New York University
Robert F. Wagner Graduate School of Public Service
PADM-GP.2242
Financial Management
For International Organizations

Fall 2012, Thursdays, 6:45 pm - 8:25 pm

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Office hours: by appointment

Description of Course: This course builds on the themes, concepts and theories covered in Core Financial Management course GP-1021 and provides students the opportunity to apply that knowledge to an international context. Case methodology will be utilized to examine financial management practices of NGOs and Not-for-Profit entities throughout the world. Through these cases, we will look at NGO and Not-for-Profit organizations’ approach to cash flow management, capital budgeting, cost analysis and allocation, investment management, the analysis of new programmatic investments, project finance, currency management and strategic financial analysis.

For review as needed, we will sometimes reference chapters in the Finkler text used for P11.1021. This may be especially helpful for those of you who took this course some time ago. References provided will be to Finkler’s 3rd edition.

Prerequisites for this course include: 1) P11.1021 or comparable understanding of budgeting and accounting, and 2) proficiency in Excel or some comparable spreadsheet program.

It is important that you come to class well prepared. Having read the cases in advance of class is critical to learning in this course. You will be expected to actively participate in case discussions and participation will be a component of your grade.

Grading

Your course grade will be determined as follows:

Active Class Participation 15%
Case Question Write-ups (as assigned) 10%
Mid-term Case 35%
Final Project 40%
9/6/12 Financial Environment of International NGOs

Understanding the differences between the operating environments of US and foreign Not-for-Profits and NGOs and the resulting impact on their approach to financial management

Case: Identify the Nonprofit

Questions:

1. Use your knowledge of likely operational and financial characteristics of the listed organization to match each organization with the appropriate financial information.
2. Analyze the financial condition of each organization and categorize them as a) “healthy”, b) “suffering from a cold”, c) “suffering from the flu”, d) “very sick”

9/13/12 Formation of International NGOs/Not-for-Profits, Cash Flow and Currency Considerations

Formation of international NGOs, financing plans, development of cash budgets and understanding of impact currency exchange rates can have on both financial projections and operations

Case: The Moolani Foundation

Questions:

1. Are the environmental conditions in Kenya, India and South Africa conducive to starting the Foundation? Which countries would provide the best long-term opportunities for the Moolani Foundation?
3. To what extent should Moolani be concerned about exchange rate fluctuations? If the value of the Canadian dollar were to increase relative to the foreign currencies, how would cash flow be affected?
4. In the second year, if 4 students were to take the internship (assuming administrative costs remained constant), how would the financial requirements change?
5. As Moolani, would you proceed with the venture? If so, how much cash would you request of TD? In which months? How would you convince TD to provide funding?

9/20/12

**Break-Even Analysis, Cost and Volume**

Discussion of the importance of break-even analysis to the development of financial strategy and sustainability

*Case:* Dr. M.L. Dhawale Trust Hospital – Towards Sustainability

Questions:

1. What should the minimum intake in IPD be per department in order to recover costs?
2. What should the mix of IPD and OPD intake be so that running costs are recovered?
3. Which department in IPD or OPD would you focus on more, and which one might you focus on less, purely from a financial perspective?
4. If an X percent improvement in cost per case is possible, which department could be the one to focus on first for such an exercise?
5. Based on the review of the SPJIMR student report, what could the broad contours of the recommendations to be made by Dr. Pawaskar be?

9/27/12

**Net Present Value Analysis**

Evaluation of strategic financial decisions utilizing discounted cash flow analysis

*Case:* [The Corporación de Desarrollo Social del Sector Rural (Codesser)]

Questions:

1. Who are Codesser’s main stakeholders and how would the purchase of the Paine School affect them?
2. What criteria would you suggest for evaluating the possibility of purchasing the Paine School?
3. Should Codesser purchase the Paine School and enter into a new business niche?
10/4/12  

**Strategic Financial Management**

Evaluation of strategic financial decisions utilizing valuation methodologies

*Case: Acumen Fund and Embrace: From the Leading Edge of Social Venture Investing*

Questions:

1. Should Embrace convert to a for-profit or hybrid organization structure? Why or why not?
2. From the Acumen perspective;
   a. If Embrace becomes a for-profit or hybrid organization should Acumen pursue an equity investment in the company? Why or why not?
   b. If it invests, in what range should Acumen negotiate the equity percentage and value (i.e., what is the most it should pay and what is the least)?
3. From the Embrace perspective;
   a. Should the company convert to a for-profit or hybrid organization structure? Why or why not?
   b. Is Acumen an attractive investor? Why or why not?
   c. If it does a deal with Acumen, in what range should Embrace negotiate the equity percentage and value?

10/11/12  

**Capital Budgeting and Incremental Cash Flow Analysis**

*Case: St. Clement’s School*

You should come to class having read this case thoroughly. Questions will be provided at the beginning of class and you will be asked to do a short in-class analysis that will serve as Part I of your mid-term exam. Spreadsheets supporting the in-class analysis will be due for submission electronically by class the following week.

10/18/12  

**Financial Strategic Analysis – Social Entrepreneurship through Creation of new Foundations**

Evaluation of the social and economic viability of a corporate entity’s entry into a region through formation of a Foundation

*Case: Orsa Group: the challenge of sustainable development in the Amazon*
Questions:

1. What is your assessment of the company’s bid for Jari?
   a. Does it make sense financially?
   b. Does it make sense strategically?
2. What is your assessment of the company’s financial situation at the end of 2002?
3. How does Orsa Foundation’s social welfare action strategy in the Jari region influence the corporate business?

10/25/12 Value Chain Margin Analysis

Evaluation of Value Chain profit margins and cost/benefit analysis

Case: ApproTEC Kenya: Technologies to Fight Poverty and Create Wealth

After watching a short video that provides the Kenya context, the following questions will be reviewed:

Questions:

1. If Nick Moon only had $500K, what should he do?
2. What value has ApproTEC created?
3. What are the Value Chain margins?

11/1/12 NGO Financial Participation in Large Infrastructure Projects

Evaluation of the potential impact large infrastructure projects can have on host nations across a financial dimension

Case: International Rivers Network and the Bujagali Dam Project (A&B)

Questions:

1. Is the Bujagali Dam project good for the Ugandan people?
2. Should IRN be involved with the Bujagali Dam Project?

11/8/12 Fund Raising for International Not-for-Profits

Discussion regarding the international fund raising environment and its impact on financial management
Case:  Note on Not-for-Profits and Fund Raising

A guest lecturer will be invited to discuss fund raising in an international context.

11/15/12  International Government Financial Management

Review determinants of the extent to which countries pay back their sovereign debt

Case:  Fresh Start? Peru’s Legacy of Debt and Default (A)

Questions:

1. What is the difference between sovereign and government debt?
2. What prevents countries from defaulting on their foreign debt?
3. Have these mechanisms played a role in Peru?
4. Did Garcia’s debt plan make sense?

11/29/12  Global NGO –Financial Management Linkage with Strategy

Understand the financial management tools that large NGOs can deploy to align strategic objectives

Case:  CARE: Making Markets Work for the Poor

Questions:

1. Should CARE explicitly support the development of revenue-generating ventures as part of its poverty alleviation strategy? What are the pros and cons?
2. Should CARE try to take an equity position within its revenue-generating ventures?

12/6/12  Specialty Issues in Foreign Financial Management

Review special issues related to operating in international and multinational financial environments

Question:

1. As an international manager, what benefits do you see from the growing adoption of IFRS across countries?

Read Notes:  
Note on Understanding Exchange Rates  
Note on Foreign Currency Swaps

12/13/12-12/20/12  
Project Presentations

Students will be given 15-minute opportunities to present overview slides of their Final Project (Project Description below)

FINAL PROJECT

Financial Management Framework for an International NGO/Not-for-Profit

1. Select either an existing NGO or Not-for-Profit entity that you think should consider expanding internationally (or alternatively create a mini-business plan for a new international NGO or Not-for-Profit)

2. Research the Financial Environment for establishing such an entity  
   a. Fund-raising environment  
   b. Registration requirements (Types of Registration)  
   c. Currency exchange rates  
   d. Inflationary conditions  
   e. Bank lending rates  
   f. Country risk

3. Forecast a 3-year operating budget for the International entity

4. Prepare a 3-year pro forma Activity Statement and Balance Sheet

5. Calculate relevant financial ratios for the entity (current and forecast years)

6. Create a monthly cash flow statement for year one

7. Create scenarios for 2 possible investments and using discounted cash flow analysis evaluate each scenario

8. Explore the entity’s potential in considering at least one specialty theme from cases presented in class including, but not limited to hybrid structures, social entrepreneurship, value chain management, multi-stakeholder capital projects, equity positions in ventures, etc.

Paper should be no more than ten pages excluding exhibits and presentations should be limited to 10 slides.
COURSE RULES AND REQUIREMENTS

1. Absences

Attendance will be taken for each class. As active participation is an important element of your grade so is attendance. Any more than three absences will result in a 0 for the class participation portion of your grade. Please notify me by email prior to any class in which you will be absent or late.

2. Group Work

Several of the in-class case discussions will involve group work. You are expected to work cooperatively in such groups and to be an individual contributor to the group process. Group dynamics will be observed and will also contribute to the class participation portion of your grade.

3. Preparation

As stated in the syllabus, this is a case-oriented course. Therefore, coming to course having read the case is absolutely required. Students will be asked questions whether or not they offer to participate so make sure you have done your preparation.

4. Academic Honesty

Academic dishonesty will not be tolerated. Participation in cheating, forgery, and plagiarism are subject to disciplinary action.

5. Wagner School Policies

The course will be subject to all Wagner School policies including those regarding Withdrawals and Incompletes.
COURSE MATERIALS (SUPPLEMENT TO SYLLABUS)

Course materials are not available at the NYU Bookstore. Course Cases can be ordered using the following link.

http://cb.hbsp.harvard.edu/cb/access/14029752

In addition to the Harvard Case course pack, a supplementary case "CARE: Making Markets Work for the Poor" is available through GlobalLens with the following ordering instructions:

STUDENT PURCHASE INSTRUCTIONS:
2. Click on the green ADD TO CART button in the right-hand column.
3. Click on green CART icon at the top of the page.
4. You will be taken to a REGISTRATION page.
5. Click on the green REGISTER NOW button and (at bottom of the page) register as a NON-EDUCATOR.
6. Once you click APPLY after entering your "new account holder" information, you will be returned to the home page.
7. Again, click the green CART icon at the top of the home page.
8. Click the green CHECKOUT button and fill out the billing information to complete your purchase.
9. Upon completing your purchase, the pdf document will be available to you to download.