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How useful is the Berlin Centre of Competence for Water for the urban management of water supply? A contribution to an inter-organisational analysis in the field of sustainable innovation

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Abstract

In 1999 the municipality of Berlin sold 49,9% of its water utility shares to a consortium made up of two multinational enterprises: RWE and Veolia. In this context, Veolia built, in 2001, the Berlin Centre of Competence for Water. Through the cooperation between heterogeneous actors, the purpose of this organisation is to promote the research into "sustainable" water management. Relying on a qualitative investigation based on document analysis and semi-structured interviews, the aim of this study is to describe the context of the foundation of this organisation, and to try to assess the scopes and limits of such joint-work in the field of urban water management at local and international levels.

Keywords

Knowledge management; public private partnership; sustainable development; urban water; water privatization

INTRODUCTION

This paper represents a first outline of my Phd project, which aims to focus on knowledge management in the water sector in a post-privatization context. Over the past two decades, the water sector has been experiencing significant changes. While the majority of water utilities have remained public worldwide, private operators in such services have gained in influence. Considering the private sector participation as the only chance for a great number of countries to obtain access to drinkable water (Camdessus, 2003), the International Monetary Fund and the World Bank encouraged such involvement (Goldman, 2007). In Europe, several actors also supported the liberalization of public services. In order to bring more efficiency to urban services, the European Commission strongly favored this process in various sectors. While the water sector escaped deregulation, the introduction of competition through obligatory invitations to tender was discussed and the cooperation between local authorities and private operators through public-private partnerships encouraged. Taking into account this context, I aim to discuss in this project the following question:

How can cooperation between actors with potential divergent interests and conflicting logic contribute to the development of sustainable urban water management?

The traditional water management in Germany

To answer this question, I will focus on the development of public-private partnerships in Germany. In contrast to many other countries, Germany has a strong institutionalized water sector with a long and solid management tradition and high technical standards. In Germany the task of water supply, as well as several other activities, belongs to the field called "communal economy" (*Kommunalwirtschaft*). Through the self-administration principle (*Selbstverwaltung*)

municipalities are free to decide how to manage this task. Municipalities generally created utilities in the form of a public company that integrates water distribution, energy and public transportation. More than 6000 German companies are responsible for water supply and sanitation. These utilities, called *Stadtwerke*, are under the strict control of the municipality. Even when a private operator buys into the capital of such companies, the majority of the shares generally remain in public hands (Drouet, 1988: 45). This organization is the consequence of a weak and decentralized state, which enabled the development of strong cities relying on considerable technical and financial resources. In contrast, French urban services, including water distribution, have followed another path. Instead of having created municipal-owned public companies regulated by legal principles, municipalities have “succeeded in co-operating, delegating and adjusting their actions by enlisting the aid of other partners” (Lorrain, 1992: 80). Private operators have become increasingly powerful, regrouping all competencies necessary to offer turnkey contracts, meaning “with architectural and technical design, realization of secured performance, operational experience and sometimes funding” (Camilleri, 2006: 30). The French context led to the foundation of two “national champions” which have become global players in the water services.

The case of the Berlin Water Utility

Following Reunification, the German model of water management has been subject to various pressures to change. In addition to the financial crisis of the municipalities, the cost of the Reunification and the effect of the “New Steering Model”, local authorities had to cope with direct competitive pressures represented by private operators in search of new contracts. In such a context, the Berlin senate sold, in 1999, 49,9% of the shares of the Berlin Water Utility to a consortium composed of Veolia, RWE and Allianz (which in turn sold its shares to the other two partners in 2002).

Among German cities of over 500.000 inhabitants, Berlin is the only one in which a French private operator is involved in water management. The privatization took place under a cooperation model, that is, the private partner and the city cooperate in one organization, where both have a certain amount of shares. One peculiarity of this organizational model is that Berlin Water Utility still remains a company under public law. Through the creation of a holding approved by the Berlin Constitutional Court, the participation of private partners was made possible on October 21, 1999. This organizational change was the result of a long process involving strong competition between private operators, heated debates within the Berlin parliament, and hard bargaining between private operators and the senate of Berlin.

The main goal of this privatization was financial: the finance administration aimed to cope with the structural deficit of the municipality. However, to be politically and socially accepted, the privatization should also lead to social, environmental and technological improvements at the local level. In this context, the senate imposed several conditions for the transaction with the future private partner. One of these was the creation of the Berlin Centre of Competence for Water. This Center was founded in December 2001. Its purpose is to contribute to the development of techniques and solutions in water management through the cooperation between heterogeneous actors: the private multinational Veolia, the Berlin Water Utility, local universities, the Technology Foundation of Berlin (TSB), whose objective is to support innovation. Its official goal is the creation, receipt and dissemination of knowledge on the theme of water. The analysis of this center permits to raise several questions on the function of such an organization in a broader privatization context, and on its activity (scope and limits): Does this organization influence the policy making of the Berlin water management? To what extent does

How useful is the Berlin Centre of Competence for Water for the urban management of water supply? Blanchet T.

the cooperation between heterogeneous actors with conflicting interests lead to reach the common goal of the organization? What are the power relationships inside this center and how do they influence the performance of the organization?

METHOD

In this PhD project, I aim to adopt a qualitative analysis based on a single-case research design. I chose a qualitative analysis because of the complexity of water management and the multiplicity of actors involved in it. I opted for a case-study design for three reasons. Firstly, “case study analysis focuses on a small number of cases that are expected to provide insight into a causal relationship across a larger population of cases” (Gerring, 2007: 86). Secondly, I aim to analyze a phenomenon in its real life context where the relationship between the context and the phenomenon under scrutiny is not so clear. Thirdly, I have no control over the investigation. Because of the early stage of the work, this paper has rather an explorative character.

The creation of a research center regrouping heterogeneous actors and founded in a context of privatization represents a unique case in the water sector and is the reason why I chose to conduct a single case design. Moreover, this “critical” case will be able to show us how the cooperation between actors of different natures (public-private/industrial-non-profit/French-German) can affect the development of sustainable innovations at local and global levels.

This case will be analyzed in the light of the following theoretical framework: first, the sociology of organization should help us to understand the functioning of this Center, the coordination between the actors involved in this cooperation, their vested interests and the resulting potential for creating and exporting new techniques and knowledge in the field of water management. Then, relying on the literature on innovation, I will try to highlight the scope and limits of such cooperation in the innovation process on sustainable water management. I aim to look especially at the tension and/or the complementarity between the various goals of a sustainable innovation (economic, social, ecological) (Tauchmann et al, 2006) and how these diverging goals are managed in a concrete case.

The empirical investigation should be divided into two main steps. The first, considered as explorative, sets out to trace the constitution of water sectors in France and Germany: This historical description will be a necessary step to better understand the divergent logic and interests of the actors involved in this organization. In a second step, I will describe and analyze the activity of this Center and the context of its foundation. To that aim, I will rely on documents, such as printings from the municipal council, articles in local newspapers, public statements from different associations, articles published in specialized journals, and documents produced by the center. To complete this document analysis, I will conduct semi-structured interviews with various stakeholders, including researchers and engineers involved in this center, former and present members of the senate, managers of the Berlin Water Utility but also with members of private enterprises active in Germany. In addition to the first two methodological tools, I aim to conduct direct observations during public events organized in this centre. This will enable to complement our description of the center’s activity and to obtain contacts with potential interview partners.

FIRST EXPLORATION

As the thesis is still at the beginning, the first results are rather assumptions made from a first work of exploration. I will first outline the activity of this Centre and then develop some ideas

concerning the scope and limits of such a cooperation.

The activity of the Competence Center

The activity of the centre can be defined along the following lines: Identifying important points of research and development, contributing to the transfer of information and technology in the field of sustainable water management, publicizing results of the research conducted in the centre, offering training, organizing conferences and seminars of experts, creating a network of small and medium-sized businesses through various projects. This Centre aims therefore to become an important intermediary between various actors involved in water management. The various projects carried out by the organization are divided into different areas: information technology in water economics, sustainable management of water resources and technological innovation in the field of waste-water treatment. In total, 30 projects are jointly run by employees of Veolia and the Berlin Water Utility. The purpose of these projects is to contribute to cost reductions and quality improvements, which are two essential issues in water management (KWB, 2001: 4). To that aim, Veolia Water invested 50 million Euros for a period of 10 years following the foundation of the Centre (KWB, 2001: 23).

In the Center, projects are usually conducted by teams made up of engineers and technicians from the Berlin Water Utility and from Veolia. The results of such projects are published by the center, such as through the *Schriftenreihe Kompetenzzentrum Wasserberlin* (KWB, 2004: 21; KWB, 2005 : 24). In addition, various symposiums and work groups are organized. For instance, the « Berlin Water Workshop », whose goal is “to promote the information exchange among water experts from the Berlin and Brandenburg region” (KWB, 2004: 26), and has taken place every two months since fall 2004. Finally, the Center offers training possibilities for managers, scholarships for doctoral students, and set up in cooperation with the Technical University the Chair of water management (KWB, 2004: 25-26). Such practices are supposed to contribute to knowledge development through cooperation between various actors and to foster innovations.

The cooperation: scope and limits

At first sight, it could be argued that such a cooperation, between a private multinational, whose main goal is to make a profit, and a municipality, whose purpose should officially be oriented toward the well-being of the population, can impede the activity of such an organization. Moreover, these actors have evolved in distinct national systems making their cooperation potentially more difficult because of the weight of tradition in the development of solutions in the field of water management.

However, the local and international natures of the both shareholders can also complement each other and thus can contribute to the development of innovations. On the one hand, such cooperation enables the implementation of new techniques for water management in Berlin. For instance, the project *Mobile IT Service Field Operations* introduced a technology enabling employees, during their field work, to have real-time access to all the data they need to solve the problem. This project was developed in France and then exported to Berlin (KWB, 2001: 18). On the other hand, some techniques developed in Berlin could be exported abroad through the commitment of the international player. In such cases, the locality of Berlin can be used as a local laboratory for developing innovations which can be then exported to other cities. For instance, the NASRI project (model for optimizing filtration devices from banks) was developed in Berlin and then implemented in India (KWB, 2005: 13).

This center seems to be strategic for both partners. Veolia could reinforce its legitimacy at the

How useful is the Berlin Centre of Competence for Water for the urban management of water supply? Blanchet T.

local level by taking part in the economical development of the Region, investing in the research, supporting a network with regional Small and Medium Businesses and making Berlin an international place for water. Therefore, with such an investment, Veolia filled the expectation of local decision-makers and therefore reinforced its contacts at the local level, which in turn could be a strategic advantage in case of a new bid in Berlin. In addition, this Center contributes to the strategy of the Berlin Water Utility to become an international player in the water sector, which seems to be one of the main interests of the local decision makers. Furthermore, such international development does not challenge the respect of public value, as could be the case with investment businesses (see: political debates concerning the activity of Berlin Water International).

CONCLUSION

Despite this first positive description, a deeper field study is needed in order to assess the real effects of this technical-scientific cooperation on both, the various stakeholders involved in the project and on the general development of sustainable innovations in the field of water services. Potential conflicts and vested interests have thus far remained unexplored and still have to be analyzed. In addition to the different logic of these actors, this cooperation can lead to increase the dependence of Berlin toward the private operator. The investment in the cooperation was indeed made for 10 years and it is still unclear how the Center will pursue its activity after the end of the term and how such decisions can influence the cooperation between actors. Moreover, despite the legitimacy that Veolia could gain in investing in this center, a citizen initiative, called “Berlin Roundtable” started in 2006 to struggle against the privatization of the water services in Berlin following a water price rise. How such conflicts can influence the activity of the center remains unclear. Such problems will have to be unraveled during the field research which should take place in 2009.

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