact – drawing on the full range of funding tools and applying where it can add genuine value.

A vision-setting agenda for Hong Kong can therefore be summarised in three priorities, each marking a shift:

- **From fragmented interest to shared direction:** a common understanding is needed of where impact capital adds value and where it does not.
- **From isolated capability to shared capacity:** investment is needed to build the sufficient talent and specialist advisory support that allow funders and social purpose organisations to participate responsibly.
- **From private learning to public knowledge:** early examples should be documented so that each project strengthens the next.

The purpose is not to create a single blueprint, but to develop a practical roadmap for using Hong Kong's full range of capital more intentionally, guided by social needs, evidence, readiness, and trust.

> **"Hong Kong's laissez-faire model has fuelled the city's growth and created great wealth. But, in Hong Kong's unique market, how do you build a more coordinated ecosystem? You don't try and mimic other places. You double down on what has worked by aligning incentives and making impact capital easier to provide."**
>
> **Ruth Shapiro, Centre for Asian Philanthropy and Society**

The opportunity is for Hong Kong to develop a more intentional funding system: one where social needs are matched to the right form of capital, funders and SPOs have clearer ways to collaborate, and public, private, and philanthropic capital maximise both their financial and non-financial assets for the greatest impact.

In time, this could help Hong Kong tell a distinctive story about its next stage of development. It can show how an international financial centre can also be a centre of purposeful wealth, connecting family legacy to community benefit to deliver a more resilient, inclusive, and sustainable future.

Realising this opportunity will require Hong Kong's social sector leaders, funders, and ecosystem builders to align around a shared vision and practical roadmap for financing impact: one that considers all forms of capital, builds on the city's strengths, and enables capital to serve people, communities, and future generations.

Acknowledgements

We would like to thank the following partners and their teams for sharing their experiences and perspectives that have contributed to this report. Inclusion of these contributors does not constitute their endorsement of the report's contents or insights. Names are listed alphabetically by first name.

Hong Kong

Amy Lo
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Chow Tai Fook Charity Foundation

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Nanako Kudo
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Kevin Teo
Head of ImpactCollab and Chief Technology Officer, AVPN

Laurence Lien
Chairman, Asia Philanthropy Circle

Martin Tan
CEO, The Majurity Trust

Additional thanks go to the contributors from Social Finance UK and US, namely Bethan Phillips, Charlotte Haywood, Hanna Jamal, Jane Newman, Sarah Baillie, Saskia Thomas, and Tracy Palandjian; Tri-Sector Associates, namely, Bryan Wong, Carol Tan, Esther Quek, Kevin Tan, and Yu Ting Poh; and Red Stone for the report design.

Glossary

Terms are defined as used in this report. Where a term is also used more broadly in the impact investing field, the definition here reflects its specific application to Hong Kong's impact capital landscape.

Term	Definition
Blended finance	A structuring approach by which capital from different sources with different risk-return profiles (e.g., grant funding with commercial capital) is combined to increase investment into social and environmental outcomes.[74]
Catalytic capital	Capital that intentionally accepts lower risk-adjusted returns to enable other, typically more risk-averse, capital to participate.[75]
Commercial investment	Investment made with the aim to earn a risk-adjusted financial return in line with or above standard commercial terms, typically participating where risk and return are already commercially viable.[76]
Concessional finance	Capital provided on more flexible or favourable terms than the commercial market, accepting, for example, lower returns, reduced interest, longer repayment periods, or greater risk tolerance, in pursuit of impact. Concessional finance can be provided through a range of financial instruments, including debt and equity.[77]
Finance-first impact capital	Impact capital approaches that have an impact focus in addition to their financial return requirements, but are not willing to accept lower financial return for greater impact.
First loss tranche	A tier of capital in blended finance that accepts that it will lose money before other investors, absorbing the loss first and reducing risk for other investors. This is a form of catalytic capital.[78]
Impact capital	Capital deployed with the intentional aim of generating positive social or environmental outcomes alongside financial objectives, with accountability for delivering measurable impact.[79]
Impact-first impact capital	Impact capital approaches that prioritise outcomes over financial return, and so are willing to relinquish financial return for greater impact.
Impact investing	Investments made with the intention to generate positive, measurable social or environmental impact alongside a financial return.[80]
Impact venture	An organisation whose business is structured to achieve specific social objectives by providing services or products needed by the community. The business' surpluses are principally reinvested for that purpose in the business or in the community, rather than being driven by the need to maximise profit for shareholders and owners.[81] An impact venture is a subcategory of social purpose organisations.
Intermediary	An organisation that connects funders with SPOs and helps structure, deploy, or manage impact capital, including through due diligence, deal structuring, or capacity building.[82]

Term	Definition
Outcomes-based finance (also referred to as pay-for-success)	A funding model where payment is linked to the achievement of pre-agreed social outcomes, rather than activities delivered, often with an upfront funder taking early delivery risk.[83]
Outcomes payer	Actor in an outcomes-based finance structure who pays for the verified outcomes, this is typically government, donors or philanthropy.[84]
Patient capital	Investments made by an investor who is not expecting a quick return on investment, forgoing immediate return for return on a longer time horizon.[85]
Private capital	Return-seeking capital provided by private entities that operate autonomously from government, as distinct from public funding.[86]
Recoverable grant (also referred to as recyclable grant)	A grant provided with the expectation that some or all of the funding may be repaid if the project succeeds, allowing the funder to reuse the capital for future impact.[87, 88]
Social impact bond (SIB)	A type of outcomes-based finance in which private or philanthropic investors fund a service upfront and are repaid, with a financial return, by an outcomes payer only if independently verified outcomes are achieved.[89]
Social purpose organisation (SPO)	A term used to describe organisations whose primary mission is to deliver social or environmental objectives. SPOs can include non-profit organisations, impact ventures, community-based organisations, and other entities that aim to create positive social or environmental impact.[90]
Venture philanthropy	A funding approach that pairs capital with intensive, multi-year strategic support such as governance, talent, and network access, to build organisational capacity.[91]
Wholesaler	A large, market-building institution that deploys capital through funds and intermediaries rather than directly to social purpose organisations, with a mandate to strengthen market infrastructure alongside increasing capital supply.[92]

Endnotes

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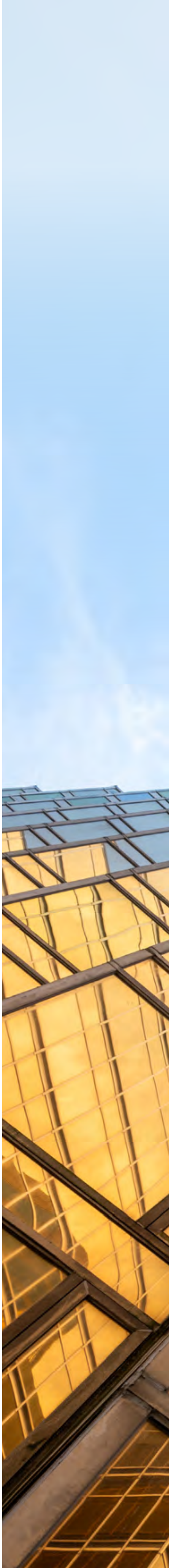

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September 2026

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