



**NYU**

**ROBERT F. WAGNER GRADUATE  
SCHOOL OF PUBLIC SERVICE**

**PADM-GP 2311**

## **SOCIAL IMPACT INVESTMENT**

**Fall 2023**

### **Revised Syllabus**

#### **Instructor Information**

- Professor Andrea Armeni
- Email: [andrea.armeni@nyu.edu](mailto:andrea.armeni@nyu.edu)
- Office Hours: Wednesdays, 3:00 PM – 4:00 PM or by appointment

#### **Course Information**

- Meeting Times: Wednesdays, 4:55 – 6:35 PM
- Location: 194 Mercer, Room 306B

#### **Course Prerequisites**

- CORE-GP.1021

Note that while Accounting is not a prerequisite, students should strongly consider completing the Financial Accounting Online Course: Introductory Section, which has been made available in your Case Packet and is estimated to take approximately 10 hours to complete. It is not necessary to have completed this before the course starts, but it is recommended to be completed before Lesson 4.

#### **Course Description**

This course provides an introduction to the impact investing landscape and its evolution, players, and tools, focusing on the opportunities and challenges for investors. The course will examine the process by which an investor sources and evaluates opportunities. Students will observe the entire impact investment process from deal sourcing to investment documentation to monitoring financial and social returns. Through a combination of readings, case studies, class discussion, and projects, students will gain deep insight into the perspective of the impact investor. Building on the core elements of the field, the course will also explore the prospects for the future of impact investing, given successes and shortcomings to date.

## Course Format

This course is designed for your self-study of the theoretical material as introduced in the online textbook. Many classes have an assigned activity based on spreadsheet material that accompanies the text, which will help to reinforce your learning from the text.

Most weeks we will also cover a business case, which is a helpful way of wrestling with real-world examples. It is essential that you come to class having read the case in advance. You may be called on in class to discuss the assigned cases. These cases will not always correlate directly with the textbook material assigned for the week. For most weeks, there will be a Discussion Question; you are required to post a one-paragraph response before the corresponding class session. This will give you an opportunity to think critically about the case you have read and to be prepared for the live class.

## Course Learning Objectives

<b>Course Learning Objective</b>	<b>Corresponding Assignment Title</b>
Understand the evolution, landscape and future potential of impact investing.	Discussion Forum
Develop financial and analytical competency to apply investment to drive social impact.	Root Capital Memo, Microfinance Valuation Memo and Template, Midterm
Obtain basic skills to understand the process to innovate impact investment financial structures and create and operate impact investment funds.	Online Text Activities, Acumen and Embrace Valuation and Term Sheet, Final Project
Refine negotiation skills to represent stakeholder positions in placing or securing impact capital.	Acumen and Embrace Valuation and Term Sheet Simulation, NYU Law School In-Class Simulation
Learn to utilize impact investing strategies to drive measurable social impact in public sector, nonprofit, and for-profit contexts.	Midterm, Final Project

## Required Readings

- Impact Investment, A Practical Guide to Investment Process and Social Impact Analysis, Wiley, Keith Allman, Ximena Escobar de Nogales (selected chapters - each assigned chapter is also integrated in NYU Brightspace).
- Supplemental Required Case Pack

## Highly Recommended Supplemental Reading:

- Impact Alpha (daily online publication, free through NYU)
- **Impact: Reshaping Capitalism to Drive Real Change**, Sir Ronald Cohen
- **Adventure Finance: How to Create a Funding Journey**, Aunnie Patton Power
- **Social Finance**, Oxford Publications, Edited by Alex Nicholls, Rob Paton, and Jed Emerson

## Recommended Supplemental Reading:

- **The Impact Investor, Lessons in Leadership and Strategy for Collaborative Capitalism**, Jossey-Bass, Cathy Clark, Jed Emerson, Ben Thornley
- **The Power of Impact Investing, Putting Markets to Work for Profit and Global Good**, Wharton, Judith Rodin, Margot Brandenburg
- **Impact Investing: Transforming How We Make Money While Making a Difference**, Jossey-Bass, Antony Bugg-Levine, Jed Emerson
- **Money Well Spent A Strategic Plan for Smart Philanthropy**, Paul Brest and Hal Harvey
- **Measuring and Improving Social Impacts**, Marc Epstein and Kristi Yuthas

## Other Linked Resources (Recommended Readings):

- GIIN Sizing the Impact Investing Market 2022
- IFC Growing Impact: New Insights into the Practice of Impact Investing
- RPA: Impact Investing Handbook: An Implementation Guide for Practitioners

## Assignments and Evaluation

**Your course grade will be determined as follows:**

- Active Class Participation - 20% (this includes Activities and Discussion Posts)
- Homework - 20%
- Mid-Term - 30%
- Project - 30%

## Late Submission Policy for Assignments

Extensions will be granted only in case of emergency, out of respect to those who abide by deadlines despite equally hectic schedules. Late submissions without approved extensions will be penalized up to 20% per 24-hour period. No extensions will be granted for the assignments relating to the Term Sheet negotiation exercise.

## Final Project:

Your final project will focus on a Program Related Investment under consideration by a nonprofit entity.

You will identify a prospective Program Related Investment (PRI) – a current program or new program funded or potentially funded by a grant from a Nonprofit organization should alternatively be considered for a Program Related Investment (debt, equity, or an innovative financing structure). The decision should be guided by the MISSION Framework and your project should include a detailed analysis of each of the MISSION elements (Market, Impact, Scale, Sustainability, Incrementality, Organization and NEXT), as outlined in the Framework for Family Foundations in Lesson 4. Your paper should additionally include financial return projections to support the NEXT section and social impact metrics to support the Impact section. Regardless of whether your proposed PRI addresses racial justice, the Impact section should also include metrics related to Equity, Diversity and Inclusion. The project should be presented in a paper not to exceed eight pages double spaced (exhibits can be provided in addition to these pages). The project is due on **December 15, 2023**.

## Overview of Semester

Deliverables due by 1:00 PM on the day of class unless another date is noted.

<b>Week</b>	<b>Date</b>	<b>Topic</b>	<b>Deliverable</b>
Lesson 1	9/6	<b>The Impact Investing Landscape</b>	
Lesson 2	9/13	<b>The Beginnings of Impact Investing and Frameworks for Impact</b> Case: Root Capital	
Lesson 3	9/20	<b>Investment Analysis and Valuation</b> Cases: Valuing a Microfinance Institution, Bridges Ventures	Root Capital Memo (due 9/20)
Lesson 4	9/27	<b>The Role of Nonprofits in Impact Investment</b> Mission Investing - A Framework for Family Foundations	Microfinance Valuation Memo and Spreadsheet Template (due 9/27)
Lesson 5	10/4	<b>Impact Measurement Part I: Reasons and Methodologies</b>	
Lesson 6	10/11	<b>Impact Measurement Part II: Social Impact Bonds and Investor Compensation</b> Case: Social Finance	
Lesson 7	10/18	<b>Blended Finance in Impact Investing</b> Case: Launching the MicroBuild Fund	
Lesson 8	10/25	<b>Transaction Negotiation Part I - NYU Law School</b>	Take-Home Midterm (due 10/23)
Lesson 9	11/1	<b>Transaction Negotiation Part II - NYU Law School</b>	Term Sheet Due 10/30 Draft Project Theory of Change
Lesson 10	11/8	<b>Impact Investment Transactions and Funds</b> Case: Acumen Fund and Embrace	
Lesson 11	11/15	<b>Alternative Deal Structures</b>	
	11/22	<b>NO CLASS – THANKSGIVING BREAK</b>	
Lesson 12	11/29	<b>Alternative Ownership Structures and Alternative Approaches to Impact Investing</b>	
Lesson 13	12/6	<b>Hot Debates and Current Critiques</b>	
Lesson 14	12/13	<b>The Future of Impact Investing</b> Practitioner Guest Lecture	Final Project (due 12/15)

## Grading

Letter Grade	Points
A	4.0 points
A-	3.7 points
B+	3.3 points
B	3.0 points
B-	2.7 points
C+	2.3 points
C	2.0 points
C-	1.7 points
F	0.0 points

Grades will be assigned according to the following criteria:

- (A) Excellent: Exceptional work for a graduate student. Work at this level is unusually thorough, well-reasoned, creative, methodologically sophisticated, and well written. Work is of exceptional, professional quality.
- (A-) Very good: Very strong work for a graduate student. Work at this level shows signs of creativity, is thorough and well-reasoned, indicates strong understanding of appropriate methodological or analytical approaches, and meets professional standards.
- (B+) Good: Sound work for a graduate student; well-reasoned and thorough, methodologically sound. This is the graduate student grade that indicates the student has fully accomplished the basic objectives of the course.
- (B) Adequate: Competent work for a graduate student even though some weaknesses are evident. Demonstrates competency in the key course objectives but shows some indication that understanding of some important issues is less than complete. Methodological or analytical approaches used are adequate but student has not been thorough or has shown other weaknesses or limitations.
- (B-) Borderline: Weak work for a graduate student; meets the minimal expectations for a graduate student in the course. Understanding of salient issues is somewhat incomplete. Methodological or analytical work performed in the course is minimally adequate. Overall performance, if consistent in graduate courses, would not suffice to sustain graduate status in “good standing.”
- (C/-/+) Deficient: Inadequate work for a graduate student; does not meet the minimal expectations for a graduate student in the course. Work is inadequately developed or flawed by numerous errors and misunderstanding of important issues. Methodological or analytical work performed is weak and fails to demonstrate knowledge or technical competence expected of graduate students.
- (F) Fail: Work fails to meet even minimal expectations for course credit for a graduate student. Performance has been consistently weak in methodology and understanding, with serious limits in many areas. Weaknesses or limits are pervasive.

## Detailed Course Overview

### WEEK 1: THE IMPACT INVESTING LANDSCAPE

September 6, 2023

This Lesson introduces the concept of impact investing, focusing on the challenges of its definition, and lays out the current landscape. We will cover some of the basics that will recur throughout the course and give an overview of how the course will develop throughout the semester.

#### **Assignments Note:**

There are no mandatory assignments for this class. However, there is a significant amount of reading assigned for Week 2; you may want to get ahead on that.

#### **Optional Activities: Complete Before or After Week 2 Live Session (no submission)**

Financial Accounting Online Course: Introductory Section

## **WEEK 2: THE BEGINNINGS OF IMPACT INVESTING AND FRAMEWORKS FOR IMPACT**

September 13, 2023

This Lesson discusses the rise of impact investing and the parallel growth of microfinance. The Root Capital case will be used to discuss the importance of developing a framework to guide impact investment decision-making.

A representative of SIIA will visit the class to introduce their activities.

### **Required Reading/Watching: Complete Before Week 2 Live Session**

Read in Online Textbook: Chapter 1, Introduction to Impact Investing; Chapter 2, Sourcing and Screening

Read in Case Packet: The Promise of Impact Investing; Root Capital Case; Background Note: Examining the Case for Sustainable Investing

### **Discussion Question Due Before Week 2 Live Session**

- The discussion topic will be posted at the end of the preceding class. It is due at 1:00 PM on the day of class.

### **Assignments to Submit on Brightspace: Complete After Week 2 Live Session but Before Week 3 Live Session**

Based on the Root Capital case, write a memorandum (not to exceed one page double spaced) suggesting which and how many of the seven loans detailed in Exhibit 1 you suggest Root Capital undertake. Your memorandum should include a framework for comparing the deals.

### **Optional Activities: Complete Before or After Week 2 Live Session (no submission)**

Financial Accounting Online Course: Introductory Section



## **WEEK 3: INVESTMENT ANALYSIS AND VALUATION**

September 20, 2023

This Lesson covers the idiosyncrasies of valuation of early-stage companies and the complexity that creates for impact investors. A discussion of Valuing a Microfinance Institution will guide the discussion. The Bridges Ventures case and the idea of a portfolio of funds in a developed world context will also be introduced.

### **Required Reading/Watching: Complete Before Week 3 Live Session**

Read in Online Textbook: Chapter 3 - Investment Analysis and Valuation

Read in Case Packet:

- Valuing a Microfinance Institution: Dealing with Uncertainty
- Bridges Ventures

### **Discussion Question Due Before Week 3 Live Session**

- The discussion topic will be posted at the end of the preceding class. It is due at 1:00 PM on the day of class.

### **Assignments to Submit on Brightspace: Complete After Week 3 Live Session but Before Week 4 Live Session**

Using the example of Kuota from the case, choose the valuation techniques that you would apply to it.

Submit a one page, double spaced memorandum with the justification for the choice of methodology (including what you believe to be the pros and cons of that valuation methodology) and if you believe it takes impact into consideration.

### **Bonus Activity:**

- Based on the technique you chose, complete the valuation using the template provided
- Suggest a valuation that Claire Smith should propose for Kuota
- Attach the valuation spreadsheet with the one section completed

### **Optional Activities: Complete Before or After Week 3 Live Session (no submission)**

Financial Accounting-Online Course: Introductory Section

## **WEEK 4: THE ROLE OF NONPROFITS IN IMPACT INVESTING**

September 27, 2023

This Lesson will discuss the role of nonprofits in impact investing and will center on the Mission Investing framework developed at NYU Wagner by Professor Taitel with the Michael and Susan Dell Foundation. (Note: this framework is a key component of the Final Project for this course).

### **Required Reading/Watching: Complete Before Week 4 Live Session**

Read in Online Textbook: Chapter 4 - Due Diligence and Investment Structuring

Read in NYU Brightspace:

- Mission Investing: A Framework for Family Foundations
- From Blueprint to Scale: The Case for Philanthropy in Impact Investing

### **Discussion Question Due Before Week 4 Live Session**

- The discussion topic will be posted at the end of the preceding class. It is due at 1:00 PM on the day of class.

## **WEEK 5: IMPACT MEASUREMENT PART I: REASONS AND METHODOLOGIES**

October 4, 2023

This Lesson will introduce the various Impact Measurement techniques in the field of impact investing while also discussing the methods that are evolving as potential standards.

### **Required Reading/Watching: Complete Before Week 5 Live Session**

Watch: IRIS Plus Video Recording

Read in Online Textbook: Chapter 6 - Post Investment Monitoring, Management and Value Building

Read in Case Packet: Calculating the Value of Impact Investing

Read in NYU Brightspace: Unpacking the Impact in Impact Investing

## WEEK 6: INVESTOR COMPENSATION

October 11, 2023

This Lesson builds on the initial review of impact measurement to explore how impact measurement is used in the space of Social Impact Bonds (SIBs) and as a way of incentivizing impact fund managers.

Required Reading/Watching: Complete Before Week 6 Live Session

Read:

- Social Finance, Inc. case study (available in your Harvard packet)
- Browse "Nudging the investment ecosystem by incentivizing impact,"

Assignments to Submit in Brightspace: Complete After Week 6 Live Session but Before Week 7 Live Session

Memo on tying carried interest compensation to the achievement of impact goals.

**Midterm Exam Note:**

The take-home midterm exam will be posted in Brightspace, with instructions, on October 15 (after Session 6).

It will be due on October 23 by 11:55 PM.

## **WEEK 7: THE ROLE OF BLENDED FINANCE IN IMPACT INVESTING**

October 18, 2023

This Lesson will introduce the potential of blending capital sources to arrive at the appropriate combination of financial feasibility and impact maximization. An example of blended finance will be illustrated through a multimedia case on Habitat for Humanity's MicroBuild Fund. [note: the MicroBuild Fund case will also be the basis for the negotiations in Week 8]

### **Required Reading/Watching: Complete Before Week 7 Live Session**

Watch: Video Clips in MicroBuild case

Read in Online Textbook: Chapter 8 - Investment Alternatives, Challenges and Outlook

Read in Case Packet: [Launching the MicroBuild Fund](#)

Read in NYU Brightspace: Incentives for driving impact in deal and fund structures

### **Required Activities: Complete Before Week 7 Live Session**

See announcement re memo on tying carried interest compensation to the achievement of impact goals, from Week 6.

#### **Midterm Exam Reminder:**

The take-home midterm exam, posted in Brightspace, is due on October 23 by 11:55 PM.

### **Discussion Question Due Before Week 7 Live Session**

- The discussion topic will be posted at the end of the preceding class. It is due at 1:00 PM on the day of class.

## **WEEK 8: DEAL NEGOTIATION FOR THE MICROBUILD FUND - PART 1**

October 25, 2023

This Lesson will build upon the MicroBuild case studied in the earlier lesson. We will combine our class with a NYU Law School clinic to negotiate a loan under consideration by the MicroBuild Fund.

### **Required Reading/Watching: Complete Before Week 8 Live Session**

Read in NYU Brightspace: Building the Business Case for Housing Microfinance Sub-Saharan Africa

### **Assignments to Submit in Brightspace: Complete After Week 8 Live Session but Before Week 9 Live Session**

Draft Project Theory of Change – Submit a description of your PRI Final Project and your first draft of the Investment Theory of Change for the selected Nonprofit. The project can change later in the semester, but this assignment will get you started and provide practice with drafting a Theory of Change for an Impact Investment strategy. See example of Theory of Change in Allman Text on page 27. This should be one page, double spaced.

## **WEEK 9: DEAL NEGOTIATION FOR THE MICROBUILD FUND - PART 2**

November 1, 2023

This Lesson will provide a concluding lecture and epilogue on the work conducted with the NYU Law students related to making an investment from the MicroBuild Fund.

### **Required Reading/Watching: Complete Before Week 9 Live Session**

n/a

### **Required Activities: Complete Before Week 9 Live Session**

The activities to be completed with the NYU Law students will be discussed in Week 8. They will be due before the Week 9 live session.

### **Discussion Questions: Due Before Week 9 Live Session**

- The discussion topic will be posted at the end of the preceding class. It is due at 1:00 PM on the day of class.

## **WEEK 10: IMPACT INVESTING TRANSACTIONS AND FUNDS**

November 8, 2023

This Lesson will discuss the need for innovative approaches to foster early-stage investing.

### **Required Reading/Watching: Complete Before Week 10 Live Session**

Watch/Listen: Embrace Video

Read in Online Textbook:

- Chapter 5 - The Term Sheet and Definitive Documentation
- Chapter 7 - Impact Investing Funds

Read in Case Packet: Acumen Fund and Embrace: From the Leading Edge of Social Venture Investing

Read in NYU Brightspace: Incentives for Driving Impact in Deal and Fund Structures

### **Discussion Question Due Before Week 10 Live Session**

- The discussion topic will be posted at the end of the preceding class. It is due at 1:00 PM on the day of class.



## **WEEK 11: ALTERNATIVE DEAL STRUCTURES**

November 15, 2023

This Lesson covers the emergence of alternatives to traditional debt and equity transactions in impact investing.

### **Required Reading/Watching: Complete Before Week 11 Live Session**

Read in NYU Brightspace: Innovations in Financing Structures for Impact Enterprises: A Spotlight on Latin America

### **Discussion Question Due Before Week 11 Live Session**

- The discussion topic will be posted at the end of the preceding class. It is due at 1:00 PM on the day of class.

### **Required Activities: Complete Before Week 11 Live Session**

Using Chapter 7: PE\_Fund\_Model\_20150303.xlsm, as a prospective impact investor, what other information would you like to see on the Output Tab Dashboard?

## **WEEK 12: ALTERNATIVE OWNERSHIP STRUCTURES AND ALTERNATIVE APPROACHES TO IMPACT INVESTING**

November 29, 2023

This Lesson covers the emergence of alternative approaches to impact investing, such as community-centered investment funds, and explores the emerging practice of alternative governance and ownership at the enterprise level to drive structural impact.

### **Required Reading/Watching: Complete Before Week 12 Live Session**

Read in NYU Brightspace:

[Opportunity Knocking](#): report by the Democracy Collaborative.

[Employee Ownership: A Pathway to Economic Resilience](#): report by Asset Funders Network, authored by Democracy at Work Institute's Melissa Hoover.

[Exit to Community: A Community Primer](#): booklet by the Media Economies Design Lab at the University of Colorado Boulder.

### **Discussion Question Due Before Week 12 Live Session**

- The discussion topic will be posted at the end of the preceding class. It is due at 1:00 PM on the day of class.

## **WEEK 13: HOT DEBATES AND CURRENT CRITIQUES OF IMPACT INVESTING**

December 6, 2023

This Lesson will guide you through some of the current debates permeating the impact investing industry, with a focus on those especially relevant to a public service / public policy perspective.

### **Required Reading/Watching: Complete Before Week 13 Live Session**

Read in NYU Brightspace:

- Impact Investing: Who Are We Serving?
- Is Impact Investing Winning the Battle but Losing the War?
- Up for Debate: When Can Impact Investing Create Real Impact?

### **Optional Reading: Helpful Before Week 13 Live Session**

Read in NYU Brightspace:

- Sorry, 'Feel Good' Investors: Deep Impact Requires Concessions
- Wealth Inequality and the Fallacies of Impact Investing

### **Optional Activities: Complete Before or After Week 13 Live Session**

Efficient Impact Frontier Simulation

## **WEEK 14: THE FUTURE OF IMPACT INVESTING**

December 13, 2023

This Lesson will focus on the future of the impact investing sector with involvement by guest lecturer practitioners.

### **Required Reading/Watching: Complete Before Week 14 Live Session**

Read in Case Packet: Frameworks for Dialogue and Research about Social Impact Investing

Read in NYU Brightspace: Private Capital Public Good – Leveraging Impact Investing to Support a Just & Equitable Recovery; Coalition Calls for White House Initiative on Inclusive Economic Growth

### **Assignments to Submit on Brightspace: Complete After Week 14 Live Session but Before December 16, 2023**

Final Project – See Instructions provided in class and posted on Brightspace

## NYU Brightspace

All announcements, resources, and assignments will be delivered through the NYU Brightspace site. I may modify assignments, readings, due dates, and other aspects of the course as we go through the term with advance notice provided as soon as possible through the course website.

## Technology Support

Students have 24/7 support to NYU's IT services. Explore the [NYU servicelink knowledgebase](#) for troubleshooting and student guides for all NYU-supported tools (like NYU Brightspace, Zoom, etc). Contact [askIT@nyu.edu](mailto:askIT@nyu.edu) or 1-212-998-3333 (24/7) for technology assistance, or [Zoom's 24/7 technical support](#).

## Academic Integrity

Academic integrity is a vital component of Wagner and NYU. All students enrolled in this class are required to read and abide by [Wagner's Academic Code](#). All Wagner students have already read and signed the [Wagner Academic Oath](#). Plagiarism of any form will not be tolerated and students in this class are expected to report violations to me. If any student in this class is unsure about what is expected of you and how to abide by the academic code, you should consult with me.

## Henry and Lucy Moses Center for Student Accessibility

Academic accommodations are available for students with disabilities. Please visit the [Moses Center for Student Accessibility website](#) and click the "Get Started" button. You can also call or email (212-998-4980 or [mosescsa@nyu.edu](mailto:mosescsa@nyu.edu)) for information. Students who are requesting academic accommodations are strongly advised to reach out to the Moses Center as early as possible in the semester for assistance.

## NYU's Calendar Policy on Religious Holidays

[NYU's Calendar Policy on Religious Holidays](#) states that members of any religious group may, without penalty, absent themselves from classes when required in compliance with their religious obligations. Please notify me in advance of religious holidays that might coincide with exams to schedule mutually acceptable alternatives.

## NYU's Wellness Exchange

[NYU's Wellness Exchange](#) has extensive student health and mental health resources. A private hotline (212-443-9999) is available 24/7 that connects students with a professional who can help them address day-to-day challenges as well as other health-related concerns.

## Student Resources

Wagner offers many [quantitative](#) and [writing](#) resources as well as [skills workshops](#). The library offers a variety of [data services](#) to students.

## Class Policies

I will generally answer emails within 48 hours of receipt, but not on weekends. Note Wagner's [incomplete policy](#) and [course withdrawal policy](#).