IDS 6235: Economics and Finance for Sustainability

Application Project

Spring 2018

Description

The Application Project is intended to pull together many of the issues and topics addressed during the semester. It is an opportunity for you to utilize and demonstrate your understanding of the complex and often competing interests that surround environmental economics/finance and the achievement of triple bottom line solutions for the world's most vexing sustainability challenges.

This is a team project, so the class will be divided by the instructors into teams of students, who will work collectively to satisfy the requirements of the project. Each team may include an online student. The case you will deal with is real and pertains to the "Water War" in Cochabamba, Bolivia in 2000. It reflects one of the highest-profile failures of a public-private partnership in recent history and the equally disappointing outcomes that followed. You will be organized into groups representing the major decision-makers in the case. You should do the following:

- Study the events using the resources listed at the end of this document, as well as additional resources you may wish to use
- Evaluate the outcomes from the viewpoint of the role that your group is playing
- Identify the root causes of the failure
- Recommend "reforms" that will prevent these circumstances from repeating themselves in the future.

You will need to address the changing dynamics of a green economy as they apply to this case. Your group's recommendations will need to show how sustainability and environmental economics and finance would have impacted those outcomes.

The required deliverables are: (1) In-class session - A written report up to **10 pages** long excluding cover page and references (single spaced, 1" margins, font 12) addressing the tasks listed above; and (2) Online session - A narrated PowerPoint presentation presentation (up to **10 min long**). Both are due by 6:00 pm on **Monday, April 23** as listed in the syllabus. The deliverables should be the product of teamwork and follow the following outline:

1. Description of your organization's role in the original P3 procurement.
2. Identification of the 3-5 primary reasons that the intended outcomes of the P3 were not achieved from your group's perspective.
3. Recommendations for how the process could be reformed and improved in the future.
4. Justification for each of the recommendations.
5. Final recommendation regarding what should be done next in Cochabamba.

Each group is being asked to apply the sustainable economics and finance concepts they have learned this semester to improve the P3 process for future procurements. Eliminating the future use of a P3 approach is not an acceptable recommendation. At the presentation students should be dressed in business attire**.**

Background

The Economist summarizes the background as follows:

> "In 2000 the city's water system was privatized and sold to a consortium of international companies which immediately doubled or even tripled water rates. In response, Cochabamba erupted in a series of spontaneous protests that became known as La Guerra del Agua – "the Water War". Thousands of citizens from all social classes took to the streets to demand rates be lowered, blocking roads in and out of the city. The Banzer government responded in familiar fashion: a state of siege was declared, protest organizers were arrested, armed troops were sent in and plainclothes snipers opened fire on protesters, killing one and injuring many others. Despite this oppression, the demonstrations continued, and the water consortium eventually backed down – a popular victory that was welcomed by anti-globalization campaigners around the world."

Available Roles

You must select one of the following organizations to represent in this Role Play. In order to ensure that every organization is represented, you are asked to identify the top two groups you would like to join. The names of the organizations and a brief description of their role are provided below:

1. ***International Monetary Fund (IMF):*** Provided the loan that funded the concession procurement.

2. ***The World Bank:*** Assisted in the preparation of the procurement documents and strongly supported the privatization concept, going so far as to refuse assist in reducing tariffs for water.

3. ***SEMAPA:*** The city of Cochabamba's municipal water supply utility.

4. ***Aguas del Tunari:*** A joint venture company involving the American design-construction firm Bechtel and the French water utility operator Suez Lyonaise – the sole bidder on the concession.

5. ***Coordinadora (in Defense of Water and Life):*** A community-based organization protesting the privatization of water services in Cochabamba. *Groups selecting the role of Coordinadora are required to provide viable economic solutions in addition to addressing the problems associated with the privatization of water services.*

Resources

The following links provide background information that will be useful in developing your group's evaluation, but you are welcome to use additional resources as well:

1. Finnegan, William. "Leasing the Rain," The New Yorker, April 8, 2002. http://www.newyorker.com/archive/2002/04/08/020408fa_FACT1
2. PBS Frontline. "Timeline." http://www.pbs.org/frontlineworld/stories/bolivia/timeline.html
3. Leasing the Rain video. https://www.youtube.com/playlist?list=PL9FA821381FAADB58