ISSUE BRIEF 10

Pay for Success Governance

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A structured governance process can help stakeholders collaborate and use data for program improvement over the course of long-term projects, strengthening data-driven decision-making.

About This Issue Brief Series

This issue brief is the first in a 10-part series written for government officials interested in learning how to use Pay for Success tools and principles.

The series summarizes best practices and lessons learned at Social Finance from a decade of designing, launching, and managing Pay for Success projects. It includes guidance on each step of the process, from deciding whether Pay for Success is a good fit to actively managing a project post-launch.

Access the complete issue brief series here.

Constructive Collaboration

In long-term, multi-stakeholder projects, it can be challenging to ensure ongoing engagement and collaboration. Active Performance Management (APM), discussed in Brief 9, is one mechanism to ensure that partners maximize their chances of achieving Pay for Success (PFS) project goals. But to be effective, APM must be coupled with a strong governance process that enables project partners to communicate, collaborate, and navigate challenges. Good governance creates space for active participation and ongoing coalition building between governments, service providers, and funders.

A Governance Framework

Operational managers within service providers have a direct hand in day-to-day program delivery, giving them deep knowledge of on-the-ground project work. However, they may not have the visibility, experience, or organizational responsibility needed to make decisions related to broader project vision and strategic direction. On the other hand, senior leaders establish vision and strategy but are usually not attuned to the impact that their decisions have on operations.

Governance frameworks help manage complex issues and competing priorities in a timely manner. Good governance is about having the right individuals, with the right knowledge, making the right decisions at the right time. At Social Finance, we typically organize three committees during the duration of a PFS project: the operations committee, an optional management committee, and the executive steering committee.

TYPICAL GOVERNANCE FRAMEWORK

Operations Committee

- Meets on a regular basis to discuss project progress
- Makes day-to-day decisions
- Elevates key challenges to the management committee

Executive Steering Committee

- Provides overall strategic direction and vision
- Champions the project within respective organizations
- Recommends or review project amendments

Optional Governance Structure

Sometimes, additional governance structures are appropriate. For instance, management committees are often useful for more closely monitoring project progress, identifying and resolving challenges, and elevating issues that may require steering committee input.

Operations Committee

The operations committee, sometimes referred to as a working group, meets the most frequently, typically biweekly or monthly, of the standing governance committees to ensure that the project stays on track. This committee is the primary forum for collaborative decision-making, coordination, and issue resolution. Engaging those who are closest to the on-the-ground operations, data collection, and evaluation provides the backbone of good governance and APM.

- Participants: Members of the operations committee include project managers from the service provider, staff from the government agency that oversees the project, data leads from each of the partners, and, if needed, a representative from the evaluator.

- Responsibilities: This committee is where the core activities of APM take place. The operations committee discusses day-to-day project updates and challenges that need to be escalated to the management committee. Sample meeting topics include: (1) service provider and government agency updates, including pipeline development, enrollment progress, service delivery updates, and discussions of unexpected challenges; (2) staff training coordination; (3) performance data review; (4) third-party evaluator updates; (5) reporting requirement completion.

Management Committee

The management committee, if it's required for the project, typically meets monthly or quarterly to monitor the project by reviewing regular reports on progress toward project goals, proactively identifying and resolving challenges, and elevating policy or contractual challenges to the executive steering committee.

- Participants: The management committee is usually composed of senior management from project partners, including designated managers from the service provider, government agencies, and the intermediary; it may include one or more members of the community, as well as people with lived experience relevant to the project. In addition to the permanent seats on the committee, a representative from the evaluator can also be invited to a management committee meeting as needed.

- Responsibilities: As part of overseeing project implementation, responsibilities of the management committee typically include: (1) approving pipeline development and outreach process changes to address enrollment difficulties; (2) addressing unexpected challenges, such as a natural disaster, that require the committee to develop and approve plans for continuing service delivery virtually, extending the project timeline, or adjusting the evaluation process; (3) monitoring and reviewing reports from the evaluator on enrollment and outcomes attainment as well as reports from the intermediary on outcomes payments; (4) ensuring effective data flow among project partners and the evaluator; (5) providing status updates and elevating decisions to the executive steering committee; (6) creating ad hoc working groups; (7) reviewing and verifying outcomes payment invoices.

- Decision-making: Voting rights within the committees will vary by project, but the management committee should strive for consensus. Given the importance of each stakeholder to achieving project goals, it is significant if even one partner is not aligned with the rest of the committee. In such situations, a vote may move the project forward in the short term, but long-term, challenges emerge when the committee does not take the time to build consensus and address the concerns of all partners.

Inclusive Governance

Governance structures should allow for the intended recipients of services to shape project design and service delivery. PFS projects often address systemic inequities in social determinants of health, economic opportunity, educational access, and criminal justice. Integrating the voice of the communities harmed by these inequities into the design process can help align the project to the lived experiences of participants and ultimately strengthen PFS projects.

In operations committees, service providers often reflect the needs of their clients. But projects should also include participant voices in management and executive committees and learn from real-time client feedback throughout implementation.

Executive Steering Committee

The executive steering committee typically meets quarterly or semiannually and is tasked with monitoring the project's adherence to its shared goals rather than monitoring project implementation.

- Participants: The executive steering committee is usually made up of senior executives of major project partners, such as a designee of the government executive office, executive directors of service providers, a representative from the intermediary, and a leader within the community impacted by the project. In addition to the permanent seats on the committee, additional representatives may be invited to committee meetings, including people with lived experience. Funding partners for the upfront costs may also have observer seats. Beyond regularly scheduled meetings, special committee meetings may be called to address urgent issues elevated by the management committee or proposed by the steering committee.

- Responsibilities: In addition to providing overall strategic direction and vision, the steering committee is responsible for: (1) providing leadership to ensure that the goals of the project are on track, and to implement corrective actions where needed; (2) meeting with the management committee to review the project status; (3) recommending and reviewing amendments to project agreements; (4) approving project changes that are likely to materially change the timing or amount of any outcomes payments.

- Decision-making: Voting rights within the committees will vary by project, but the management committee should strive for consensus. Given the importance of each stakeholder to achieving project goals, it is significant if even just one partner is not aligned with the committee. In such situations, a vote may move the project forward in the short term, but long-term, challenges emerge when the committee does not take the time to build consensus and address the concerns of all partners.

Change Management

Over the course of a multi-year project, changes in policy priorities, the local economy, the status of partner organizations, or other unforeseen events may require adjusting the project. For example, if tenured staff members leave the service provider mid-project, the provider may need to bring less-experienced staff up to speed or hire new staff. In such a case, project partners may agree to provide additional training for staff members or extend the project timeline to ensure that the intervention can continue to be delivered without compromising quality.

Incorporating a clear change management process into project governance helps ensure that these types of pivots are reviewed, discussed, and decided upon by the correct parties.

The change management process usually begins with a project partner submitting a change request in collaboration with the intermediary. These requests typically include a description of the change requested; the reason for the change request; the expected impact of the change on project operations, finances, and the evaluation process; the expected benefits of the changes (if any); and the impact of not approving the change request. Change requests are first reviewed by the management committee and are elevated to the executive steering committee if they will affect the timing or amount of any outcome payments.

Flexibility in Governance

The goal of governance is to create a structure for coordination, communication, and alignment as partners adapt to real-world conditions. It is not intended to be a constraint on program adaptation. Service providers are ultimately the experts in delivering the intervention and meeting the needs of the target population; they need the leeway to make changes that can optimize program delivery without explicit approval of the management or steering committees so long as the core activities remain aligned with project goals.

Why Governance Matters

A collaborative, layered approach to project governance is often different than the traditional (and often compliance-based) methods used for project oversight. It requires sustained engagement from all partners, including dedicating time and resources that are often in short supply—but it pays off. Creating dedicated channels for communication in this way sets the foundation for data-driven, outcomes-focused collaborations that drive project success and ensure that limited resources are effectively stewarded toward projects that deliver outcomes.

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About Social Finance

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