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# SDC How-to Note Impact Hypothesis

Documents mentioned in the text can be found in the SDC Field Handbook

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# How to make best use of poverty<sup>1</sup> oriented impact hypotheses in SDC supported interventions

## 1 Purpose

Improving the effectiveness and relevance of development and humanitarian programmes by analysing and understanding their results is one of the core purposes of results-based programme management (RBM). How do our interventions trigger change that in the end benefits the defined target groups of disadvantaged men and women? How do we contribute to the development efforts of partner countries? And in the case of fragile and conflict-affected contexts, how do we contribute to positive change? At the same time we all know that development is based on complex processes, where for example changes in individual behaviour, the improved functioning of organisations and institutions, changes in power constellations and changes in macro-economic conditions all interplay.

One way to address these challenges is to make explicit and continuously reflect on our **impact hypotheses** (IH). Of course we are already making hypotheses in planning and revising them in Monitoring & Evaluation processes, but the emphasis on impact hypotheses is expected 1) to make them more explicit and systematic in order to think and work more strategically and 2) to make more conscious use of such reflection so as to improve our steering.

Impact hypotheses or theories of change<sup>2</sup> are narratives describing the whole chain of influences (from outputs to impacts) of a project or programme up to its intended contribution to improve the lives of people in poverty, which is the ultimate aim of all our interventions<sup>3</sup>. Even if this last part of the chain is very hypothetical and/or only expected to take place in a remote future, the careful follow-up of its gradual (often not linear) realisation is a central part of monitoring and RBM.

The purpose of this How-to-Note (HTN) is to sharpen the SDC's understanding of impact hypotheses and the added value of using them explicitly in project/programme cycle management (PCM) processes. It is addressed to SDC staff, in particular Programme Officers in the Swiss Cooperation Offices (SCOs), and staff of partner organisations involved in the management of SDC interventions.

## 2 Rationale and value added of poverty-oriented impact hypotheses

The importance and value added of impact hypothesis must be seen in relation to the distinctive features of SDC's understanding and practice of results-based management.

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<sup>1</sup> According to DAC Poverty guidelines, SDC shares with other donors a multidimensional and people-centered understanding of poverty. Therefore, poverty always includes aspects of vulnerability and social exclusion, and refers to a context-specific situation of deprivation in which one or more political, human, security, socio-cultural or political dimensions of capabilities needed for wellbeing are lacking.

<sup>2</sup> Used as synonym, see chapter 5 Terminology

<sup>3</sup> Swiss development cooperation is based on article 54, paragraph 2 of the Federal Constitution, which includes a specific reference to poverty reduction. The Dispatch on International Cooperation 2013–2016 confirms poverty reduction as the highest goal of Swiss international cooperation. Accordingly, "results" always and first of all include the contribution to poverty reduction.

- The main focus of attention on results – in monitoring, analysing and reporting – is first of all on outcome level and not the impact<sup>4</sup>. The main reasons for this include the fact that the impact usually occurs with a significant time lag, making it difficult to assess during implementation, and also that the many influences that led to the impact are so intertwined that they can only exceptionally be analysed in a meaningful way.
- The main purpose of results monitoring and reporting is **steering**: results are assessed, discussed and reflected upon in order to improve the effectiveness of SDC-financed interventions. Reported results are also used for upward accountability, but this is not their primary purpose.
- When assessing results (mainly outcomes), the focus of attention is on SDC's **contribution** to partner country development results. The intention is to track our contribution and influence but not to show that results can be attributed exclusively to our interventions.
- When reporting on outcomes and contribution to development results, SDC and its partners are expected to provide a **plausible** assessment of results, based on contextualised analysis. If available, statistically rigorous evidence can be useful when combined with qualitative and context-related information. Reflecting on results in their context and from different perspectives fosters learning that leads to more informed steering decisions. Results analysis is generally not expected to produce hard facts or demonstrate scientific rules that work in every context.
- Monitoring the results of a programme as the combined influences of its constituents, e.g. a portfolio of different projects, non-project activities such as policy dialogue, etc., is best done through the meaningful **synthesis** of results. Such syntheses provide plausible descriptions and assessments of SDC's contribution at a higher (strategic, programmatic) level, without relying exclusively on the aggregation of uniformly defined quantitative data.
- **A bottom-up approach** based on the Annual Report feeds into the monitoring of the goals of the Dispatch on International Cooperation. In this way, a top-down approach with standard indicators imposed on all SCOs would be in contradiction with the primary purpose of monitoring: its usefulness for steering based on the most relevant indicators in the respective context.

Working explicitly with impact hypothesis is a central part of SDC's understanding of RBM, because putting reflective practice and learning at the core of PCM, improving operational effectiveness through critical analysis of results and contribution, is seen as the alternative to an unattainable perfect planning system based on decontextualized evidence. Another equally important point is that critical reflexion on results must be embedded in meaningful and trust-based partnerships: a dialogue on impact hypothesis with partners is therefore of crucial importance.

### **Value added**

Depending on the values, beliefs, motivation and (power) positions of people or organisations, the understanding of how development takes place / how change happens varies widely. This is what the literature calls the "theory of change" (e.g. Vogel 2012). Based on this insight, we see that a programme should not be based on the values and convictions of small groups of individuals – even if they are considered "experts" – but should integrate others' perspectives on

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<sup>4</sup> It may appear as a contradiction with the terminology "impact hypothesis". The latter established itself in SDC many years ago, and therefore has been chosen along with "theory of change" and other variations such as "change hypothesis". In this paper, all are considered as synonyms; see part five on terminology.

change, in particular from those who are involved: the main stakeholders and intended beneficiaries. The joint reflection among colleagues and stakeholders on the impact hypotheses is a way to question and share at least some of these values, beliefs and assumptions.

The ultimate purpose of explicit and poverty-oriented impact hypotheses is therefore to maintain the attention on the effectiveness and relevance of SDC interventions in fighting poverty:

- At the **planning stage** it is necessary to be explicit about assumptions on ongoing change processes and how the programme is supposed to influence such change. It is important to explain the contribution logic, describe the cascade of results along the partner chain down to the primary stakeholders and outline how changes are expected to happen, linking with the elements identified in the context analysis as the key drivers of poverty or conflict.
- Serve as a **reflection and interpretation framework** for the monitoring data collected.
- **Results orientation:** reflection on impact hypotheses helps to raise the discussion and reporting on a programme from activity and output level to outcome and impact levels.
- **Relevance:** it stimulates discussion on the relevance of the intervention and helps to identify gaps along the results chain up to people living in poverty (avoiding trickle-down assumptions).
- The narrative character of impact hypotheses allows discussions among colleagues, stakeholders and actors – including disadvantaged and discriminated groups – of how change happens and how a development intervention contributes to expected change, leading to a better shared understanding.
- **Reality check:** an understandable impact hypothesis suggests plausible cause-effect chains, which at the time of reviews and evaluations can be checked.
- Discussions of impact hypotheses help to unpack otherwise hidden beliefs, assumptions, values, motivations and power constellations with regard to how change happens.

Working with impact hypothesis is not supposed to make programme management easier but to make monitoring, evaluation and learning more useful. Impact hypothesis is not an additional tool for results-orientated PCM but a way to improve the coherent use and usefulness of the SDC's programme management guidelines. Therefore, SDC consciously does not provide templates for impact hypotheses but proposes a few quality criteria that should help make hypotheses on causal links more explicit.

### 3 Quality criteria for good impact hypothesis

- Describe plausible cause effects of the main results chain. How does the cause-effects chain relate to the development issues that had been identified in the context analysis? Which poverty dimensions are addressed?
- Include the main outcomes on both levels: 1) population and 2) organisations / systems and show how these are linked.
- Relate to other stakeholders and actors (state, civil society, private sector, other donors) and their roles; make the intervention's contribution logic explicit.
- Link with a clear definition of the final beneficiaries / primary stakeholders / target groups which is differentiated according to the most relevant factors of deprivation and exclusion (like gender, ethnicity or distance) and reflect changing power relations.

- In fragile contexts make explicit how the SDC support contributes to the transformation of the fragile situation.

These criteria can be used both to elaborate an explicit impact hypothesis and to trigger critical reflection and discussion on a given impact hypothesis.

**4 Impact hypothesis in the Project Cycle Management at operational and strategic level**

<i><b>When? (in the SDC Project Cycle)</b></i>	<i><b>What? Why? (Explanation, Justification)</b></i>	<i><b>Degree of Obligation according to Guidelines</b></i>
<b>Cooperation Strategy (CS) and Monitoring of CS, in particular Annual Reports</b>	<p>Formulating an impact hypothesis at the level of a domain of a CS is a pre-condition for shared strategic orientation and is the basis for the results framework and appropriate choice of indicators. An explicitly formulated IH simplifies the elaboration of column 2 of the results framework which focuses on the contribution logic.</p> <p>Furthermore, elements of IH are relevant in the context and conflict analysis (chapter 1), SDC/Swiss results in the country to date (chapter 3) and implications and priorities (chapter 4), which should summarise main conclusions and for fragile contexts describe the Swiss contribution for transition and positive change out of fragility.</p> <p>Furthermore, chapter 5: “Priorities, objectives and impact hypotheses” at the level of a CS domain should explain in a concise way the main elements of the impact hypotheses per domain of intervention, including aspects of poverty, vulnerability and fragility.</p>	Mandatory
<b>Annual Report</b>	<p>The annual reporting process is a key moment to involve partners to:</p> <ol style="list-style-type: none"> <li>1. Discuss progress towards the realisation of the IH and jointly analyse the contributions to and influence of portfolio results on country development</li> <li>2. Jointly assess the degree of achievement of the IH</li> <li>3. Identify unexpected issues / events and decide how best to deal with them: steering decision.</li> <li>4. Consequently elaborate a plausible <b>results statement</b>, including the perspective of different stakeholders and triangulating data from different sources.</li> <li>5. <b>Rate</b> the results achieved and possible comments</li> </ol>	Strongly recommended

	6. Deduce <b>implications</b> and planning priorities for the following year: explanation and justification for steering decisions	
<b>Entry proposal</b>	<p>Entry proposals are centred on the discussion of the plausibility of an IH. Based on existing context information and main issues, broad strategic orientations are proposed, including options which broadly correspond to different Theory of change/IH scenarios.</p> <p>These are discussed in the Operational Committee together with corresponding risks and basic assumptions. The entry proposal should provide enough information and plausible arguments to make this assessment and choice possible.</p>	Strongly recommended
<b>Elaboration of the Project Document</b>	The broad IH should be shared and refined in a participatory and inclusive planning process, the result of which should be the basis for the logframe.	Implicitly mandatory
<b>Logframe</b>	<p>A participatory and inclusive process allows the elaboration of a shared IH which provides the basis for the logframe of any intervention. The logframe matrix is the tabular and synthetic representation of the expected results chain which is complemented by the narrative of the IH.</p> <p>A logframe does not allow us to represent the overall complexity of a development / humanitarian intervention, but presents a simplified logic of the intervention. However, the logframe is not a “stand alone”. More detailed reflection on the theory of change behind an intervention is expected in the Project Document.</p> <p>Cause-and-effect relations in a logframe are based on plausible hypothesis, not on hard evidence. It is part of the project’s responsibility to check these hypotheses during project/programme implementation and to adapt if necessary.</p>	Mandatory see guidance logframe
<b>Credit Proposal</b>	<p>The CP can to a large extent rely on the IH already provided in the project document.</p> <p>The main text of the credit proposal [...] delineates the IH and highlights the major risks and their management.</p>	Mandatory (p. 5 of Guidelines Credit Proposal)
<b>Progress Reporting by partners</b>	<p>Partners’ annual reports inform on progress on the main impact hypotheses of their projects.</p> <p>Annual progress reporting also provides information on results and change - including the perspective of stakeholders / beneficiaries - that is relevant to analyse the progressive realisation of the impact hypothesis of the corresponding CS domain.</p>	Updates, as part of project implementation mandate

<b>End of Phase Report</b>	<p>When elaborating the End of Phase Report, the programme officer needs to step back from day-to-day operational realities and conduct a critical reflection on the programme or project phase:</p> <ul style="list-style-type: none"> <li>• What were the effects?</li> <li>• To what extent were the impact hypotheses realised?</li> <li>• Have the IH been adapted during the phase (strategic steering)? If yes, why and with what implications?</li> </ul>	Mandatory
<b>Evaluations / Reviews / Beneficiary Assessments</b>	<p>What do we want to know from an evaluation? What are the key questions? The decisions regarding the focus of an evaluation / review or the usefulness of organising a Beneficiary Assessment are very much based on the degree to which the IH has been realised according to expectation, and which information is already available (through studies, monitoring data etc.) explaining possible shortcomings in its realisation.</p> <p>The design of the review, key questions for the reviewer, choice of methods and essentially the results orientation of the review strongly depend on a clearly formulated, shared and explicitly discussed impact hypothesis.</p>	Implicitly mandatory

**5 Terminology**

As mentioned before, there are many terms used for the ideas developed in this paper, and even more when we consider the different operational languages within SDC. Our choice is “impact hypothesis” in English, “Wirkungshypothese” in German, “hypothèse d’impact” in French. “hipótesis de impacto” in Spanish. But this does not exclude others, in particular change hypothesis and theory of change.

In general terms, **impact hypothesis and theory of change can be understood as synonyms**, even if the latter is sometimes understood as broader than the first. Furthermore, impact hypothesis is not strictly limited to impact; rather it focuses on effects (in German “Wirkung”) in the broad sense with an emphasis on outcome and contribution logic.

This choice of a loose terminology and definition might appear as a lack of methodological rigour. In fact there is ample evidence (see box below) showing that too much prescription leads to practices that are mechanical. People comply with them because they have to, but used in this way these tools lose their intended purpose and relevance. Working consciously with explicitly formulated impact hypotheses must be left to people’s own responsibility.

As identified by Vogel (2012): (i) there is **no single definition** of the notions on theory of change and impact hypotheses, (ii) there is also no set methodology but consensus exists on the basic elements, and (iii) theory of change and linked impact hypotheses are **best kept flexible, not prescribed, hence, best seen as a flexible approach** to think through these fundamental issues. It is both a process and a product, most effective when applied to support critical thinking throughout the programme cycle.

*Box: Findings from Review of the use of 'Theory of change' in international development (DFID, 2012)*

## 6. References

### 6.1 References

- Vogel Isabel, 2012: Review of the use of 'Theory of change' in international development. Review Report. Isabel Vogel for the UK Department of International Development.
- Reeler Doug, 2007: A Three-fold Theory of Social Change and implications for Practice, Planning, Monitoring and Evaluation. Centre for Developmental Practice, 2007.
- An interesting blog from Duncan Green (From poverty to power) on Theories of change: <http://www.oxfamblogs.org/fp2p/?tag=theories-of-change>

### 6.2 Further reading

- [http://www.poverty-wellbeing.net/en/Home/Addressing\\_Poverty\\_in\\_Practice/Impact\\_Hypotheses](http://www.poverty-wellbeing.net/en/Home/Addressing_Poverty_in_Practice/Impact_Hypotheses)

### 6.3 Related approaches

- Beneficiary Assessment: [http://www.poverty-wellbeing.net/en/Home/Addressing\\_Poverty\\_in\\_Practice/Beneficiary\\_Assessment\\_BA](http://www.poverty-wellbeing.net/en/Home/Addressing_Poverty_in_Practice/Beneficiary_Assessment_BA)
- Poverty Impact Assessment: [http://www.weitzenegger.de/content/?page\\_id=2681](http://www.weitzenegger.de/content/?page_id=2681)
- PIPA: Participatory Impact Pathways Analysis: a practical method for project planning and evaluation <http://boru.pbworks.com/w/page/13774903/FrontPage>
- Impact Planning, Assessment and Learning (IPAL) <http://www.keystoneaccountability.org/analysis/ipal>
- DCED Standard for Result Measurement: <http://www.enterprise-development.org/page/measuring-and-reporting-results>

## Annex 1: Examples and guiding questions

### Box1: Impact hypotheses on local governance interventions in Macedonia

This example illustrates distinctive expressions of Impact Hypothesis and is meant to sensitise us to possible gaps and inconsistencies in a given Cooperation Strategy and can be of use in establishing the results framework and for defining indicators.

Based on the SDC Cooperation Strategy for Macedonia (2009 – 2012) three development practitioners independently formulated the implicit impact hypothesis of the SDC in the thematic domain “Rule of Law and Democracy”.

**Version 1:** Through strengthening capacities of local governments and enabling an inclusive and active participation by the civil society - particularly including women, ethnic minorities and other disadvantaged groups - , local government and the private sector will be held accountable. Thus service delivery improves and becomes more need-based. This leads to greater internal stability and more conducive regulatory frameworks, which ultimately contribute to the improved well-being of Macedonian citizens.

**Version 2:** Through strengthened democratic law-making, capacitated local governmental authorities and a vivid civil society that holds local and central government accountable, Macedonian citizens obtain better access to improved, equal, equitable and non-discriminatory services, which contribute to their well-being.

**Version 3:** By supporting decentralization: enhanced participation of citizens holding local administrations to account, strengthening local government in service delivery throughout the ethnic and geographical scope, strengthening civil society: as a watchdog in service delivery and rule of law and in strengthening interethnic relations (social integration) and enhancing democracy through a parliament playing its role, Macedonian citizens - in particular those who had low access or were discriminated against - will enjoy better quality public services, trust their government and actively engage in democratic participation.

#### Brief analysis:

It should not be surprising that the three independently reconstructed impact hypotheses based on an existing document do not completely match. It merely shows that with a different background, and different experiences and sensitivities, people put more emphasis on different aspects and use slightly different ways of expressing the same ideas<sup>5</sup>. Using the quality criteria presented above (chapter 3) we can argue as follows:

All three have in common a clear cause-effect chain that ultimately leads to the final goal. The expected outcomes are reflected at the two main levels: population and system (organisations). The link to other stakeholders is established and their role, respectively their contribution to the expected change outlined.

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<sup>5</sup> This shows how important it is to share these ideas at the planning stage with stakeholders and beneficiaries who have different socio-cultural backgrounds, education and live experience (participatory planning).

However, only Version 1 defines and thus differentiates the primary stakeholder in detail, whereas Version 3 gives at least a general definition. With “inclusive participation holding the government to account”, we have clearly the political dimension and we see the link with quality service delivery (presumably health, education, water and sanitation ... would need to be clarified) connecting to the human dimension of poverty.

The power dimension and its changing relations are not explicitly reflected, however, they are implicitly embedded in all three versions.

None of the three makes a clear reference to specific issues of exclusion to participation, discrimination of minorities or causes of lack of access to quality services which should be part of the context analysis.

## **Box 2: Guiding questions to trigger discussion on Impact Hypothesis (Vogel, p. 23)**

### Some guiding issues and questions you may want to use in the process

#### 1. The context for change – how change happens

- Who are we aiming to support and why? (Clarifying the target groups and prioritising the key issues they face, if appropriate)
- Who are the groups, and what are the structures and processes that influence change in the target groups' lives? (Ranking them in their importance to the target group; and showing whether they influence change positively, negatively or both)  
How do we know? – What is the basis for our understanding/ learning?

#### 2. Our organisational (or programme) contribution to change

- What are the long-term changes that need to happen in the target groups' lives?  
What is our overall vision for change as an organisation/programme?  
What are the key four or five long-term changes to which we can contribute?
- Who and what needs to change in order to achieve those long-term changes?  
What changes need to happen at other levels or dimensions in order to achieve the long-term changes (e.g. at community level or in policy or systems).  
What factors, relationships or approaches influence change at each level?  
Who are the groups we can influence? What changes need to take place in them?
- What factors, relationships, approaches, and pathways influence change at each level?
- What are the three to five key factors to which we can contribute that will be vital in bringing about change? (i.e. our core beliefs about how we influence change)  
How do we know? – What is the basis for our understanding/ learning?  
Why do we think that change will happen that way? (our rationale/ assumptions)  
What are the risks (external and internal) that might prevent change taking place?  
How might we need to tailor our approach to groups with specific vulnerabilities?

#### 3. Applying our theory of change

- How will we know and measure if we have brought about change?

- How will we apply it to our organisation, programme and learning processes?

### **Box 3: Good practice of a regular discussion of an Impact Hypothesis**

The SCO in Bangladesh holds regular consultation meetings with its implementing partners. These meetings are organised in each working domain by inviting national and international partners to share, reflect and learn on their progress and thus their contribution to and understanding of change.

Such consultation meetings take place at two levels:

- Annually for the elaboration of the SCO annual report where achievements, progress and learning are shared and discussed
- During the elaboration of strategic documents such as the Cooperation Strategy where the impact hypotheses and the linked results frameworks are shared, discussed and validated

This kind of consultation meeting could be further developed and harness capitalised on by not only focusing on progress and strategic orientation but also by discussing values, assumptions and beliefs that are explicitly and often implicitly embedded in impact hypotheses and the linked results frameworks.