
Swedfund's Evaluations and Impact Studies Guiding Note

A Theory of Change-Based Approach to Understanding Development Impact

Swedfund's mission is to contribute to poverty reduction through sustainable investments. To understand and assess the development effects of our investments, Swedfund applies a Theory of Change approach. This approach links investment activities to expected results and longer-term development outcomes through a set of evidence-based assumptions and causal pathways.

Measuring effects further along the results chain, particularly development outcomes such as poverty reduction, improved livelihoods, gender equality, or climate resilience, is resource-intensive, methodologically complex, and associated with a significant degree of uncertainty and cost. It is often difficult to isolate the contribution of an individual investment from the many other factors influencing development outcomes in a country, sector, or community.

For this reason, Swedfund's primary monitoring focuses on the direct outputs generated by investments at company level. These results typically include indicators such number of jobs, energy produced, access to financial services, and female leadership.

These outputs and immediate outcomes form a critical part of our Theory of Change. They represent the observable changes that investments are expected to generate and that can be measured with reasonable reliability and proportionality. Through regular monitoring and reporting, Swedfund tracks whether investments are delivering these expected results.

To understand how these results contribute to broader and more long-term development impacts, Swedfund draws on established evidence from academic research, evaluations conducted by development finance institutions and multilateral organizations, sector studies, and industry experience. This evidence helps validate the assumptions that underpin our Theories of Change and strengthens our assessment of an investment's likely contribution to sustainable development.

For example, there is strong scientific evidence demonstrating that renewable energy generation replacing fossil-fuel-based alternatives contributes to reduced greenhouse gas emissions and supports climate change mitigation. Similarly, a substantial body of research shows that access to productive and decent employment is one of the most important drivers of improved living standards, economic inclusion, and poverty reduction. By linking monitored investment results to this broader evidence base, Swedfund can assess the likelihood that an investment contributes to intended development outcomes.

It is the assessment of the evidence base and the identification of existing gaps and opportunities therein that informs how Swedfund collaborates with other DFIs and development partners on methodological development, knowledge sharing, and learning. It also informs when we choose to undertake our own impact studies and evaluations in selected priority sectors, themes, geographies and investments types. These studies and evaluations are designed to deepen our understanding of how change occurs in practice and to test the assumptions and causal relationships embedded in our Theories of Change.

Rather than attempting to measure ultimate societal impact for every individual investment, Swedfund applies a proportionate and evidence-based approach. We combine systematic monitoring of direct results with external evidence, sector knowledge, and targeted impact studies to assess investments' likely contribution to long-term development outcomes. This approach enables learning, accountability, and continuous improvement while remaining practical, cost-effective, and methodologically robust.

Through this combination of results measurement, theory-based analysis, and targeted evaluation, Swedfund aims to maintain credible oversight on how its investments contribute to sustainable development and to continuously strengthen the evidence base for development finance.