

# Module 2: Developing a theory of systemic change

## 03

### Steps for developing a theory of change

The process of developing a theory of change needs to include the following steps:

1. Define the poverty reduction goal
2. Identify opportunities to benefit the target group
3. Define how changing the market system will create these opportunities
4. Set out assumptions and contextual factors
5. Define areas for intervention
6. Identify indicators of change

These steps are described in detail in other guidance documents; this section therefore focuses on summarising key issues and providing links to those documents.

#### 1. Define the poverty reduction goal

The poverty reduction goal describes the ultimate impact on the target population that the programme intends to achieve. While this will typically be poor sections of society, it is important for objectives to focus in some detail on a particular target group, as defined for instance by geography and economic activity. It should also set out exactly how the programme will reduce poverty, for instance increasing incomes or extending access to a particular service. It is good practice to set a single, clearly defined goal, rather than have multiple goals, which run the risk of making it less clear where priorities lie.

Examples of programme goals from market systems programmes include the following:



- › The West Africa Food Markets programme seeks to achieve better functioning regional staple food market systems in Ghana, Niger, Nigeria and Burkina Faso, with more staple food traded, and more farmers and farming households benefiting from cross-border value chains.
- › The Katalyst programme in Bangladesh aims to increase income for poor men and women in rural areas, by facilitating changes in services, inputs and product markets, thereby increasing the competitiveness of farmers and small enterprises.

## 2. Identify opportunities to benefit the target group

This step identifies the areas with the greatest potential for the target population to benefit from changes in the market. Many market systems programmes have traditional economic development goals such as boosting income or employment. However, market systems approaches have also been developed to improve provision of key services. The Pharmnet project in Kenya (an element of the Private Sector Innovation Programme for Health (PSP4H)) has focused on improving the supply of reliable medicines, for example.

There are different aspects to poverty in any given context, so a key issue is to identify where the greatest potential for benefiting poor people lies. This implies conducting sufficient research with the target population to identify the root causes of problems.

It is also important to have a sufficient understanding of the context and expected mechanisms of change, in order to have confidence that the programme will deliver benefits on a sufficient scale.

### ☰ **M4P Operational Guide. Chapter 1 - Strategy**

Initial steps for setting programme strategy to guide analysis and action.

## 3. Define how changing the system will create these opportunities

This step sets out what changes are needed in the system for the target population to access opportunities, such as the diffusion of new technologies or a new business model.

An essential element of this is researching and analysing existing market structures



and how this can be addressed. It is essential this analysis is undertaken by talking to market actors and beneficiaries.

It is also important to consider whether achieving the desired changes is feasible. This implies developing a good understanding of what different market players currently gain from participating in the market, and making a realistic assessment of what incentives they may have to act differently in future.

### **Assessing systemic change**

Guidance on how to use the DCED Standard for results measurement to assess systemic change

### **M4P Operational Guide. Chapter 2 - Diagnosis**

Core principles and frameworks for diagnosing system constraints.

## **4. Formulate assumptions and contextual factors**

All programme theories rest on assumptions about the different steps in the sequence from inputs through to impacts. Setting these assumptions out explicitly in the theory of change is important for monitoring purposes, and also provides an initial credibility check for the programme. Assumptions include how different interventions will lead to systemic change, and about how external factors and the wider context may facilitate or constrain this. For instance, the Business Opportunities and Support Services (BOSS) project in Timor-Leste included in its assumptions that:

- Other companies will respond to competitive pressure created through pilot interventions
- The market will not be distorted by other donor projects or public investments.

In complex contexts it is also possible that different stakeholders or members of the programme team will have conflicting assumptions. Such diversity can be an asset, given uncertainties about what will work. In this case it makes sense to record all assumptions, in order to provide a collection of hypotheses that can be tested during implementation. Given that it is not possible to know in advance what factors will influence a programme, it is important to revisit the assumptions and to update the theory of change as implementation progresses.

## Organisational diagnostic market facilitation

Understand what effective organisational practice looks like.

### 5. Define areas for intervention

This step involves describing likely areas for intervention based on the hypotheses already developed. This does not mean specifying a detailed activity plan, but rather setting out the forms of intervention that will lead to changes in the system. This could include the kinds of partnerships or collaborations that will be undertaken, particular forms of technical assistance or financial support, or other tools and processes that the programme team will use to work with market actors.

### 6. Develop indicators

This final step involves defining a small number of indicators to test the assumptions that underpin the relationships between different levels of the theory of change. Good indicators allow the programme to understand what is and is not happening in the market, and also provide the basis to discuss trends with market actors. Indicators should therefore include benchmarks for the current position, and the projected levels expected to be reached in future. While the latter need not necessarily be adopted as formal targets, it is important to be able to assess how much progress has been made towards the goal.

USAID's Leveraging Economic Opportunities (LEO) initiative has produced a useful summary of the different approaches used to evaluate market systems change. This review identified two broad categories of indicators which have been used to assess market systems change by different programmes:

#### **Evaluating systems and systemic change**

Guidance on developing an evaluation framework and empirical approaches for identifying and monitoring systemic changes.

#### **Adopt-adapt-expand-respond**

How to assess systemic change.



## measurement

A suite of resources that enable practitioners to understand and apply the DCED Standard for measuring results in PSD

### Defining indicators that can cope with complexity and uncertainty

It may be difficult to specify in advance the precise manner in which desired changes in a market system can be achieved. Many market systems programmes test and pilot different interventions before attempting to scale them up. In this case, some indicators may not remain relevant over the whole timescale of the programme. Furthermore, adaptive management means that activities and outputs will change over the programme's life. There is no point sticking fast to indicators that are no longer valid measures of what a programme is doing.

It is important that programmes include some 'bedrock indicators', particularly at the outcome level, which do not change. These serve to 'keep the goalposts in place'. To enable performance monitoring to adapt to changing circumstances, bedrock indicators can be combined with one or more of the following approaches:

- Allowing other indicators to be flexible, in particular at the output level
- Using open-ended indicators of 'concrete change'. Under this approach, a programme sets out to deliver a target number of improvements, without specifying in advance what these will be
- Using a basket of complementary indicators, on the assumption that while some of these may need to be dropped during the course of the programme, enough will remain valid to be of use for monitoring progress over time.

#### ☑ **Monitoring and evaluating flexible and adaptive programming**

Cautions on M&E in adaptive programming.