Outcomes Working Group
Brief on Session 2: Theory of Change
(held December 2014; speakers were Frances Sinha and Anton Simanowitz)

In October 2014, the Social Performance Task Force (SPTF) launched the Outcomes Working Group. Its purpose is to develop practical guidelines for credible measurement of and reporting on outcomes, drawing on experience with different approaches and tools.

Session 2 of the Outcomes Working Group focused on three topics:

1. What we learn from a Theory of Change
2. How a Theory of Change applies in microfinance
3. Thinking through the implications

This brief summarizes the information shared and discussion on each of these topics.

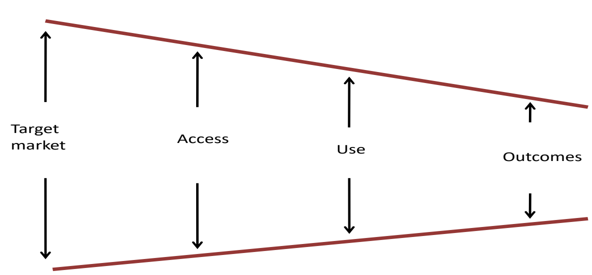
What we learn from a Theory of Change

When thinking about measuring outcomes, a Theory of Change is a good starting point. Why? Because it helps an organization to think through the ways in which it aims to achieve change, what inputs lead to what outcomes, the assumptions involved, and the time frame for expected change to take place. These are questions that are fundamental to appropriate research design and help in identifying relevant outcome indicators (short-term and long-term) and in analyzing data to reflect a relevant sequence of inputs, outputs and outcomes.

A Theory of Change sets out the steps to be implemented, and what needs to happen, to achieve a certain result, or address a certain problem. The end result (long-term outcomes) may seem the most important piece to measure. But measuring the steps to get there is also key. If results are disappointing, is it because the theory itself is flawed? Assumptions are not valid? Or elements of the process are not being implemented as planned?

> Research examples: No increase in learning occurred after a distribution of textbooks. No improved health occurred after a building of toilets. In each case, analysis showed results were due lack of use.

One common problem is program attrition. Studying this reveals that not all participants will benefit in the same way, and some people do not participate at all. For example, out of the target population for a given community program (100%), say 80% become aware of the program, 70% take part, 55% use a particular service, 30% use the service correctly, and 20% fully benefit. Examining the numbers, profiles, and issues at each step of this process helps to focus on ways (possible program changes) to help more of the target population to get to the end of the process.



Funnel of Attrition

Monitor indicators at all stages of a process of implementing change. We need to analyze more than simply the end result if we are to understand what is happening, why, and for whom.

Theory of Change in Microfinance

We suggest the main elements of a Theory of Change in microfinance are as follows:

Access to appropriate servies	Use of services	Short term outcomes	Client retention	Long-term outcomes
• Credit amount and terms match needs and cash flow •Ability to repay credit • Regular, easy savings transactions • Renewal of insurance and reasonable procedure for any claims	• Credit used for business, agriculture •Credit used for consumption (e.g., house repair, school fees) •Savings (increase or withdrawal) •TImely payout of insurance • Use of products from other FSPs - formal/informal	•Increase in business turnover, employment • Children attend school • home facilities - increased assets •Consumption smoothening	•Continued use of services vs exit, reasons for exit • Graduation - also a potential outcome	•Better ability to cope with risk - reduced vulnerability •Reduced poverty

Outcomes versus Impact

These are terms used in different ways. Though sometimes '*impact*' is taken to refer to longer term, or society-wide changes, technically these are still potential outcomes rather than impact. Impact refers to any change that is attributed to an intervention; causal attribution is measured through research designs that include a control group of non-clients. In this working group, we focus on *outcomes* as '*change over time – short and long-term, client, household, and wider society - that is plausibly associated with an intervention*'. The crux of course is 'plausible' – which we will come to in future webinars, when we look at indicators, methods and analysis .

Thinking through the implications

Though not everyone in our sector is applying, or will apply, a Theory of Change, there are implications to consider when setting up a system to measure outcomes. These include:

- Do not assess your performance against your social goals *only* by measuring outcomes for clients. It is important to evaluate performance at all stages of the process (e.g., access by different market segments (target populations), loan appraisal, loan use, client default, exit rates and reasons for exit), and by applying the relevant tools.
- Although we like to think in terms of the longer-term outcomes for clients – the ultimate 'transformation', remember that longer term requires a realistic time frame (~5 years). In the meantime, track the near-term outcomes (1-2 years) that lead to long-term changes.
- Link the measurement of outcomes to the actual use of different services – which will be different for different clients (market segments).

The working group is open to all stakeholders:
practitioners, networks, TA providers, investors, researchers, subject matter specialists – academics
Contact us to share your experience: info@sptf.info