**ANNEX 1: THEORY OF CHANGE, SCENARIOS AND RESULTS FRAMEWORK**

**How to develop a Theory of Change?**

Theory of Change (ToC) (see Guidance Note on Adaptive Management page 19) includes broad and critical reflections on how the project or programme, together with other contextual enabling factors will achieve the wider outcomes and eventually the strategic objectives. The focus of the ToC is less on what Danida (or other development partners) will contribute to, and more on describing the broader dynamics and causal interplays that are expected to lead to positive change. The ToC is not “just” the narrative accompanying the results framework. It is a convincing theory and story of why it is possible to achieve changes (effects) desired by those involved and in charge, and the likely key factors of relative success or failure – including a reflection of the likely support to and resistance to the desired pathway of change (*see political economy/stakeholder analysis in Standard Annex 1*). The ToC will explain the role of MFA and other support in this wider picture, including the risks for the entire process and for the Danish assistance. The ToC transforms the insights from the context analysis to a prediction – more or less certain – about the change process, and the support to this process by e.g. MFA. The focus is first and foremost on the broader dynamics and causal interplays that are expected to lead to positive change, local leadership and local context dynamics and secondly what MFA (or other development partners) will contribute to.

It is important to be very specific about the evidence underlying the assumptions to avoid avoiding brazen assumptions about political and managerial commitment and capabilities. Unrealistic assumptions often lead to poor, overoptimistic planning. The evidence underpinning the assumptions will come from research findings, demonstrated previous experience and from a solid situational analysis, including a political stakeholder analysis.

The ToC will be in central during monitoring, not least with the purpose of learning about what has

worked and adapt the project to changes in the context, in stakeholder positions or in partner capacity.

Relevant issues for monitoring and learning in relation to the ToC include:

* The broader political and institutional context and possible shifts in scenarios. It is important to harvest evidence beyond the project/programme
* Results, both beyond the programme/project’s remit and as defined in the results framework
* Assumptions, which have been identified as important for the ToC
* Risks, as identified in the risk management framework.

**8 questions to guide your Theory of Change**

1. What is the **political, economic, societal and institutional context**?
2. What is **development problem or issue - and the desired transformation-** that we want to contribute to, and how do we translate this into a development objective?
3. **Which are the main changes** that will need to take place for this transformation to happen?
4. **Who** – or which developments or factors - **are the most important drivers** of these changes?
5. **How and with which modalities and instruments will we contribute** to the changes? Will we contribute to all of them? Are we a main contributor?
6. **Why do we think that the changes will happen**? Which are the main conditions for them to happen; which other processes will need to take place? Are they in place or taking place, or will they? Why do we think so?
7. **Which are the main assumptions** that will need to hold true for the changes to happen? What is the validity of the evidence underpinning these assumptions?
8. **Which are the main risk factors** that may prevent the changes from taking place, or delay them, reduce their significance, etc.?

* **How to conduct scenario analysis and planning**

Scenario analysis and planning is most relevant for programming in fragile contexts and situations. The purpose of scenario planning is not to know the future but to help make better decisions during the formulation and implementation of projects or programmes by anticipating opportunities and threats and consider how to address them. Using scenario analysis and scenario planning will help identifying various future pathways competing in likelihood and help conclude on likely scenarios in which the programme or project will unfold, assessing whether the context is likely to remain relatively stable or not.

These are the seven steps to follow when conducting scenario analysis and planning:

* **Identify major stakeholders.** Use the above political stakeholder analysis to identify major stakeholders;
* **Map risks***.* Use the above risk analysis to identify major risks and the degree to which these risks and driving forces will affect the project or programme?
* **Find key uncertainties.** Map the driving forces on two axes, assessing each force on an uncertain (relatively) predictable and important/unimportant scale. All driving forces that are considered unimportant are discarded. Important driving forces that are relatively predictable (ex. demographics) can be included in any scenario, so the scenarios should not be based on these. This leaves a limited number of important and unpredictable driving forces. At this point, it is also useful to assess whether any linkages between driving forces exist, and rule out any "impossible" scenarios (ex. full employment);
* **Identify the extremes** of the possible outcomes of the most important driving forces (e.g. the security situation, human rights violations) and check the dimensions for consistency and plausibility. Three key points should be assessed: 1) Time frame: are the trends compatible within the time frame of your project/programme 2) Internal consistency: do the forces describe uncertainties that can construct probable scenarios 3) The stakeholders: are any stakeholders currently in disequilibrium (e.g. segments of a population in a geographical area feeling that they do not benefit from the current distribution of rents) compared to their preferred situation, and will this evolve the scenario? Is it possible to create probable scenarios when considering the stakeholders?
* **Define and write out the scenarios***,* **and plot** them into a matrix (*see example below*). Usually, up to three scenarios are constructed. Try to avoid pure best-case and worst-case scenarios. Narrate what has happened and what the reasons can be for the proposed situation. Try to include good reasons why the changes have occurred? Finally, give each scenario a descriptive (and catchy) name to ease later reference. Ensure that scenarios are relevant for the strategic objectives of the project/programme and that they are they internally consistent?
* **Define red lines/decision points***.* Identity red lines where a change in scenario will lead to a change in project/programme implementation; e.g. change of intervention area, change of partner and delivery channels. Assess scenarios at least annually as part of the annual learning event with partners and as part of the annual dialogue with Senior Management (SKS dialogue).
* **Identify needs for studies during implementation***.* Based on the scenarios, assess where and when more information might be needed and include this in your internal management document;

**How to develop a Results Framework**

The results framework summarises the expected result in the programme/project, providing an overview of strategic objectives, outcomes, outputs and with associated key indicators in addition to possible process indicators. The results framework derives from the Theory of Change (ToC) and builds on objectives and selected indicators from the partner’s results frameworks or, if partner frameworks cannot be utilised, establishes its own relevant objectives, indicators and baselines based on consultations with project/programme stakeholders, including if relevant final beneficiaries.

The results framework is, together with the ToC, the basis for the responsible MFA unit’s progress reporting and communication to the public, stakeholders and management. These two instruments should be used to focus the dialogue with partners on progress towards achieving the agreed results and possible changes to ToC and the pathways for achieving results.

At programme and project level, the results framework should include:

* Programme/project objectives with indicator(s), but with no indication of baseline and target
* Outcomes with preferably 1 indicator or maximum 2
* A limited number of outputs - up to maximum five outputs - with indicators for each output
* Process and learning indicators, where relevant (the technical solutions is not yet implemented)

Objectives, outcomes and outputs should be **SMART** Specific, Measurable, Achievable, Relevant and Time-bound. This means that they should indicate the quantity while the indicators should contain the means of verification.

**The programme/project development objectives** is defined as intended impact contributing to benefit to a society or community. The objective should respond to the context and development problem analysis from Standard annex 1. The objective should further as a general rule be linked to the Sustainable Development Goals.

**Output** is defined as short-term result in the form of goods and services resulting from a project activity. Outputs are achieved immediately after implementing an activity and is thus what is created at the end of a process. It is within control of the project. It is linked to the activity but it is for example not just the number of people trained. The output is also that they have actually required new skills or knowledge (e.g. 200 traditional midwifes are trained and are able to use a mobile app to guide them in their work by XX).

**Outcome** is defined as the short-term and medium term effects on the target group. Outcomes can only be influenced by the project/programme and are thusnot within direct control of the program/program managers (e.g. % increase in safer birth deliveries for the women in the area by XX).

**Collective outcome** are only used in relation to interventions conducted in the Humanitarian-Development-Peace nexus. It is a concrete and measurable result that humanitarian, development and other relevant actors want to achieve jointly over a period of 3-5 years to reduce people's needs, risks and vulnerabilities and increase their resilience.

**Indicators** should include both quantitative and qualitative aspects and they should indicate the means of verification. All results frameworks should have gender specific indicators, where relevant, and aim for collection of sex-disaggregated data (e.g. 10.000 jobs created of which 50% should be jobs for women). In fluid and dynamic contexts, it may be challenging to predict in advance, what the outputs should be. In this case one may instead look at process indicators rather than outputs. Process indicators look not just at what the organization is achieving, but how it is doing it. A governance programme, for example, might be rated on the quality of their research or the strength of their relationships with key government partners. The use of process indicators may also be useful for contributions to funding mechanisms, where there is a significant delay between disbursement and the final use of funds.

**Common pitfalls** when constructing a results framework include identifying too distant and broad impact- and outcome-level goals that are widely beyond any significant influence from the project/programme or where the cause and effect linkages are uncertain and not underpinned by evidence. Similarly, outputs can be identified at nearly activity level (e.g. “ten people trained” which is not saying anything about whether they learned something), and which by themselves are only marginally contributing to the desired outcomes. Pushing impact and outcomes “down” to more concrete levels and activities and outputs “up” enable shorter-term learning about whether the problem-solving approach works – or whether it should be adapted.

It is also important to realize that development is not necessarily a linear process. This can be a challenge when constructing a results framework, which relies on a linear process of input, outputs and outcomes and objectives. At times, one may experience a case of two steps forward and three steps backwards before actual impact is achieved. An anti-corruption programme, for example, which starts to show results in terms of more investigations may experience a strong push back from vested interests for a period before actual impact begin to appear. It is therefore important to be realistic when setting targets, revise, and eventually adapt the results framework during implementation.

**In case of uncertainty:** It may not be possible to define indicators, baseline and targets during formulation. The label of adaptive management should however not be used as a way of excusing inadequate planning where plans need to be adjusted later because evidence that had been available earlier has not been used.

There is a number of ways to accommodate uncertainty and lack of evidence at the formulation stage:

* Have menus of indicators which provide a hypothesis of the types of changes that an intervention might bring about, but with an expectation that only some of them will be achieved;
* Have broadly-defined indicators into which a range of specific changes can fit;
* Refinements to indicators and targets after inception periods or initial experimentation.

If results at the different levels, and the corresponding indicators, cannot or should not be fully specified during the identification and formulation of the programme/project, the process for establishing them should be clearly defined in the programme/project document.

**How to integrate learning**: Learning and process indicators within results frameworks at outcome and output levels should be used to articulate the approach to learning and adaptation.

**Outcome:** An outcome can be that evidence and learning has been incorporated as adaptation of the project/programme. The indicator can be that the formal documents detailing the adaptive changes have been approved by MFA and the partner.

**Output Indicator:** An output can be that lessons have been identified and shared among programme staff and management about what failed/worked and why. The indicator could be that the minutes from annual consultations indicate that staff interviewed have expressed shared views on the subject.

Advice and assistance should be sought for any slightly complex project/programme, including from task force members when such a task force is established or from ELK. In principle, all levels of agreed results – from impact to outputs – may need adaptation or even to be abandoned. This could be because of context changes, gained experiences, or flawed initial design. The AMGs contain the relevant rules for adaptations related to the results framework.

**Building Blocks**

The results framework consists of a number of standard building blocks (see below), representing different levels of results. Depending on the type of programme or project, the results framework will vary in size. The below examples can serve as templates after adding or deleting building blocks according to the needs of the individual user. A programme or project may have more outcomes and multiple outputs. Experience shows, however, that keeping it simple makes the follow up more manageable.

**F: Results Framework for Programmes**

**Results Framework for Projects (**Required: Three outcomes and 1-5 outputs per project and indicators at all levels)

[Example - add or delete building blocks as necessary]

|  |  |
| --- | --- |
| Project name | [Title of Programme] |
| Project Development Objective | Climate change mitigation and adaptation, strengthened biodiversity and enhanced social and economic development |
| Project Specific Objective | Reduced deforestation associated with the Danish soy supply chain |

|  |  |
| --- | --- |
| Impact Indicator | [one or two indicators to be identified by applicant] |
| Baseline | [] |

|  |  |  |  |
| --- | --- | --- | --- |
| Outcome 1 | | *[The short-term and medium-term behavioural change of the production side, to be defined by the applicant]* | |
| Outcome indicator | | *[Quantitative or qualitative factor or variable that provides a simple and reliable means to measure achievement or to reflect the changes connected to an intervention. It should also indicate the means of verification ]* | |
| Baseline | Year |  | *[Situation prior to commencement of activities]* |
| Target | Year |  | *[intended situation by the end of project (phase)]* |

|  |  |  |  |
| --- | --- | --- | --- |
| Output | | [Short-term result in the form of goods and services which result from an engagement activity] | |
| Output indicator | | [Quantitative or qualitative factor or variable that provides a simple and reliable means to measure achievement or to reflect the changes connected to an intervention] | |
| Baseline | Year |  | [Situation prior to engagement activity] |
| Target | Year 1 |  | [Intended situation after first year of implementation] |
| Target | Year 2 |  | [Intended situation after two years of implementation] |
| Target | Year 3 |  | [Intended situation after three years of implementation] |
| … | …. |  | …. |
| Target | Year |  | [Intended situation when activity under the engagement ends ] |

Programmes and projects contain activities and elements for which a results framework does not make sense; as such activities are auxiliary in nature supporting the core of the project or programme. Consequently, results frameworks should not be prepared for the following type of activities:

* Project and technical assistance offices
* Advisors, SNE positions and similar positions
* One time conferences and workshops supporting the main activities
* Reviews, M&E and other types of follow up to document progress of the main activities
* Unallocated funds and contingencies until such funds are allocated to specific development cooperation activities