



NYU

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

**PADM-GP 2311
SOCIAL IMPACT INVESTMENT
Fall 2018**

Instructor Information

- Professor Scott Taitel
- Email: staitel@nyu.edu
- Office Address: 3070 Puck
- Office Hours: Tuesday and Wednesday 3 – 4 PM or by appointment

Course Information

- Wednesdays, 9/5–12/12, 4:55–6:35 pm
- GCASL Room 365

Course Description

This course provides an introduction to the impact investment landscape, the potential evolution of impact investment as an asset class and the opportunities and challenges for investors seeking meaningful impact investment vehicles. The course will also teach the process by which an investor performs financial due diligence on a social enterprise to render a responsible investment decision. Students will learn 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 venture philanthropist and the impact investor (including nonprofits). The course will explore the impact investment financial environment including pioneering concepts such as Social Impact Bonds, successes and failures to date, mobilization of investors, allocation of capital, and the prospects for the future of impact investing. The course will explore impact investment both domestically and in the developing world.

Course and Learning Objectives

Course Learning Objective Covered	Corresponding Assignment Title
Understand the evolution, landscape and future potential of impact investing.	Role of Government in Fund or SIB Memo, Country Ranking Assignment

Course Learning Objective Covered	Corresponding Assignment Title
Develop financial and analytical competency to apply investment to drive social impact.	Root Capital Memo and Financial Statement Analysis, Microfinance Valuation Memo and Spreadsheet, Midterm
Obtain basic skills to understand the process to innovate impact investment financial structures and create and operate impact investment funds.	Individual and Group Project
Refine negotiation skills to represent stakeholder positions in placing or securing impact investment capital.	Acumen and Embrace Valuation and Term Sheet, Debt Term Sheet, Project Presentations
Learn to utilize impact investing strategies to drive social innovation and measurable social impact in public sector, nonprofit, and for-profit contexts.	Efficient Impact Frontier Simulation, Social Returns Metrics Memo, Individual and Group Project

NYU Classes

All announcements, resources, and assignments will be delivered through the NYU Classes 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.

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 Students with Disabilities at NYU

Academic accommodations are available for students with disabilities. Please visit the [Moses Center for Students with Disabilities \(CSD\) website](#) and click on the Reasonable Accommodations and How to Register tab or call or email CSD at (212-998-4980 or mosescsd@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.

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

Emails:

I will generally answer emails within 48 hours of receipt, but not on weekends. Questions regarding projects will be answered only if they relate to those sections for which progress milestones have not passed.

Incompletes and Withdrawals:

Note Wagner's [incomplete policy](#) and [course withdrawal policy](#).

Participation:

As active participation is an important element of your grade so is attendance. Please notify me by email prior to any class in which you will be absent or late.

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.

Preparation:

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

Required Readings

Texts:

- Required: **Impact Investment, A Practical Guide to Investment Process and Social Impact Analysis**, Wiley, Keith Allman, Ximena Escobar de Nogales

- Optional and Recommended: **Social Finance**, Oxford Publications, Edited by Alex Nicholls, Rob Paton, and Jed Emerson

Supplemental Case Packs:

- [Harvard Business Case pack:](https://hbsp.harvard.edu/import/547372)
https://hbsp.harvard.edu/import/547372
- [WDI Case pack:](https://wdi-publishing.com/coursepack/purchase/?cpack=FRSTZ)
https://wdi-publishing.com/coursepack/purchase/?cpack=FRSTZ

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
- **Philanthrocapitalism, How Giving Can Save the World**, Bloomsbury Press, Matthew Bishop, Michael Green
- **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

Grading

Your course grade will be determined as follows:

- Active Class Participation - 10%
- Case Question Homework - 15%
- Mid-Term - 35%
- Project [group or individual] - 40% (if group: 25% individual, 15% group)

There will be almost weekly homework, but students may opt to skip up to 1 (non-group, non-project) assignment. All assignments are suggested to be attempted to optimize learning.

Overview of the Semester

Deliverables due by 5 PM on the day of class unless another date is noted.

Week	Date	Topic	Deliverable
Class 1	9/5	The Impact Investing Landscape Case: Root Capital	

Week	Date	Topic	Deliverable
Class 2	9/12	The Beginnings of Impact Investing Cases: Credit Suisse; Valuing a Microfinance Institution	<ul style="list-style-type: none"> ▪ Class Survey (due 9/10) ▪ Root Capital Memo
Class 3	9/19	Creating Impact Investment Funds Case: Coastal Ventures Limited	Root Capital Financial Statement Analysis
Class 4	9/26	Creating Impact Investment Funds (cont.) - Valuation Models and Portfolio Development Case: Bridges Ventures	Microfinance Valuation Memo and Spreadsheet (Group Assignment)
Class 5	10/3	Philanthrocapitalism –Role of Nonprofits in Impact Investment Cases: New School Venture; Mission Investing – A Framework for Family Foundations; Omidyar Network	Country Ranking Assignment
Class 6	10/10	Negotiating Valuation and Equity Term Sheets Case: Acumen Fund and Embrace: From the Leading Edge of Social Venture Investing	<ul style="list-style-type: none"> ▪ Valuation Model Navigation Assignment ▪ Draft Project Theory of Change (Group Assignment)
Class 7	10/17	Correlating Financial and Social Returns - Data Simulation Case: Efficient Impact Frontier Simulation – participation by guest co-lecturer Mike McCreless	<ul style="list-style-type: none"> ▪ Acumen and Embrace Valuation and Term Sheet (Group Assignment) ▪ Readings and Video prior to Class (see NYU Classes)
Class 8	10/24	Inclusive Business and Impact Investment In-class Case to be provided – participation by guest co-lecturer Noah Beckwith	Take-Home Midterm Due
Class 9	10/31	Negotiating a Debt Term Sheet in a Social Impact Context (Joint Class with Law School)	Readings prior to class (see NYU Classes)
Class 10	11/7	Impact Measurement Case: Acumen Fund; ACE Social Venture	
Class 11	11/14	Debt Negotiation (Recap with Law School)	Debt Term Sheet due 11/12 (Group Assignment)
	11/21	No Class	
Class 12	11/28	Social Impact Bonds (cont.) and the Role of Government in Social Finance Cases: Social Finance; Goldman Sachs; Instiglio; Fresno	Social Returns Metrics Memo (Project Group Assignment)
Class 13	12/5	Impact Investing and Institutions, EDI and Social Finance Case: Morgan Stanley: Positioning to be the Sustainability Finance Leader; Goldman Sachs: Making an Imprint in Impact Investing	Role of Government in Fund or SIB Memo
Class 14	12/12	The Future of Impact Investing Case: Village Capital	Project Individual and Group Papers (due 12/14)
Exam Week	12/19	Project Presentations	Presentation Slides

Grading Scale and Rubric

Students will receive grades according to the following scale:

There is no A+

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

There are no D+/D/D-

F (fail) = 0.0 points

Grading Criteria

Student 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

1. Class 1 – September 5

Topics:

- The Impact Investing Landscape

Reading:

- Allman: Chapter 1
- Nicholls: Chapter 1
- Article: Where in the Hype is Impact Investing – Impact Alpha (NYU Classes)

Note:

- The Promise of Impact Investing

Case:

- **Root Capital**
Assess prospective debt placement opportunities relative to a Social Impact Fund's strategic growth options

Homework:

- Class Survey for Group Formation due 9/10/18
- Root Capital One-Page Memo due 9/12/18
- Root Capital Financial Statement Analysis due 9/19/18

2. Class 2 – September 12

Topics:

- The Beginnings of Impact Investing
 - Microfinance
 - Stages of Financing and Introduction to Valuation

Reading:

- Nicholls: Chapter 6
- Paper: Financing Social Innovation: Analyzing Domestic Impact Investing Policy in the United States (NYU Classes)

Note:

- Background Note: Examining the Case for Investing for Impact

Cases:

- **Microfinance at Credit Suisse: Linking the TOP with the BOP**
Explore the concept and challenges of investing in an alternative asset class such as microfinance; Analyze the benefits and risks for a global financial institution such as Credit Suisse to be involved in microfinance in a context of a booming, but increasingly uncertain industry
- **Valuing a Microfinance Institution (or Private Growth Enterprise): Dealing with Uncertainty**
Perform a valuation of a Microfinance Institution in Africa.

Homework:

- Group Valuation Spreadsheet and Microfinance Valuation Memo due 9/26/18

3. Class 3 – September 19

Topics:

- Creating Impact Investment Funds
 - Sourcing and Screening Investment Opportunities

Reading:

- Allman: Chapter 2
- Nicholls: Chapter 2
- Paper: Community Development Venture Capital: A Double-Bottom Line Approach to Poverty Alleviation (NYU Classes)

Case:

- **Coastal Ventures Limited Partnership: Balancing a Sustainable Investment Strategy with a Social Mission**
Explores the institutional structure of a community development venture capital fund and the way it operates both institutionally and operationally to promote both profitable investments and a social mission. Introduces "double bottom-line," where the bottom line is of a business is the subsidiary of a nonprofit institution, which set up the business as part of its efforts to fulfill its mission.

Homework:

- Country Ranking Assignment due 10/3/18

4. Class 4 – September 26

Topics:

- Creating Impact Investment Funds (cont.)
 - Valuation Models
 - Portfolio Development

Reading:

- Allman: Chapters 3 and 7
- Nicholls: Chapter 3 and 8

Case:

- **Bridges Ventures**
Bridges Ventures, a UK-based impact investor with double-digit returns on its investments, is reflecting on its social impact and pondering its future course. The case describes in detail the fund management strategy of Bridges Ventures and how it builds its investment portfolio.

Homework:

- Valuation Model Navigation Assignment due 10/10/18

5. Class 5 – October 3

Topics:

- Philanthrocapitalism – Role of Nonprofits in Impact Investment
 - Due Diligence Process

Reading:

- Allman: Chapter 4
- Nicholls: Chapters 4 and 7
- Articles:
 - Priming the Pump: The Case for a Sector Based Approach to Impact Investing, Bannick and Goldman (NYU Classes)
 - Virtuous Capital: What Foundations Can Learn from Venture Capitalists

Cases:

- **New Schools Venture Fund Base Case and (A) Case**

A new approach to philanthropy, led by venture capitalists and the "new wealth." has emerged in recent years. This case explores applying the same accountability criteria from "results" as would be expected in a traditional investment portfolio.

- **Mission Investing: A Framework for Family Foundations** (NYU Classes)
A case study on the evolution and impact of the Michael & Susan Dell Foundation's visionary mission impact investing program.
- **Omidyar Network: Pioneering Impact Investment**
We will introduce this case which recounts the transition of eBay founder Pierre Omidyar and his wife Pam from the Omidyar Family Foundation (OFF) to ON, going from a traditional grant-making organization to a pioneer of impact investing.

Homework:

- Draft Project Theory of Change due 10/10/18

6. Class 6 – October 10

Topics:

- Negotiating Valuation and Equity Term Sheets

Reading:

- Allman: Chapter 5

Case:

- **Acumen Fund and Embrace: From the Leading Edge of Social Venture Investing**
Embrace was seeking an infusion of funds to support its product launch of a life-saving newborn warmer and help the company rapidly achieve scale. In parallel, Acumen Fund was continuing to look for organizations with game-changing products and services in need of patient capital on their way to becoming self-sustaining businesses that effectively serve the poor. This case will explore valuation negotiation, structuring of investor term sheets and legal documentation.

Video:

- Embrace Infant Warmer Could Save Lives (NYU Classes)

Homework:

- Group Assignment – Valuation Memo and accompanying Term Sheet due 10/17

7. Class 7 – October 17

Topics:

- Correlating Financial and Social Returns – Data Simulation
 - Alternative valuation models will be reviewed with an emphasis on linking financial and social returns.
 - Mike McCreless of Root Capital will update the class on their organization's evolution and help guide a simulation exercise where students will develop portfolios trading off financial and social return using actual loan and impact data.

Reading and Watching **before** Class:

- Article: Toward the Efficient Impact Frontier (NYU Classes)
- Article: The Investor's Perspective: Constructing a portfolio on the efficient impact- financial frontier within one asset class (NYU Classes)
- Video: Challenging Perspectives on Impact Investing (NYU Classes)

Case:

- **Root Capital and the Efficient Impact Frontier**
Explores an organization's data-driven approach to optimizing impact and financial performance.

Homework:

- Take-Home Midterm due 10/24

8. Class 8 – October 24

Topics:

- Inclusive Business and Impact Investment

Cases:

- **China Environment Fund: Doing Well by Doing Good**
Explore a series of Environment Funds that provide private equity investment to companies in the clean technology (cleantech) sector that also have a commitment to social and environmental practices.

In-class case discussion with guest co-lecturer Noah Beckwith focused on Inclusive Business and featuring a Mongolia Value Chain Investment Fund

Homework:

- Readings in preparation for 10/31 Class with Law School

9. Class 9 – October 31 (meet in Vanderbilt Hall Room 216)

Topics:

- Negotiating a Debt Term Sheet in a Social Impact Context

Reading **before** class:

- Performance-Based Agreements: Incorporation Performance-Based Elements into Standard Loan and Grant Agreements: A Technical Guide (NYU Classes)
- Lenders' Guidelines for Setting Covenants in Support of Responsible Microfinance (NYU Classes)

Simulation:

- This class will be devoted to a role play exercise related to a debt financing transaction. The role play will include the manager of a lending institution, Banco Impacto, and the CEO of a prospective borrower, Doing Good Microfinance, a microfinance institution doing business in the country of Andersonia. We will be joined by law students from NYU Law School. At the end of the role play, the Wagner and Law students will be given a negotiation assignment which will culminate in a debt transaction term sheet due 11/12 (to be worked on outside of class). Students will be assigned to either lender or borrower teams and will have law students assigned to represent them in the negotiation and completion of loan documentation. The law students will rejoin our class on 11/14 for a summary of the results of this simulation.

Homework:

- Term Sheet due on 11/12/18

10. Class 10 – November 7

Topics:

- Impact Measurement
 - Social Impact Metrics
 - The Role of Carry

Reading:

- Allman: Chapter 6
- Nicholls: Chapter 9

Case:

- **Acumen Fund: Measurement in Impact Investing (A) and (B)**

Acumen Fund is a global venture capital firm with a dual purpose: it looks for a return on its investments, and it also seeks entrepreneurial solutions to global poverty. This case examines Acumen's new projects in Kenya and explores on what basis should Acumen decide whether to invest.

- **ACE Social Venture Industries: Estimating Social Value Creation**
The case provides opportunities to understand how to develop a cohesive strategy for a venture fund focused on maximizing social value; explore the range of approaches available to evaluate the social impact of investments in the nonprofit sector as well as in the field of corporate social responsibility; appreciate the importance of defining the metrics, especially in the field of social value creation.

Homework:

- Social Return Metrics Memo Due 11/28/18

11. Class 11 – November 14 (meet in Vanderbilt Hall Room 216)

Topics:

- We will rejoin with the Law School students for a summary discussion about the results of the Debt Simulation exercise.

12. Class 12 – November 28

Topics:

- Social Impact Bonds

Reading:

- Nicholls: Chapter 12 and 13
- The Potential and Limitations of Impact Bonds LESSONS FROM THE FIRST FIVE YEARS OF EXPERIENCE WORLDWIDE (NYU Classes)

Case:

- **Social Finance, Inc.**
Introduction to social impact bonds, a complex contractual arrangement in which private investors provide funding to nonprofits to provide social services. If the provision of the services meets pre-specified performance criteria, the government provides payments which are returned to investors.
- **Goldman Sachs A and Goldman Sachs B**
The “Goldman Sachs: Determining the Potential of Social Impact Bonds” and “Shaping Social Impact Bonds” cases describe a new financial and social investment instrument—social impact bonds—through the eyes of traditional

financial investment bank Goldman Sachs, specifically its Urban Investment Group. Their thought process raises the possibility of societal improvements through innovative financial instruments and how government, non-profit, and traditional finance could work together to unleash new capital on old issues.

- **Betting Private Capital on Fixing Public Ills: Instiglio brings Social Impact Bonds to Colombia**

How to design a SIB agreement that satisfies the needs of both investors and government leaders?

- **Fresno's Social Impact Bond for Asthma**

Fresno, California announced the first healthcare SIB in 2013 to fund home-based programs to reduce asthma attacks. If successful, the Fresno SIB model would help solve the challenge of delivering preventative care efficiently in at-risk communities.

Homework:

- Role of Government in Fund or SIB Memo

13. Class 13 – December 5

Topics:

- Impact Investing and Institutions
 - EDI and Social Finance

Reading:

- Nicholls: Chapters 10 and 15

Cases:

- **Morgan Stanley: Positioning to Be the Sustainability Finance Leader**
Morgan Stanley CEO and chairman, has taken the bold step of creating an institute for sustainable investing, for which Morgan Stanley will provide the initial \$1 billion of investment capital in hopes of raising 10 times that amount.
- **Goldman Sachs: Making an Imprint in Impact Investing**
The case examines Goldman Sachs acquisition of Imprint Capital Advisors, a small firm that specialized impact investment

Articles and Whitepapers:

- Social-Equity-Investing-Righting-Institutional-Wrongs (NYU Classes)
- Who Benefits? Equity, Diversity & Inclusion in Social Finance in New York City (NYU Classes)

14. Class 14 – December 12

Topics:

- The Future of Impact Investment
 - Accelerating Impact Investing

Reading:

- Allman: Chapter 8
- Nicholls: Chapters 16 and 19
- From Blueprint to Scale: The Case for Philanthropy in Impact Investing, Harvey Koh, Ashish Karamchandani, and Robert Katz (NYU Classes)
- Case Packet: A New Approach to Funding Social Enterprises, Antony Bugg-Levine; Bruce Kogut; Nalin Kulatilaka
- Case Packet: Frameworks for Dialogue and Research about Social Impact Investing, Herman B. Leonard
- Case Packet: Venture Philanthropy: Its Evolution and Its Future, Allen Grossman; Sarah Appleby; Caitlin Reimers

Case:

- **Village Capital: Using Peer Support to Accelerate Impact Investing** (WDI Publishing)
Explore the ways that current impact investors combine grant and investment dollars in supporting social enterprises, and understand the pros and cons of each. Evaluate the tension in the impact investing world between developed markets, where there are more funds, more investment dollars, and more established commercial returns, versus emerging markets, where there is a higher proportion of population living in poverty and explore the tradeoff between financial returns and social impacts in this sector and discuss which impact metrics across Village Capital enterprises should be most important to the organization's strategy.

Project:

This will be an individual or group project, with a minimum of 2, maximum of 4 members to each group. If done as a group, there will be a group grade and an individual grade. Each individual will be responsible for one of the enterprise's pro formas in the selected project below.

One of the following should be selected as your project:

- a. Design an **Impact Investment Portfolio strategy**
 - i) Determine your portfolio selection criteria and Theory of Change,

- ii) Explain why your selected asset(s) meet your criteria,
- iii) Research the enterprise(s) [at least one per each group member] and develop five-year projections on both financial and social returns to assess a valuation,
- iv) Identify/develop metrics for assessing impact including how Fund will be assessed on Equity, Diversity and Inclusion
- v) Identify risks associated with the investment(s) [both on the financial and social return side]
- vi) Develop mock term sheet(s) which will protect your investment(s) without constraining the success of the social enterprises, and
- vii) Propose the scorecard for calculating the carry for the portfolio

A spreadsheet template will be provided in NYU Classes to guide this project.

- b. Design a **Financial Instrument/Structure** that will accelerate the Impact Investment industry. The instrument should clearly link both financial and social returns and make a clear value proposition to investors regarding risk and return (both financial and social). You should select up to four (4) projects and/or social enterprises (at least one per each group member) and based on your research of their financial structure, social objectives and methodology of impact, apply your proposed instrument on a pro forma basis to prove its value in offering financial returns to investors while assuring desired social performance. The instrument and the selected projects/enterprises should be explained in a paper not to exceed ten pages (exhibits can be provided in addition to these pages). Where applicable learning from texts/case should be applied.

Given the unique aspect of the instrument/structure, there is not a project template, but students will generally follow a similar template to that provided in (as) above.

The above project (a) or (b) should be presented in a paper not to exceed ten pages double spaced (exhibits can be provided in addition to these pages). Individual papers can be limited to five pages double spaced. Where applicable learning from texts/cases should be applied.

The individual and group submission is **due December 14, 2018** and project teams will make pitch presentations on their projects during Exam week on December 19, 2018.