STEP 3:

Optimize

CORE ACTIONS

In this step, investors monitor the progress of each investment and take actions to maximize impact achievement.[72] Core actions include:

3.1 Using participatory approaches to collect and analyze performance data on social equity; and

3.2 Building investee and community capacity to assess progress on advancing social equity

3.1 Use participatory approaches to collect and analyze data

Participatory approaches allow communities to determine whether an investment has achieved its intended social or environmental impact.[73] From the perspective of social equity, **meaningful participation** extends beyond mere consultation to ensure that currently and / or historically excluded groups gain substantial control over the processes and outcomes that affect them.[74]

In practice, this means that affected communities should always have a say in:[75]

- **What data is collected:** Affected communities should be involved in deciding which data is relevant to their experiences and needs.
- **How data is used:** Affected communities should have input on how the data will be analyzed and applied to ensure it reflects their perspectives.
- **How their identities and experiences are captured:** The process should be designed to accurately represent their experiences and identities, avoiding misrepresentation or oversight.

Decisions on how to elevate community voices and understand impact performance can be made both:

- **Pre-investment:** By involving affected communities in the design of investment strategies and metrics to ensure alignment with their needs and values; and
- **Post-investment:** By involving affected communities in evaluating the outcomes of the investment, ensuring their feedback informs future actions and decisions.

72 "Impact Principle 6 | Operating Principles for Impact Management." https://www.impactprinciples.org/9-principles#.

73 Participatory evaluators jointly share control of the evaluation. Participatory evaluations range from program staff members and participants participating in the evaluator's agenda to participation in an evaluation that is jointly designed and implemented by the evaluator and program staff members. They encourage participants to become involved in defining the evaluation, developing instruments, collecting and analyzing data, and reporting and disseminating results (Guijt, 2014; Shulha, 2010; Zukoski & Luluquisen, 2002). Typically, control begins with the evaluator but is divested to program community members over time and with experience.

74 Chakma, Trimita, Georgia Booth, and Ruby Johnson. "Expanding Our Understanding of Evidence for Meaningful Participation," 2024. https://static1.squarespace.com/static/60ff9a0595f5d30abe8dd1f8/t/66853a2786b62961dd7adcb1/1720007218600/Porticus_Evidence_for_Meaningful_Participation_July_2024.pdf.

75 Hewlett Foundation. "Data Equity: Six Steps beyond Data Disaggregation." Hewlett Foundation blog, April 1, 2021. https://hewlett.org/data-equity-six-steps-beyond-data-disaggregation/.

EMERGING PRACTICE

Build on community involvement in shaping success measures by continuing to engage community members in "optimizing" impact performance. For example, The Buen Vivir Fund monitors impact using self-determined key performance indicators that grassroots partners identify during the application process. Metrics cover various aspects of community well-being, including sense of being rooted in community; awareness of cultural history; environmental conservation practices; sharing and strengthening of artisanal skills; and time spent with family. Investees measure these key performance indicators one or two times per year.[76]

In Step 3, investors can explore options for people experiencing impact to be involved in the collection, analysis, and interpretation of data. Since **investors are often several steps removed from affected communities** and consequently rely on intermediaries (typically investee enterprises) for direct engagement, Table 6 outlines key questions investors can use to discuss impact performance with enterprises.[77]

TABLE 6

Questions for investee engagement

INDICATIVE QUESTIONS	GUIDANCE AND RESOURCES
Do you have a shared understanding with affected communities of "good" impact performance?	The **SDG Impact Standards for Enterprises** provides a framework to assess alignment. Techniques such as "**data walks**" can be used to overcome data literacy barriers and engage diverse parties with easy-to-understand visuals.[78]
Are affected communities involved in impact data collection?	The Healthy Neighborhoods Study developed a **Participatory Action Research Field Guide** based on their participatory health impact assessment of real estate investments in Massachusetts. Any data collection should adhere to ethical research practices and the principles of **free, prior, and informed consent**. This is particularly critical in historically and / or currently marginalized communities that have been exploited by researchers in the past, such as Indigenous communities.[79] Community members should participate 'on their own terms'. Employees or suppliers whose livelihoods may depend on the enterprise may feel obligated to participate.

Continued on next page...

76 Higdon, Grace Lyn. "Linking Participation and Economic Advancement: Buen Vivir Fund Case Study." Report. the Institute of Development Studies and partner organisations, June 14, 2019. https://opendocs.ids.ac.uk/articles/report/Linking_Participation_and_Economic_Advancement_Buen_Vivir_Fund_Case_Study/26436625/1.

77 Investors may find it feasible to engage directly with some groups experiencing impact and not others. For example, a fund manager could engage founders of their portfolio enterprises to assess impacts on access to capital for marginalized founders while relying on the enterprises to engage their customers or users. Some investors (e.g., limited partners, funds-of-funds) with multiple intermediaries between them and the people experiencing impacts from funded products and services may find it more appropriate to have discussions with their investees on how they are assessing and engaging with their portfolio enterprises to involve customers, users, and other affected community members in impact analysis.

78 "Centering Equity in Collective Impact (SSIR)." https://ssir.org/articles/entry/centering_equity_in_collective_impact.

79 "Evaluation Strategies and Considerations for Health Equity Programs and Initiatives - RHIhub Toolkit." https://www.ruralhealthinfo.org/toolkits/health-equity/5/evaluation-strategies-and-considerations.

TABLE 6 — CONTINUED

INDICATIVE QUESTIONS	GUIDANCE AND RESOURCES
Are all affected community members able to participate?	One challenge of participatory approaches is "elite capture" or the tendency of those who hold power within the community to take control of projects. Additionally, the "myth of community," which is an incorrect assumption of homogeneity, can result in the exclusion of currently and / or historically marginalized groups.[80] Using mobile phones for data collection can enhance participation for some groups, such as those in remote areas, but it can also create barriers for others, like those with low literacy levels. **The WEST Principles** are a set of guidelines developed to maximize the impact of technology-driven efforts to engage workers.
Who owns the data?	Inclusive data governance processes that engage communities in decisions about the ownership and use of the data they provide can promote transparency and trust. This includes developing protocols on how data is collected, stored, analyzed, processed, shared, and ultimately returned to data providers. At minimum, communities should have access to their own data, a key tenet of **Indigenous data sovereignty**.

When assessing the quality of impact performance data, **conventional standards of evidence can be extended to incorporate inclusion.** Traditional evidence often embeds the perspective of the people gathering data and making decisions, which can marginalize community knowledge. To address this, the Evidence Quality Rubric introduced by Porticus offers a more comprehensive framework for equity-focused organizations.[81] Key aspects include:

1. **Representation:** Ensure that the data represents diverse voices and perspectives, especially those from marginalized communities. This involves evaluating whether the data collection methods and analysis account for the full range of experiences within the affected populations.
2. **Power Analysis:** Assess how power dynamics affect the collection and interpretation of data. This includes understanding who controls the data, whose voices are prioritized, and how power imbalances might influence the findings.
3. **Interrogating Biases:** Identify and address biases in data collection and analysis processes. This involves critically examining how biases—whether they are inherent in the data itself or introduced through methodological choices—might affect the results and their applicability to marginalized communities.

This approach can help answer whether data is "good enough" from both a technical and an equity-focused perspective, fostering a more inclusive and accurate understanding of impact.

80 Webb, Alice. "Is Participatory Impact Investing the Antidote to 'Impact Washing'?" Institute of Development Studies, September 19, 2019. https://www.ids.ac.uk/opinions/is-participatory-impact-investing-the-antidote-toimpact-washing/.

81 Porticus. "Expanding Our Understanding of Evidence for Meaningful Participation." p. 30. https://www.closerthanyouthink.co/porticus-report.

Measuring Progress Toward Social Equity

To assess whether they are making progress toward social equity, investors need to evaluate their individual investments and their overall portfolio strategies. This involves transitioning from operational questions, such as "are we doing things right?" for individual investments, to evaluative questions like "are we doing the right thing?" at the portfolio level. Investors can then assess whether realized impacts support or challenge their impact thesis (**Step 1**) and refine accordingly.

Existing impact management approaches can be used to measure improvements in access for marginalized communities to a specific product or service (e.g., affordable housing) compared to what would have likely happened without the investment.[82]

For strategies targeting structural / systemic issues (e.g., altering power dynamics), systems thinking techniques can help to understand how change occurs.[83] Although there are currently few examples of investors using a systems lens to measure progress on social equity, approaches from related sectors offer promising insights:

1. OUTCOME HARVESTING:

- **Description:** A qualitative evaluation method that collects evidence of change and works backward to determine how an intervention contributed to the outcomes.[84]
- **Example:** A donor-funded project supporting dairy processors in Georgia used outcome harvesting to understand changes in women's economic agency resulting from increased revenue from milk collection.[85]

2. COLLABORATIVE PERFORMANCE INDICATORS:

- **Description:** Different organizations working on the same issue can collaborate to develop shared performance indicators. This approach supports collective learning and provides a sense of directional change related to social equity.
- **Example:** Development finance institutions (DFIs) came together in the Gender Finance Collaborative to develop a set of **common gender impact indicators for the 2X Challenge** to help investors align on measuring the gender impact of investments.

3. FRAMEWORKS FOR MEASURING SYSTEMS CHANGE:

- **Description:** The TransCap Initiative published the document "**Definition and hallmarks of systemic investing**" describing what systemic investing entails and looks like in practice. Additionally, The Investment Integration Project has released **guidance** to assess the influence of systems-level investing strategies, and aid-funded projects

82 "Impact Management Norms | Impact Frontiers," February 24, 2022. https://impactfrontiers.org/norms/.

83 "TransCap's Design Space." https://transformation.capital/whitepaper/transcap-design-space.

84 "Outcome Harvesting | Better Evaluation," June 27, 2024. https://www.betterevaluation.org/methodsapproaches/approaches/outcome-harvesting.

85 United States Agency for International Development. "Testing Tools for Assessing Systemic Change: Outcome Harvesting," 2016. https://marketshareassociates.com/wp-content/uploads/2020/06/Report_No._43_-_SC_Tool_Trial_Outcome_Harvesting_-_508_compliant2-Georgia-ALCP.pdf.

aimed at fostering inclusive markets in developing economies have pioneered techniques to measure systems change, including for outcomes related to gender and social inclusion.

- **Example:** A USAID paper synthesizing methods to measure systemic change offers a framework with example indicators to assess the depth of systemic changes in:[86]
    - Disruption of Existing Patterns: Assess changes like increased investment in entrepreneurs from marginalized groups.
    - Networks of Connections: Evaluate equitable access to information about new opportunities.
    - Norms Influencing Behavior: Analyze changes in entrenched attitudes towards minority communities.

Techniques to measure systemic change often intersect with participatory methods. For example, The California Endowment emphasizes that "learning and evaluation work cannot and should not be separated from our work to advance health and racial equity through power building…[and] tackling upstream drivers of systemic problems."[87]

3.2 Build investee and community capacity for assessment

Investors can also **use the process of measuring impact performance as a tool for advancing equity.**[88] With greater capacity to assess impact performance themselves, marginalized communities gain data agency to pursue their own priorities. This occurs by using collected data for social change (e.g., advocating for community interests) and gaining skills during the data collection process (e.g., learning how to gather community input for future consultations). Therefore, how people are engaged in the process can itself be a significant outcome.[89] Typically, investors will need to partner with or support investee enterprises on capacity-building efforts for measuring impact within the communities they serve.

Civil society and related fields such as international development have innovated qualitative measurement approaches that seek to build agency among marginalized communities including:[90]

- **Empowerment evaluation:** designed to provide affected communities with the tools and knowledge they need to monitor their own performance and accomplish their goals.

86 United States Agency for International Development. "Disrupting System Dynamics: A Framework for Understanding Systemic Changes," 2016. https://marketshareassociates.com/wpcontent/uploads/2017/01/Report_No__47_-_Systemic_Change_Framework_FINAL_-_508_compliant.pdf.

87 Yu, Hanh Cao. "Transforming Foundation Learning and Evaluation into a Power Building Strategy (SSIR)," August 21, 2023. https://ssir.org/articles/entry/transforming_foundation_learning_and_evaluation_into_a_power_building_strategy.

88 Center for Evaluation Innovation. "Equitable Evaluation Framework Applies to All Evaluation." https://evaluationinnovation.org/insight/equitable-evaluation-applies-to-all-evaluation/.

89 The Participatory Monitoring and Evaluation (PM&E) approaches are an excellent body of work to inspire impact investors that have been used in international development for the past 40 years: https://www.ids.ac.uk/publications/who-counts-reality-participatory-monitoring-and-evaluation-a-literature-review/.

90 Most Significant Change and empowerment evaluation are guided by 10 specific principles.

- **Democratic evaluation:** designed to allow people experiencing impacts to be informed of what other interested and affected parties think to boost levels of accountability and transparency.
- **Most Significant Change:** designed to capture differences in what groups and individuals value and explain how and why change is taking place through a series of narratives.
- **Collaborative Outcomes Reporting:** designed to capture emergent changes by "reconstructing" a theory of change based on how people experience change.

A number of the above techniques have started to be deployed in a private sector context. For example, a food catering business in Australia used a combination of locally appropriate methods inspired by Most Significant Change to both collect outcome data and build skills relevant to affected Indigenous communities.[91]

For investors, these approaches provide an opportunity to go beyond just understanding how investee enterprises are involving marginalized communities in measurement to asking what they can do to promote data equity in enterprise processes and practices. Investors can integrate elements from these approaches into choices about how to engage with investee enterprises on issues of impact performance, value addition strategies, and technical assistance provided to enhance commercial viability and impact (see note below).

Technical Assistance for Social Equity

Technical assistance (TA) provides advisory services that enable enterprises to "function more effectively and efficiently, creating the potential for long-term commercial sustainability, systemic impact, and ultimately improving investment viability."[92] TA is frequently deployed alongside development finance in emerging markets.

TA can be operationalized with social equity lens. For example, gender-smart TA improves gender equity while enhancing a company's financial performance. Shell Foundation provides gender-specific business support for its portfolio of social enterprises focused on clean energy solutions in Asia and Africa. Investees implement activities to improve gender equitable practices across their business operations, with the support of advisory firm Value for Women. Across its portfolio, the Shell Foundation has recorded improvements in both business performance and the depth of impact, with investees doubling production, increasing sales by over 50%, and boosting incomes for women micro-entrepreneurs.[93]

Investors commonly start with **helping enterprises better utilize data on social equity**. Investors can begin these discussions by clarifying how enterprises aim to use the data in their decision-making, identifying data gaps, and determining the resources and processes needed for data collection and analysis. Use cases can vary from collecting evidence to test product-market fit to tracking progress on impact goals. Table 7 offers illustrative activities that investors can recommend to investee enterprises to collect and use data to redress gender inequities.

91 "Evaluating with Kungkas Can Cook: Passion, Dedication and Clear Social Purpose | Better Evaluation," January 10, 2019. https://www.betterevaluation.org/tools-resources/evaluating-kungkas-can-cook-passion-dedication-clear-social-purpose.

92 Commercial Agriculture for Smallholders and Agribusiness. "A Review of Inclusive Technical Assistance in Agriculture Deployed by Development Finance Institutions," 2020. https://www.casaprogramme.com/wpcontent/uploads/20200630-CASA-TAF-Review-of-DFI-Inclusive-TA.pdf.

93 The Gender-Smart Enterprise Assistance Research Coalition, led by the William Davidson Institute at the University of Michigan. "G-SEARCh Tested Tools & Approaches for Gender Lens Investing," January 2021. https://wdi.umich.edu/wp-content/uploads/G-SEARCh-ALL-investor-approaches_Final_Feb-2021.pdf.

TABLE 7

Examples of using gender data to improve social equity outcomes[94]

BUSINESS FUNCTION	EXAMPLE ACTIVITIES	POTENTIAL OUTCOMES
Human resources	Collective of diverse perspectives to inform gender-inclusive changes to HR policy Gender-disaggregated analysis of staff survey to understand trends and insights	Improved HR policies and practices that formalize and advance social equity, and improve workplace experience for all staff
Marketing and advertising	A / B testing of different messages (and / or distribution channels) with diverse users to build a culturally and contextually appropriate brand Research to identify good practices for selling high-impact products and services to women	Greater understanding of preferences and needs of women buyers, which allows for tailored marketing to increase uptake of high-impact products and services
Product development and delivery	New data analytics to identify who is not being served by the product Gathering of data from a broader diversity of customers to understand value and satisfaction	Identification of needs and interests of women customers, and improvement in products for women

Actionable Data Disaggregation

Investors often ask enterprises to provide data disaggregated by social identity (e.g., by gender). Investors can support enterprises on equitable data disaggregation by:

- Engaging to understand life experiences of affected community members and which social identities are most relevant for analysis
- Encouraging an intersectional approach to understand how people with multiple identities (e.g., children vs. adults or rural vs. urban clients by gender) experience outcomes[95]
- Developing a shared definition of the relevant social identities
- Determining how to represent marginalized groups with small sample sizes[96]
- Mapping out how data will be used to inform enterprise decisions
- Developing protocols to share data equitably

For more on ethical and equitable data collection and disaggregation, see **Who Dimension of Impact | Collecting social identity and behavioral data.**

94 Adapted from G-Search and Transformative Evaluation.

95 For guidance on intersectional data collection and analysis, see Unpacking intersectional approaches to data from the Inclusive Data Charter.

96 For more guidance on this issue, see Talking Data Equity: Small Populations and Sample Sizes.

EMERGING PRACTICE

Consider always disaggregating outcome data by gender to uncover inequities, which often persist on the basis of gender regardless of market or sector. For example, ALIVE Ventures seeks to positively impact low-income communities across Latin America with a focus on five investment themes: education and pathways to quality jobs; sustainable income generation opportunities; access to critical goods and services, telecommunications and healthcare; and solutions for climate resilience and mitigation. ALIVE collects and reports disaggregated outcome data by gender for each theme to promote accountability for reaching women with outcomes. ALIVE contextualizes gender-disaggregated data with 60 decibels regional benchmarks on the proportion of women experiencing positive outcomes.[97]

GUIDANCE ON IDENTIFYING AND MITIGATING IMPACT RISKS

Established equity-focused evaluation frameworks can help investors identify impact risks in their data collection and analysis processes:

- We All Count's **Data Equity Framework** identifies decision points that embed or prioritize a specific worldview or lived experience throughout seven stages common to data projects, starting from who funds data collection through to how data and derivative insights are communicated.
- The **Equitable Evaluation Framework** sets out a set of Principles and Orthodoxies, which are deeply held beliefs that get in the way of advancing social equity.

Risks: People with lived experience of inequity are often best placed to interpret insights that data reveals about impact performance. Enterprises at the frontline of measurement who are not a part of the affected community may bring biases to decision-making.

Additionally, if choices on tools and methods are not guided by cultural sensitivity, the process of data collection can harm marginalized communities.[98] For instance, scorecards that assess poverty levels by asking about lack of basic amenities like toilet ownership might be viewed as deficit-framing by those with lived experience.

Mitigating measures:

- "Unlearning" some measurement orthodoxies. For example, if working with investees to review the validity of their data, investors can eschew **rigid evidence hierarchies** to instead explore a more flexible approach that might be a "best fit" in the given context – using a tool such as the **Methodology Matrix**.[99]

97 ALIVE Ventures. "ALIVE 2023 Impact Report." https://www.alive-ventures.com/2023-impact-report. For guidance on collecting sex-disaggregated data and sample deal-level indicators see: Gender-smart-Investing-Guidefor-Fund-Managers.pdf (bii.co.uk)

98 Transformative Evaluation: Cultural competence is a skill set that comes from immersion in a given community and / or from structured learning experiences that ensure understanding and responsiveness regarding community values, practices, attitudes, and behaviors (Public Policy Associates, Inc., webinar slide, 2015).

99 "Methodology Matrix - We All Count," February 5, 2021. https://weallcount.com/methodology-matrix/, https://weallcount.com/methodology-matrix/.

- Ensuring the appropriate mix of skills and perspectives. Both the **United Nations** and the **American Evaluation Association** have developed competency frameworks for evaluation teams, which can be adapted to run an internal self-assessment.
- Basing impact performance assessments on diverse sources. Given the complexity of social equity and likely limitations on the availability and quality of data, sources are often "triangulated" to overcome the weaknesses in any single data source. Triangulation should include different perspectives (e.g., from diverse communities) and sources of knowledge (e.g., from people experiencing inequity).
- Feeding back preliminary insights to affected communities (e.g., through a focus group discussion) or using methods that "remove" the interpretation layer.

Example: Social investor Alterfin used a methodology inspired by **Sensemaker** to center their measurement on the experiences of investees' clients. Sensemaker allows investees and clients to articulate stories and then assign their own meaning to these narratives through visuals.[100]

100 Webb, Alice. "Is Participatory Impact Investing the Antidote to "Impact Washing"?" Institute of Development Studies, September 19, 2019. https://www.ids.ac.uk/opinions/is-participatory-impact-investing-theantidote-to-impact-washing/.

IMPACT FRONTIERS

Impact Frontiers is a learning and market-building collaboration for investors seeking to manage their social and environmental impacts and incorporate impact into investment decision-making. We provide resources, space for community discussions, and a cohort model that supports learning by doing.

We create practical tools and peer-learning communities that support investors in building their capabilities for managing impact and integrating impact with financial data, analyses, and processes. We lead with questions and facilitate interactions that help investors come up with their own answers, based on their own strategy, context, and data.

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