



Urban Renaissance Berlin

**TOWARDS AN INTEGRATED
STRATEGY FOR SOCIAL
COHESION AND ECONOMIC
DEVELOPMENT**



OECD



Berlin

TOWARDS AN INTEGRATED STRATEGY FOR SOCIAL COHESION AND ECONOMIC DEVELOPMENT



ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT

ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT

Pursuant to Article 1 of the Convention signed in Paris on 14th December 1960, and which came into force on 30th September 1961, the Organisation for Economic Co-operation and Development (OECD) shall promote policies designed:

- to achieve the highest sustainable economic growth and employment and a rising standard of living in member countries, while maintaining financial stability, and thus to contribute to the development of the world economy;
- to contribute to sound economic expansion in member as well as non-member countries in the process of economic development; and
- to contribute to the expansion of world trade on a multilateral, non-discriminatory basis in accordance with international obligations.

The original member countries of the OECD are Austria, Belgium, Canada, Denmark, France, Germany, Greece, Iceland, Ireland, Italy, Luxembourg, the Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, Turkey, the United Kingdom and the United States. The following countries became members subsequently through accession at the dates indicated hereafter: Japan (28th April 1964), Finland (28th January 1969), Australia (7th June 1971), New Zealand (29th May 1973), Mexico (18th May 1994), the Czech Republic (21st December 1995), Hungary (7th May 1996), Poland (22nd November 1996), Korea (12th December 1996) and the Slovak Republic (14th December 2000). The Commission of the European Communities takes part in the work of the OECD (Article 13 of the OECD Convention).

Photographer: Matthias Krüger

“The cover photo depicts a footbridge spanning the former Wall between the Wedding (West) and Mitte (East) districts, such as they existed previously. The Berlin Television Tower can be seen in the background.”

© OECD 2003

Permission to reproduce a portion of this work for non-commercial purposes or classroom use should be obtained through the Centre français d'exploitation du droit de copie (CFC), 20, rue des Grands-Augustins, 75006 Paris, France, tel. (33-1) 44 07 47 70, fax (33-1) 46 34 67 19, for every country except the United States. In the United States permission should be obtained through the Copyright Clearance Center, Customer Service, (508)750-8400, 222 Rosewood Drive, Danvers, MA 01923 USA, or CCC Online: www.copyright.com. All other applications for permission to reproduce or translate all or part of this book should be made to OECD Publications, 2, rue André-Pascal, 75775 Paris Cedex 16, France

PREFACE

Berlin belongs to the select number of large to medium sized cities world-wide chosen as part of the OECD “Urban Renaissance Studies” series. The selection of cities refer to the widespread geographical coverage and the broad thematic range of the programme. In each of the cities studied, all urban spheres of activity are systematically examined. On the basis of this overall picture, the studies identify weaknesses and deficits as well as strengths and development potential. Being part of this study series offers Berlin the opportunity to profit from the OECD’s knowledge and best practice experience gained from previous Urban Renaissance Studies, in turn helping to overcome weaknesses and to foster potentialities.

The present study on Berlin examines specific problems and future development potentialities in distressed urban areas of Hohenschönhausen, Neukölln and Wedding. The general situation and development of Berlin is also highlighted. The study comments the federal and regional development strategies for distressed urban areas and also appreciates the responsibilities of the federal government for Berlin as the federal capital of Germany.

The study offers a broad range of perspectives and provides various recommendations, the leitmotif of which is summed up in the title of the study: ‘Berlin: Towards an *Integrated* Strategy for Social Cohesion and Economic Development.’

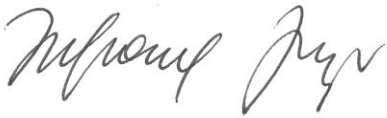
Following the recommendations of the OECD study, in order to revitalise distressed urban areas, various policies must be incorporated into the politics of local urban development:

- Economic policy, which aims at activating under-utilised markets and potentialities, reinforcing the economic strength of the location;
- Employment policy, which aims at activating new employment niches and at creating new jobs;

- Social policy, which aims at actively integrating marginalised people, in particular ethnic minorities and immigrants.

The study supports our endeavour to fill this interface function of urban development with life by way of concrete measures and to develop it further. In this way, the study makes an important contribution to the future development of Berlin, in that it confirms the primary Berlin strategy of the “social city” on how to handle the wide diversity of problems facing distressed areas and provides support in the form of supplementary instruments.

With this background in mind, the study was published at the right time. Its advice to focus on promoting human capital after years of developing physical capital, and, at the same time, its proposal to promote an integrative and partnership-based approach in order to solve both the economic and social difficulties of the city, is invigorating for the current formation of new perspectives for the future of Berlin.

A handwritten signature in black ink, appearing to read 'Ingeborg Junge-Reyer', written in a cursive style.

Ingeborg Junge-Reyer
State Secretary, Berlin Senate for Urban Development

FOREWORD

The reunification of Germany and the relocation of the capital function to Berlin have had mixed results for employment and economic development in that city. The territorial policy shift away from subsidies calls for greater efforts to stimulate endogenous development. This review of Berlin focuses on three distressed areas which are typical of several parts of the city where regeneration has been underway, following the unification of a divided capital and an intense period of economic restructuring. This process is far from complete. To target efforts and reinforce the capacity for local initiative, Berlin has introduced an area-based management programme, "Quartiersmanagement" within the context of the federal "Social City" programme, but the magnitude of problems associated with high unemployment, the integration of large immigrant populations, the alienation of youth with low educational attainment, and tracts of vacant and derelict land--problems typical of other cities examined in the Urban Renaissance series -- call for measures which must be sustained over many years. Berlin's advantages include a high-quality infrastructure, the renewal of the housing stock, its new position as capital of unified Germany, its proximity to Eastern Europe, and its universities, research institutions, as well as its global importance as a city of culture. But the problems of restructuring and regeneration, some of which are concentrated in the areas which are the focus of this study, are holding Berlin back.

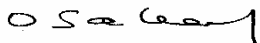
Other cities in the Urban Renaissance Series bear some comparisons with Berlin. The Urban Renaissance series has covered six cities (Belfast, Krakow, Canberra, Kitakyushu, Glasgow and Berlin), looking in each case at tens years of economic, social and environmental regeneration in well-defined central areas, to identify the best practices and lessons for policy. These studies have been carried out in the Programme of Work of the Territorial Development Policy Committee with a focus on economic development and governance frameworks in an urban context.

Belfast and Berlin are both divided cities, and for many years were remote from the main regions of economic activity in their countries. The transition from physical and environmental renewal to attracting investment and

building human and social capital are illustrated in the studies of both cities. Canberra and Berlin are national capitals which are still trying to identify and strengthen their international roles. Krakow and Berlin share the experience of an industrial past based on subsidies during the post-war era which now is responsible for a pattern of unemployment and the abandonment of urban factory sites, a circumstance both cities share with Glasgow. A loss of population has weakened their fiscal base. All these cities however also have unique and under-developed assets, frequently in core areas. The Urban Renaissance studies seek to identify the common lessons that can be learned as cities make the transition from remedial approaches which rely on physical renovation and are project-based and sectoral, to a more strategic plan calling for cross-sectoral co-ordination, better links between investment and social integration, and multi-level governance.

This study benefited from the full support of Investitionsbank Berlin (IBB), a public bank which sought to apply the lessons of OECD studies on urban regeneration and the concepts of the Urban Renaissance studies to Berlin. In particular, Dr. Ditha Brickwell and Mr. Holger Kuhle gave generously of their time to make materials and information available, and to organise a seminar in Berlin in December 2002 for an international exchange on key issues and recommendations for the future. They were assisted by Sebastian Knappe of IBB. OECD Administrators Philip Wade prepared the report with contributions from Debra Mountford, Administrator, Anita Wölfl, in the OECD Young Professional Programme, as well as Doris Grimm, Administrative Assistant. Kevin Kane (Scotland) and Charlotte Hamburger (Denmark) served as outside experts on the evaluation team. This report and the Urban Renaissance Series of which it is a part was supervised by Josef Konvitz (Head of Division).

The report was discussed by Working Party on Territorial Policy in Urban Areas, 3 July 2002, and subsequently approved by the Territorial Development Policy Committee, 16 January 2003.



Odile Sallard,
Director,
Public Governance and Territorial Development Directorate

TABLE OF CONTENTS

FOREWORD	5
INTRODUCTION.....	11
PART I BERLIN SINCE REUNIFICATION.....	15
The unique situation of Berlin	15
Evolution of the Berlin economy and the labour market since Reunification	17
Evolution of the main socio-economic indicators	23
Poverty in Berlin.....	26
The foreign population in Berlin	28
The Three Study Areas: main features.....	30
PART II THE THREE STUDY AREAS AND THEIR DISTRICTS.....	37
Introduction.....	37
Presentation of the three districts.....	38
Unemployment in the three neighbourhoods.....	47
Problems of Social Integration and Identity	54
Capitalising on area assets	58
PART III THEMATIC ANALYSES	63
Introduction.....	63
Physical capital: firms and infrastructure	64
Human capital: German language proficiency, education and achievement.....	68
Social capital: youth issues	72
PART IV URBAN DEVELOPMENT, MIGRATION AND IDENTITY ..	81
Urban policy in an international perspective	81
Urban policy in Germany for a sustainable future.....	85
Economic impact of place and ethnic identity	87

PART V POLICIES TO REVERSE URBAN DISTRESS IN BERLIN ..	105
Introduction.....	105
Physical rehabilitation in Berlin	107
The Social City and Quartiersmanagement programmes	108
Entrepreneurship, job creation programmes and initiatives.....	112
Berlin finances	122
PART VI ASSESSMENT AND RECOMMENDATIONS	127
Preliminary considerations	127
Main issues	129
Strategic principles and guidelines	132
Recommendations.....	135
Open perspectives and conclusions	143
APPENDICES	145
Appendix to Chapter 1	145
Appendix to Chapter 2.....	149
Appendix to Chapter 4.....	153
Appendices to Chapter 5.....	176
Tax, gross domestic product and public revenue in Berlin.....	183
PART VII JOINT OECD-INVESTITIONSBANK BERLIN SEMINAR (Berlin, December 12 th , 2002)	187
PROGRAMME	188
BIBLIOGRAPHY	192
WEBSITES	201
PARTICIPANTS IN MEETINGS WITH OECD	204
INVESTITIONSBANK BERLIN TEAM.....	206
OECD TEAM AND EXPERTS.....	207
NOTES	208

Tables

Table 1.	Unemployment rate in the three neighbourhoods	47
Table 2.	Unemployment rate in the surrounding districts	47
Table 3.	Change of unemployment rate in the three neighbourhoods.	48
Table 4.	Employment structure in the three surrounding districts	51
Table 5.	Foreign population in the three neighbourhoods 2001.....	58
Table 6.	Foreign population in the three districts 2001.....	58
Table 7.	Foreign population in the three districts 2001.....	61
Table 8.	Skills and educational levels in Berlin, Wedding, Neukölln and Hohenschönhausen.....	71
Table 9.	Foreign pupils in professional education in Berlin, 1998	72
Table 10.	Population distribution of youth in selected Berlin areas.....	73
Table 11.	Police employees in the three study areas	77
Table 12.	ICT Equipment in Berlin Schools and three districts.....	79
Table 13.	Länder equalisation payments and supplementary federal grants.....	123
Table 14.	Social welfare, higher education, culture, and construction spending, German cities.....	124
Table 15.	Employers paying tax, their deliveries and other performances in the German Länder	183
Table 16.	Revenue of Public Budgets by German Länder	184
Table 17.	Financial balance of public budgets by German Länder	184
Table 18.	Debt of Public Budgets by German Länder	185

Figures

Figure 1.	Mean Net Family Earnings, Berlin Districts, April 1999, in DM	25
Figure 2.	Percentage of households in poverty by district, 1999.....	27
Figure 3.	Berlin districts and location of the three study areas.....	30
Figure 4.	Density of social welfare recipients in Berlin districts, 2000	49
Figure 5.	Social welfare dependency among young people 1998	49
Figure 6.	Localisation of industries and productivity in Berlin, 1999 ..	51
Figure 7.	Education and unemployment in Berlin.....	53
Figure 8.	Migration within Berlin per district	55
Figure 9.	Cross-border migration per district	56
Figure 10.	Budget structure in the three districts.....	125
Figure 11.	Reinickendorfer Strasse age distribution.....	149
Figure 12.	Reuterkiez age distribution.....	150
Figure 13.	Falkenberger Chaussée age distribution.....	151
Figure 14.	Berlin total age distribution.....	152

Boxes

Box 1.	Berlin demographic trends 1990-1999	24
Box 2.	Ethnic diversity issues	29
Box 3.	The Commission of Foreigners' Affairs of the Berlin Senate....	90
Box 4.	Turkish businesses in Berlin.....	93
Box 5.	Delivering area based economic development in Glasgow.....	98
Box 6.	Overcoming Exclusion through Adult Learning: OECD key findings	101
Box 7.	Examples of urban renovation consultative processes in Berlin.....	106
Box 8.	Neighbourhood management areas in Berlin	110
Box 9.	The Economy and Employment Association in Neukölln	114
Box 10.	The Urban Renaissance City	133
Box 11.	Technology-related employment.....	162

INTRODUCTION

The OECD Urban Renaissance Studies are characterised by a comprehensive, cross-sectoral approach to urban regeneration including entrepreneurship, social networks, governance, public/private partnerships as well as culture and the environment. The Studies try to identify the lessons learned from the past decade of investment and innovation in these areas, and to make recommendations for the future, building on what has been achieved in the recent past. The theory and practice of territorial development policy call for the best use of the assets of places, including especially those which are under-utilised, and whose development would enable a city or parts thereof to reach their potential. The Urban Renaissance Studies concentrate on areas of cities where the process of change is often intense and conflictual, thus bringing up major issues of governance. Previous Studies in this series covering Belfast, Glasgow and Krakow have all involved the regeneration of distressed urban areas and helped understand the processes involved in reversing downward trends.

The logic of improving territorial capital is as appropriate for a distressed area as for any other, but the challenge is greater given the concentration of negative factors in these areas. Many distressed urban areas however can become attractive for housing and economic development, especially associated with new technologies and with the cultural sector, and Berlin is no exception. Indeed, it is fitting that Berlin be a part of this series: Berlin and Belfast have been compared as divided cities. The themes of partnership and regeneration support ongoing exchanges between Berlin and Glasgow; and as the most important German city nearest to Poland, there is a lively interest in what can be learned about the processes of economic and social integration and transition. In addition to providing policy evaluation and guidelines for Berlin, this study will contribute to the synthesis of lessons for Member countries about urban renaissance as a process that can be led by public policy, about the role of partnerships and public participation, the impact of national policies, and the potential contribution of strategic planning.

The Investitionsbank Berlin (IBB), a public sector bank of the Land Berlin, invited the Territorial Development Service (now part of the Directorate for Public Governance and Territorial Development) of the Organisation for Economic Co-operation and Development (OECD) to carry out a study of three distressed areas within Berlin, applying its methodology for territorial development, resulting in particular from its experience of the Urban Renaissance Studies series. Characterised by high unemployment rates as well as high dependency on social welfare and problems of social identity and integration, two of these areas are located in the city centre: Reuterkiez in the District of Neukölln and Reinickendorferstrasse/Pankstrasse in the Mitte District¹; the third, Falkenberger Chaussée, is situated on the North-eastern periphery of the city, in the District of Lichtenberg. The two central areas are old neighbourhoods adjacent to pre-war industrial sites with a relatively high percentage of ethnic minorities, mostly Turkish. The peripheral area is one of high-rise slab housing dating from the GDR, now renovated, with few immigrants of non-German origin but a significant level of ethnic Germans, mostly from Russia (Russland Deutsche).

This report thus focuses on an analysis of the strengths and weaknesses of the three study areas, highlighting key issues and the linkages between them so as to formulate a set of mutually supporting recommendations within realistic time frames that can contribute to the renewal of distressed urban areas through:

- a stronger linkage between available jobs and workforce qualifications through innovative training schemes;
- sustainable SME creation based on local needs and know-how;
- better integration into overall city planning, with a view towards solutions not limited to physical rehabilitation or specific area subsidies and programmes;
- better co-ordination of urban policy between national and city authorities, with careful monitoring of their impact at the local level, to promote sustainability in the long term.

Finally, proper focus on immigration issues, to facilitate integration through education, training, housing and participation in civil society is required, taking into account the ethnic character of certain neighbourhoods while better blending these into the city fabric. This calls attention to the importance of issues related to youth.

Policies addressing the needs of Distressed Urban Areas (DUAs) in Berlin, whether area specific or relating to issues affecting the overall economic and social development of the capital city, must cope with the rapid pace of change since reunification in 1990. Factors both positive (reconstruction) and negative (loss of jobs, demographic out-flow), are making their effects felt on the very short term, thus requiring speedy implementation of policies. Day to day dealing with urgent issues de facto tends to render implementation of a strategic plan a low priority. Traditional sectoral modes of programme design, delivery and evaluation take a long time to modify, and are often self-perpetuating, leading to an overlapping array of policies while compromising policy coherence. Measures to introduce more flexible responses will focus on streamlining intergovernmental co-ordination at different levels so that local area developments and trends, properly assessed by districts, lead rapidly to action at the Senate level, whether by developing new policy instruments or reinforcing existing ones. Berlin needs an “early response warning system” to devise and apply proper solutions before certain issues become critical and corrective measures too costly to implement.

The three study areas have been selected by IBB in co-ordination with the Berlin Senate² as typical of the problems and issues that other parts of the capital city of Germany are also facing, with more than 15 distressed urban areas receiving special attention through various subsidies and programs. The recommendations formulated in this report could thus be applied in other areas of Berlin experiencing similar difficulties. Reference will be made in this context to overall urban development strategies, giving proper attention to the role of the new larger districts in their implementation.

On the one hand, it is first necessary to consider change in Berlin as a whole, which is the aim of Chapter One, not only because these trends have an impact on the areas under investigation (often aggravating their condition) but also to take account of the strategic objective to integrate these areas within the metropolitan region, one of the key recommendations of the 1998 OECD report *Integrating Distressed Urban Areas*, consistent with labour mobility and the best use of infrastructure assets, as well as social cohesion. On the other hand, the district and neighbourhood levels are critical for analytical purposes and because it is at their level that policies will have to be implemented: this is the purpose of Chapter Two. Chapter Three analyses recurrent themes in the study areas relating to physical, human and social capital with a special focus on youth issues. Chapter Four is devoted to general urban development policies in OECD countries with a particular focus on the growing importance of issues related to identity. Policies followed to address the problems of distressed areas in Berlin are reviewed in Chapter Five. The final, sixth, chapter contains the assessment and recommendations.

PART I

BERLIN SINCE REUNIFICATION

The unique situation of Berlin

With approximately 3.4 million inhabitants and 891.4 square kilometres³ Berlin is the largest city in Germany but the population, which rose after the fall of the Wall until 1994, has been declining ever since. By 1999, the population had returned to 1991 levels in both the East and West. The population density, at 3869 inhabitants per square kilometre, also the highest in Germany, is that of a metropolitan area. Nonetheless, the inner city of Berlin (*Innenstadt*), roughly the size of Paris *intramuros*, is less than half as densely populated. With a park (The Tiergarten) in the city centre and huge forested areas and lakes both East and West as well as numerous trees, (European city with the highest planted density), Berlin is a green city. But because of de-industrialisation, begun before reunification and accelerated since, the city also presents numerous brownfields and abandoned factories, with many still unbuilt areas along the no mans land of the former Wall. The combination of these geographical and historical features tend to create the model of a very decentralised city as compared to other capitals and/or metropolises.

The 23 former districts of Berlin, merged into 12 in the year 2000, retain very specific characteristics. The affluent residential areas of the westernmost parts of the city, as well as some close to the city centre are in sharp contrast with the older inner city districts of the West concentrating immigrants and with the slab housing residential estates to the East. All big cities present such characteristics but Berlin contrasts have always been more pronounced because of the specific features of the historical stages of its development. The present day boundaries of the city were defined in 1920 by inclusion of numerous small towns and villages, agricultural land, lakes and forests and not by a continuous process of expansion out of the inner city core.⁴ A political division of more than 40 years, including a physical division of more than 30, introduced important additional differences between the Western and Eastern parts of the city. These are still sensible today, not only in terms of

housing conditions but also in commuting patterns and inner city migration, which remains limited along an East-West axis. Lastly, in a city where close to 13 per cent of the population are foreigners, mostly from non-EU countries, a few districts and neighbourhoods in the Western part of Berlin have a high level of immigrant inhabitants (more than 34% in Kreuzberg), whereas the percentage of immigrants in all Eastern districts remains low (5.7%).

Another unique feature of Berlin is the lack of continuity with the hinterland, with the surrounding region of Brandenburg being far less densely populated⁵ or industrialised than the suburbs or the outskirts of other big cities. This other historical characteristic of Berlin has been reinforced by the forced isolation of West Berlin until reunification that prevented natural demographic and economic expansion towards the adjacent areas. Reunification has been followed by a certain movement of the affluent to these areas where individual housing and shopping centre construction has been developing but these have not significantly changed the balance between the capital city and a close hinterland that remains mostly rural, with the exception of Potsdam to the Southwest. On the other hand, the failed merger between Berlin and the Land of Brandenburg in 1996 prevents optimal spatial planning, particularly in terms of investment locations, although a joint economic commission has been created between the two Länder. Under these conditions, Brandenburg, benefiting from overall Berlin communications infrastructure, can offer cheap greenfield locations, particularly for FDI, while many Berlin brownfield facilities remain vacant. Lastly, Berlin is only 70 kilometres from the Polish border, a geographical situation that could be an advantage with the future enlargement of the EU.

Berlin's original characteristics are not limited to the particular spatial patterns of economic activity and settlement produced by successive historical phases. Another specific feature of the capital city, as compared with many others, is the exceptional concentration of cultural establishments and activities, sustained in particular through public subsidies, but also a dynamic, non-subsidised arts scene expressing contemporary creativity. The combination of the two undeniably contributes towards making Berlin a cultural magnet.⁶ The city is home to three opera houses, four opera ensembles, eight large orchestras including the world-renowned Berliner Philharmoniker and ten chamber orchestras. It also boasts 150 theatres, many of which, like the Berliner Ensemble, have a long-established reputation. The city is home to 174 museums housing major collections and many temporary exhibitions. There are 265 movie theatres in Berlin (highest ratio in Germany) and the annual international film festival stimulates interest and attendance. These endowments are spread over the city as the present day situation is the result of the combination of former East and West Berlin facilities entirely or highly

subsidised both by the former GDR and the West Berlin municipality. The non-subsidised arts scene is more concentrated in inner city areas like Kreuzberg in the West and Prenzlauer Berg in the East, where many small galleries and theatres are located.

Such a city of culture, not surprisingly, is also a city of higher learning with three universities, 14 vocational colleges and more than 70 research institutes. In spite of the reduction in the number of places since reunification (total enrolment of 131 000 for the winter term of 1999 as compared with 151 000 during the peak winter term of 1993), enrolment in specialised colleges remained constant. This means that the decline affected universities only (78% of enrolment in 1998 versus 80% after reunification). In spite of this, the share of university students still remains higher than the German average of 74 per cent. The Humboldt University, situated in the city centre in former East Berlin, is the oldest (1810). Present enrolment is around 34 500 students, now on several campuses including scientific faculties on the Adlershof campus to the Southeast, with a strong component in medical and biological studies (Virchow Teaching Hospital Campus in Wedding, Berlin Buch Research centre in biological medicine and medical science in the north). The Technical University of Berlin, with most buildings situated in the western Charlottenburg district, is the successor to the Royal Technical College of Berlin founded in 1879. There are more than 28 000 students enrolled in the Technical University, which now also teaches humanities. The Free University of Berlin was founded in 1948 in the Western part of the city, with major faculties situated in the Zehlendorf district. With 41 400 students, it has the largest enrolment, mostly in humanities.

Berlin, as a dynamic city of culture and learning, is very attractive to students and young people, not only from other parts of Germany and Europe (both from the present EU and the accession countries) but also from other continents (America, Asia). The paradox lies in the fact that Berlin is not able to retain a significant proportion of these young innovative people for lack of true job and career opportunities, with an economy that has remained sluggish since reunification and a relatively rigid labour market.

Evolution of the Berlin economy and the labour market since Reunification

Contrary to the high expectations of economic growth for Berlin following reunification, performances have been very much below average as compared with national figures. Between 1991 and 1998, the German GDP grew by 11.7 per cent while that of Berlin grew by only 6.4 per cent. With 42 777 DM per inhabitant for the year 2000, the Berlin GDP per capita is

situated in position eight out of the sixteen Länder. The total GDP represented only 3.7 per cent (72.7 million Euros) of the national figure in 2001. More than 250 000 jobs have been lost since 1990. The unemployment rate increased from 10.6 per cent in 1991 to 17.7 per cent in 1999, which is one of the highest rates among German cities and considerably higher than national averages (7.3% and 11.7% for each of these years). Unemployment rates amongst the foreign population are even higher and because of their concentration in certain areas such as those studied, Berlin comprises some pockets of particularly high unemployment that can attain 35 per cent in certain cases. Youth unemployment has increased significantly since 1995.⁷ In 1998, the unemployment rate of young people below 25 was 21.8 per cent, which is 3.9 per cent higher than the Berlin average for the same year.

In correlation, the number of people living on unemployment benefit payments rose rapidly in the nineties, representing roughly 8 per cent of the population in 1998 (280 000 people).⁸ Also, the share of part-time jobs increased significantly, from 13.5 per cent of employees (228 200 people) working part-time in 1991 to 18.6 per cent (273 500) in 1999. In East Berlin the proportion of part-time workers rose over the same period from 6.7 per cent to 14.9 per cent and in West Berlin from 17.9 per cent to 21.1 per cent.⁹ Even if both parts of the city share common problems, characteristics of the economy in East and West Berlin have thus remained somewhat different since reunification. In both cases integrating structural change and catching up with Western German cities is still an undergoing process.

Most of the *East Berlin* manufacturing facilities were not able to survive the fall of the Wall. Because of the competitive weaknesses of the GDR industries stemming from outmoded technology and low productivity, the East Berlin industrial sector had to be completely rebuilt. These structural deficiencies led to an almost complete collapse of industrial production, which was aggravated by the loss of the Eastern European markets without corresponding openings in Western German markets. This was reflected by a dramatic reduction in employment (80% of manufacturing jobs lost by 1999), with overall employment plummeting from 200 000 to 65 000 by 1997.¹⁰ However, in East Berlin, the unemployment rate remains generally lower than in West Berlin, because of the overall higher level of qualification of the workforce, resulting from the priority development policies of the GDR towards the Capital City and recent out-migration. The restructuring of East Berlin industry has only permitted a slight increase of its overall share in turnover, from 7.6 per cent in 1991 to 12.8 per cent in 1999.¹¹ Investment in East Berlin, in spite of increases certain years, also remains modest (10.4% share in 1998).

In *West Berlin*, industry initially benefited from reunification. Since 1992, West Berlin industry has mostly experienced recession. Manufacturing facilities in the Western part of the city were state of the art before 1990 but a certain number of factors that remain partly valid today contributed to the economic slowdown. The high percentage of supplier and processing industries, the low percentage of skilled labour and the lack of interaction with the hinterland prevented efficient adaptation to the new context. Besides, the West Berlin manufacturing industry was controlled mainly by firms based elsewhere in West Germany, with production geared to supply other factories or mass-produce standardised goods with little added value. Raw materials and semi-finished goods were transported at cost from West Germany to Berlin where facilities easily benefited from direct subsidies and fiscal incentives. Today, the western part of the capital city is hard hit by loss of jobs (manufacturing jobs slashed by 43.2%) with many of the lesser-qualified immigrant workers finding difficulty in securing employment. The overall lower level of educational attainment, training and skills of the West Berlin workforce undeniably constitute a handicap. On the other hand, the drastic reduction in industrial employment in East Berlin has led, in spite of important job losses in the West, to an increase in the share of the Western part of the city versus East Berlin in industrial jobs from approximately 70 per cent in 1991 to close to 85 per cent in 1999 (see Endnote No. 9).

Industrial jobs represent today only 12.7 per cent of employment as compared with the national average of 24.8 per cent. Efforts to sustain the service sector are still not sufficient to offset the negative consequences of the sharp drop in manufacturing activities. The “cultural economy” is nonetheless a strong and growing Berlin asset (Opera and Theatre, film and TV production, press and publishing), enhanced by clusters of smaller firms (graphic arts, new media conception, art galleries) working as partners to the main public and private actors in the sector. Recent budget cuts in public expenses will reduce employment in this field. On the other hand, in spite of the fact that company relocations to Berlin after reunification were not as numerous as expected, certain low qualified business-related services have also developed well: Berlin holds the top position in firms in commercial cleaning and security services. However, sectors important for the city economy, such as banks, insurance and economic and legal advice are clearly under-represented, with Berlin ranking only as the fourth financial centre in Germany.

Berlin is Germany’s foremost tourism destination, in terms of number of arrivals and overnight stays (4.2 million and 9.5 million in 1999, with respective increases since 1992 of 1 million and 1.8 million). Ninety per cent of both guest arrivals and overnight stays over the period concern citizens from other EU countries. The capital city’s well-established reputation as an

international conference and trade fair centre, offering adequate facilities, contributes significantly to these figures. This boom translated into significant build-up of hotel capacity, particularly in East Berlin, resulting in intense price pressure because of increased competition. In spite of this, turnover increased again in 1999, after a slump since 1995, with employment reaching 95.9 per cent of that year's rate. The restaurant industry did not recover as well: 1999 turnover was at 79.6 per cent of the 1995 level and employment at 77 per cent of that year's figure.

The Berlin construction industry also benefited from the post-Wall boom, with the systematic renovation of the former GDR housing estates to the East and the major office and commercial projects in and around Potsdamer Platz and between the *Brandenburger Tor* and the Spree river (Sony centre, Friederichstrasse). More recently, the restoration of major monuments situated in former East Berlin (cathedral) are but one of the aspects of continued building activity in the reunified city. In spite of these numerous projects, the Berlin construction industry has remained depressed, because of the increased number of low-cost competitors from other European countries. The result of intensive building activity has been the over-expansion of office space (the capital city is the largest commercial office space market in the country), with a high level of vacancies in spite of the move of most administrations and government agencies from Bonn.

The capital city function led to the expectation that influential national and international companies would relocate their headquarters or European operations in Berlin. Even though a certain number have resettled there (DEBIS, software branch of Daimler-Chrysler, Sony Europe, Coca-Cola Germany), the large companies located in Berlin are, to a great extent, controlled from head offices in other places, where decisions on investment, job cuts and dissolution or sale are made. Of the 265 companies based in Berlin, approximately 147 are controlled externally. This is particularly true for R&D intensive industries (69.2% of these are controlled externally) but also for traditional industries (61.4%).¹² This position, whereby the decision-making power of major companies is located elsewhere, does not put Berlin at par with other European capital cities such as Paris or London.¹³ Berlin, as the capital of a reunified Germany, as well as the most populated in the country is undeniably a city with a potential for playing a supra German role in a changing Europe. Such a position is not only a question of high quality infrastructure and accessibility but also of economic and financial networks built over the years. In the case of Berlin, many of these have been lost to other major German cities during the period of division of the country and have not really been regained since.

Likewise, the hope that Berlin would become a nerve centre between the East and the West has not been fulfilled so far. One of the reasons is precisely that the influx of international companies, which were expected to supply the Eastern European market from Berlin, has not taken place at a sufficient level. In the long term it is still hoped that the location will be advantageous for Berlin's development, as trade between Germany and Eastern/Central Europe has grown continuously in the past few years. Even if foreign direct investment and export to Eastern Europe can easily be organised from other German economic centres, Berlin retains a good potential towards these markets, particularly Poland. In 1998, some 50 Polish firms had subsidiaries in Berlin, which possesses specific know-how of German-Polish business activities. The city boasts a variety of supporting institutions such as the East-West Co-operation Centre in the Adlershof Science and Technology Park or a share in the German-Polish Society for Economic Promotion. Trade nonetheless remains modest: in 1997 Eastern Europe represented 14 per cent of Berlin imports (Poland, 7.5%) and exports to the region from Berlin, 16 per cent (3.5% for Poland). For the time being, Berlin's economy remains mostly oriented towards the West, economic links with West German and West European firms being predominant.¹⁴

In the field of R&D intensive industries Berlin is clearly behind Munich, Hamburg and Frankfurt on Main in almost all sectors. The capital city can only boast a fair position in instrumentation technology and telecommunications but it is last in data processing and equipment, aviation, automobile industry, chemicals and pharmaceuticals, with major efforts being made to correct this handicap. The most important one concerns the creation of the above-mentioned Adlershof Science and Technology Park (WISTA), located in the Southeast of the city. It comprises 358 innovative companies and 13 non-university research institutions employing 5200 highly qualified personnel. The relocation of the scientific faculties of the Humboldt University to Adlershof is intended to facilitate the transfer of the results of research to industrial applications. In Marzahn (East Berlin), a technology oriented centre for start-ups has been created. In Wedding, two institutions, BIG (Berlin Innovation and Business incubation centre) and TIB (Berlin Technology and Innovation Park) are operating under the umbrella of IZBM, the public company also managing two of the facilities in Adlershof. Specific efforts target knowledge-based industries (there are 1900 software companies in Berlin and nearly 4000 SMEs in the field of ICT). With 170 000 kilometres of fibre-optic cable, Berlin's telecommunications infrastructure is state of the art.

Ten years after reunification, the structure of the Berlin economy has thus deeply changed. The service sector has considerably expanded: in 1991, 72 per cent of all employed persons were working in this sector and by 1999 the proportion was of 80 per cent. This amounts to the creation of more than 170 000 new jobs, with a total of 591 000 active people working in the different service fields. The main sectors in the year 2000 are trade (225 000 employees, 28 000 businesses), ICT, media and multimedia (100 000 people, 8300 firms), tourism (50 000 employees) and culture (35 000). Overall, the rhythm of business creation has been significant: since 1990, more than 100 000 new businesses have been started. With 89 new businesses for every 10 000 people, Berlin is number one among the Länder (34 000 new business registrations in the year 2000). With 150 000 people owning their firm, 10.3 per cent of Berlin's population was self-employed in 1999, which is slightly less than the national average of 11 per cent, that is itself much lower than in most EU countries.

The spatial division of economic activities in Berlin is not typical of that of most German cities characterised by a concentration of services and company headquarters in the centre and industry in more peripheral areas. In the capital city, there is a persistence of traditional local micro-clusters of production activities in the inner zones but also a trend towards a concentration of new local clusters of companies in the Berlin City centre.¹⁵ The financial sector has the highest level of geographical concentration, and traditional industries have the lowest one. Cultural economy enterprises achieve a higher concentration in the city centre than companies providing business-related services. Also, R&D intensive industries as well as traditional ones both still have a significant proportion of companies located in the city centre, even if bigger concentrations are more peripheral (R&D in Adlershof, manufacturing in Spandau).

There is a bi-polar trend towards a concentration of business-related services in the Berlin City centre, spread over two areas: Mitte and to some extent Prenzlauer Berg, part of former East Berlin on one hand and to the West, Charlottenburg, Wilmersdorf but also Zehlendorf on the other. Business consulting, market research and advertising are located in both of these larger business districts but a higher concentration is visible in the West. Cultural economy activities exist in both parts of the city, with a certain degree of specialisation. Film production is thus located in the western part of the city (Wilmersdorf, Schöneberg) and in one eastern area (Prenzlauer Berg).¹⁶ The Eastern part of the city centre (Mitte, Prenzlauer Berg, but also Friedrichshain) has a greater density and heterogeneity of cultural productions, with a relatively strong informal cultural sector. Overall, East Berlin has a higher proportion of people working in the culture and the media, the property

sector, guard and security services, whereas in West Berlin there is a higher proportion of employees in advertising and exhibition-related activities.

Evolution of the main socio-economic indicators

The decline of the Berlin population since reunification has been accompanied by major shifts in both parts of the city concerning the number of households, their profile and their legal status. These result from analysis of the micro-census conducted yearly since 1991.¹⁷ The two halves of the city fared quite differently: in the East, population figures remained relatively stable; the number of households rose by 12.4 per cent but the number of individuals per household, 2.2 in 1991, dropped to 1.9 in 1999. Western districts experienced in the meantime both a population decline and a drop in the number of households (minus 1.4% for each) as well as a reduction of their size (from 1.9 to 1.8 individuals). Household sizes in East Berlin are beginning to come into line with the West but remain somewhat larger.

There are today more single and fewer multi-person households in Berlin. In East Berlin where the number of single person households increased by more than one third (from 212 300 to 292 800), whereas in West Berlin there was a decline of 2 per cent (from 574 700 to 563 100). Trends in East Berlin are considered to be linked to the end of restrictions on housing construction and allocation in the former GDR. In West Berlin, reduction in the number of single person households is partly due to a drop in the number of women age 65 or over (minus 40 000). Another factor pertains to the structure of households in Berlin's foreign population, which is more important in the West (16.9% in 1999) as compared to the East (6%). Sixty-four point seven per cent of foreign households in Berlin (131 000) are multi-person households. The number of multi-person households still account for 24.2 per cent households in East Berlin and 20.1 per cent in West Berlin in 1999.

The other major trend concerns the reduction of 11.1 per cent in the number of families with children and in the number of children since 1991, because of sharp declines in the East following the fall of the Wall. There are fewer married couples and more single parents and unmarried partners in Berlin today than in 1991. The share of unmarried parents and single parents in Berlin increased from 28.7 per cent in 1991 to 37 per cent in 1999. In East Berlin, this share was already higher in 1991 (30.9%) than in West Berlin (26.8%) but it rose in both parts of the city (40.9% in East Berlin, 34.3% in the West). In 1999, 33.3 per cent of Berlin children aged less than 18 were living with a single parent.

Box 1. Berlin demographic trends 1990-1999

- ◆ Slight increase until 1994 but steady decrease ever since:

December 1990: 3 433 700 (March 1994: 3 478 800)

December 1999: 3 386 700 (-1.4% over 10 years)

- ◆ Stronger decrease in West Berlin than in East Berlin:

West Berlin: -1.9 per cent over 10 years

East Berlin: -0.5 per cent (37.5% of the population in 1999).

- ◆ Increase in the share of the foreign population:

End of 1990: 315 600 (9.2% of the population)

End of 1999: 433 600 (12.8% of the population)

- ◆ Foreign population still concentrated in West Berlin

92.60 per cent in 1990

82.50 per cent in 1999

- ◆ Decline in the number of German citizens:

-5.3 per cent between 1990 and 1999

Increasing departures: 52 300 (1990), 85 000 (1999)

- ◆ Drop in birth figures:

37 596 in 1990, 29 856 in 1999

Mostly in East Berlin (15 400 to 9 724): -37 per cent

- ◆ Strong migratory movements:

In-migration 1991-1999: +1 064 000

Out-migration 1991-1999: -1 025 000

One third of the population replaced in ten years

- ◆ Internal movements:

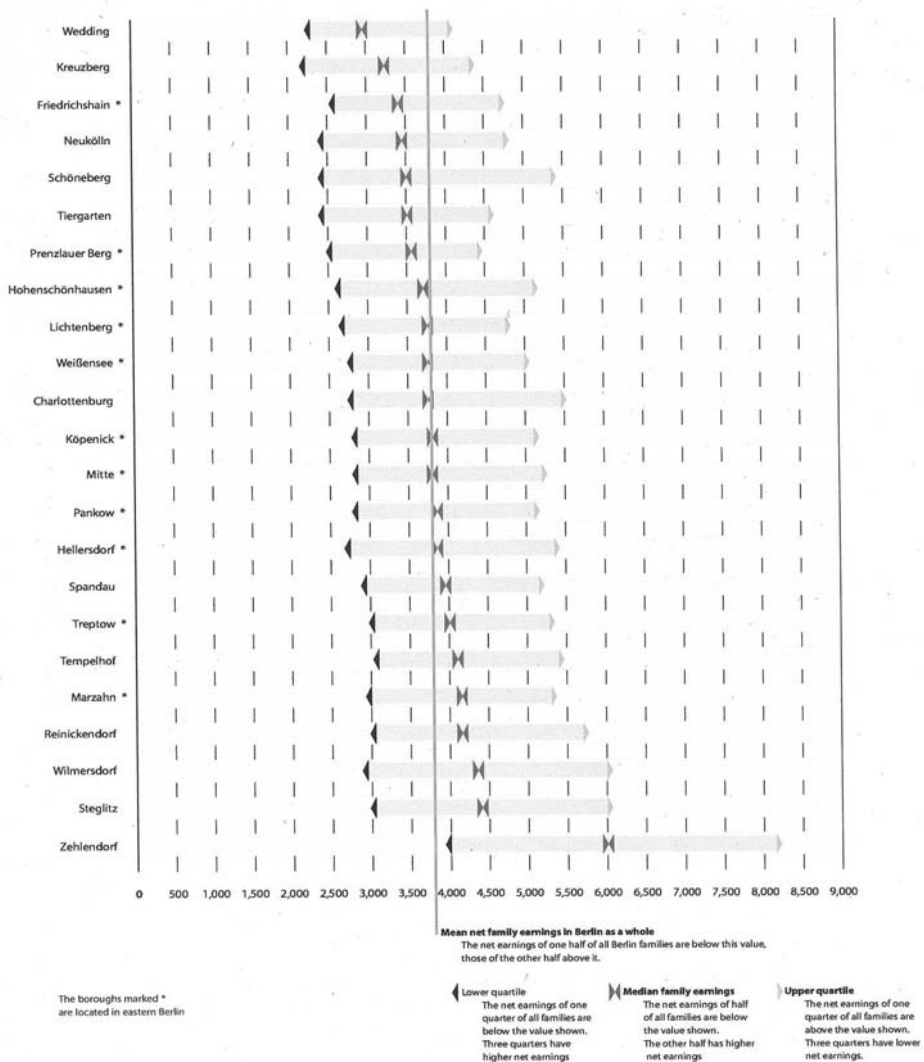
Percentage of West Berliners going East lower than opposite.

East-West moves only represent 10.7 per cent of address changes.

Source: OECD Secretariat, Statistical Office of Berlin, (2000).

Figure 1. Mean Net Family Earnings, Berlin Districts, April 1999, in DM

Mean net family earnings (DM)
in Berlin's boroughs, April 1999



Source: Statistical Office of Berlin, (2000).

Average personal net earnings have reached similar levels in both parts of the city. In 1991 the median income was at 850 DM in East Berlin and at 1 550 DM in West Berlin and as soon as 1996 it found a common level in both parts of the city at 1 650 DM. The average earnings of married couples with minors living in East Berlin rose even more sharply from a median of 2 750 in 1991 (4 200 in the West). The West Berlin median was matched as early as 1993 and overtaken in 1995. This is due to the fact that East Berlin households are somewhat bigger and that more women and young adults go out to work. Looking at the proportion of inhabitants per income brackets reveals that Eastern districts have a slightly stronger presence in the middle brackets whereas the very top ones are slightly under-represented in that part of the city. Social inequality as a function of a person's income is thus currently less pronounced in East Berlin than in West Berlin. In the Western part of the city, net incomes of 3 000 DM and more are enjoyed by 19.6 per cent of the population as compared with only 13 per cent in the East.

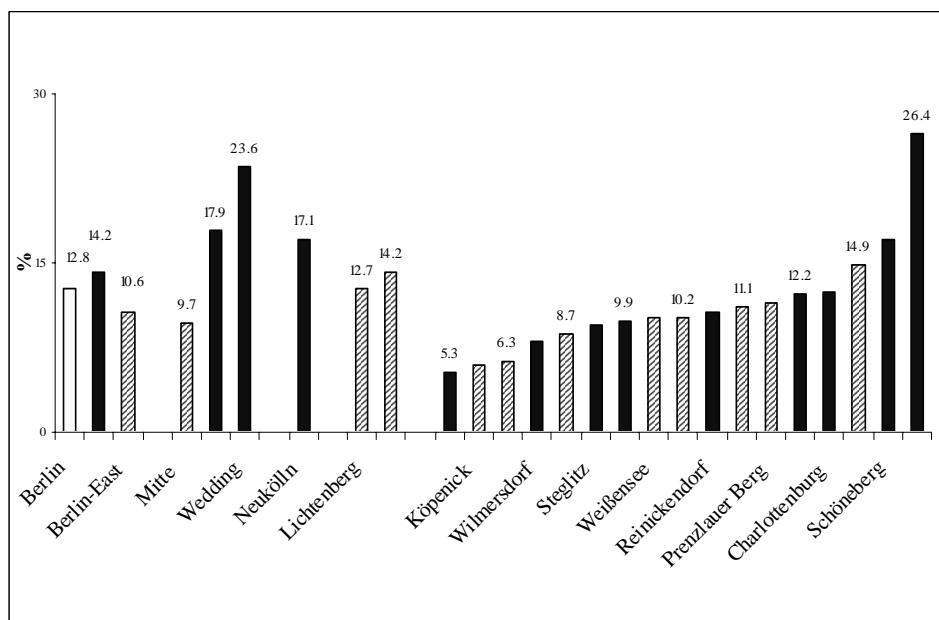
Amongst the 23 former Berlin districts those where the three study areas are located rank low on the scale of mean net family earnings: Wedding has the lowest (less than 3 000 DM), Neukölln is in fourth position (slightly less than 3 500 DM) and Hohenschönhausen is eighth (around 3 750 DM, close to the median for all of the city).

Poverty in Berlin

In Berlin levels of poverty are generally higher than for the national average.¹⁸ Further, the levels of poverty found in the *Quartiermanagement* areas of Wedding and Neukölln are particularly high. Not only does the city have higher ratios of people living in poverty (12.8%) than the country as a whole (around 10%) and over double the percentage of its residents receiving public assistance (7.3%), but also the Berliner median income (1 090 Euro) stands 150 Euro below than that of Germany as a whole. Approximately 435 000 residents live below poverty levels. These figures are established on the basis of the standard recommended by the OECD defining as poor anyone with an income below 50 per cent of the local median income. Weighting mechanisms are used to apply this definition to households with different configurations. The following are considered poor: a single adult with a monthly income of less than 546 Euro, a two-adult household with less than 928 Euro, a family with a child under 15 years old, 1 201 Euro, with two children 1 474 Euro and with three children 1 747 Euro. The same procedure applies to single-parent households. Although the median income in the East is lower than in the West, reaching approximately 91.7 per cent of the latter (the gap was much wider soon after reunification), poverty levels in the West are

higher than in the East. They are particularly pronounced in the former districts where the study areas are located, as the following graph (Thomsen, 2002) shows.

Figure 2. **Percentage of households in poverty by district, 1999**



Source: Berlin Senate, (2002).

Poverty affects foreigners in particular: 39.2 per cent of the people (151 800 persons) living in a household with at least one non-German member surveyed fall below the poverty income level. This poses additional difficulties on social integration programs and place-based initiatives in areas with high concentrations of foreigners such as some of the cases included in the study. Poverty represents a serious threat to Berlin's long-term development: **23.6 per cent of children in the city fall below poverty levels** and this ratio jumps to 31.8 per cent for children under 3 years old. Although there is no wide gender gap in levels of poverty for males and females, being a single mother (over four fifths of single parents in Berlin are female) increases the risk of falling into poverty. Dependency on public assistance, unemployment and large household size and low educational levels also increase this risk. Old age is not a factor.

Poverty particularly affects the unemployed and in this category the long-term unemployed are the hardest hit. Although most of those unemployed are 50 years or older, unemployment among young people below 25 is rising as a share of the total unemployed. Foreigners are strongly affected by unemployment (34%) and those with no special qualifications the most severely (80%). A breakdown of the unemployed by profession indicates that the largest group is made up of private and public administrative personnel. Social service providers, largely employed by the public sector, are another major group. Retail, construction, mechanics and cleaning are other activities with high unemployment rates.¹⁹ Development of unemployment in certain categories of Berlin's population, relatively protected up to now, is one of the factors contributing to growth of social exclusion in the capital city.

The foreign population in Berlin

The proportion of foreigners in Berlin is not exceptionally high, as compared with other German cities, but it is increasing. 437 777 foreigners resided in the capital city in 1999, which represents 12.9 per cent of the population, instead of 355 356 or 10.3 per cent in 1991 (the proportion of foreigners is 29.5% in Frankfurt, 24% in Stuttgart, and 22% in Munich in 1997). Immigration has strongly contributed to lessen the overall reduction in the Berlin population level, as has been indicated previously. Berlin is today the most important Turkish city outside of Turkey. This community,²⁰ one of the oldest, remains by far the most important, although its numbers are diminishing since 1997, because of increased arrivals from other countries.²¹ The Turkish population of Berlin thus stood at 125 081 at the end of 2001, (138 738 in 1992, at the peak level). The share of Turks in the total foreign population of Berlin was 29.8 per cent in 1999.

The second largest foreign community in Berlin is that of the citizens of former Yugoslavia and its successor states. Comprising 64 903 individuals in 1999, it represents 14.8 per cent of the foreign population. The Polish population is third in ranking, with 28 359 people in 1999 (6.5% of the total foreign population). It experienced an initial increase (26 600 in 1991, 29 000 in 1992 or 7.5%) only to stagnate/decrease since. Other EU citizens (mostly Greeks and Italians) in Berlin represented 11.4 per cent of the total population in 1991 and 15.3 per cent in 1999. The share of all other foreigners (mostly Near and Middle East, Asia, Africa, Latin America) has increased over the same period to 33.6 per cent, with many coming as refugees.

Box 2. Ethnic diversity issues

A symposium held in February 1999 at the European Academy of the Urban Environment in Berlin drew on case study experiences of the cities of Belfast and Berlin. The symposium explored how tensions involved in cultural and historical experience and difference can be creatively managed and expressed in the built fabric and spatial practices of the city. The relationship between city identity and marketing was also considered with the key question addressed as to how the city's inhabitants can be made to "feel at home" and to identify with the city while at the same time an attractive image is presented to potential newcomers and investors. The symposium and resulting publication raise some useful issues:

How are 40 years of Communism remembered or forgotten in the fabric of the city?

How sensitive is the development and design plan to East Berlin experience and identity?

Do Berlin Turks feel a civic and inclusionary identification?

How does the self-understanding of collective identities ("Ossies", "Wessies", Berliners, Germans, Turks living in Germany) defined by characteristics of difference from other identities work themselves out and seek their necessary expression in the concrete and symbolic landscapes of the city?

In an environment of contested identities and cultural diversity can all the city's inhabitants be made to feel at home and to identify with the city whilst at the same time an attractive image and ambience is presented to potential tourists and investors?

Source: European Academy of the Urban Environment, (1999).

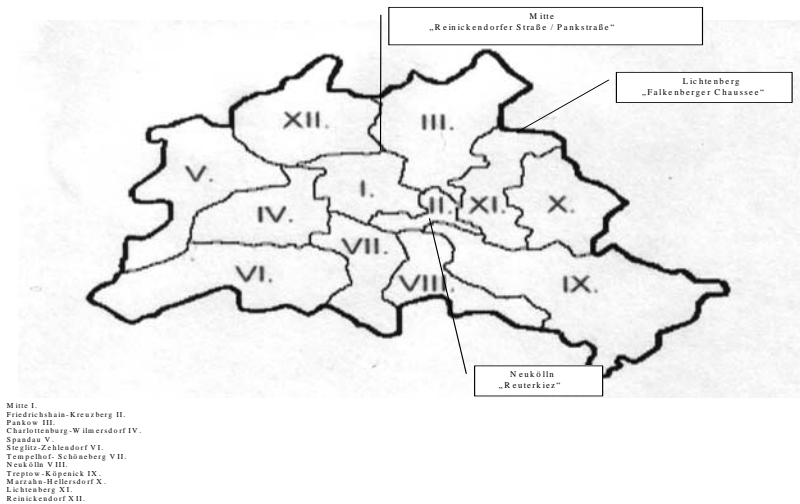
The settlement patterns of foreigners living in Berlin have changed over the ten-year reference period, with an important increase of the proportion living in East Berlin in particular (from 7.4% in 1990 to 17.5% in 1999). In East Berlin, the most important minorities in 1996 were from former Yugoslavia (25% of the foreign population), followed by Poles (13%) and the *Russland Deutsche* (5%).²² In 1999, the ex-Yugoslav communities represented 18.3 per cent, Poles 7.8 per cent, EU nationals 18.3 per cent and Turks only 5.5 per cent. In West Berlin, the Turkish community accounted for 34.7 per cent of foreigners in 1999, followed by citizens from former Yugoslavia (14.1%) and Poland (6.2%). In parallel, in both parts of the city, foreigners have tended to concentrate in particular in certain inner city districts. In East Berlin, 35 per cent of all foreigners resided in 1996 in the three former districts of Mitte, Prenzlauerberg and Friederichshain (24% in 1990). In West Berlin, 43.5 per cent of all foreigners lived in 1996 in Tiergarten, Wedding, Kreuzberg, Schöneberg and Charlottenburg, while these represented only 21.6 per cent of the West Berlin population.²³ Many of these districts still have

a foreign population superior to 20 per cent (30% in Wedding and 34.4% in Kreuzberg).

The Turkish population in Berlin (126 477 people in 1999) is concentrated in the inner city districts of Wedding (15.2% of the population), Kreuzberg (16.9% of the population) and Neukölln (9%). All of these areas are located near to the former Wall. Inner city districts with many big apartment houses constructed before World War I have become the traditional residential areas for the Turkish population (former *Mietskasernen*). Some of these also reside in more recent public housing developments, but highest numbers of Turks are usually in the former type of buildings. This high degree of concentration is partly explained by the important role of social networking, with newcomers settling through personal or family contacts, originally from the same region in Turkey. Recent trends indicate a slight decrease in the importance of the Turkish community in the inner city districts with a move to more peripheral areas of below average social status, such as Reinickendorf in the North and Tempelhof in the South, in a search for more space and better housing quality.²⁴

The Three Study Areas: main features

Figure 3. Berlin districts and location of the three study areas



Source: IBB, (2002).

Reinickendorferstrasse/Pankstrasse (Mitte)

This area is located in the new inner city district of Mitte, created by the addition of the former districts of Mitte, Tiergarten and Wedding. It is situated in the heart of the former district of Wedding. It consists of at least two areas divided by the local train system, the S-Bahn. It is a very small area, of only 0.5 square kilometres, densely populated (13 500 inhabitants), which would amount to a population density of 27 000 inhabitants per square kilometre, as compared with 10 330 for the former Wedding district and 3 880 for all of Berlin. Houses dating mostly from the 1870s and some relatively recent publicly funded housing projects characterise the Western area (Leopoldplatz). In the Eastern section (Humboldthain), there are complete blocks of public housing projects, with unused spaces to be found where the train tracks cut through. If the appearance of most buildings appears somewhat dilapidated (although nowhere comparable to what is often witnessed in similar areas of big cities in other countries), this part of Berlin and the study area enjoy many recreational areas and green spaces close to the Leopoldplatz. It is conveniently served by the Berlin public transportation system (both U-Bahn and S-Bahn).

There are high percentages of foreigners among the population in Wedding (30%), with more than half of these from Turkey (15.2%), followed by ex-Yugoslavs (3.9%) and Poles (1.4%). In the Eastern part of the study area, comprising approximately 6000 inhabitants, the concentration of foreigners is even higher (42%), with many *Russland Deutsche* also living there. Dependency on social welfare is high and the monthly net household income in Wedding is one of the lowest in Berlin. The number of Germans living in the area is steadily decreasing while the number of non-Germans is stable, which translates into a slow decline in the level of the population. On the other hand, more and more “middle class families with children” tend to leave the area. The main reason is the low level of the local educational system, given the very high number of children in classes with little or no German speaking abilities, especially in the primary schools. The number of people without any further education is higher than the Berlin average (34.9% as compared to 21.2%). There are open alcohol problems in the neighbourhood but on the other hand there seems to be a good variety of Turkish organisations such as sport and fan clubs, with meeting rooms where people of different age groups can socialise.

Unemployment is particularly high, but available figures do not distinguish the study area from the former Wedding district. In 1999, Wedding experienced an unemployment rate of 25.1 per cent, with foreigners making up 34.3 per cent of the unemployed. Trade and businesses have declined in the study area, following the general downward trend of the spending power of the

population, with many commercial spaces remaining vacant. Also, lack of investment limits opportunities for the future of the area. Besides retail and catering, small local services and small industry are present. The existence of a few galleries and a small artist's community constitute a distinctive feature that might offer opportunities for future developments to diversify activity and attract new customers/inhabitants. Whatever local economic strategies are implemented, there is a rising awareness of the requirement of participatory approaches to facilitate social cohesion, key to more endogenous and sustainable development patterns. This is reflected in the fact that this area is one of the latest chosen by the Berlin Senate as a *Quartiermanagement* area.²⁵

Reuterkiez (Neukölln)

The study area of Reuterkiez is situated in the north of the Neukölln district, bordering with that of Kreuzberg on the Kottbusser Damm and on the Maybachufer (Landwehrkanal) and delimited towards the south by the Sonnenallee and Weichelstrasse. The size of the area is 0.7 square kilometres, comprising 19 600 inhabitants, equivalent to a high population density of 27 200 per square kilometre, to be compared with the average density for the Neukölln district, which is of 6 835 inhabitants per square kilometre. The study area is characterised by a combination of the successive building styles that correspond to distinctive eras in the expansion of Berlin. There are compact building dating from the 1870s, scattered buildings from the 1920s at the limits of the area, buildings from the thirties around the Reuterplatz and some government funded housing of the sixties. The physical aspect of buildings shows need for maintenance and repair but is not overtly decayed. The property structure in Reuterkiez is characterised by the high level of private ownership (more than 88%). There are also many scattered green spaces and recreation areas and even some small gardens. Typical for this area is also a combination of commercial and residential use, with a Turkish market held along the Landwehrkanal twice a week and many shops in the southern part held by Arabs (Lebanese and Palestinians mostly). Although the area is part of the inner city, train stations are only situated in the south of the area and commuting often requires connections, but there is bus service.

The percentage of foreigners in the Neukölln district is 20.9 per cent, with close to half of these being from Turkey (9%). Over the period 1996-2000 it has been steadily increasing, particularly in age groups 20 to 45 (+7.5%) and over 65 (nearly doubling). In Neukölln, the migration balance in 1999 is negative but in the centre of the study area, around Reuterplatz, there is a decline of the German population and an increase in the number of incoming foreigners. The percentage of foreigners (30%) is already much higher there

than in other parts of the district. Net household income in Neukölln is much lower than the Berlin average and, due to the high percentage of foreigners in the study area, average revenue there is probably even smaller. Dependency on social welfare in Neukölln is higher than Berlin averages and this is particularly true for the foreign population. The education level in Neukölln shows a high rate of skilled and semi-skilled people (69.7%), much higher than the Berlin average (36.9%), the percentage of people without further education (6.3%) also being much lower than the city average (21.2%).

The unemployment rate in Neukölln is particularly high, at 22.1 per cent, with numbers increasing since 1996. This is due to the high number of skilled and semi-skilled labourers in the overall population, having difficulty in securing jobs in a fast declining industrial sector. The study area, as well as those in the immediate vicinity, is characterised by a variety of business structures. There are large business concentrations and small areas with a number of small businesses, sometimes organised as clusters. Most businesses are located inside commercial multi-storey houses. Originally the North of Neukölln was an area of manufacturing industry, but since the end of the eighties, manufacturing and small business as well as retail have decreased, with service business experiencing strong increases. This trend has been reinforced by a deliberate policy to reduce the number of activities with a negative impact on the environment, with free spaces replaced by service business areas or childcare facilities. Retail business has particularly suffered from the creation of large shopping centres in the vicinity of the study area (Karl Marx Strasse, Hermann Platz). Overall, there has been an increase in the number of unoccupied business locations in Reuterkiez, as elsewhere in Neukölln. To overcome these difficulties, district authorities, the local Turkish business community and civil society have engaged, with the support of EU funds in particular, in endogenous efforts to pursue new development paths (Territorial Employment Pact Neukölln), with specific attention to apprenticeship as a step towards permanent employment. Besides, since the beginning of 2002, the study area itself is also a *Quartiermanagement* area, one of four in Neukölln.

Falkenberger Chaussée (Lichtenberg)

The study area of Falkenberger Chaussée (ten kilometres from city centre) is located in the North-western part of the former Eastern district of Hohenschönhausen, now merged with Lichtenberg. This area of 4 square kilometres had a population of 58 846 in 2000, which would amount to a high density of 24 127 per square kilometre, compared to 4 300 for the former district. This outer city housing area, constructed in 1985, is typical of the GDR

era “Plattenbauten” or concrete pre-fabricated slab housing. As in most of former East Germany, these buildings have now been refurbished, with recreational spaces, trees and lawns also added. This has been accomplished, in part, by demolition of some childcare centres and schools, rendered useless by the sharp drop in birth-rates in East Berlin since reunification. Eight-five per cent of the 28 552 apartments belong to public entities, while 15 per cent are now privately owned. Four per cent of apartments remain unoccupied,²⁶ which is a much lower rate than in Marzahn. A big shopping mall and a multiplex movie theatre complex are amongst the most recent additions to this standard environment. To the East and South of Falkenberger Chaussée is an industrial area, while in the Southwest there are other allotments. The neighbourhood, divided in two by a main railroad line, is well connected to the inner city in terms of public transportation, but only 15 per cent of buildings are within a 500 metre radius of the S Bahnhof and bus and tram lines offer only low frequencies of service.

The percentage of foreigners in the former Hohenschönhausen district is 4.9 per cent (East Berlin average 5.7%). No specific figures are available for the study area itself. The main foreign community is that of the citizens of ex Yugoslavia (1.4%), equivalent to that of the Vietnamese *Gastarbeiter* who stayed on after the GDR, Poles representing only 0.2 per cent. In Hohenschönhausen there are also approximately 3 000 *Russland Deutsche* (2.7% of the population). These form a particularly important group in the study area, regularly increasing with new arrivals from the central Asia successor states to the USSR. Most have little or no proficiency in German and require intensive language training to get on the job market. One of the features of the age structure in Hohenschönhausen is a much higher proportion of teen-agers than the Berlin average (9.1% instead of 5.4%) and of the outer city East (6.6%). Over the past four years the population in the study area has decreased by 11 per cent, particularly because of the migration of young families to the *Umland*. Average household income in Hohenschönhausen is equivalent to that of West Berlin and higher than the East Berlin figures, but overall individual incomes are lower because of the high proportion of households with small or no income and the modest share of high income households. Dependency on social welfare is much lower than Berlin averages and comparable to those of other Eastern districts. Educational attainment levels in the former district are comparable to those of Berlin for the percentage of skilled and semi-skilled (36.3% and 36.9% respectively), lower for higher education but higher for the category without further education (16.4% versus 21.2% for the latter).

The unemployment rate in Hohenschönhausen (18.1%) is higher than the Berlin average and has increased by 11.9 per cent between 1996 and 1999. The former district has a high number of small industries and a slowly growing middle size service, trade and small industry sector. The manufacturing sector is not very developed. The small crafts sector has lost many employees, the number of construction businesses has increased but the number of employees has diminished. Retail space has increased considerably. Falkenberger Chaussée comprises two main business areas owned by the Hohenschönhausen public housing company HOWOGE as well as an industrial zone, still under-utilised, that houses the largest Coca Cola bottling plant in Europe (250 employees). Also, the area benefits from common business development strategies with the Marzahn-Hellersdorf district as promoted through an organisation called "Berlin East-side". Contrary to the other two neighbourhoods chosen for this study, Falkenberger Chaussée has not been designated as a Quartiersmanagement area.

PART II

THE THREE STUDY AREAS AND THEIR DISTRICTS

Introduction

The three study areas are characterised by relatively high unemployment rates and a high rate of dependency on social welfare. Major problems concerning social integration and identity show up in a high degree of out-migration from the neighbourhoods. In the case of Reinickendorferstrasse/Pankstrasse and Reuterkiez, issues of social identity arise from a high share of foreign population as compared to the Berlin average and even as compared to the districts in which they are located. In Hohenschönhausen problems of social identity are more probably related to the specific housing structure and environment, as might be presumed from the fact that the area around Falkenberger Chaussee is characterised by huge pre-fabricated housing estates. A certain concentration of *Russland Deutsche* in that area, still not integrated in spite of their German citizenship, in part because of lack of full German language proficiency for many recent immigrants, is another possible explanation.

An initial presentation of the three districts, where other distressed urban areas are located, will illustrate the economic and social context of the three study areas and adjacent opportunities, particularly in terms of employment. Besides, the district level is the one offering the best vision of local issues, overall infrastructure and land use matters. The district level is necessary not only to analyse the underlying problems, on the basis of relevant and homogenous statistics, but also for the design and the implementation of policies. Since the research areas have been selected from a functional and “political” point of view that does not take into account recognised statistical units, precise data for the main socio-economic indicators is not readily available. By approximation and reference to district data, it is possible to analyse issues such as unemployment or population distribution at the level of the smallest statistical units for which data is available.²⁷

Presentation of the three districts

Mitte

A German word for “middle” or “centre”, the 49.5 sq. km district of Mitte occupies a core position in the city. In addition to the concentration of Berlin government offices, Mitte hosts some of the most important bodies of the German federal government, such as the Reichstag, the Chancellor’s Office, and several ministries. The district includes the transportation hubs of Zoo Station and Alexander Platz as well as Berlin’s central station now under construction at Lehrter Stadtbahnhof. The historical axis along the Prussian boulevard of Unter den Linden and the newly built central business and amusement district of Potsdamer Platz also make part of Mitte’s economic, cultural and symbolic centrality. The gallery quarter in Mitte, which is close to Wedding, is now an internationally famous address for contemporary artists, comparable to similar facilities existing in New York or Sao Paulo.

Mitte is the main site for the building of the New Berlin. However, this well populated district (pop. 320 000) is also where the history of the city’s divided past becomes most apparent. Even after the administrative reform in effect since January 1st 2001, only two of Berlin’s twelve new districts cross former East-West divisions and Mitte is one of them. The current district consolidated Tiergarten (pop. 88 600) and Wedding (pop. 158 600) from the former West Berlin plus East Berlin’s original Mitte (pop. 73 600), given a prominent position by centralised planning policies in the GDR. The study area at Reinickendorfer/Pankstraße (pop. 15 000) was one of the quarters along the Berlin Wall in Tiergarten and Wedding that were considered peripheral and unattractive. This particular context resulted in urban decay.

A total of five neighbourhood management initiatives (including the study area which is also the largest in terms of population) are currently functioning in the district of Mitte: two additional areas in Wedding (Soldiner Straße (pop. 13 000) and Sparrplatz (pop. 14 000) and two more in Tiergarten (Beussel Straße (13 000) and Magdeburger Platz (9 000)). Approximately 20 per cent of the Mitte population lives in one of these areas in Wedding and two thirds of the population of the former district live in an area where a neighbourhood management program is in place.

With 152.6 residents per ha of land dedicated to housing uses, Mitte is the second most densely populated district in Berlin. Population density is particularly high in Wedding where the ratio reaches 195.6 residents per ha. Mitte also offers a wide variety of open and recreational spaces with the latter occupying approximately 17 per cent of the district’s surface. The Tiergarten is

the stage for the most crowd-drawing celebrations in Berlin and the city's central park. The Volkspark at Humboldthain, areas close to the Leopoldplatz in Wedding; and waterfront stretches along the river Spree are some of the recreational areas. These sites are sometimes overly used because of their central location. Lots where the Wall used to stand and are now vacant present particular challenges for spatial planning in the district.

The housing stock in Mitte is heterogeneous in terms of size, ownership and age. This wide spectrum ranges from luxurious owner-occupied newly built condominiums in the centre as well as privately renovated pre-war up-market rental units in the Spandauer Vorstadt to low income subsidised housing projects such as Wollankstraße (Wedding) or the Heinrich-Zille-Siedlung (Tiergarten). Large-scale housing complexes built for civil service workers on Moabiter Werder add to the diversity of the housing stock. The average housing unit size in Mitte (64.6 sq. m) is smaller than the city-wide average (69.3). Wedding presents the most crowded living conditions in the district. As in the rest of the city, over-crowding does not seem to be as much of a problem as dilapidated conditions or lack of certain utilities.

Mitte's age structure is similar to Berlin's average. The district is however relatively younger with a higher concentration of one-person households and a relatively low share of residents over 65 years old. Children under 15 are the group with the widest intra-district variations. It is particularly over-represented in the study area of Reinickendorfer/Pankstraße (20%). Mitte has a diverse population and it presents both the largest absolute number of foreigners (almost 84 000) as well as the highest concentration (26% of all residents) for all of Berlin's districts. Citizens of Turkey represent the largest share (38.6%) of Mitte's foreign population. Foreigners are particularly concentrated in the statistical area around Leopold Platz. Over 40 per cent of the population in the study area of Reinickendorfer/Pankstraße is foreign and this group presents concentrations above 35 per cent in all of the other neighbourhood management areas. Foreigners also make up 46 per cent of the students in Wedding's schools.

Mitte's average net monthly household income (2 400 DM in 1999) is lower than Berlin's average (2 800 DM in 1999). Low-income households are particularly concentrated in Wedding, where this group makes up 29 per cent of all households. Wedding is also one of the few areas of the Berlin with over 5 per cent of households reporting a monthly income below 1 000 DM, moreover this area presented the lowest mean net family earnings in 1999.

The unemployment rate in Mitte stands at around 20 per cent, a few percentage points higher than the city-wide average. The intra-district variation is wide ranging from approximately 13 per cent in central Mitte to over 24 per cent in Wedding. This area also presents a noticeably low employment rate that is slightly above one third of the working age population. Figures for social welfare dependency are slightly above city-wide ratios with peaks in Wedding. About 17 per cent of the residents receive social welfare payments and a staggering 42 per cent of Wedding's population depend on some form of public assistance or transfer. Whereas the central Mitte is home to highly educated professionals (including both the former GDR elite as well as newcomer professionals from the West), Wedding presents a concentration of low educational achievement groups.

Mitte's economic profile reflects the district's centrality, some of the largest employers in Berlin such as Deutsche Bahn (German Railways) and Daimler-Chrysler Financial Services are located here. Closer to the study area, a "new economy" cluster of IT and producer services is developing along the Chausse Straße, furthermore high-tech pharmaceutical and health industries are already or in the process of locating in Wedding. Notable establishments anchoring these industries in Wedding include Schering AG and Klinikum Virchow. Located adjacent to the underground station Wedding along Müllerstrasse 170-178, Schering AG is a well-established pharmaceutical firm employing at least 5 000 permanent workers at this site alone. Approximately one kilometre to the West lies Virchow Klinikum, one of two medical teaching and research campuses affiliated with the Humboldt University.

With its sister campus (*Charité*) located in Mitte, Virchow employs roughly 7 500 workers full-time, a third of which are researchers. Combined these two campuses provides instruction to just under 5 000 students in various medical specialisations. Virchow furthermore has a larger in-patient capacity with 1 200 beds against Charité-Mitte's 1 100 beds. While exact figures on the number of part-timers, free-lancers and temporary employees is unavailable, interviews suggest that this number is perhaps half or more as large as the number of full-timers. Both Schering AG and Klinikum Virchow in turn contribute to the formation and growth of one of Europe's larger biotechnology clusters housed in the Berlin-Brandenburg region. Although most of the jobs created by the firms described in Mitte as well as Wedding will require high-skills and be out of reach to the area's residents, these developments can generate ancillary jobs that will improve the employment situation in the area.

Mitte's district administration employs slightly less than 6 000 people. With a ratio of 18.1 local employees per 1 000 residents, the district has the highest ratio for all of Berlin. Employment with the district is showing a

decreasing trend nevertheless. Berlin's economic recession has seriously affected the district of Mitte. On the one hand, there are high vacancy rents for the newly built or renovated prime office space as well as lower than expected sales level in the up-market areas (Friedrichstadt Passagen) in central Mitte. On the other hand a backlash in the local retail business of areas in Wedding is caused by an overall decline in the purchasing power of the population. The district has many strengths, given its centrality to the functioning of Berlin and a comprehensive and still expanding transportation infrastructure. On the other hand over-capacity in some areas such as the office clusters in the centre and lack of investment in quarters such as the study area of Reinickendorfer/Pankstraße pose threats to its future development.

Neukölln

The 44.9 sq. km district of Neukölln is known as one of the industrial areas and traditional workers' quarters of Berlin. Its elongated shape can be described as an up-ended "Y" that stretches from the historical inner-city quarters surrounding the transportation hub of Hermannplatz southward to Britz where it bifurcates: along the Teltow Canal to the Gropiusstadt and onward to Rudow in the south-east, and to Buckow down in the southern end of Berlin. Arterial roads and subway lines connect the outlying areas to Hermannplatz and other parts of the city. The metropolitan railway's (S-Bahn) Ring Line as well as inner-loop roads running parallel to it cut across the district and function as a clear demarcation line between northern Neukölln and the rest of the district.

Neukölln developed rapidly during the city's industrialisation period in the late 19th century; several electric and chemical factories and breweries located in an area surrounded by high-density working-class compounds. By the 1920s southward expansion had already begun and the district was incorporated to its current form. After suffering heavy damages during WW II, Neukölln developed as one of West Berlin's districts marked by their proximity to the Wall and a long border with the GDR. Physical isolation of the district's northern tip was also due to its location east of Tempelhof Airport. While this airport became Berlin's lifeline during the Soviet blockade by connecting the city to vital supplies in West Germany it also meant difficulty of access to northern Neukölln from the rest of the city as well as undeniable environmental risks for the area's residents. Development in the district's south in the 1960s and 70s showed the trends prevalent in West Germany at the time: large-scale housing complexes and bedroom communities were built interspersed with industrial lots. Nowadays, for many Berliners and people throughout the country, the name of Neukölln is epitome for urban decay and concentrated social problems in the inner city. Wide journalistic coverage of the problems in

northern Neukölln (the prevalent image for the district) has reinforced this symbolic stigmatisation of the area.

With a population of approximately 306 000 residents, Neukölln is home to about 9 per cent of all Berliners. It was the single largest borough before the administrative reform of 2001 and it was not consolidated with any other administrative units to form the current district. In addition to the study area in Reuterkiez, three other neighbourhood management programs exist currently in the district: Rollbersiedlung (pop. 5 300), Schillerpromenade (pop. 20 300) and Sonnenalle High-Deck (5 600). The combined population of the four areas makes up about 16 per cent of the district residents. The areas are clustered in northern Neukölln, in close proximity to one another as well as to the neighbourhood management programs in the adjacent district of Friedrichshain-Kreuzberg. Neukölln's population density (120.4 residents per ha of land dedicated to housing uses) is relatively high for Berlin. Density is higher in the northern inner-city core decreasing towards the more sparse development in the outlying areas in the south-east and south. Although the district has 862 ha of recreational space amounting to almost 20 per cent of its total surface, there is a shortage of recreational areas in the northern part where residential density is higher.

Most of Neukölln's housing stock is considered simple (meaning modest) with the exception of some salient architectural examples from the 1920s such as the horseshoe shaped settlement in the area of Britz or some short streets along the scenic central canals. The average size for housing units in Neukölln (67.9 sq. m.) stands slightly below the city-wide average of 69.3 sq. m. Whereas northern Neukölln tends to be dominated by older self-contained rental buildings that are privately-owned and a larger share of buildings in need of renovation, outlying areas present newer large-scale subsidised low-income housing complexes. The most salient example of these developments is the Gropiusstadt. Planned after ideas originated at the famous Bauhaus architectural school, which includes single-family homes, numerous high-rises and large green spaces. Another feature of Neukölln's peripheral areas is the "gardener's colonies", small plots of land with basic housing and open space used as summer homes and for micro-farming and gardening.

The age structure of Neukölln's population is similar to the city-wide average with a slight concentration of children under 6 (an over-representation of one percentage point). Whereas the district's average age (40.3) and household size (1.9) are similar to the Berlin averages, Neukölln presents a slight under-representation of one-person households. Almost 65 000 foreign national live in Neukölln and they make up over 20 per cent of the district residents. Over half of all foreigners in the district have Turkish citizenship.

The study area presents a concentration of foreigners (over 30%) and approximately one out of four foreign residents of Neukölln lives in one of the district's neighbourhood management program areas. About one third of the students in the district's schools are foreign but this proportion is much higher for schools in the northern tip.

Neukölln's average net monthly household income (2 550 DM in 1999) is lower than Berlin's average (2 800 DM in 1999). The district also presents a concentration of low-income households, 25 per cent of its households had a monthly household income below 1 800 DM in May 2000 (the city-wide ratio was 22%). Neukölln presented the fourth lowest mean net family earnings in 1999. The unemployment rate (22%) and a social welfare dependency rate (13%) are both higher than city-wide averages and particularly affect the foreign and low-skilled populations of the district. Whereas the district has a low-share of high educational achievement residents, it also has a low share of the population with no further education. The large share of skilled and semi-skilled residents fits with the district's image as workers' district.

The economic structure of Neukölln also presents a clear-cut differentiation between the northern part and the rest of the district. The outlying southern areas in the south retain a solid manufacturing base that however does not include the most innovative, high value added or growing industries. Large companies in the district include Philip Morris, Meierei-Zentrale and Berliner Kindl Brewery (this one albeit in northern Neukölln) with a specialisation in food products, beverages and cigarettes. Northern Neukölln on the other hand has lost significant parts of its industrial base without developing a clear substitute source of economic activity. There are however some promising signs such as the development of a large-scale hotel standing amid visible amounts of vacant commercial space. The Estrel Hotel, located along the scenic Neuköllner Schiffahrtskanal, perhaps three kilometres east of Tempelhof, is a large employer in the area. Including full-time workers, apprentices and temporary workers, almost 700 people work here. While roughly half of Estrel's 550 full-time employees live in the District, most of them were not originally from the area, and have instead re-located here to be nearer to their employer.

As a hotel, Estrel is diversified to take advantage of and enrich Berlin's unique cultural assets. It boasts a large conference centre, often leased by political and trade associations operating in the capital and its hotel houses tourists and conference goers. It not only matches up its customers with various local cultural offerings such as cabaret, museums and opera, but it also provides new pop-entertainment venues on-site, exploiting Berlin's cultural economy but

also adding additional forms of entertainment such as boxing matches. Whenever Schönefeld airport finally becomes the regional airport, Estrel and other hotels in the area will be well positioned to capture visitors with their close proximity to the airport as well as the city's wider cultural offerings.

The local administration has a strong presence in northern Neukölln with the District Hall located in the area. The district employs approximately 4 000 people and the rate of district employees per 1 000 residents (12.7) is below the city-wide average (14.8). Growth in this sector is however not very likely due to overall staff reduction trends in Berlin. Social services in the area are an employment source albeit only available for residents with the appropriate qualifications.

The district of Neukölln faces several challenges but it can also be benefited by current development trends in Berlin: areas in the south by the spurt of economic activity generated by the gigantic expansion of Schönefeld Airport (planned to become the regional hub airport and jointly managed by Berlin and Brandenburg) and northern Neukölln by the redevelopment of the area currently occupied by Tempelhof. As Neukölln regains its urban centrality, it should become a more attractive site for investment, in turn creating new opportunities for its residents.

Lichtenberg

The 52.3 sq. km district of Lichtenberg is representative of urban and industrial development in East Berlin after WWII with a landscape dotted by mass-produced large-scale housing complexes (many of them high-rise) and industrial sites. The district, together with Marzahn-Hellersdorf, conforms the East Side planning area of Berlin, a part of the city that has suffered from de-industrialisation and significant population losses since reunification and is now jointly promoted for economic development and improvements in its housing stock.

Lichtenberg is an elongated district extending northward from just east of inner-city areas in Friedrichshain up to Berlin's border with the state of Brandenburg. The district, with a population of approximately 265 000 residents, resulted from the aggregation of two boroughs: the original Lichtenberg (pop. 155 000) closer to the city's centre and Hohenschönhausen (pop. 110 000) towards the north. The study area of Falkenberger Chaussee is located in the latter. While no neighbourhood management initiatives are currently being undertaken in the district of Lichtenberg, the program URBAN II (sponsored by the European Commission)

stretches along an area that includes the district's south-east corner bordering Ostkreuz Station. Lichtenberg is well served by public transportation. Lichtenberg Station can be easily reached by a 15-minute subway ride from the Alexander Platz City hub, which is also a major juncture point for metropolitan railway lines (S-Bahn) serving the eastern residential areas of Berlin. Regional trains and some international lines to Eastern Europe also depart from this station. Hohenschönhausen is only connected to the city centre by one S-Bahn line and a few bus and tramway lines. Transportation is nevertheless relatively good throughout the district.

Residential density in Lichtenberg (105.9 residents per ha of land dedicated to housing uses) is higher than the city-wide average showing a higher density in the central areas of the original Lichtenberg and decreases towards the outlying areas of Hohenschönhausen. Although large stretches of open space can be found throughout the district, Lichtenberg presents a shortage of recreational areas: only 14 per cent of the district's area is dedicated to such uses. The problem is more acute in the sub-district area of Hohenschönhausen where the ratio is lower than 10 per cent. The zoological garden Tierpark Berlin in Friedrichsfelde is the district's most popular recreational area. The housing stock in Lichtenberg is dominated by large-scale standardised housing complexes built during the GDR: 59 per cent of all housing units in the district were built between 1949 and 1990. This dominance is even clearer in Hohenschönhausen where the ratio is above 80 per cent, with 63 per cent of all housing units in the area built between 1982 and 1990 alone. The average size of housing units in Lichtenberg (62.7 sq. m.) is lower than the city-wide average (69.3 sq. m.) and living space per resident is particularly low in Hohenschönhausen: the area presents an average of only 30.6 sq. m per resident as opposed to the Berlin average of 37.9 sq. m. per resident. This problem as well as the lack of amenities surrounding housing complexes diminishes the attractiveness of the area despite the relatively good condition of the housing stock.

Age structure in the district does not differ significantly from the Berlin average and follows common trends in East Berlin. The average age of the residents (40.4) is close to the city-wide average (41) and the district shows an over-representation of children under 18 and under-representation of residents over 65. The low share of children under 5 can be explained by the dramatic decrease in East Berlin after reunification as well as by the out-migration of growing young households looking for larger housing units. The district shows a relatively low share of foreigners: fewer than 19 000 foreign residents of Lichtenberg make up about 7 per cent of the district's population. This share, albeit lower than the city-wide average, is higher than the 5 per cent average for eastern districts. Almost 75 per cent of

foreign residents live in the original borough of Lichtenberg; the foreign ratio in Hohenschönhausen is lower than 5 per cent, with significant shares of the former Yugoslavia and Poland. “Ethnic Germans” or *Aussiedlers*, recently repatriated make up above 4 per cent of Hohenschönhausen’s population.

Lichtenberg’s average net monthly household income is equal to the city-wide average for Berlin (2 800 DM in 1999) with a low variation between the two former boroughs of Lichtenberg and Hohenschönhausen. Mean net family earnings are also roughly equal to the city’s average. Household size in the district (2.0) is slightly larger than the Berlin’s average (1.9) and there is a tendency, as well as in the other eastern district as opposed to their counterparts in the west, for households to include more than one income-earning adult. In a likely connection to the household structure described above, the ratio of low-income households in the district is slightly lower than the city-wide average of 22 per cent. Lichtenberg also presents a relatively low share of residents receiving social welfare benefits (6.2%). Unemployment rates tend nevertheless to be relatively high reaching over 18 per cent in Hohenschönhausen in May 2000.

The economic profile of Lichtenberg shows signs of incomplete restructuring: significant growth in retail and services has not fully compensated for the dramatic reduction of manufacturing activities. Hohenschönhausen, where the study area is located, presents some clusters of construction firms and several large-scale retail outlets that besides serving the local population provide a source of employment as well as industrial lots where maintenance, logistics, manufacturing and back-office operations could be set up. To the east of Hohenschönhausen is found one of the district’s larger employers, Coca-Cola. To the south and west of this site stretches numerous industrial lots occupied by ABB, Fiat and other light and heavy manufacturing firms. The more centrally located area in the south of Lichtenberg presents also a more diversified economic structure that includes several professional higher education institutions and a large-scale hospital. The district itself employs 3 500 people making a ratio of 17.0 district employees per 1 000 residents (higher than the city-wide average of 14.8). This district appears to house few large firms affiliated with the potential growth clusters revolving around cultural production, biotechnology, and tourism; more mature and ostensibly less-dynamic manufacturing and distribution activities appear to play an important role in stabilising the local economy.

Unemployment in the three neighbourhoods

One of the main problems faced by the three areas is a high rate of unemployment and related to it, a high proportion of the population dependent on unemployment or social welfare benefits. The scope of the issue can be seen from the following figures and tables. First, Tables 2 and 3 show that the unemployment rate, measured by the number of unemployed as a ratio of the working age population, is higher in the research areas than in the districts as well as the overall Berlin average rate. In Reinickendorfer Strasse and Reuterkiez there are about 16 per cent of unemployed people between 15 and 65 years old. It is to be noted that the actual unemployment rate is in reality much higher, since the participation rate is much less than 100 per cent. Secondly, the ratio of long-term and youth unemployment is equal or even slightly higher in the research areas as compared to the ratios in the districts and with the Berlin average.

Table 1. Unemployment rate in the three neighbourhoods

	Reinicken- dorfer Strasse	Reuterkiez	Falken- berger Chaussee	Berlin
Unemployment				
Total number of unemployed	7 754	3 820	5 469	261 917
In % of working age population	15.61	15.27	12.34	10.95
Thereby as a share of total unemployed:				
Long-term unemployed	35.53	33.85	28.63	33.12
Young People aged 20 or less	2.88	2.70	3.58	2.47
Young People aged 20 to 25	8.68	8.30	10.77	8.70

Source: Statistical Office of Berlin, (1999).

Table 2. Unemployment rate in the surrounding districts

	Wedding	Neukölln	Hohenschön- hausen	Berlin
Unemployment Rate				
Total number of unemployed	16 572	29 163	8 988	261 917
In % of working age population	15.31	13.61	11.21	10.95
Thereby as a share of total unemployed:				
Long-term unemployed	36.42	35.51	28.39	33.12
Young People aged 20 or less	2.89	2.89	3.29	2.47
Young People aged 20 to 25	8.83	8.46	10.44	8.70

Source: Statistical Office of Berlin, (1999).

Besides, while the total number of unemployed decreased between 1999 and 2000 in Reuterkiez and Reinickendorfer Strasse, it strongly increased in Falkenberger Chaussée. Also, the share of young unemployed people increased in these two years: in Reuterkiez and in Falkenberger Chaussée, this is particularly true for the youngest group of workers, (less than 20 years old). In Falkenberger Chaussée, even the share of long-term unemployed increased.

Table 3. **Change of unemployment rate in the three neighbourhoods**

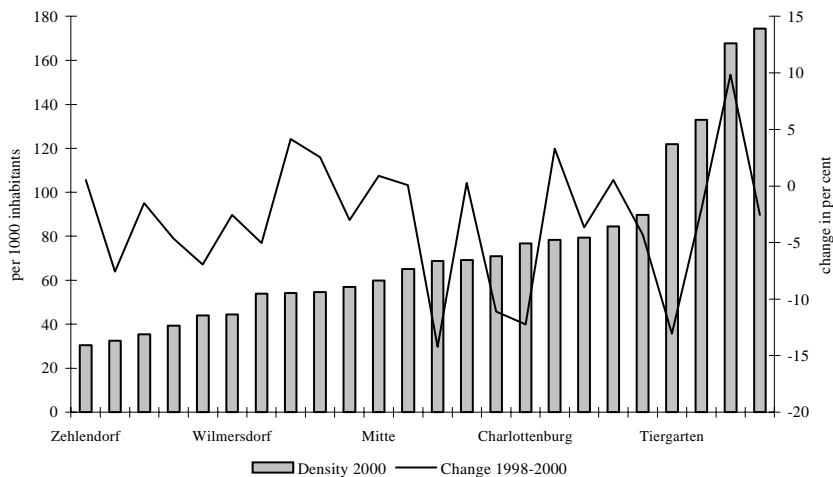
	Reinicken- dorfer Strasse	Reuterkiez	Falken- berger Chaussee	Berlin
Change of Unemployment				
Total number of unemployed, in %	-3.64	-10.41	8.38	
As a share of district unemployed,	-0.10	-0.42	-0.27	
Change of shares on total unemployment				
Long-term unemployed	-0.98	-1.61	1.38	-0.51
Young People aged 20 or less	-0.39	0.14	0.29	0.20
Young People between 20 and 25	0.02	0.58	1.53	0.71

Source: Statistical Office of Berlin, (1999).

The following figure also shows the high rate of unemployment, reflected in a relatively large share of people who are dependent on social welfare benefits. The density of welfare recipients, *i.e.*, the number of people that receive social welfare payments per 1 000 inhabitants, is around 130 in Neukölln and 170 in Wedding, with only the former district of Kreuzberg topping that figure. The Wedding rate is almost twice the Berlin average. While this rate remained almost the same between 1998 and 2000 in Neukölln, in Wedding it has increased by about 10 per cent since 1998. In contrast, the density of welfare recipients is significantly lower in Hohenschönhausen, with only about 50 out of 1 000 inhabitants receiving welfare benefits.

The mentioned trends and figures amply demonstrate that the situation of the younger inhabitants of the three areas (including Hohenschönhausen) requires targeted action. The high and increasing unemployment rates, particularly affecting youth and, consequently, an over average density of young people receiving social assistance, as the following figures (*Source:* Social Structure Atlas 1999) show, are proof to this. In any case social assistance has to be considered as a last safety net rather than a subsidy that could ease job search, considering the high long-term unemployment rate.

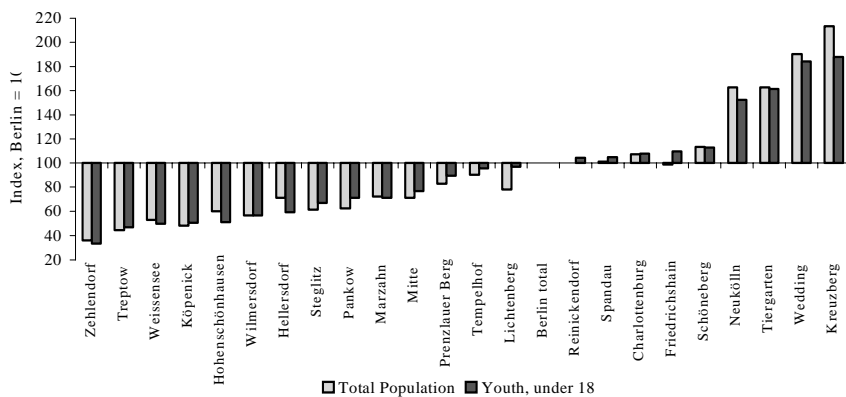
Figure 4. **Density of social welfare recipients in Berlin districts, 2000**



Note: 1) Density: Recipients per 1000 inhabitants.

Source: Statistical Office of Berlin, (1999).

Figure 5. **Social welfare dependency among young people 1998**



Source: Statistical Office of Berlin, (1999).

The role of the economic restructuring process

The Berlin economy has been undergone important economic restructuring, leading to severe job cuts, particularly in low-tech and labour-intensive manufacturing industries (See Chapter 1). At the end of the communist era, East-Berlin firms endowed with obsolete technologies had a competitive disadvantage on national and international markets. In addition products were of lower quality compared to international standards. Furthermore, as for most East-German firms, their network of suppliers in eastern European countries and customers collapsed, generating costs and challenges to build up new linkages with other suppliers and customers in the West. Similarly, many West-Berlin firms were not competitive anymore after the fall of the Wall. Indeed, due to the “island” status of West Berlin during the 40 years before Re-unification, the West Berlin economy was heavily subsidised. With Reunification subsidies were cut. And, larger firms re-located to places where they could produce at lower cost, serve larger markets, or where they could find more favourable conditions for production or expansion (for instance in the green-field sites in Brandenburg). Smaller firms had to close because of increasing costs or partly due to the fact that with the closure or the re-location of larger firms in the vicinity they had lost positive externalities such as favourable conditions given by the local network of suppliers, services or downstream customers.

Among the three neighbourhoods, the most severely hit was Reuterkiez and surrounding areas. Until the 1980s, Neukölln was one of the major manufacturing centres within Berlin. Its economy was specialised on labour-intensive products, such as food and textile, and the chemical industry. In addition, these were — according to information given during the expert-missions by local government -- industries heavily subsidised during the “island”-period of West Berlin. The following table still reflects the strong former role of manufacturing in Neukölln, with high employment shares in textiles and food products as well as metal products manufacturing. In contrast, the other two research areas, Wedding and Hohenschönhausen, exhibit an industry specialisation that is equivalent to the overall Berlin economic structure: strong concentration on social, health and education services. With about 45 per cent on overall employment, these services are significant in Wedding.

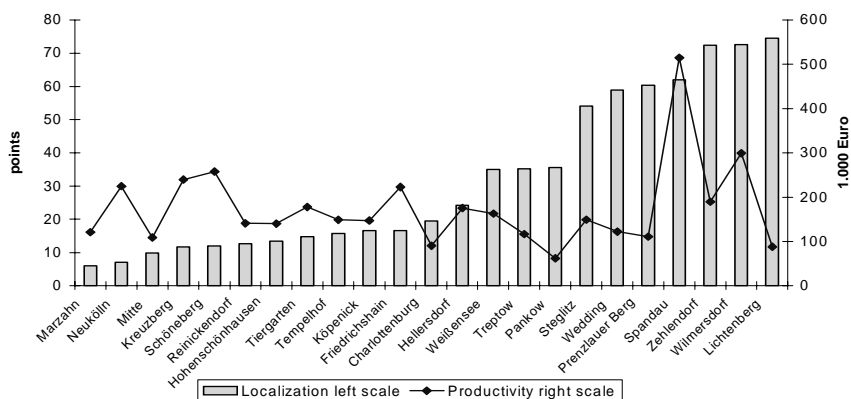
Table 4. **Employment structure in the three surrounding districts**

	Wedding	Neukölln	Hohenschön- hausen	Berlin
<i>Manufacturing, Energy & Construction</i>	26.65	34.55	29.12	21.96
Trade, Tourism	11.25	17.42	15.42	15.95
Transport, ICT	1.82	5.72	9.05	6.23
Finance, Insurance & Business Services	15.48	9.16	15.00	18.90
Social Services, Education	44.75	32.48	30.74	36.41

Source: Statistical Office of Berlin, (2001).

However, economic restructuring may bring increasing opportunities for economic development. This could be the case when newly emerging industries or clusters of industries in Berlin settle down in the vicinity of the research areas. For instance, as previously mentioned, new clusters emerged in the medical and biotechnology industry as well as in the ICT-sector in Berlin. A prominent example for clusters is the Science Park in Adlershof in the Southeast of the city but it is located too far away from the three areas to generate externalities. With regard to potentials for clustering around the research areas, the figure below gives a puzzling picture.

Figure 6. **Localisation of industries and productivity in Berlin, 1999**



Source: Statistical Office of Berlin, (1999).

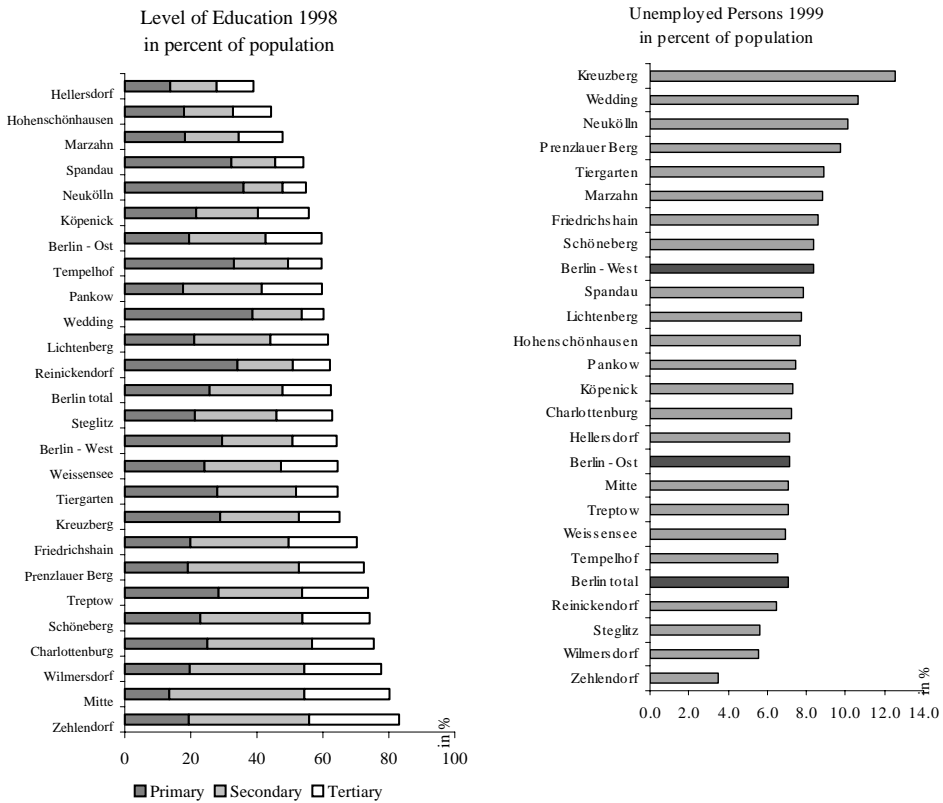
On one hand, there are some indications of clustering in Wedding (health services) and some localisation of industries in Lichtenberg and Hohenschönhausen (construction industries). On the other hand, there are only marginal signs for localisation of industries and thus for potential clustering in the vicinity of Reuterkiez and Neukölln (small bio-tech firms close to Tempelhof). Despite positive signs in Wedding and Lichtenberg, average productivity, measured as turnover per employment in these districts, is still very low. It is thus questionable whether potentials for positive effects from emerging clusters have yet materialised.

Skills and education

In most cases, one of the main reasons for a high rate of unemployment, and particularly long-term unemployment, is the mismatch between the supply and the demand of skills. For the research areas, skills-mismatch might be due to two different factors. Firstly, the slow speed with which people and policy in Berlin have adjusted to economic restructuring. Human capital accumulated was mainly used for rather traditional manufacturing industries. These skills became more and more obsolete and now require cost-or time-intensive re-training to fit requirements in a service-and knowledge-based economy. Secondly, two of the three areas are characterised by a high share of foreign population. Foreign pupils possess often only a limited or have even no proficiency of the German language, making it difficult for them to reach educational attainment similar to that of German pupils.²⁸

Also, the lack of proficiency of the German language as well as insufficient integration into German society by foreign adults increase the difficulties for training or re-training, as compared to Germans who are unemployed or at risk of losing job. Quantitatively, this effect might be very important for the unemployment situation in the study areas, in particular in Neukölln and Wedding, where there is a statistically higher share of foreign population. Moreover, a large proportion of these immigrants came in the course of the so-called “Gastarbeiter-Programm” and was employed in *low skills-requirement* jobs. It is probably this group of the population, with the highest unemployment rates, where training measures are the most strongly needed, but – due to language problems – training efforts are expensive and/or less effective.

Figure 7. **Education and unemployment in Berlin**



Source: Statistical Office of Berlin, (1999).

The following figure gives some evidence of impacts of educational attainment on unemployment. In general, a high unemployment rate is correlated with the level of educational attainment and school enrolment. The highest educational attainment level among the three research areas can be found in Wedding. There, the share of people with an educational degree is of about 70 per cent, albeit lower than the West Berlin and the overall Berlin-averages. Only two thirds of Wedding inhabitants have a primary school degree and there is only a marginal number of people with a university degree. In Neukölln, only around 65 per cent of the population have any school degree, and two thirds have only a primary education level. Lastly, the educational

attainment is particularly low in Hohenschönhausen, where only about 45 per cent of the population have a school degree.

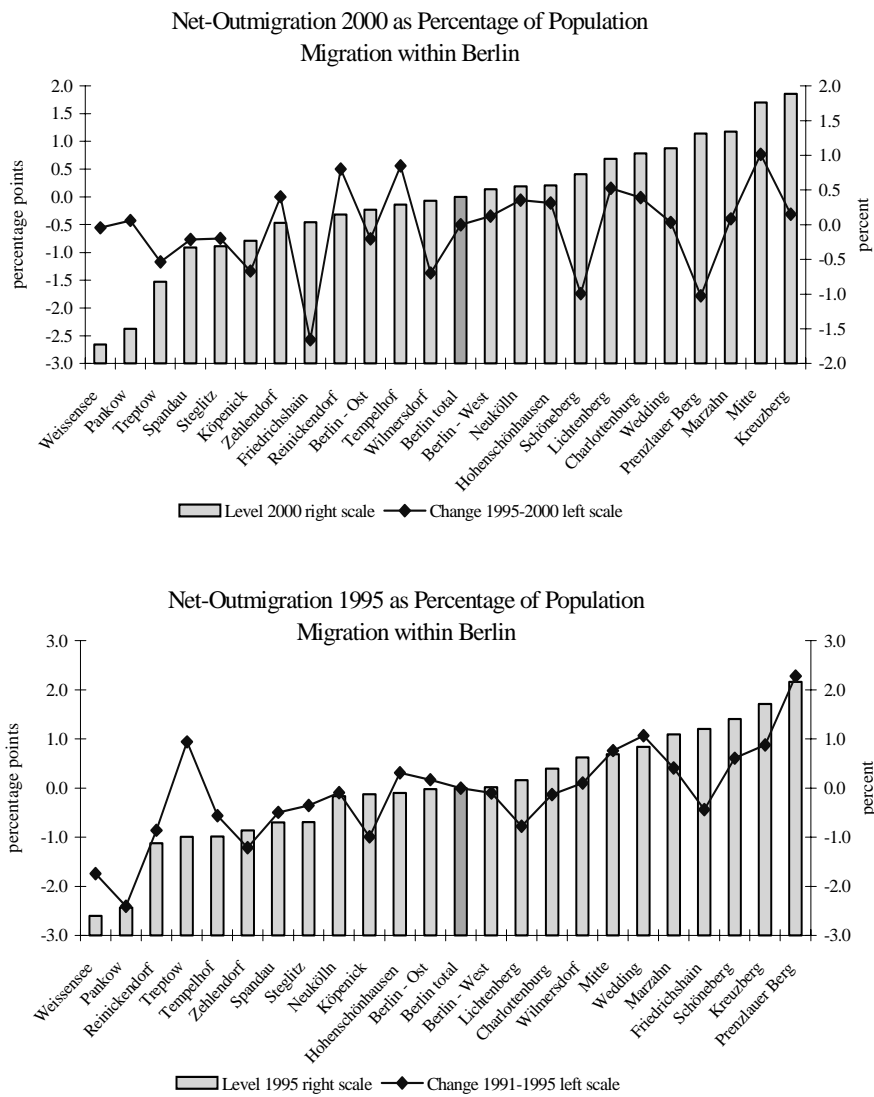
Problems of Social Integration and Identity

The high level of unemployment, together with low levels in educational attainment and the resulting high share of social welfare recipients are deeply related to problems of social identity and social integration. This is the case for the three research areas. In the following figures the net-out-migration of people of the different Berlin districts is presented as a proxy for problems of social integration or identity. Thereby, a distinction is made between the migration flow within Berlin, from one district to another and migration across Berlin borders. In general, the following patterns can be observed for the three districts containing the research areas.

Wedding and Neukölln exhibit a comparable pattern characterised by a relatively high level and/or increase in out-migration within Berlin, while the cross-border out-migration is low and even negative. This reflects an out-migration of people with relatively high income as compared to the district level and who can thus afford to live in a more attractive district. Such an out-migration of high-income households will increase the concentration of low-income families within Wedding – a scenario that is not very promising for an improved social identity. The high out-migration from Wedding to another district within Berlin also reflects that people found jobs somewhere else and want to move closer to their jobs. Out-migration within Berlin might however also be in the form of simply moving some streets further.

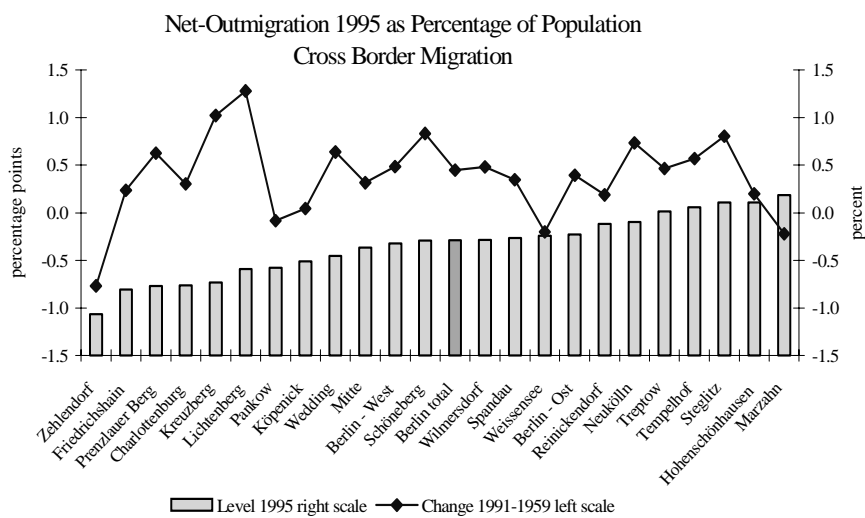
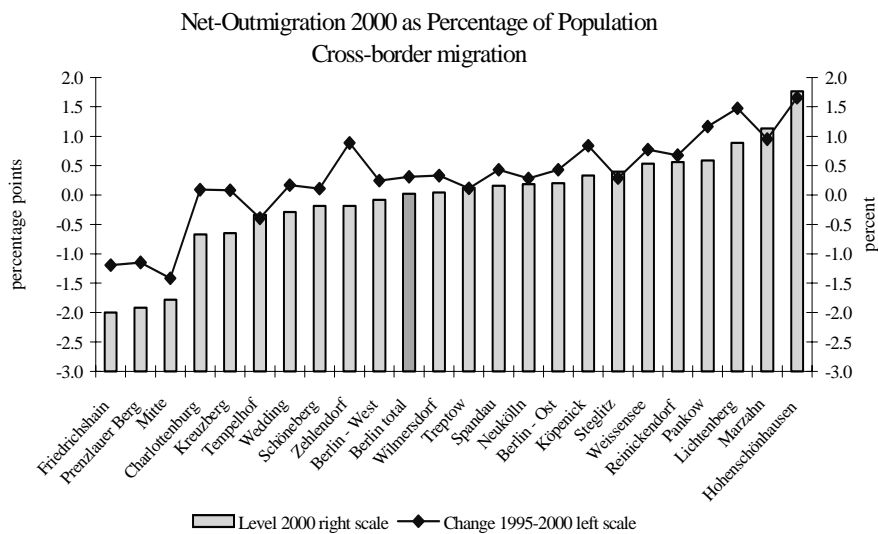
Hohenschönhausen shows low, albeit strongly increasing, out-migration within Berlin but mostly a strong out-migration across Berlin borders. This seems to indicate that households with a higher income or families with children are moving into the villages of Brandenburg where they can own their own house and where the general living environment is more attractive. This will probably lead to a higher share of households with lower income and thus with lower purchasing power in the former Hohenschönhausen. This scenario is not in favour of an improved social identity within the study area of Falkenberger Chaussee, where many apartments remain vacant, as indicated to the OECD study mission.

Figure 8. Migration within Berlin per district



Source: Statistical Office of Berlin, (1999).

Figure 9. **Cross-border migration per district**



Source: Statistical Office of Berlin, (1999).

Changing age-distribution of the population

On one hand, areas around Reuterkiez and Reinickendorfer Strasse show a relatively stable age-distribution across time. These areas are characterised by a large share of inhabitants (about 70%) in the working-age population group (between 15 and 65 years old). On the other hand, given the unemployment rates and the level of education in these areas, most of the unemployed people are workers around 40 years old having only basic skills necessary for a low-skilled job in traditional manufacturing. It is likely that they will be more exposed to long term unemployment while since such job seekers are difficult to re-integrate into the labour market.

The situation in Hohenschönhausen is rather similar. The area is increasingly becoming a residential area for older people. Firstly, there is an increasing share of people older than 65 years old, and between 45 and 65. There are two factors that raise concerns with regard to the situation in Hohenschönhausen. Firstly, the fast change in the age-structure in Falkenberger Chaussée reflects the out-migration of young families with children into more attractive or liveable areas within or around Berlin, as indicated previously. Secondly, the increasing problem of unemployment among young people already shows some first signs of negative effects. Thus, according to discussions with local government representatives, the area around Falkenberger Chaussée is increasingly characterised by criminality among young people, indicating a “no-perspective-feeling” among teenagers.

The role of the foreign population

One of the main issues the three study areas, or at least the ones in Neukölln and Wedding, have to face, is the relatively high share of foreign population. Table 6 shows that the research area around Reinickendorferstrasse in Wedding has a particularly high share of foreign population (about 38%), followed by Reuterkiez (about 32%) in Neukölln. This is about three times as high as the average share of foreign population in Berlin (13%). The Turkish community represents the largest group of foreigners with about 47% in Reinickendorfer Strasse and about 39% in Reuterkiez. Finally, around one third of all foreigners are younger than 25 years. The overall share of foreigners in the total population is also directly reflected by the share of young foreigners on the young population in these areas.

Table 5. **Foreign population in the three neighbourhoods 2001**

	Reinicken- dorfer Strasse	Reuterkiez	Falken- berger Chaussee	Berlin
Foreign Population in % of total population	38.28	31.72	4.17	13.19
Thereby in % of all foreigners:				
Turkish Community	46.66	39.09	3.21	28.41
Young Foreigners aged 20 or less	26.30	20.74	24.48	20.54
Young Foreigners between 20 and 25	9.20	9.47	5.64	8.69
In % of respective young population				
Young Foreigners aged 20 or less	45.74	34.73	3.84	14.66
Young Foreigners between 20 and 25	41.42	38.23	3.05	17.75

Source : Statistical Office of Berlin, (2001).

Comparing the research areas with the district, the picture is ambiguous (Preceding Table). On one hand, the overall share of the foreign population in the total population is higher in the research areas Reinickendorfer Strasse and Reuterkiez than in their surrounding former district of Wedding and that of Neukölln. However, the share of foreigners in each group of young people is much higher than the respective share of this age group in the districts, reflecting a concentration of young foreigners in the research areas.

Table 6. **Foreign population in the three districts 2001**

	Wedding	Neukölln	Hohenschön- hausen	Berlin
Foreign Population in % of total population	32.01	21.54	4.97	13.19
Thereby as a share of all foreigners:				
Turkish Community	47.69	41.58	3.26	28.41
Young People aged 20 or less	26.35	25.32	25.69	20.54
Young People between 20 and 25	8.68	8.67	9.83	8.69
In % of respective young population				
Young Foreigners aged 20 or less	39.30	26.88	5.49	14.66
Young Foreigners aged 20 to 25	36.96	29.81	6.42	17.75

Source: Statistical Office of Berlin, (2001).

Capitalising on area assets

The future development of the research areas will depend on whether and how these are able to:

- make the neighbourhood more attractive for future business-location and investment, (physical capital);
- improve the educational level of the population, especially of young people, (human capital);
- initiate a certain “corporate identity” for the area (in the sense of building up social capital) among the people living there as well as with the “outside-world”, which might be favourable for attracting households and firms.

The overall economic performance and demographic evolution of a city has a different impact on each of its parts. In periods of slow growth, economic restructuring or population decline, certain neighbourhoods are much harder hit than others, whereas public financial resources available to partially compensate or correct negative trends become more scarce. Berlin is no exception to this: the situation of distressed urban areas is aggravated, joblessness and poverty increase and the stigma attached to certain neighbourhoods’ remains or even worsens. In such a context, reallocation and concentration of public resources in certain areas or on programmes targeting specific groups and encouraging local initiative does not permit to redress the situation if these measures do not draw on certain local assets. Many of these are hidden or forgotten and proper identification and use of these are essential to rebound. In the case of Berlin, reunification and the regained status of a capital city have introduced new strong assets in each of the study areas, with existing ones remaining, albeit in a different context.

Areas such as Neukölln or Wedding that were peripheral at the time of the Wall have become central again, in or close to the historic heart of the city, the seat of government and that of business or finance. The locational advantage of centrality cannot be ignored, with positive spill-over effects from more dynamic areas close by. Available space for new businesses, such as in Neukölln, extensive green spaces such as in Wedding or lower rents, combined with a good transportation infrastructure can make the study areas attractive again for investment or new inhabitants such as students or artists that are often trend-setters. For the latter, even if old housing has not always been renewed, the architecture of many buildings remains noteworthy and caters to the taste and lifestyle of such a population.

In the case of the peripheral study area located in Hohenschönhausen, the new asset brought forward by reunification, as in Marzahn, is that of a complete renovation and refurbishment of former GDR slab housing, to bring apartments up to modern standards of comfort, space and aesthetics. Peripheral

urban areas in many cities would envy the quality of housing in such neighbourhoods, interspersed with parks and green spaces and close to leisure facilities in adjacent Brandenburg, while being conveniently linked to the rest of the city by an efficient transportation network. New shopping centres, restaurants and multiplex cinemas located there are quite comparable in terms of conception, architectural design and choice of goods and services to those located in more affluent suburban areas in many other European and North-American cities.

Concerning the economic assets of the three study areas, reunification and reduction of federal subsidies have wrought a certain number of changes, but the potential remains. In the inner city-areas of former West Berlin, many factories have closed down and have not yet been replaced by enough new service activities. In spite of this, assets remain, often close to the study areas. However, mobilising this potential is not an easy task as it implies access to and use of information that firms and organisations do not readily supply, as requests made by IBB during this study often showed. In the case of Wedding, where the pharmaceutical giant Schering is headquartered (6 000 employees) and the Wirschow hospital complex (7 400 employees) is located, alongside highly specialised jobs, more menial ones (cleaning, security) can be offered, while creating the base for local small businesses (restaurants) or supply chains.

In Neukölln, the process of economic restructuring has created a new and highly successful asset close to the Reuterkiez area: the Estrel hotel, employing close to 700 people. If it appears that many jobs have been taken up by people moving to Neukölln for that purpose, rather than existing inhabitants, the hotel and leisure facility, claiming to be the biggest in Germany, can facilitate the creation of other firms and suppliers thanks to the number of venues as well as tourists and businessmen now coming to the area. Such a successful venture not only shows that private investment can be attracted to such areas and succeed, it is also instrumental in the positive transformation of an area's image for other businesses and inhabitants alike.

Flagships projects can be magnets that contribute to the regeneration of an area, so they should be systematically encouraged, whether they entail new construction, as in the case of the above-mentioned hotel, or transformation of existing buildings. In the study area located in Wedding, an old factory of interesting 19th century architectural design, conveniently located next to the new S-Bahn station at 23 Gerichtstrasse, has been purchased and salvaged by a foundation (Stiftung Lebersfarben) to set up a multi-functional facility. It will be transformed into a mixed housing complex, with services for certain handicapped people, working spaces for artists and commercial premises for small businesses as well as a restaurant. Linked to this project is the completion

of the greenway along the Panke River, within the framework of a Franco-German project supported by the European Union (“Espace Vert Paris-Berlin 21”). Other comparable architectural assets existing in this area could benefit from the success of the former project by creating a momentum favourable to other new investments entailing SME and job creation.

A high percentage of immigrant population, such as the one witnessed in the two central study areas, considered a stigma by many, can in fact be considered as an asset under certain conditions. In many cities world-wide, geographic concentration of immigrants from certain countries has given rise to the creation of areas of specific character with their own ethnic businesses, speciality shops and restaurants catering to local area inhabitants as well as those of other parts of the city. The importance of the population of Turkish origin in Wedding and Neukölln is one such asset. In particular the lively twice-weekly Turkish market held in the Reuterkiez area along the banks of the river Spree, could be the starting point for the creation of a small bazaar, given certain conditions to make the area more attractive to other Berliners, in particular more systematic street cleaning and removal of abandoned vehicles.

Table 7. **Overview of the three study areas**

	Reinickendorfer Strasse	Wedding	Reuterkiez	Neukölln	Falkenberg Chaussee	Hohenschön- hausen	Berlin
Location	Inner city	Inner city	Inner city	Inner city	Outer city	Outer city	-
Population	13 500	159 080	19 600	307 113	58 846	110 609	3 386 667
Density	27 000	10 350	27 200	6 835	24 127	4 256	3 800
Foreigners	Over 30%	30%	Over 20.9%	20.9%	Over 4.9%	4.9%	12.9%
Unemployment	Over 25.1%	25.1%	Over 22.1%	22.1%	Over 18.1%	18.1%	17.7%

Source: OECD Secretariat (2002), IBB SWOT analysis, (2001).

In peripheral areas like Falkenberger Chaussee, economic assets are of a different nature. Reunification has brought about the creation of new industrial zones with ample space, facilities and transport infrastructure. These areas, located in several eastern districts are jointly promoted by an organisation called Berlineastside. Low rental costs, cheaper labour costs, a skilled workforce and proximity to the Eastern European markets are undeniable assets

in this case. One of the largest Coca-Cola bottling plants in Europe, employing around 300 people, is now located in the study area in one of these industrial zones. The locational choice of such a global company can also help to boost the area's image and attractiveness for other potential investors.

PART III

THEMATIC ANALYSES

Introduction

After initial presentation of the main economic, demographic and social features and trends of Berlin, followed by a detailed profile of each of the three study areas, a certain number of recurring themes emerge. These are linked to city-wide issues and policies but are of particular relevance to distressed areas, not only the three neighbourhoods studied but also other lesser-favoured parts of the city and particularly the initial 15 Quartiersmanagement areas.²⁹ These shortcomings concern the three major fields of physical, human and social capital.

Concerning physical capital, in terms of infrastructure, the three study areas benefit from the generally good transportation network of the capital city. On the other hand, local industry and enterprise appear insufficiently developed and not always up to the level of modern production or service standards. Local assets such as small clusters or supply chains seem under-exploited, with a certain lack of co-ordination of agencies intervening at different levels within the context of different policies and programs.

In the field of human capital, delivery of education and training in neighbourhoods with a much higher than average foreign population encounters a certain number of important difficulties: the language barrier due to insufficient proficiency in German is one of the major obstacles. Concentration of foreign pupils in certain schools, with difficulties for teachers in assuming their normal pedagogical mission towards youngsters lagging behind in understanding courses in a language they do not consider their own, brings down the general attainment level. Thus, children of foreign origin are also at difficulty in vocational training and finding a job later will often be a long and arduous task, with many young people relying heavily on social welfare.

Under these conditions, the development of social capital in these neighbourhoods appears impaired by several factors: lack of perspective in terms of employment, lack of vision for the future in spite of active local networks but too often limited to extended family or ethnic condition. Absence of motivation and of organisational skills and the downward spiral of those succeeding leaving the area, only to be replaced by people in even greater distress, complete this bleak picture. Yet there are true local assets and young people gathering in the numerous youth clubs in these areas are able to discuss their future and seek counselling and advice, as well as obtain useful information through mastery and active use of ICT.

Physical capital: firms and infrastructure

Under-exploited assets

Efforts to transform Berlin into a knowledge-based economy and to deliver social and physical development in many local areas should be based on the attractiveness of Berlin to mobile global investment as a city offering many cultural amenities, adequate infrastructure, affordable office-space and well-located industrial land. With greater strategic emphasis, such investment could be attracted into Berlin to assist the continuing efforts to promote balanced economic and social development within this great city.

In addition, a greater priority is required on the development of the small business sector, with more policy focus on start-ups and the potential of creating new businesses within Berlin's diverse ethnic groups. The latter would complement regeneration efforts within the city that largely target areas with high levels of non-German born or speaking populations. To do this successfully will require innovation and higher scale action and co-ordination in the delivery of economic development services. Greater learning and sharing between agencies such as IBB, the Berlin Business Development Corporation, the Senate Office for Foreigners and between them and ethnically based social and business organisations (German Turkish Association of Entrepreneurs for Berlin and Brandenburg) appears necessary to this end. If Berlin is to overcome its low rate of economic growth since reunification, it needs to celebrate and support its entrepreneurs and projects in an open and welcoming attitude to local investors as well as those from other parts of Germany or from abroad.

Economic policy at the Berlin and Metro-Berlin levels

Berlin's economy is dependent on the vitality and competitiveness of its business sector. The post-war history of both East and West Berlin was one of heavy state subsidy in the economy and in the manufacturing sector in particular. Since reunification, Berlin has not only had to physically reunify the city (this policy has been Herculean and largely successful) but to adapt simultaneously to the withdrawal of "preferred city" status, while coping with the rapid development of the global economy and its profound changes in the international division of labour.

Economic progress of the city in this transition has been mixed. Growth in Berlin has been the third lowest of all Länder, yet it is clear that the city is one of the major destinations for foreign direct investment into Eastern Germany. It's physical (transport and telecommunications infrastructure, residential and commercial properties, green spaces) and human / knowledge infrastructure (tertiary education sector, high quality human capital) constitute valuable assets. There is no doubt that massive investment in Berlin's physical or "place" capital, has created an attractive international "place brand".

The city has tried to develop higher value services that complement these assets. The focus on a cluster approach to certain key growth sectors has generated significant amounts of investment, particularly in the ICT and media content sectors that complement the city's strengths. However, at a finer geographical scale this investment has all too often been attracted not to Berlin but to the surrounding Land of Brandenburg and certainly not to the areas of social and economic stress such as those under study. Thus, towns such as Potsdam have been able to combine strong historic "place attractiveness" whilst providing locations that benefit from the metropolitan service envelope of Berlin. Such locational competitiveness is all too often compounded by the provision of cheap greenfield sites in the outer rim, although Berlin offers a wide variety of sustainable, high quality, well-located and serviced brownfield locations. This remark also holds for the construction of sprawling shopping centres at the rim of the city that create difficult competition for inner-city retail stores.

Now, the 21st century challenge of Berlin is to focus on the refoundation of the Berlin economy. This may require the city to re-discover its trading past and to break with the "island mentality" that was one of the reactions to the post War division of the city. In this context the looming enlargement of the European Union places policy makers in Berlin with a great opportunity and a tremendous challenge: how to develop into a pre-eminent trading city between Western and Eastern Europe and beyond. Few cities, aside

from Vienna, can plausibly claim such a role. To be successful will require Berlin to further strengthen its economic base and its trading relationships to the accession countries, with the support of specialised educational, training and research services. It will also have to develop the open, global nature of the city as welcoming to new migrants, so as to offset demographic decline and devitalisation. Addressing the issue of identity, openness and flexibility with a clearer focus on the economic underpinning of Berlin's social and physical well being will be required if this goal is to be achieved.

Community level development issues

At the community level, efforts at regeneration have been mostly geared first towards physical and now towards social renewal. However, there appears to be no particular emphasis on business development activities yet. Most economic development seems to originate at the supra Berlin level via agencies such as the Industrial Investment Council (IIC)³⁰ and at the Land level via agencies such as IBB or the Berlin Economic Development Corporation, with its newly founded Business Location Centre.³¹ At the district level, focus is on site development and integrating with the aforementioned agencies and their different policies. Given that many districts have populations of 300 000 plus, it would appear that a greater emphasis and priority is required to develop both the endogenous business base as well as link these district and neighbourhood levels to the transition towards the knowledge economy.

Where there is effort, policy instruments seem to be related to site identification and preparation rather than to an active business development function that would focus on those that trade beyond the immediate vicinity and that have the potential to grow. An illustration of this is the very modest level of FDI in the distressed areas of the districts concerned by this study. Of the 24 foreign investments that located in Mitte since 1998, not a single one concerned Wedding. Of the 41 new FDIs in Berlin since the same year, only one benefited Neukölln.³² It appears that emphasis on major projects conducted at the city level such as the Adlershof Science and Technology Park, however useful for overall Berlin development, might in certain cases be detrimental to location decisions in other city areas where cluster logics could also develop, such as in Wedding, home to the pharmaceutical giant Schering.

In discussion with local actors it was evident that links with businesses, as opposed to business organisations, were limited. Yet, at the local level opportunities to develop new businesses were evident, drawing upon certain local assets or infrastructure with possible spill-over effects. Such is the case of the entrepreneurial strength of the owner of the large, independent Estrel

leisure and conference hotel in Neukölln, Turkish businesses in Reuter Platz or the social foundation transforming a former factory into a mixed business/residential centre in the heart of Wedding. These sparks of enterprise do not seem to be nurtured sufficiently nor encouraged to benefit other local firms (supply chains). It is these businesses that have the capacity to help transform neighbourhood areas and inject more innovation into local systems, be it education, training or learning. The barriers and difficulties they overcome should be analysed to identify potential beneficial changes in policy and public services.

The role of the private sector

An economic strategy for Berlin, developed with the private sector, at corporate and SME levels should provide a platform for the development of a more vibrant Berlin economy. Its approach should be integrative. It should recognise the need for more vigorous and knowledge-based economic growth at the Berlin level with a spatial development plan that aims to complement the development of areas already hardest hit by economic and social transition with those areas where active social capital and physical development activities are already in hand. Berlin may be facing the lacuna of a post-unification “dash for growth” with over-extended commercial and residential investment contributing to very soft property markets and a fiscally challenged state. However, in the area of its physical infrastructure Berlin’s fundamentals are solid. Its human capital assets are well identified, but could be all the stronger if labour market inflexibilities (especially in relation to non-German workers) were relaxed to allow better contribution to the city’s economy.

Also, innovative uses of vacant property in Berlin³³, by temporary head-quartering of start-up firms or the organisation of artistic exhibitions or cultural events, in certain cases with the support of Quartiersmanagement staff and funding, can help to boost the image of certain areas and attract other Berliners. Better use of these premises, both in inner and outer-city areas, could increase chances that real-estate value would grow. Such an “urban catalyst”³⁴ could be facilitated by the adoption of certain measures (See Chapter 6).

It is essential that a re-appraisal of the resources and, if necessary, the competencies of the districts in relation to the delivery of economic development and learning activities be undertaken. This level of meso-government appears to be under-valued and under-utilised. It may provide one way to integrate the need to balance economic and social imperatives. A greater strategic alignment is required, as is an explicit and agreed economic policy for the different parts of the city. In the absence of

such a strategy, economic initiatives at the supra-Länder level (IIC), at the Land level (IBB, Economic Development Corporation) and at the district and local QM levels are taken without any over-arching idea of the wider goal and objectives.

Human capital: German language proficiency, education and achievement

Problems facing foreign children in Berlin schools

For the school year 2001/2002 there were 351 000 pupils in Berlin in 13 900 classes in 863 different schools (primary and secondary).³⁵ Of these 70 400 (20.6%) did not have German as their maternal language. Six-thousand foreign pupils (close to 10%) benefit from “Integration classes” that emphasise German language teaching with specific pedagogical approaches to compensate the handicaps of these children with little or no knowledge of German when entering the school system. In Germany, compulsory schooling only starts at age seven³⁶ and pre-schooling is not systematically organised, which means that many foreign children do not attend kindergarten which would permit them to acquire initial German language skills, since their mother tongue is usually the only language spoken at home. There were 33 098 teachers and 3 909 pedagogical councillors in Berlin for the above-mentioned school year (1 300 new job positions). In spite of these recruitments and the decrease in the number of pupils since the preceding school year, (-10 000), many classes, particularly in distressed neighbourhoods, still have too high a level of pupils.

The situation of education in the study areas

The above-mentioned figures only give a very general indication of the reality in the study areas.³⁷ The higher concentration of foreign population in the two inner city Quartiersmanagement areas, as compared with district figures, which are themselves much higher than Berlin averages, reveal a spatial concentration of the deficiencies in the educational system. In some classes there are 80 per cent or more foreign pupils and the level of educational attainment in the corresponding schools is much lower. The quota system set up to guarantee a certain degree of ethnic mix between Germans and non-Germans has been de facto abandoned and calls on immigrants to register their children in other parts of Berlin where there are less foreigners have not been heeded. Very few children attend kindergarten and use of native language at home is reinforced by easy access to satellite TV beaming programs in Turkish, Arabic and other languages. Lack of knowledge of German by parents

and mostly by mothers not seeking to get on the job market or mingle with German housewives maintains this “closed educational and cultural circuit”, a major obstacle to integration. Some teachers or specific classes (Integration classes) try to cope with this situation but the efforts are not in proportion with the dimension of the problem. In some cases, language courses are organised for parents but there is a certain reluctance to follow these, with women not often able to profit from such possibilities.

To supply information necessary for OECD on education in the study areas, interviews conducted by IBB with school authorities in Wedding and Neukölln in December 2001, corroborate these findings. The highest shares of foreign pupils are to be found in the Sonderschule (special primary schools for children with learning disabilities) and in the Hauptschule (extended elementary schools leading to professional blue-collar training curricula). Cultural differences create problems that teachers are not always able to cope with. Difficulties linked to tackling the German language, not yet solved at the secondary level, lead to a limited offering of foreign language courses for all students (French, English, Spanish, Italian). Children have short school days (ending 4 PM) and extra study/leisure time is often wasted. Job counselling is offered at the secondary level but inadequate educational attainment and lack of mastering of job market possibilities (apprenticeships, training bridges) put many on the dole after leaving the school system. In the Gesamtschule establishments (common schools from primary to grammar school), there is a characterised lack of capacity leading to overcrowding of schoolrooms. High proportions of foreign pupils and lack of space lead to overall poor performances for these schools.

An assessment of the quality of Berlin’s schools was carried out by the Berliner Zeitung in 1999.³⁸ The findings concerning the two former districts of Wedding and Hohenschönhausen as well as that of Neukölln underline certain deficiencies as compared with the rest of Berlin, but these do not appear in all cases. Teacher staffing rates are comparable in the three districts with other parts of Berlin (18.3 students per teacher at the primary level, 13.2% at the secondary level) although problems encountered by teachers in those areas could justify higher ratios for difficult schools. Concerning the quality of facilities, Neukölln and Wedding concentrate rather on the good to medium scale but Hohenschönhausen presents an overrepresentation of schools with facilities in critical condition (close to 25% as compared to not more than 10% for the other two districts). In terms of teaching materials, all three districts are in a disadvantageous position in comparison with the rest of the city. In Wedding, for instance, three times more schools than the Berlin average (3.9%) ranked the condition of their teaching materials as critical. (close to 10%). Whereas all of Hohenschönhausen’s schools reported having lunch service, only

one fifth of those in the two other districts did. Finally, as in all Berlin schools, the rate of ICT equipment per student as well as that of Internet connections in these areas remains relatively low (See Further).

Practical consequences of educational shortcomings

Lack of proper quality schooling and insufficient educational achievement leads a growing proportion of German families, but also foreign families beginning to scale the social ladder, to leave these neighbourhoods. Demographic trends for the former clearly show this (See Chapter 1). In one of the study areas (Reinickendorferstrasse-Pankstrasse in Wedding), 40 per cent of inhabitants live there for less than five years.³⁹ In both cases one of the preferred destinations seems to be the Berliner Umland. Such trends reinforce the formation of ghettos in these areas, with the only in-comers being the poor, low skilled or jobless. Stopping the downward slide of these neighbourhoods, besides implementing specific physical renovation programmes or new social based approaches, appears inseparable from a radical improvement of the delivery of education in the distressed areas.

The present-day situation in these neighbourhoods is also a reflection of the shortcomings of the German educational system brought to light by the OECD Program on International Student Assessment (PISA)⁴⁰ published in the year 2001 and recognised by German authorities who are striving to improve the situation.⁴¹ Some findings concerning the performances of students born abroad or with immigrant parents are relevant in this context and their inclusion has been specifically requested by IBB. The PISA study scores reading, mathematical and scientific literacy for 15 year-olds in OECD Member countries as well as a few others. In all countries non-native students do not fare as well as others but in some the differences are less pronounced. For reading literacy within Germany, the share of foreign-born pupils at the lowest levels is comparatively much higher than that of native Germans. Foreign-born pupils represent only 11.3 per cent of students but close to half (5.1%) score at the lowest level. Native German students represent 88.7 per cent of the student population but only 14.4 per cent of the overall number of pupils with the lowest scores. Also, looking at performances of first-generation students (with two foreign-born parents) in all three literacy categories, the score in Germany is well below OECD averages for these students.⁴²

Fewer opportunities

The present system can only increase discrepancies noted between skills levels/educational out-put in these areas and the job market, as the following table shows.

Table 8. **Skills and educational levels in Berlin, Wedding, Neukölln and Hohenschönhausen**

Category (in % of total population)	Berlin	Berlin-West	Berlin-East	Wedding	Neukölln	Hohenschönhausen
Skilled and semi-skilled	36,9	37,1	36,5	34,1	69,7	36,3
Higher education	27,4	34,1	43,5	14,0	12,9	23,4
Without further education	21,2	24,0	16,5	34,9	6,3	16,4
Others	14,5	4,8	3,5	17,0	11,1	23,9

Source: Statistical Office of Berlin, (1999-2000).

Concerning access to higher education, the Neukölln District and the Wedding area of the new Mitte District are at substantially lower levels than Hohenschönhausen and the rest of Berlin. No measurement is available for the study areas themselves but their overall educational profile certainly contributes to bringing these figures even lower than wider area averages. Few youngsters from these inner-city neighbourhoods have any serious chance of entering higher education under present conditions. On the other side of the scale, the proportion of people without any further education is much higher in Wedding (34.9%) than in Neukölln (6.3%), with Hohenschönhausen situated in between (16.4%), which means that improvements in the delivery of education in distressed inner city areas should concentrate in particular on Wedding. Besides, as for other indicators unavailable at the neighbourhood level, chances are that the situation in the study areas is even much worse than these figures would tend to show.

Table 9. **Foreign pupils in vocational education in Berlin, 1998**

Training field	Total number of pupils	Number of foreign pupils	Share of foreign pupils
Industry and trade	28 365	1 393	5%
Handicrafts	22 689	1 569	7%
Agriculture	1 214	19	2%
Public services	2 192	39	2%
Miscellaneous services	5 911	340	6%
Domestic economy	347	13	4%
Total	60 718	3 373	4%

Source : Statistical Office of Berlin, (2001).

Similar differences are to be noted between Neukölln and Wedding concerning the percentage of skilled and semi-skilled people, with the former having a much higher rate (69.7%) than the latter (34.1%), which is quite comparable to that of Hohenschönhausen (36.3%). Efforts to upgrade the skills level through the school system and through vocational training will thus have to be much greater in Wedding but also in Hohenschönhausen, if new jobs requiring minimal skills are to be created locally.

In the context of the study areas, concentrating a high percentage of foreign population and youngsters of foreign origin, the low share of foreigners in the vocational education system in Berlin signifies that an important proportion of young people living there do not access the educational opportunities that would permit them to better integrate into society through the job market. The availability of a more educated and qualified workforce, particularly in the Wedding study area, could also constitute a lever for SME creation and investment, whereas today this seems to represent one of the obstacles to local economic development.

Social capital: youth issues

Difficulties faced by young people in distressed areas

In distressed urban areas in Berlin, the percentage of young people in the 6 to 15 and the 15 to 20 age groups tends to be higher than elsewhere in Berlin, as the following table shows. This is true both for the two inner city study areas as well as for that of Hohenschönhausen. In the first case, the 6 to 15 age group percentages are higher than Berlin, West Berlin and inner city West averages attaining 9.2 per cent in Neukölln and 9.4 per cent in Wedding. The 15 to 20 age slot represents 5.2 per cent of the population in the two inner city district areas, which is higher than West Berlin and inner city averages,

although slightly lower than the city-wide average (5.4%). In the second case, Hohenschönhausen averages in both age groups are also higher than those of Berlin, East Berlin and the outer city East, attaining 12.6 per cent for the 6 to 15 year olds and 9.1 per cent for the 15 to 20 year olds.

Table 10. **Population distribution of youth in selected Berlin areas**

Criteria	Berlin	Berlin West	Berlin East	Age In %				Wedding	Neukölln	Höhen- schön- hausen
				Inner City West	Outer City West	Inner City East	Outer City East			
6 to 15	8,8	8,4	6,9	7,9	8,8	9,5	10,3	9,4	9,2	12,6
15 to 20	5,4	4,8	4,9	4,4	5,0	6,6	7,1	5,2	5,2	9,1

Source: Statistical Office of Berlin (1999-2001).

The proportionately higher representation of young people in the districts where the study areas are located draws attention to the specific difficulties of these young people whose share in social assistance has been growing faster than that of the rest of the population. Thus, Berlin-wide there were 158 610 beneficiaries of continual subsistence payments in 1991 versus 275 557 in 1999 and for the same years the corresponding figures for the less than 18 year-olds were 43 342 and 92 225 (more than doubling). With an index of 100 in 1991, that of total recipients attained 173.7 in 1999 and that of young people 212.8. In terms of employment, young people are not the hardest hit age group and their relative percentage in Berlin averages from 1992 to 1999 has tended to decrease. This is the case in the under 19 age group or for the 20 to 24 year olds but the first category has seen its overall situation worsen (index 100 for 1992, 116.2 in 1999).⁴³ This particularly appears to be true in West Berlin, but comparative figures between the two parts of the city are not available since 1997. In the absence of direct statistical data for the three study areas, the jobless rates for young people living there can be assumed to be higher than East and West Berlin averages as well as those of their respective districts. This is already the case for the overall population in these neighbourhoods and particularly for foreigners harder hit by unemployment than the rest of the population.

In the present Berlin context, young people living in distressed areas seem to accumulate handicaps. The educational system does not provide them with equal opportunities insofar as the attainment level of schools located there is well beneath average and that for the numerous children of foreign origin, the initial language deficiency can never be totally erased whilst it impacts results in all areas of learning. Vocational school attendance and achievements do not generally permit these children to catch up, so a high proportion ends up unemployed and on social assistance. This accumulation of difficulties for young people in distressed areas obviously does not make these an attractive option for those who are able (through attainment, network or family ties) to move elsewhere. This means that only those in most distress will stay longer, only to be replaced later by others belonging to families in even more difficult situations.

Youth clubs

There are many Youth Clubs in Berlin (35 in Neukölln, 26 in Wedding, 27 in Hohenschönhausen) mostly in distressed areas, with financial support provided by the Senate and the Bezirke. The OECD study team was able to visit one of the three in the Reuterkiez area of Neukölln⁴⁴ in February and hold a lengthy discussion with the director of the centre of Palestinian origin and the young people present. The Outreach club has only one permanent member on the staff (the director), supported by a part-time salaried person and volunteers. It possesses a limited selection of training manuals in different fields and several computers but the club has difficulty in paying the Internet access fees. The club comprises a hundred members and brings together young people who feel excluded both in school and at home and are following vocational training and/or searching for a job. They are often (or have been) minor delinquents (but there are no local gangs any more). Due to the high percentage of Turkish and Arab families in the area many come from Turkey and different countries of the Middle East. The age range is between 14 and 22 and there are both boys and girls.

More than half of those present during the meeting with the OECD team declared they would like to acquire German citizenship but also complained of racism from German children. They seemed to be poorly informed of conditions for acquisition of citizenship and formalities to be accomplished. They also complained of an information gap in many other areas including job search and vocational training. They seemed happy to have a place where they could meet and discuss their problems and confidant in the role of the director as a mentor. On the other hand they seemed eager to participate in certain projects if funds and training were available for that

purpose. The idea of better using the Internet through proper guidance to retrieve practical information seemed to interest them but none was able to say if quality useful information was already easily available on the numerous local Berlin sites. The idea of a local area forum for debate appeared particularly popular rather than the already existing Berlin-wide project "Forum Einwanderung" (Forum for Migrants)⁴⁵ set up by the Senate Administration for Foreigners. They had not yet heard of the Quartiersmanagement project in Reuterkiez only decided the month before, with the local office not yet installed but they seemed interested by the approach and willing to participate.

Juvenile delinquency

A study carried out in 1999 under the auspices of the Berlin Forum on the Prevention of Violence,⁴⁶ on the basis of criminal statistics collected for the period 1984-1997 according to age group and type of offence, shows that crimes committed by children and young persons are on the rise. Perpetrators are becoming younger, and minors are becoming more violent. The main characteristics of youth delinquency in the different age categories are as follows:

Children 8-14

In 1997, this category made up 6,5 per cent (2,222,376) of the Berlin population. By 1997, the number of crimes committed by German children of this age was 4 248 compared to 7 444 for non-Germans. Crimes committed by German children rose by 43.1 per cent between 1989 and 1997 compared to those of non-Germans, which rose by 48.7 per cent. In 1997, 64.6 per cent of these children were involved in theft, 17 per cent in brutal offences and 13.1 per cent in property damage. The number of children suspected of committing brutal offences more than doubled in the period 1989-1997, whilst the number of thefts was almost halved. Concerning brutal offences, there were no discernible differences between the number of these crimes committed by Germans and non-Germans, until the period 1989-1997: the number of German children committing these crimes more than doubled, whilst for non-Germans there was a three-fold rise. Robbery is included in this category: between 1984 and 1989, the figure numbered about 60, rising to 545 by 1997 (three times higher for non-Germans than for Germans). Most robberies occurred in streets, roads, and open spaces. From 1991 onwards, street robberies committed by children rose three-fold. Non-German children are almost three times more prone to be involved in these crimes than Germans. Concerning property

destruction, (1997, 13.1%), generally more German than non-German children committed this type of crime.

Young People (14-18)

This category is more involved in crimes like robbery, physical injury, serious larceny, property damage, travel cost evasions, and shoplifting. Concerning robberies, the number of young people involved grew, with the rate for non-Germans during the period 1984-1997 three times higher than for Germans. This age group also committed a rising number of thefts in public places, with the phenomenon of youth group aggression manifesting itself after the border opened: more Germans, (69.5%) than non-Germans committed crimes in groups. For crimes involving physical injury, the number of suspects doubled between 1991 and 1997 for both Germans and non-Germans, with non-Germans outnumbering Germans in 1997 (1.913/722). Concerning shoplifting, the number of Germans and non-Germans committing such crimes in 1997 were respectively 3 912 and 7 486, but with young Turks numbering less than their German counterparts. Property damage incidents more than doubled in Berlin to 55 073 by 1997. The numbers of Germans and non-Germans involved were similar. As for drug-related offences, (acquisition, possession, and consumption) in 1997 there were 10 315 incidents, almost double the number reported before reunification. The type of drug prevalent amongst this age group is cannabis. The number of non-Germans involved in these kinds of crimes was not necessarily higher than that of Germans.

Adolescents (18-21)

This category numbered 107 915 in 1998 with the number of Germans growing steadily compared to a decrease for the non-Germans. Neukölln and Reinickendorf are mentioned amongst the areas in which Germans delinquents live, whilst Neukölln and Wedding are indicated for non-Germans. Crimes committed by this age category rose from 258 884 in 1984 to 592 638 incidents in 1997. Regarding robbery attacks in public places, in 1986 there were 61 suspects but by 1999 the figure rose to 452 (ratio of Germans to non-Germans of 2:1). As far as crimes involving dangerous and serious physical injuries were concerned, the number of suspects rose from 593 in 1984 to 1 305 in 1997. The number of non-Germans in this category was more than double that of Germans. Next to travel fare evasions, shoplifting boasted the highest number of suspects for this age group. The number of non-Germans committing this crime in 1999 was 5 975 compared to 2 392 Germans. Concerning incidents of damage to property, at least 94,3 per cent of the suspects were people of

German origin, with the number reaching 1 701 in 1999. Drugs crimes concerned mostly illegal dealing in and smuggling of drugs like heroin in large quantities. The number of suspects rose from 540 in 1984 to 1 415 in 1997.

The Berlin police

The Berlin police⁴⁷ have a current workforce of approximately 27 000, including 14 650 policemen, 3 063 detectives and 1 206 administrators. The Berlin Senate plans to cut 3 300 employees from the current workforce whereas the police considers that a further 1 300 employees and €35 Million are required to have a fully working law enforcement. A large number of Berlin police are lost from day-to-day policing of the city to functions of Berlin as the federal capital. In terms of national financial support, Bonn, as previous Federal capital, received an estimated €75 Million per year for its policing but the Berlin Senate is paid only €37.5 Million a year by the government. The Berlin police service indicates that there are too few employees to carry out proper crime prevention and are thus only in a position to deal with crime once it has happened. They are only able to *react* to crime rather than being *proactive*. This, the police say, is particularly the case in the subject areas, which are noted to be points of stress ('Schwerpunkteabschnitte') in Berlin. In spite of current restrictions, proportionally more police than elsewhere are nonetheless in operation in these areas.⁴⁸

Table 11. Police employees in the three study areas

Study area	Total number of police officers
Pankstrasse-Reinickendorferstrasse (Mitte)	183
Reuterkiez (Neukölln)	160
Falkenberger Chaussee (Lichtenberg)	190

Source: IBB, (2002).

Computer and Internet use

Computer and Internet use seem still fairly limited in Berlin's schools at all levels of instruction. Primary schools reported very low levels of Internet access city-wide and in all three districts. The rate of schools with Internet connections at other levels does not reach 50 per cent either. The three districts follow overall trends. For those schools reporting computer use at the school, the number of students per terminal is elevated. In Berlin, for primary schools the rate reaches to 58.4 students per terminal and for other levels 36.1 students per terminal. The rate of students per terminal for Neukölln's primary schools is almost twice as high as the city-wide average. Investment in technology appears as a pressing need for Berlin schools and those in the three districts in particular.

The mentioned data only shows the lack of proper ICT equipment in Berlin schools but does not indicate time spent on computers at school, integration of PCs as a learning tool in different curricula, nor qualification and willingness of teachers to use the new media for pedagogical purposes. In any case, effective usage in school for teaching depends on the overall school environment. Schools in the three study areas, generally lesser equipped, are not in a favourable position to facilitate true ICT literacy acquisition by pupils or to use such technology efficiently as a support tool for teaching. Thus there is a digital divide in Berlin amongst youngsters, depending on school location. The survey conducted in June 2000 on computer and Internet use in Berlin by young people⁴⁹ corroborates the fact that schools are under-equipped. On the other hand the method (Internet sampling of 893, age 9 to 27 and geographical sampling of 903 pupils aged 12 to 18) cannot give quite the same picture. Having a PC at home with an Internet connection is not usually the case for children residing in distressed urban areas. On the other hand, the school based survey showed that at least three quarters of the youngsters used the PC at home, with use at school appearing only in fourth place. This means that the educational possibilities of ICT are far from being used to their optimum in most schools.

Table 12. **ICT Equipment in Berlin Schools and three districts**

	Berlin	Hohenschönhausen	Neukölln	Wedding
<u>% of schools with</u>				
<u>Internet access</u>				
Primary schools	16.2%	0.0%	25.0%	0.0%
Other schools	44.9%	45.5%	44.4%	40.0%
<u>Students per</u>				
<u>computer</u>				
Primary schools	58.4	57.5	94.6	61.9
Other schools	36.1	35.3	30.4	40.5

Source: Berliner Zeitung, (1999), IBB (2002).

Perspectives

Breaking the cycle of decline of these neighbourhoods is thus in particular inseparable from improving the prospects of young people residing there. This addresses major issues concerning the educational system and the job market that certain initiatives such as the Territorial Employment Pact initiated in Neukölln have begun to answer. Creating a vision for youth through active participation in local affairs such as encouraged in Quartiersmanagement is necessary but will not suffice if other basic problems are not solved within a wider district/city context. Rendering these areas attractive again for living and working by effective integration into the wider city fabric appears to be the only long-term option to retain families and young people by choice instead of by lack of alternative. To achieve this, other concerns of young people need to be addressed: Youth clubs can respond to some of these, in particular to limit juvenile delinquency. Active and guided use of ICT by young people can also be a medium of choice to facilitate social integration and cohesion whilst offering easy access to practical information on educational, training and job opportunities that young people often lack in the absence of adequate family guidance.

To develop these new perspectives, active public and private partnerships are required, in particular between firms and educational institutions. Recycling of computers, ICT training in or by firms in favour of youth club members are some possible initiatives. More direct links between schools and firms by “practical tutoring” in certain areas for selected students (those showing the most eagerness to learn or acquire new skills) would also facilitate later integration into apprenticeship programmes and the job market.

PART IV

URBAN DEVELOPMENT, MIGRATION AND IDENTITY

Urban policy in an international perspective

In 1994, at the OECD Australia Conference “Cities and the New Global Economy”, OECD Deputy Secretary-General Pierre Vinde stated “many of the problems which cities confront relate to their physical and social infrastructure. Disillusioned in the 1980s by the failure of the 1950s and 1960s, national governments have often preferred to withdraw from cities altogether, passing off responsibility to regional or local governments, or substituting sectoral policies and entitlement programmes for urban policies.” OECD however, has sought to ensure that urban policy as an integral element of territorial development policy remains on the international political agenda. Territorial development policy, unlike macroeconomic policy, cannot be applied uniformly. It is a highly complex policy arena which covers all actions taken by national level governments to promote the growth of all territorial units in order to contribute to countrywide growth.

That cities are crucial to regional and national development is a point that was asserted as a key policy message from the UN 2001 State of the World’s City Report:

*“In today’s world, national development is linked to city development. The evidence – qualitative as well as quantitative – supports the argument that cities are key to countries’ overall social advancement, environmental sustainability and economic viability. Most significantly, urbanisation is highly correlated with national human development. Accordingly, a nation must attend to the basic needs of its urban population to ensure a constantly improving quality of life country-wide. **A country’s global success rests on local shoulders**⁵⁰. For the good of all citizens, city and state must become political partners rather than competitors. If accommodation requires new political arrangements, institutional structures or constitutional*

arrangements, it is never too early nor too late to begin making changes.”

In 1998 OECD warned that cities would not change “if there is no understanding of the importance of cities in national economies, in matters of social cohesion, in respect of the environmental conditions, and in effective governance. This understanding, and with it a vision of how cities in the future can enhance the quality of life of all people in OECD countries, is something that governments share with the private and civic sectors... the unique role and responsibility of government cannot be ignored.”⁵¹ Cities are finding solutions to the complex issue of long term economic restructuring and are pursuing innovative and effective economic development strategies, which are of benefit throughout OECD Member countries. Analysing these changes and communicating the outcomes through an OECD review makes an important contribution to policy evolution.

Cities in the 21st century are *addressing the multiple challenges of globalisation*. Globalisation is a dynamic process characterised by the increasing integration of markets for goods and services and markets of production factors such as capital, labour, technology and information which has a profound impact at the territorial level. Mobile capital searches out specific qualities of territories for investment. In particular, multinational corporations compare the qualities of places to locate business functions within a global frame of reference. Where firms consider there are long-term advantages, they are willing to commit company resources to building local opportunities and improving worker skills, educational programmes and living environment for families. In a globalising economy, not only firms but also territories increasingly find themselves in competition with each other. Furthermore, opening territories to a global economy has restored the idea of territories in continual incremental adjustment to external market forces, instead of the idea of territories as fixed physical structures.

Local economies must constantly reinvent themselves through structural and microeconomic adjustments, and thus policies should enable each locality to respond quickly and effectively to problems in relation to the enhanced mobility of capital, management, professionals and skilled labour, and technology innovation. If a local response is either inadequate or too slow to take full advantage of or further develop endogenous resources and competencies in the face of such new challenges, it will be by-passed, leaving declining sectors, communities and cities behind. The establishment of local systems that can develop and sustain flexible economic and social responses to challenges from global changes is a new key policy area.

Patterns of growth, which have promoted increased suburbanisation and urban sprawl, have negatively impacted upon central cities and inner suburbs. Older core communities face concentrated poverty, attendant joblessness, crime, failing schools and health inequalities. The range of urban problems includes the formation of distressed urban areas, housing and public services poorly adapted to different categories of the population, congestion, deteriorating infrastructure, mono-functional districts that are difficult to adapt to new purposes, brownfields left over from declining industries, growth on greenfields on the periphery, and institutional structures that are inadequate given the scale and complexity of modern urban areas. Areas of more extreme, multiple deprivation have emerged in many OECD cities with distinct features of: low educational attainment, high unemployment, poor housing, high crime rates health inequalities and numerous other socio-economic characteristics which interact to produce cycles of decline.

As cities go through processes of regeneration, neighbourhoods change. Some prosper as processes of gentrification take place, others deteriorate. Distressed urban areas are commonplace and are often areas with strong local identities. Research continually highlights the fact that the neighbourhood environment has important social consequences. One of the most significant factors undermining local confidence is a strong sense of physical deterioration, hence the reason that many regeneration projects have concentrated more on physical urban renewal. Older, historic buildings are fundamental to residents' sense of place and the loss or decline of such 'landmark' buildings leads to acute feelings of lost heritage, pride, status and identity. Similarly new symbols emerge through architecture and urban design which reinvigorate communities and reflect neighbourhood changes. Many successful regeneration projects exist, however. Regeneration tends to take place at the micro level, this has many advantages but thought must be given to ensuring that new spaces interact with the existing urban fabric. Many cities are in the process of creating new urban identities, which are juxtaposed between traditional communities and often working class, or with large ethnic communities whose heritage may be fixed in the old economy and which suffer from high levels of multiple deprivation. A key challenge will be creating synergy between these areas, and not just in a physical sense, (good urban design can realise that), but socially and economically as well.

Tackling the serious issue of distressed urban areas is an ongoing challenge for all levels of government. Geographically concentrated poverty remains a serious issue in many cities. Area based approaches are proving to be effective and are facilitating a truly cross-sectoral approach. Agencies responsible for regeneration are now tackling education, health, skills training and economic development as well as traditional physical rehabilitation.

Successful regeneration happens when holistic strategies, which pursue economic, social and environmental goals, are implemented. No region can prosper if the city at its core is weak. The resources to solve urban problems are not only material; they include elements of social capital, flexible and visionary institutions, and the creative and imaginative work of people in both the public and private sectors, many of which depend on a combination of national and local conditions. Leadership is vital to overcoming a fatalistic attitude that sees change in cities as largely negative, and to building public-private partnerships, and involving of social partners and civil society.

Many of the difficulties involved in coping with distressed urban areas are similar to those encountered in managing urban development more generally, only more so because some of the self-organising, self-correcting tendencies of urban economic and social systems are not working effectively in distressed urban areas. From this perspective, an urban policy for distressed areas is not so much a matter of exceptional measures as it is a matter of taking the normal activities, roles and responsibilities of government in cities – education, infrastructure, health, policing, welfare, etc. – and applying them more effectively, taking better account of the factors that generate and perpetuate distressed urban areas.

The objective of a strategy for distressed urban areas is to integrate those areas which already exist into the social, economic and physical fabric of the city. The problems of distressed areas cannot be solved by policies that focus on these areas alone. The full array of metropolitan resources should be brought to bear, and action may be needed simultaneously in many parts of the city if growth is to be managed better. To rejuvenate a distressed urban area in a purely endogenous manner would only reinforce the ghetto orientation. A good strategy should be constructive for the entire community, emphasising the benefits for the city as a whole that will come from regeneration. The 7 guiding principles put forward by the OECD (1998) are:

- make urban regeneration policies more comprehensible to local actors and to the population;
- reinforce horizontal and vertical co-ordination;
- adapt the strategy to the diversity and complexity of the local context;
- avoid stigmatising particular areas;
- act early enough and take preventive measures;

- develop a transparent system for identifying areas of need;
- actively monitor and evaluate policies.

Urban policy in Germany for a sustainable future

Progress toward sustainability will require change in the organisation of cities and regions, in the management of their natural resources including their demand for energy and in land-use patterns. The lessons of recent years indicate that the cities, communities and regions of developed countries can be modified and improved, but this often requires public and private investment, as well as changes in the behaviour of individuals and enterprises. Because urban development involves investments that have a useful life-cycle measured in years or decades, the quality of life that people will enjoy in the future will be shaped in part by commitments made now. So whilst urban policy is remedial insofar as it tries to cope with problems that already exist it is also forward-looking because it tries to guide development to provide better cities for the future. As such the goals of sustainable development will be more easily achieved through effective policies for urban development which are part of a comprehensive territorial vision. It is clear that combating social exclusion is dependent upon sustainable solutions which break cycles of inter-generational deprivation. Governments throughout OECD countries are taking longer-term perspectives with respect to social exclusion, which will ultimately be more sustainable, but it is important that policies impact in the short term as well as the long term in order to not lose another generation to poverty.

The German approach to urban policy is based on an urban hierarchy, with a polycentric system of central places at different levels of importance. This characteristic is consistent with the federal structure of Germany and a market-based approach that emphasises competition and change. In the post-war era as in Germany's pre-industrial past, cities have enjoyed considerable autonomy. This autonomy plays a role in the German federal system as a check on central power by recognising cities as fundamental, constituent parts of the national fabric. Moreover, this high degree of autonomy takes account of the diverse needs of cities, including the relevance of each city's history to its contemporary development. Innovation is more likely under such conditions. From this perspective, the capacity of cities to function well is an important element in the workings of both democracy and the market economy.

The 1998 OECD report, Urban Policy in Germany noted that the overall challenges of urban development in Germany are broadly the same as the challenges facing Germany as a whole. These include stimulating economic growth, increasing the level of employment; improving the environment and strengthening social conditions.

The Report noted that “each of these challenges has an urban dimension which raises questions about urban policy, planning and land-use patterns now and in the future, questions which are highlighted by current trends related to outer-edge development, suburbanisation, and the social patterns of residential choice. Economic development can be improved if planning decisions, urban travel management, and urban renovation can help different sectors to derive greater benefits from urban locations and markets. The environment can be improved through efforts making maximum use of previously-developed land and the renovation of degraded buildings, and through integrative strategies to reduce the demand for car travel in urban areas. Social conditions can be strengthened by addressing the problems of long-term unemployment in urban areas affected by the collapse of established industries, the concentration of immigrants and of people with below-average incomes in the cores of many cities, and the isolation of different social groups and categories.

Taken together, policy measures that would make progress on each of these fronts would produce cities that are more strongly organised around their historic cores, focus development on existing centres, and make fewer demands for outer-edge development.” From this perspective, the challenge of urban policy in Germany can be rephrased more sharply. Germany has adopted a broad, multifaceted definition of sustainability for urban development policy. The question is how the social, economic and environmental strands of sustainability can in fact be pursued together more effectively. This in turn calls attention to the capacity of the policy system, in terms of institutions and instruments, to use a more integrated, multi-sectoral approach. Since the publication of this OECD report, Germany has developed the *Soziale Stadt* initiative (See Chapter 5): there is strong emphasis on social cohesion but the economic and environmental dimensions seem to have received less attention, thus reducing potential impact in terms of longer-term job creation.

Economic impact of place and ethnic identity

“A good place is one which, in some way appropriate to the person and her culture, makes her aware of her community, her past, the web of life, and the universe of time and space in which those are contained.”⁵²

The contemporary urban experience has changed. The class oriented cultures and institutions of the industrial city have been displaced by the rise of a fragmented, privatising, and service oriented urban polity. Cities have become disjunctures between old and new societies as the functions and population distributions that once defined a central city have become spatially extended and delocalised. And yet, the divisions of society remain embodied in space and place. Cities segregate individuals and groups of individuals just as they bring others together. As living environments, cities of today accommodate the extremities of wealth and poverty, as they always have. People attach meaning to place; part of the differences between people are accentuated through the spaces they occupy and the places they inhabit. The relationship between people and places is perhaps even more important at the end of the 20th century than it was at the beginning (Phillipson *et al.*, 1999). Individuals may have a strong neighbourhood identity but that identity will be affected by broader contexts. City, metropolitan, regional, national and supranational factors compound to diffuse traditional notions of identity and thus promote new cultural perspectives that are founded on new values. Several policy issues emerge:

- Space based assets are integral to establishing competitive advantage. M. Porter argues that location in the modern global economy is a crucial factor and in order for cities to be competitive they must draw on local advantages. That means that neighbourhoods and as such the metropolis within which they sit must identify their territorial assets and understand how those assets interplay with the established identity of the place and its people.
- Migration flows introduce key economic and social variables. Transient populations in deprived neighbourhoods are known to negatively impact upon social cohesion. How can this be better managed to strengthen local capacity?

- Changing demographics also affect place identity: urban cores are being re-inhabited as numbers of single person households increase and ‘empty nesters’ return to cities. How effective are local and national policies in guiding this process?
- Vacant and derelict land in urban cores negatively impacts upon the social and economic fabric of surrounding communities, despite pro-active efforts in many countries to rehabilitate these areas. What additional measures can local and national governments introduce to regenerate more brownfield land?
- Is identity an undervalued asset? Increasingly policymakers are becoming interested in the economic dimensions of identity. Research is revealing the important contribution to city and national economies made by particular ethnic groups. What has traditionally been perceived as marginal economic activity, is now part of the mainstream. How can this be further developed, and what measure are needed to increase existing economic capacity?
- The intergenerational impacts of class and ethnicity introduce a new challenge into the urban context. Third generation social exclusion is a serious phenomenon of many prosperous OECD countries, which have undergone massive structural change. Ethnic minorities, whilst also experiencing considerable economic and social exclusion face the added challenge of establishing their own identity: they may be neither citizens of the country in which they were born nor are they immigrants as their parents and grand-parents may have been. How can society better integrate younger generations?
- Education is one of the fundamental pillars in a society which can reduce social exclusion, improving access to learning and developing targeted learning frameworks is known to be effective. What changes are necessary to identify community needs and establish appropriate delivery mechanisms which respect diversity and to respond to those need?

OECD, in analysing the economic impact of international migration, notes that migration has been an important phenomenon in many OECD countries and will continue to be so. Substantive work over the past decade highlights that “Some countries have traditionally been important net sources of emigrants, others have been destination countries, while a number have changed

from the first to the second group. The movement of people from one country to another clearly has a wide range of economic effects. Depending on the age and skill structure of the migrants, there will be changes in populations and labour supply that will affect employment, wages and output. Migrants pay taxes and may benefit from public expenditure, to a degree that again depends very much on the kind of migrant concerned. Since migration flows are very varied (economic, refugee, family, temporary, return, etc., are among the frequently used and overlapping categories employed to classify migration), there can be no simple answer as to what the precise effects are; careful empirical work is needed. Migration affects the demographic structure of the population, and its impacts through time can vary as a function of this, too”.⁵³ EU expansion, globalisation and the ongoing effects of poverty and civil unrest in other parts of the world mean that migration will remain a key challenge for governments as they seek to respond to the multifaceted challenges raised.

In cities with an important migrant population, local authorities seek to integrate this specific feature in urban policies in different ways. In Berlin, foreigners can participate in local district assemblies as “Citizen’s Deputies” and they also receive the support of a specific Senate organisation. Citizens’ deputies are non-elected German or non-German citizens who, because of a special expertise, have voting rights in a Berlin district assembly and participate in its work. They are chosen by the assembly after nomination by the parties’ parliamentary groups. They are, therefore, part of the clientele of the political parties, but they can also be beneficial to the integration of particular social groups. In Wedding there are 5 deputies of foreign origin out of 70. Four are from Turkey and one is from Poland. In Neukölln there is one deputy of Turkish origin out of 46. In Hohenschönhausen there are no citizen’s deputies of foreign origin.⁵⁴ The “Commission of Foreigners’ Affairs of the Berlin Senate”, as the following box shows, is mandated to promote the interests of this category of the Berlin population, while supporting the activities of an association geared towards the development of ethnic businesses (See Chapter 5).

Box 3. The Commission of Foreigners' Affairs of the Berlin Senate

Created in 1981. Berlin was the first Federal State to create such an office. This Commission, with a representative in each district, staffed with 30 people in the main office, is entrusted with the main following tasks:

Consultation and co-ordination on Foreigner's affairs with other Senate bodies: Each Senate department is responsible for that aspect of foreigner's affairs within its sphere of competence (education, youth, labour...) so special importance is attached to co-ordination of activities of the individual departments by the Office of the Commissioner for Foreigner's Affairs. One of its duties is conception and analysis of measures diminishing impediments to integration in legal, administrative and social spheres. Regular reports on the situation of foreigners are established for adoption by the Senate.

Promotion of integration: Measures decided by the Senate to promote integration of immigrant sub-groups (legal and social equality) are organised and financed by the different departments. The Commission for Foreigners monitors these developments. It also promotes Berlin-wide representative minority organisations (limited financial aid).

Consultation and advice: Counselling activities for the benefit of foreigners concern legal and social matters: immediate clarification in doubtful cases, assistance in problems or emergency situations. The Commissioner for Foreigners' Affairs is represented in the Advisory Committee of the Senate department for the Interior.

Anti-discrimination work: Training courses are organised to combat discrimination/violence. Direct counselling given for such cases.

Public relations: Provision of literature and materials offering background information on the different nationalities and cultures and religions represented in Berlin. Other publications in different languages are more of a technical/legal nature: rights of residence, naturalisation, pension rights. Awards for initiatives fostering integration and understanding.

Information of public servants: Workshops in integration policy are organised for public administration staff and for institutions performing social work among foreigners.

Social work: Social counselling services for foreign workers and their families; improvement of legal and social conditions for foreign women and girls.

Business development advice: An Advice and Co-operation Centre for Foreign Entrepreneurs helps to accelerate formalities for business registration, provides basic legal advice and information on vocational training. Acts as a 'door opener'.

Source: OECD Secretariat, (2002), Berlin Senate, (1999).

In discussing identity as it pertains to the urban context, it is necessary to consider the impact of migration on place. Historically, cities and metropolitan centres have been the final destination of most immigrants and their families. Cities throughout OECD countries are founded on the movement and settlement of people as urban economies have evolved. The identity of place in the 21st century is based by and large on a multiplicity of identities. Local, regional, national and indeed in Europe, supranational identities are now based on diversity and recognition of the contribution of all stakeholders in a society. This is the multicultural society, defined by Parekh (2000) as something which emerges from the way that:

“Cultures constantly encounter one another both formally and informally and in private and public spaces. Guided by curiosity, incomprehension or admiration, they interrogate each other, challenge each other’s assumptions, consciously or unconsciously borrow from each other, widen their horizons and undergo small and large changes.”

This results in a new context for place and a new emerging identity as cultures and identities fuse to create new synergies and new opportunities. Cultural identities are particularly meaningful collective identities of overarching common significance to people who may be otherwise socially diversified in terms of experience. There are significant economic benefits to cultural diversity. For example, immigrants tend to locate in areas where their own culture already has a presence. Such concentration is a natural consequence of the desire to trade within the immediate community. This research highlights that the decision to move out of the ethnic base often relates to the establishment of more valuable external trading links. Examples cited further based on research by the Essen Research Centre and Raj Patel bear this out. Diversity sustains the formal institutions of modern societies critically dependent for social order. Thus, an inclusive civic and political culture and the importance of people having an economic stake in the city are crucial to a sense of ‘belonging’.

Kusminder Chahal brought together the main findings from research projects supported by the Joseph Rowntree Foundation that have examined the social and economic experiences of minority ethnic groups. Research found that minority ethnic groups do not form a homogeneous mass at which policy initiatives can be aimed in equal measure. In general, each minority ethnic group is in a process of transition. Some groups are further along with creating an identity that is able to retain the distinctiveness of their respective cultures whilst also adapting to become an integral part of British society. More than half of African-Caribbean and Africans and over a third of South Asians live in

districts with the highest rates of unemployment. Only one in 20 live in an area of low unemployment compared with one in five of white people. People of Pakistani and Bangladeshi origin represent the poorest groups on virtually every measure. Sixty per cent of Pakistanis and Bangladeshis are poor - four times the poverty rate found among white people. All minority ethnic groups experience racist victimisation, particularly where families are isolated and removed from familiar networks. Greater involvement of minority ethnic groups in regeneration projects was found to be essential if differences in priority between ethnic groups are to be taken into account and some of the negative social and economic trends overcome.

In many countries neighbourhood analysis reveals that ethnic diversity within a local area can benefit social cohesion through a stable resident population, entrepreneurial activity and leadership, and the development of social networks beyond the confines of the immediate locality. Raj Patel's research in the United Kingdom revealed that ethnic-minority owned businesses are now playing an important role in the economy of their cities or boroughs. Britons spend more than £20 million a week in Indian restaurants. Self-employment is reported more frequently (16%) amongst members of ethnic minority groups who are working than in corresponding white populations (12%). Ethnic enterprise is now attracting increasing attention from policy makers, development practitioners and community organisations, not least because of persistent high unemployment amongst ethnic minorities. Increasingly governments are paying attention to the economic potential arising out of cultural diversity.

Research by the Centre for Turkish Studies in Essen, "Investigations into the economic power of the Turkish working population in the Federal Republic of Germany", focuses on the economic contribution made by the Turkish community. Increasingly, the economic asset of a diverse cultural base is being articulated throughout OECD Member countries as immigrant communities enter the economic mainstream. In 1996 it was calculated that Turkish workers contributed 1.97 per cent to GNP. However, unemployment in the Turkish community stands at around 23 per cent. From the mid-1990s entrepreneurship began to have an impact. In 1996 there were 42 000 self-employed Turks, in 1997 that number had risen to 47 000. Whilst initial activity was in the form of niche activity, Turkish entrepreneurs are now active in many sectors. In 1997, the Turkish self employed turned over a total of DM 41.4 billion. Jobs created by Turkish businesses rose in one year from 186 000 to 206 000; they employ on average 4.3 people.

Box 4. Turkish businesses in Berlin⁵⁵

Berlin's Turkish firms number 6 000. Overwhelmingly small businesses, they offer of 23 000 jobs and training positions. Initially, they provided goods and services for the Turkish immigrant community but they quickly moved out of their ethnic niche and began providing Turkish goods and services to the mainstream West Berlin economy. This process was well underway the end of the 1980s, with the diversification of Turkish businesses out of take-away-snack bars and coffee shops into finer restaurants as well as automobile repair and sales. Entrepreneurs in this ethnic economy had amassed experience, contacts and capital by the end of the 1980s, than used to found new firms.

After 1990, Turkish businesses could penetrate East Berlin, East and West German but also foreign markets easily. However, the Turkish economy was also opened up to international and domestic competitive pressures. Starting in 1990 Turkish businesses entered in partnerships and invested in East Berlin, especially in retail, manufacturing and construction. According to the Statistical Office of Berlin, between 1981 and 1995, 16 000 Turkish firms were founded in Berlin. Over half of these start-ups were after 1989. This includes 1 200 businesses in East Berlin.

In the 1970s Turkish entrepreneurs occupied abandoned storefronts in Wedding, Kreuzberg and Tiergarten. This enlivened moribund pedestrian zones and contributed to the renovation of decrepit areas. This process was repeated 20 years later in East Berlin. It is estimated that 700 Turkish entrepreneurs moved from West to East Berlin to establish business there. However reunification has also been disadvantageous to some. The relocation away from or dissolution of larger West Berlin firms has led to job loss, as well as the loss of future workplaces for young Turks.

Turkish entrepreneurs, as they participate in international trade and build new commercial networks. Following Reunification, many Berlin firms, including those owned and operated by Turks, were able to sell goods and services not only throughout Germany, but also EU-wide. Today Berlin is well underway to becoming an important city for East-West trade. Many Berlin businesses look for partners in Eastern Europe. This East European orientation also brings many opportunities to Berlin's Turkish entrepreneurs.

Social stratification in Berlin's Turkish community has accelerated since German Reunification. This process is clearly visible in the Turkish economy. Despite this differentiation in Berlin's Turkish community, Turks from all classes use ethnic opportunities to avoid unemployment. However, new inequalities have arisen. As Berlin's wealthy of Turkish origin integrate into mainstream German society, it remains to be seen if they continue to identify with Berlin's other Turkish groups. The estimated breakdown of Turkish businesses in Berlin is the following:

Gastronomy and other Services	41%
Trade, Retail and Wholesale	35%
Construction	10%
Transportation	5%
Manufacturing	4%
Insurance and Finance	5%

Source: IBB, (2002).

A recent OECD study considering the impact of ICT in urban areas found that media and culture are converging into a new industry that is also seeking informal networks, abundant traditional cultural assets ready to be commercialised, high levels of creativity and skills as well as good ICT infrastructure. With a few distinguished city centres dominating the production side, it may be a challenge for most individual cities to keep own cultural identities that should be a fundamental of regional development. The Internet has the potential to stimulate internal community communications and to build a community's own cultural identity and image. A community network tying together a particular locality or neighbourhood can be a means to share local cultural experiences. The availability of materials that are relevant and interesting to community audience encourages and motivates wider use of ICT within a community. A city web site can be an impressive portal for prospective tourists and investors, inducing value-added resources into its territory; many major cities provide such multi-lingual web sites, distinct from their city nets intended for public services to their inhabitants.

The use of public space is the arena that most exemplifies cultural diversity and local identity. Public space takes on different meanings to different users, use of it can be positive and negative. Issues of safety, freedom of movement and expression are integral elements of democratic public space in urban areas. Shared spaces contribute to civic culture and social integration and have been important elements of many regeneration projects. The waterfront development in Belfast is an important example of how shared public space can contribute to social cohesion. The creation of a new non-sectarian area of the city has stimulated a new interest in 'urban culture' which is having positive economic and social benefits. Through regeneration a new identity is emerging within an arena of conflict.

Neighbourhood, networks and economic development

The experience of Urban Renaissance Studies, but also the lessons of metropolitan reviews clearly show the strong inter-relation between international developments such as globalisation and overall economic trends, larger regional developments (European unification and enlargement), national policies and outcomes as well as regional and urban policies. This also draws on current OECD work on economic development trends. Existing territorial disparities are part of this overall picture in which local initiatives can be strengthened by positive trends and efficient policies or slowed down by less favourable contexts or lack of sufficient support. In all cases, local initiative is paramount: bottom-up approaches are necessary to translate national and city policies into tangible results in terms of mutually supportive social cohesion and

economic development. Links between different territorial and policy levels are obvious but, whatever the general economic outlook, grass-roots initiative at the micro-level is a pre-requisite for success. On the other hand, this cannot be achieved without strong supportive top-down programmes that bring in the necessary analysis and expertise besides financial resources.

These views have progressively emerged as the characteristics of economic development have evolved during the past decades. Up to the early 1980s economic development was underpinned by the attraction of: mobile manufacturing investment, external investment especially FDI and hard infrastructure investments. It was realised through massive grants; subsidised loans usually aimed at inward investing manufacturers; tax breaks and expensive low road industrial recruitment. From the 1980s onward the focus moved towards the retention and growing of existing local businesses and inward investment targeted at sectors. This was accomplished through direct payments to individual businesses and various forms of support: incubators/workspace; advice and training for small and medium firms; technical support; and hard and soft infrastructure.

Since the late 1990s there has been a shift in focus from individual direct firm financial transfers to making the entire business environment more conducive to entrepreneurship. More emphasis is now placed on: soft infrastructure; public/private partnerships; networking and leveraging private sector investment for public good and highly targeted inward investment attraction (clusters) to add to the competitive advantage of local areas. Cities are: developing holistic strategies aimed at growing local firms; providing competitive local and micro-local investment conditions; supporting and encouraging networking and collaboration; workforce development and education; and supporting quality of life improvements. This has been defined by the World Bank as the 'third wave'. Territorial development policy as articulated in the OECD is broadly consistent with this approach, combining both top-down national policies and bottom-up local strategies.

Area based neighbourhood initiatives to tackle social exclusion are now well-established throughout OECD countries. Evidence based analysis has revealed many of the shortcomings of particular initiatives and case study information provides many transferable best practice examples. It has become increasingly apparent that success or failure is highly dependent upon social capital.

“The central premise of social capital is that social networks have value. Social capital refers to the collective value of all “social networks” and the inclinations that arise from these networks to do things for each other. “The idea is that “a wide variety of quite specific benefits flow from the trust, reciprocity, information, and co-operation associated with social networks. Social capital creates value for the people who are connected and - at least sometimes - for bystanders as well” (Putnam). Social capital works through multiple channels:

- Information flows (*e.g.*, learning about jobs, learning about candidates running for office, exchanging ideas at college, etc.) depend on social capital norms of reciprocity (mutual aid) and are dependent on social networks.
- Bonding networks that connect people who are similar sustain particularised (in-group) reciprocity.
- Bridging networks that connect individuals who are diverse sustain generalised reciprocity.
- Collective action depends upon social networks although collective action also can foster new networks.
- Broader identities and solidarity are encouraged by social networks that help translate an “I” mentality into a “we” mentality.

Typically, the idea of social capital is associated with relations in civil society. Social capital is built in families, local communities, neighbourhoods, voluntary associations and firms. However, relationships of trust and networks also involve public organisations and institutions. Public governance based on commitment to public welfare, accountability and transparency provides a basis for trust and social inclusion, which in turn can strengthen social capital. The political, institutional and legal conditions prevailing in a country underpin networks and norms for social co-operation. Hence effective political institutions can complement networks based on the civil society. Social capital is difficult to measure. The distinctions between sources, functions and outcomes are not clear. Much of what is relevant to social capital is tacit and relational. Although individual attitudes (*e.g.*, trust) or behaviour (*e.g.*, joining organisations and voting) may provide proxy measures of social capital, attempting to capture the main elements of how people interact and relate to each other are hampered by the lack of suitable data sources (OECD, 2001).

A partnership approach to tackling social exclusion is essential. It has been inherent within Glasgow, for example, for many years and has resulted in a holistic approach to social and economic regeneration, which is widely respected within the United Kingdom and internationally. Some of the programmes that are pursued to create employment opportunities in the city are outlined below. Also highlighted is the main programme adopted by UK central government. In efforts to meet its broader policy agenda the Scottish Executive carried out a substantial enquiry into the effectiveness of current partnerships throughout Scotland. All actors involved in partnerships were included in the process at both the national and local levels and sought to determine whether there are in essence too many partnerships to be truly effective and to create a rational and effective approach which delivers optimum outcomes. Such an approach is important on a number of levels. Firstly, it demonstrates a sound strategy by government to deliver its policy agenda, new initiatives and programmes only having meaning if they correct ineffective and unnecessary actions. It demonstrates a more forward-looking agenda, which is less driven by short-term outcomes. Secondly, the variety of actors responsible for implementing national policy to the community often have a clear understanding of what works and what does not.

Four projects within the Joseph Rowntree Foundation's Area Regeneration Programme studied neighbourhoods in Teesside, London, Liverpool and Nottingham to consider the factors that contribute to social cohesion and a sense of local community within an area. The projects found that even though the neighbourhoods were defined as 'disadvantaged areas', many factors contributed to a strong sense of belonging and to mutual support. However, a lack of material resources, jobs, adequate community involvement in regeneration activities and poor links with the wider urban area undermined local confidence. In other words, many of the problems were those of poverty (in its broadest sense) and low levels of human capital rather than a lack of social cohesion.

The research revealed a shared sense of belonging and a shared sense of what a 'good' neighbourhood needs which cut across age, gender and ethnic group. When residents are asked about what the 'community' means to them, they talk about the positive qualities of the people around them. To the extent that dense webs of relationships, trust and familiarity are an important dimension of 'social capital', the areas studied have rich resources on which to draw. Residents recognised the physical deprivation of their neighbourhoods but retained a strong sense of resilience, with family and friends providing support and help on a reciprocal basis. It was the people who provided the basis for the strength of the community. Despite the shared sense of belonging, the disadvantaged neighbourhoods studied exhibited a need for social regeneration

and community development. Several divisions existed among people residing in the same neighbourhood: between newer and older residents; between younger and older people; between council tenants and housing association tenants; and between those in newly built houses and those in older homes. For social interaction to develop into trust, however, a degree of residential stability is required. In situations of high population turnover, the projects found examples of longer-term residents withdrawing from social interaction.

Box 5. Delivering area based economic development in Glasgow

In terms of delivering economic development in the area the **Govan Initiative** was created in 1986 and received limited public funding, relying heavily on Structural Funds at the beginning. The Initiative now has an annual budget around of £5 million. In the 1980s, Govan was characterised by high unemployment – 30 per cent, high poverty levels, significant amounts of brownfield land and a shipbuilding industry in a continual state of decline. There were fewer than 200 SMEs in the area. The approach to regeneration pursued by the Initiative had four strands, physical, education, business and image. It was a catalyst for giving effect to public policy and concentrated on private sector participation.

Through joint venture programmes, for example, the Initiative shared the risk with business. Unemployment currently stands at 9 per cent. Efforts have focused on priming the market, success has been forthcoming and the Initiative is now at a stage where it can pull back. SMEs now number around 780. The Govan Initiative was the first organisation in Scotland to utilise business development loans and grants facilitated by EU funding. Twelve to twenty per cent of new start-ups are indigenous to Govan. Important impacting factors have been the strong links with academia which have developed, and indeed are characteristic of the approach taken to regeneration in Glasgow and the development of business mentors. Training for job access was targeted by the Initiative but the private sector did not partner programmes by actually taking people on; this is an important issue in regeneration programmes throughout OECD Member countries.

The Gorbals Initiative, created in 1991 sought to bring about economic regeneration in the area, enabling access to employment, training, self-employment and business development. Gorbals is situated in the south-east inner city area of Glasgow, less than one mile from the city centre. It is an area with a historic legacy of deprivation and urban decay, which has undergone considerable physical, social and economic regeneration over recent years. The population of the area was 85 000 in 1931. By 1952, this was down to 68 000. In the 1980s it had crashed to 100 000 and now is home to around 9 000 people. The longer-term aim is to increase the population to 16 000. At the time, some 80 per cent of the Gorbals population were within the 10 per cent most deprived population numbers in Scotland.

Box 5 (continued)

The area was notorious throughout Europe for its poor housing conditions and high levels of poverty. Today some 44 per cent of the Gorbals community are economically inactive. Over the last decade the Gorbals Initiative has facilitated 2 760 jobs being filled by Initiative clients, 222 business start-ups, 826 new jobs created in local companies supported by the Initiative and 1 145 local people have moved on to college or university. The Initiative has five strategic objectives: Creating a local employment-base; Prepare people for work; Link jobs to people; Enable the most disadvantaged and build local capacity. The guiding principle is that regeneration here has to be social, economic and physical from the outset.

Source: OECD, (2002)

In the United Kingdom, Government policy recognises that in tackling social exclusion one size will not fit all. The strategy for neighbourhood renewal is predicated on the assumption that problems of social exclusion are concentrated in particular neighbourhoods and the need for locally owned solutions to these problems is recognised in the establishment of Local Strategic Partnerships. These bring together local stakeholders to assess local needs, and to design and implement strategies tailored to meet them. The Social Exclusion Unit prioritises neighbourhood initiatives but recognises the importance of long term commitment based on the delivery of broad ranging basic minimum standards. Addressing the needs of ethnic needs is a priority for the unit, particularly given that **70 per cent of all people from ethnic minorities in England live in the 88 most deprived local authority districts compared to 40 per cent of the general population.**

Area based economic development plays a vital role in many urban areas. Best practice and effective models are important to considered. Scottish Enterprise Glasgow is a useful case in point as it play a strategic role in the city responding to significant economic, social and environmental challenges. Working in partnership with other key agencies important strategies have evolved which have established Glasgow's renaissance. It is clear that without this effective partnership approach that the regeneration of the city would not have taken place with such vigour. Glasgow City Council and Scottish Enterprise Glasgow have co-operated to produce a Joint Economic Strategy for the city. The Strategy is an example of innovative realistic policymaking. It is integrative, holistic and founded on partnership. The Strategy builds on the general national policy context and priorities of the Scottish Executive. The document creates a strategic framework which builds on Glasgow's competitive

advantage whilst seeking to address its structural challenges. The Strategy reinforces a local policy context, which promotes area-based regeneration and seeks to tackle disparities in the city.

The importance of education and learning

Education is perhaps the main area where public investment can provide the tools for people in such areas to break out of the “vicious cycles” of unemployment. The underlying assumption of education policy in OECD countries is that the educational system should provide each child with the environment in which to maximise his/her potential. As a way of breaking intergenerational cycles of educational under-achievement and improving the skill level and, hence, adaptability of poor areas, such additional expenditure is clearly an investment as well as a supplement to offset disadvantage. As part of ongoing work on lifelong learning OECD and CERI have explored the role adult education plays in combating social exclusion. The findings highlighted in the box below provide a useful framework against which strategies can be evaluated.

“Knowledge is the central element of the emergent mode of production that has been called the ‘knowledge based’ or ‘learning economy’. Viewed from this perspective, knowledge is a crucial input into competitive economic activity. However, knowledge in itself does not contribute to economic growth. Crucially, it has to be incorporated into the production of goods and services. Hence, educated and skilled individuals not only have to be produced (via the education and training system) but also their knowledge and skills have to be used”(OECD, 2000). A direct correlation between social capital and the development of the knowledge-based economy was made in the research for the study on cities and regions in the new learning economy. In the United Kingdom decades of under-investment in education and training have resulted in a policy shift which now prioritises learning for all age groups, education and training now being seen as tools to tackle social exclusion and promote economic growth. Lifelong learning is important for both Scottish Enterprise Glasgow and its partners. Scottish Enterprise Glasgow oversee the Living and Learning in Glasgow Project. In France 4 per cent of children from immigrant backgrounds reach university compared with 25 per cent of native French. This perpetuates isolation and disaffection of young people, often born in the country in which they live but facing the enormous challenge of straddling different identities. Education and learning systems need to respond to the real needs of citizens which will of course differ depending upon neighbourhood variables.

Box 6. Overcoming Exclusion through Adult Learning: OECD key findings

– *Learning works*: the innovative programmes reviewed show that it is possible to make an impact in combating even severe disadvantage and exclusion through learning initiatives, given sufficient energy, innovation and support. Many policy makers and others would have been tempted to write off the situation of the excluded beforehand as either hopeless or involving enormous expense. Yet the projects show what is possible, often with modest funding.

– *New work-related learning* as part of “human capital investment” should reflect, in addition to vocational/occupational knowledge and skills, those that equip adults for shifting working and labour market arrangements: self-employment, community enterprise, contract and temporary employment. A major competence for adults to develop is knowing how to invest in one’s own human resources in such less structured settings.

– *Value for money*: these learning projects represent very sound investments, not only in terms of human benefit but of saving larger public expenditures later on. Despite being a sound investment, adult education is still under-developed because it is seen as marginal to compulsory schooling and tertiary education. Much adult learning is informal and is still more marginalised because it is an “invisible” part of other activities.

– *Funding*: no matter how modest, funding is critical, and many of the most promising learning initiatives on the margins of the education and employment systems suffer chronically from insecure funding. How then to fund so as to sustain innovation without spreading bureaucracy? Small-scale but sustained investment is often more effective than less targeted, “scatter-gun” funding of large-scale programmes. Evaluation – that is rigorous, imaginative and matched to the true nature of the different initiatives – can offer the informed basis to judge which initiatives are working and deserve more secure funding.

– *Innovation*: there is enormous innovative energy evident in the initiatives reviewed. The challenge is now to devise policies to support this type of innovation, in ways that do not constrain grassroots energy and that cross conventional departmental and policy demarcations. Partnerships and horizontal approaches, crossing education, training, labour market, social policy and community development, are essential.

– *No “second best”*: there is clear need to address and improve teacher/trainer training, curriculum development, quality control, and inappropriate or inaccessible learning materials in many adult learning programmes. Informality does not mean tolerating “second-best” programmes that are less than fully serious. Enormous efforts have gone into the programmes/initiatives reviewed in this study to ensure that they really do meet learners needs, often with the intense involvement of the learners themselves.

Box 6 (continued)

– *Relevant, demand-driven learning*: for learning programmes to be effective they must be relevant to the wide needs and interests of the different groups at risk of exclusion, and must be seen to be relevant to learners. This is a considerable challenge for programme design and delivery, for it is far more demanding than putting together courses of compartmentalised, subject-dominated knowledge. Programmes should be demand-driven, not supply-driven. Guidance services have a key role in assisting the individual make appropriate choices. For learning to be demand-driven and geared to the needs of adults, it is particularly important that adults themselves are heard – especially those at risk of exclusion.

– *Tailoring to individual needs*: “tailoring” is vital too in ensuring that learning is available in forms, times and locations that are genuinely accessible for all these different individuals and groups. Child-care facilities are often a crucial consideration for mothers wishing to participate in programmes.

– *Leadership and empowerment*: leadership is the crucial determinant of the future of a programme, especially in the initial stages. In some, this leadership may come from outside with ideas that work but successful community-based programmes also identify local leadership and allow it to grow and develop. Many of the more successful projects in this study also gave the participants a greater sense of control over their lives and this empowerment, in turn, benefited their families and communities. They participated actively, not passively, in the programmes that adapted to their needs and suggestions.

– *Building individual and community strengths*: it is important to invest in “human capital” — employment-enhancing knowledge, skills and competence — which is so important for those at greatest risks of exclusion. But, “social capital” — participation in networks, contact chains, and community structures — is equally important. The initiatives reviewed in this study demonstrate how both elements are needed, both in drafting overall policies and in devising initiatives to tackle exclusion.

– *New work-related learning* as part of “human capital investment” should reflect, in addition to vocational/occupational knowledge and skills, those that equip adults for shifting working and labour market arrangements: self-employment, community enterprise, contract and temporary employment. A major competence for adults to develop is knowing how to invest in one’s own human resources in such less structured settings.

– *The importance of social capital*: adult learning both fosters “social capital” and depends upon it. When learning initiatives build on established networks and communities, it is embedded much more firmly in people’s lives and communities. This is crucial for those at risk of exclusion. Investment in “social capital” and in “human capital” are not mutually exclusive but complementary. Policies to support networks, communities and structures that positively support learning represent very sound approaches to bolster employability. Moreover, they strengthen in adults their own sense of inclusion, their identity as citizens and confidence in themselves, their communities, families and personal lives.

Source: OECD, (2000).

In the words of Kasarda *et al.*, “both business leaders and policymakers must embrace the view that inequality is bad for business and that taking proactive steps to eliminate geographical and socio-economic disparities in cities is a form of enlightened self-interest.” Businesses are beginning to recognise that community investment is an integral aspect to developing competitive advantage. Research by the Initiative for a Competitive Inner City (ICIC) reveals that there are substantial untapped assets in the inner cities of America. Inner city residents have preferences that are common to all consumers in desiring quality goods and services, competitive prices, branded goods and quality customer services. ICIC estimates that inner city consumers constitute \$85 billion in annual retail buying power. Thus, a city’s competitive advantage is interlinked to community investment, which creates employment opportunities and generates wealth in inner city areas.

PART V

POLICIES TO REVERSE URBAN DISTRESS IN BERLIN

Introduction

Before the reunification of Berlin, the Senate, with the support of federal subsidies, deployed programs aiming at the physical rehabilitation of certain distressed urban areas in West Berlin. These concerned inner city areas close to the Wall (Kreuzberg, Neukölln) comprising growing numbers of *Gastarbeiter* and were applied both to private and public housing units. In 1990, at the time of reunification, continued physical rehabilitation was still necessary in certain West Berlin areas. Equally, in East Berlin,⁵⁶ the renovation of the drab and rapidly deteriorating industrialised slab housing estates (*Plattenbau*), built at an accelerated pace at the end of the seventies and during the eighties at the periphery of the city, (Lichtenberg, Hohenschönhausen, Marzahn) to offer subsidised modern housing and amenities to all the population, irrespective of professional or political position, appeared indispensable. This policy aimed to integrate the different parts of the city, while rapidly showing to inhabitants some of the benefits of reunification.

Physical rehabilitation, however necessary, nonetheless has its limits in terms of neighbourhood regeneration if the local population is not closely associated to these efforts. For this reason, participation of inhabitants in the definition and implementation of these programs was progressively introduced. More recently, in a context of considerably reduced financial resources (drastic reduction of Federal subsidies to the city, high budget deficit) but also an increasing awareness of the importance of local inhabitant's initiative, new approaches aiming at improved social cohesion have been introduced. They are situated in the wider national framework of the federal "Social City" (*Soziale Stadt*) program but in the case of Berlin they also rest on a certain tradition of citizen consultation/participation in local area affairs (See Box). This approach is epitomised by the so-called *Quartiersmanagement* program now deployed in 17 different Berlin neighbourhoods under the aegis of the Senate.

Box 7. Examples of urban renovation consultative processes in Berlin

Kiezgespräche (local area debates): in Wedding, the Community Forum (See Further) organised more than 50 gatherings of this type as voluntary public hearings on planning issues and development trends since its creation in 1988. This led in particular to program initiatives in the field of employment and local partnerships.

Planning for Real: the Wedding community Forum launched in 1994 a consultative process for neighbourhood rehabilitation/improvement of infrastructure. With the support of the Neighbourhood Initiative Foundation (United Kingdom), this method was successfully used in the Sparrplatz area (now a Quartiersmanagement area). It consisted of displaying a 3D model for residents to express their views and work out together perspectives for development planning to be submitted to the district.

Public Evaluation Reports: in Wrangelkiez (Kreuzberg), a method of planning and evaluation devised by the University of Wuppertal applied in 1999. During a four day process, four “planning units”, each comprising 20 people selected at random in different categories of the population (young and elderly people, foreigners, unemployed, self-employed, gender balance...) are presented with expert presentations and written material. They also undertake extensive walking tours to complete their opinion. Each planning unit’s results are then summarised in the form of an evaluation report transmitted to local authorities. In this case the initiative seemed to have facilitated the Senate’s decision to include Wrangelkiez in the list of Quartiersmanagement areas.

Future Search conference: a method developed in the United States used whenever groups with different interests wish to achieve common goals and reach a new level of co-operation. The idea is to focus on the future, not on current problems. This method was successfully used in the Müllerstrasse shopping area of Wedding (See Further), in particular to draw up a traffic and transport development plan for cycling, facilitating access for shoppers.

Public participation in redevelopment efforts: was initiated in Kreuzberg as early as 1983 and recognised by the Senate. Similar principles were adopted 10 years later for all of Berlin and applied in the massive rehabilitation efforts that have been carried out since reunification.

Source: European Academy of the Urban Environment, Berlin, (2000).

In parallel, programs supporting entrepreneurship, apprenticeship and job creation have been introduced with success, often at local initiative and with the active support of European funds, such as in the case of the Territorial Employment Pact in Neukölln. National Public Works Programs, such as the *Arbeitsbeschaffungsmassnahme* (ABM) have also been implemented with the mixed results that programs mostly aiming to bring short-term relief on the job market usually produce. The Investitionsbank Berlin (IBB) manages a very

wide array of programs concerning entrepreneurship and SME support in distressed areas. Close to a hundred different programs in eight distinct categories are available to the potential entrepreneur/investor. Most recent measures aim to develop micro-credit linked to business consultancy but also to capitalise on ethnic mix and culture as an economic asset (“Cultural markets”).

Physical rehabilitation in Berlin

West Berlin

In *West Berlin*, programs carried out in the sixties were based mostly on the demolition of old housing units that were replaced by modern and more expensive apartment buildings rather than rehabilitation of the typical mixed rental housing known as Mietskaserne.⁵⁷ Entire neighbourhoods, such as in certain areas of Neukölln were renovated in this fashion, with the ensuing departure of many inhabitants replaced by those able to pay higher rents. The turnaround in this policy first started in Kreuzberg in 1983, with a new approach aiming to safeguard traditional housing developed under local public pressure and encouraged by a public entity (IBA, Internationaler Bauausstellung) created by the Senate a few years before. This led not only to the rehabilitation of old housing but also to the introduction of the principle of consultation of inhabitants in local projects by the Senate as early as 1983.⁵⁸ However the effective generalisation of this approach to all Berlin districts was only decided in 1993: each project would receive a 35 per cent subsidy and a long-term loan for the same amount, owners being obliged to rent for a minimum of 15 years at pre-determined levels. Owner-occupiers could accomplish themselves part of the renovation.

East Berlin

In *East Berlin*, massive renovation programs in inner city areas comprising a total of 82 000 apartments⁵⁹ were the first to benefit from the application of these principles of consultation of inhabitants. Redevelopment managers were designated for the purpose of maintaining a dialogue with resident’s associations. Besides these important efforts concerning older housing, East Berlin, as all other parts of the former GDR, also underwent a massive renovation program (*Stadt Umbau Ost*) of its post-war housing estates, which received both an external facelift and interior redesigning. Rent control, linked to local conditions and to the income level of the tenant, was also established to prevent excessive increases.

East Berlin high-rise apartments are home to close to one million inhabitants, lodging in 270 000 apartments.⁶⁰ Exterior renovation of these buildings and interior refurbishing and equipment of apartments cost more than 7 billion DM, with an extra 260 million DM allocated to improvement of the environment (parks and gardens). In spite of these major efforts and the near completion of the renovation program, many apartments remain unoccupied today because of the increasing departure of families seeking individual housing in the *Berliner Umland* (Brandenburg). Some buildings have been deconstructed (reduction of height) to reduce the overall excess of capacity and most recent programs plan outright demolition of some others.

Likewise, the dramatic drop in birth rates in East Berlin since reunification has rendered many kindergartens and schools redundant. Some have been reconverted into youth clubs, cultural or leisure centres and others have been demolished. Shopping centres with restaurants, such as the Lindencentre in Hohenschönhausen and multiplex cinemas have also sprung up, creating local business and leisure areas that make these neighbourhoods entirely self-sufficient. They have changed their physical aspect as well as the lifestyles of the inhabitants.

The Social City and Quartiersmanagement programmes

Social City

The physical rehabilitation of distressed areas, albeit with the more or less active and effective participation of local inhabitants, however necessary, cannot in itself nurture their regeneration. Increased involvement of the population in the definition and choice of projects as well as new measures in the field of training, job and enterprise creation are some of the new directions now pursued in Germany as in other countries. Such is the aim of the “Social City” program started in September 1999 to fight against social and spatial exclusion in urban environments. “Social City” policy mobilises European, national, regional and municipal funds with the purpose of creating or reinforcing a dense fabric of local actors, capable of directly contributing to the economic and social regeneration of these areas. This policy concerns today 249 neighbourhoods comprising a total of 1.8 million inhabitants in 184 German cities of varying size. Federal and Länder authorities consecrate together approximately 230 million Euros annually to this program that also mobilises private funds and local enterprises. Specific features of the programme are:

- unemployment rate inclusion for funding besides total population and number of residential units;
- cross-institution and cross-sector organisation and co-operation;
- new forms of public involvement and decisions;
- development of long-term organisational structures with active involvement of local residents;
- use of informal, unconventional and experimental approaches.

Quartiersmanagement

The “Social City Programme” introduced a system of neighbourhood management to specific areas of Berlin. This strategic approach in urban development policy aims to contribute to the improvement or stabilisation of the living conditions in disadvantaged residential areas. Administrative departments, local district municipalities, players from the private-sector, associations and residents co-operate in these programs based on a partnership approach.

The objectives of neighbourhood management are the following:

- activating and bundling existing potential;
- strengthening residents’ capacity to act;
- improving access to the employment market, training and qualification opportunities;
- networking local players and existing initiatives;
- organising communication processes.

There are currently 17 neighbourhood management areas (population 220 000) in Berlin. Fifteen were selected in 1998 and two retained at the end of 2001 (the inner city areas of the OECD study⁶¹). Areas were chosen on the basis of a report⁶² commissioned by the Senate Department for Urban Development examining and comparing demographic trends and mobility according to social and ethnic characteristics, the development of unemployment and dependence on social security.

Box 8. Neighbourhood management areas in Berlin

East Berlin (5):

City centre (inside the metropolitan train ring):

Falkplatz	Prenzlauer Berg, district of Pankow
Helmholtzplatz	Prenzlauer Berg, district of Pankow
Boxhagener Platz	Friedrichshain, district of Friedrichshain-Kreuzberg

(outside the metropolitan train ring):

Oberschöneeweide	Köpenick, district of Treptow-Köpenick
Nordmarzahn	Marzahn, district of Marzahn-Hellersdorf

West Berlin (12):

City centre (inside the metropolitan train ring):

Beusselstrasse	Tiergarten, Mitte district
Magdeburger Platz	Tiergarten, Mitte district
Kreuzberg centre/Wassertorplatz	Kreuzberg, district of Friedrichshain-Kreuzberg
Wrangelkiez	Kreuzberg, district of Friedrichshain-Kreuzberg
Bülowstrasse/ Kleistpark	Schöneberg, Schöneberg-Tempelhof district
Rollbergsiedlung	Neukölln district
Schillerpromenade	Neukölln district
Sonnenallee	Neukölln district
Reuterplatz	Neukölln district

(outside the metropolitan train ring)

Soldinerstrasse, Wollankstrasse	Wedding, Mitte district
Sparrplatz	Wedding, Mitte district
Reinikendorfer/ Pankstrasse	Wedding, Mitte district.

Source: IBB, (2000).

Neighbourhood management programs in Berlin were initially funded for a period of three years, since prolonged by two years. All expenses are covered by the Senate budget and include salaries for the Quartiersmanagement team (usually two or three persons), operating expenses and the allocation of a 500 000 Euro sum to be spent over a two year period for projects chosen by a voluntary “jury” representing a cross-section of local inhabitants. Members of teams are recruited by the urban NGO selected by the Senate in a given area. The local municipality is often represented in this small structure (in Reuterkiez a civil servant from the youth office) and a person with urban planning or social work experience usually heads the team. There often is a representative of an

ethnic minority (such is the case in the two study areas in Mitte and Neukölln with a member of the Turkish community). The team plays more a role of co-ordination, advice and support to different projects (See Below) rather than taking direct initiatives.

In-depth knowledge of inhabitant's needs and expectations as well as enlisting wide voluntary help is accomplished through an initial interview process (typically 200 to 250 people representing different age and ethnic groups and socio-economic backgrounds: salaried people, unemployed, store-keepers). Quartiersmanagement disposes of a small and well located premises where people can easily walk in, consult information posted in German (and other languages), ask questions and inquire about activities. The *Quartiersmanagers* are in regular contact with district authorities (district co-ordinating groups) and hold a monthly meeting under the aegis of the Senate with their colleagues from other parts of the city to exchange experiences and devise common approaches whenever possible.

Interim assessment on neighbourhood management in Berlin

It is too early to evaluate Quartiersmanagement in Berlin, DIFU⁶³ having launched an evaluation process that is not yet finalised. Concerning specifically the two study areas, with the program having only started at the beginning of the year 2002, there is even a lack of perspective, since the preparatory phase (opening of premises, installation of team, interviews) is just beginning. Nonetheless, a few initial comments can be made. Considering the multiplicity and complexity of problems to be dealt with in the neighbourhoods, remaining in contact with various local actors and associations as well as co-ordinating adequately with district authorities, while ensuring visible and useful presence on the field, all these processes are very time-consuming. There certainly is a risk of dispersion with the very limited staffing of Quartiersmanagement teams. Similar efforts made in other cities in OECD countries usually devote more resources to staffing of local offices. Such is the case in the United Kingdom, where area based initiatives in distressed urban areas generally function with adequate and stable staff to accomplish often specialised tasks in a variety of economic development and social fields.

The second limitation could come from the very wide mandate of neighbourhood management, from increased networking to small physical rehabilitation efforts or German language courses. Inhabitants would often expect physical renovation of certain public spaces to be a priority, to enhance the looks of the neighbourhood, but these are not necessarily the most useful in the long run. Some projects of this type should be decided to show some

immediate results but more in-depth projects of a social nature and linked to labour market perspectives ought to be launched. Neighbourhood managers certainly realise this but explaining it to the population is a continuous process that requires proper staffing and availability. If pedagogical effort is not made properly, high expectations and initial modest results might generate scepticism and frustration. Even physical renovation projects (parks, schools, etc.) require, to be successful, a consultative process whereby the inhabitants express the wish for a project and fully participate in its definition as well as its implementation, in part through voluntary work. Mobilising good will and help necessarily adds delay.

The third concern is the lack of a true economic development mandate at the micro-level that could be carried out with the district and other public organisations such as the Labour office and with representatives of the private sector. This would require supplementary staffing and competencies as well as higher level support to better co-ordinate different agencies and facilitate public/private partnerships.

The fourth concern is that of the time horizon for the Quartiersmanagement approach to be able to accomplish its mission. This is to help people help themselves, accompany more than manage, suggest more than decide, so that the neighbourhood inhabitants acquire the savvy to go practically on their own to continue regenerating the neighbourhood. Five years seems too short a period for that purpose and a few supplementary years would probably be necessary to achieve positive results and at the same-time prepare phase-out, with neighbourhood inhabitants and local NGOs being put fully in charge and assuring the direct link with district authorities. In the meantime the conditions affecting the present five year term do not really permit a full long term view of work to be accomplished because of the consequences of the high budget deficit in Berlin. Although Quartiersmanagement programs are not concerned by on-going budget cuts, allocation of funds is slow and the contract horizon for members of the Quartiersmanagement teams is uncertain (not more than six months). Stability in this case is the condition for efficiency and long-term vision and commitment.

Entrepreneurship, job creation programmes and initiatives

Job creation measures such as the *Arbeitsbeschaffungsmassnahme* (ABM) exist in Germany in the framework of national labour market policies. These are wage subsidy programmes managed by public agencies and non-profit organisations. The aim is temporary employment for workers who require help to integrate into the regular labour market. This applies in

particular to long-term unemployed people entitled to unemployment benefit. Jobs financed through these channels must be in the public interest and not normally created at private initiative.⁶⁴ These are extensively used in Berlin's distressed areas (*data, even only quantitative?*). Local programs with longer-term impact and wider scope have also been developed in the capital city. Such is the case in Neukölln, where local initiative paved the way for a Territorial Employment Pact, an approach to entrepreneurship and job creation supported by the EU, now extending to other city areas. In Wedding, the "Komunales Forum" strives to reduce dependency on social welfare by helping people to find even temporary jobs that might provide a step towards permanent employment. Also, besides these territorially targeted programs, there exists in Berlin a great number of programs aiming to support start-ups and encourage small business development that are managed by the Investitionsbank Berlin.

Territorial Employment Pact (Neukölln)

Territorial Employment Pacts (TEPS) were decided by the EU in 1996 to better link European Structural Funds actions to employment. These pacts rest on four pillars that constitute guidelines for employment policy in local areas:

- promotion of entrepreneurial spirit to encourage the creation of small and micro-businesses (less than 10 employees);
- creation of a new culture of employability so as to acquire qualifications increasing the probability of finding a job;
- promotion and support of adaptability in terms of structural changes such as ICT or new marketing approaches requiring more flexible working time or in-house training;
- equal opportunities for men and women on the job market.

There are, in 2002, 89 TEPS in Europe including 9 in Germany, the Territorial Employment Pact in Neukölln having pioneered the approach in this country. Promising results in this district have decided the Senate to extend this policy to others, with first Action Plans drawn up in 2000. Initiatives in Neukölln, taken before the EU launched the TEPs, laid the necessary groundwork through partnerships decided by the main local public and private actors as early as 1994. A Circle of Initiative for Economy and Labour Policy was created that same year as a forum for debate between high level public officials and local entrepreneurs. A formal association called "Economy and

Employment in Neukölln” created two years later brought together 48 members including a Senate member, the district mayor, 37 local SMEs and a consulting firm specialised in local economic and social development.⁶⁵

Box 9. The Economy and Employment Association in Neukölln

The ‘Economy and Employment association in Neukölln *Wirtschaft und Arbeit in Neukölln*’ was set up in 1996 with the objective of protecting and creating jobs and training places. The aims of the organisation are to initiate and modernise dialogue between local economic, social and political forces, as well as to fight unemployment, focus resources for the area and strengthen local co-operation and innovation. Overall the organisation seeks to make Neukölln “a future-oriented and attractive place to live”.

The projects that the organisation is involved with include:

- Cultural development schemes.
- Introduction of a training network.
- “Job Point Neukölln” for advertising local job vacancies.
- Advertising vacant local commercial properties for rent.
- An economic centre for women.
- Trouble-shooting courses for local businesses.
- Job counselling and advice for young people.

By October 2002, the organisation had created a total of 2 300 jobs and training places, with 55 per cent of people having successfully entered the job market, 13 per cent having a training place, and 32 per cent being in public-supported forms of employment. The organisation considers itself to be an innovative and competent economic platform for local development. It is currently made up of over 60 members from the fields of economics, politics, administration and society, including the Mayor and Deputy Mayor of Neukölln, prominent local businessmen and women, and key figures from the local community. Partners in the organisation include the local council, the local job centre, the *Quartiers Managers* in Neukölln, and a number of businesses and community organisations from the local area.

Source: IBB, (2002).

The association initiated a highly visible two-year project “Active Region Neukölln” in December of 1996 with the aim of mobilising local talent and small businesses so as to demonstrate the merits of local initiative

capitalising on the experience of other European cities facing similar challenges.⁶⁶

- Inspired by the LiveWIRE youth enterprise scheme successfully developed in Newcastle, the “Gründerpreis” aiming young people aged 18-32 (3 200) was announced as a series of 6 prizes (totalling 8 500 DM provided by other firms) to be delivered on the basis of criteria such as number of jobs created and sustainability. The outcome showed that positive role models of young enterprises exist in Neukölln and that active public/private support can be engaged to support/encourage these.
- Deriving from the 25-year experience of the Local Enterprise Development Unit (LEDU) in Belfast in supporting young SMEs, Active Region Neukölln sought to identify firms with growth potential so as to provide them with advice, guidance and financial support. The main objectives were to establish training needs and accompanying measures. Improvement of management skills was one of the main focuses as well as marketing, accounting and fiscal matters. The outcome of the resulting five month training period was positive for the four selected SMEs although initial expectations had been for a higher number of participants, but most of the 40 pre-selected enterprises showed little interested.
- Based on the successful experience of Valencia (*Union Gremial*), Neukölln set out in 1998 to mobilise the retail shops of Karl Marx Strasse so as to improve the image of the shopping area, help boost business transactions and possibly attract new ones. The limited impact of the initial mailing led to convincing a small panel of 30 retailers to take part in the operation. A brochure was issued and shop-windows dressed for the occasion of the 15-day event (August 1998). The modest success encountered did not discourage organisers, who held another exhibition a year later for a longer period (one month), with more participants and especially assorted with evening cultural events. These changes made the operation a success.

These pilot projects served as test-beds for the Territorial Employment Pact that was initiated in 1997.⁶⁷ The pact included 6 actions some of which, aiming at long-term job creation, derive directly from the Active Region Neukölln projects. Two are very briefly presented herewith:

- “Gründerzeit”, to stabilise and develop young businesses and encourage the creation of new ones. This includes a re-edition of the “Gründerpreis” award and consultancy services delivered on the basis of the soundness of the initial business plan. Four-hundred and thirty individuals took part in the project (workshops, training sessions, round tables). Fifteen starters and young SMEs received a total of 340 000 DM in grants and 10 finalists shared awards for an amount of 20 000 DM, 25 receiving specific consultancy advice besides.⁶⁸ Bigger firms support these actions in different ways (financing, premises, and advice). An entrepreneurial fund set up with the contribution of the latter delivers loans at affordable rates for new SMEs. Medium-term follow-up, to facilitate sustainability and future growth is part of the package on an ad hoc basis for the firms most likely to succeed.
- Creation of a vocational training network in Neukölln. This action, focusing mostly on firms owned by Turkish businessmen, was decided at the initiative of the “Economy and Employment Association of Neukölln” as a major component of the TEP on the basis of a single fact: there were only 40 apprenticeship positions in the 5 000 Turkish firms in Berlin. Networking was conducted with the support of the Turkish business association in Berlin and a Turkish entrepreneur, designated as project manager developed active efforts at the local level. EU funding and recourse to the flexible Ausbildung system (3 year alternate work and training program) radically improved the situation. In 2002, there are 350 apprenticeship positions in Neukölln firms, 70 per cent of which are Turkish.

It is of course too early to evaluate the longer-term sustainability of these positions but a dynamic movement has undeniably been created whereby local firms, mostly of ethnic origin, are provided with the opportunity to train their future employees, thus increasing and better qualifying their workforce. The approach has also induced Turkish entrepreneurs to share experience and acquire useful knowledge through round-tables organised by the recently created Turkish businessmen’s association of Neukölln.

Komunales Forum (Wedding)

The Community Forum in Wedding was founded in 1988 as an association of public (Berlin Senate and district), private and third sector actors

to foster economic self-help and local employment initiatives under the heading “Working for the quality of life in the neighbourhood”. Since 1997 focus has been on the development of small area-targeted and integrated co-operation projects organised around two main themes: Employment and Neighbourhood (*Arbeit und Nachbarschaft*) and Local Partnership Wedding (*Lokale Partnerschaft Wedding*). Support and financing for the different projects come from the Berlin Senate, the district, EU funds and also private firms.

“Employment and Neighbourhood” initiatives have been developed since 1998. The main features are the following:

- Creation of a neighbourhood resource centre (abandoned factory premises provided by the Senate) that serves as meeting and conference place.
- Pilot project “Neighbourhood and Work instead of Social Welfare” for the integration of the long-term unemployed by individual orientation/training/support towards employment based on local needs (See below).
- Community business in the Sprengekiez neighbourhood by creation of a co-operative for proximity services in October 2000. Targets are disadvantaged people, public or third sector institutions with the objective of permanent employment.

The Wedding Local partnership is responsible for other fields of activities impacting the local economy:

- The finished project “Future Search” (*Zukunftskonferenz*) in Müllerstrasse, a main shopping area, seeking a longer term vision of possibilities, inhabitants expectations and initiating sub-projects so as to improve its attractiveness and boost business activity.
- Development Partnerships in Mitte through an agency entrusted with a research project co-financed by the Ministry of Education and the ESF (Lifelong Learning).
- Systematic networking at different levels, within the district with other associations, at the national level (Community network on social urban development) and at the European level (in particular European Network of Cities and Regions in the Social Economy, “REVES”).

The pilot project “Neighbourhood and Work instead of Social Welfare”, funded by Objective 3 since 1998, addresses beneficiaries on a purely voluntary basis, offering a six-month course on various topics such as ICT, teamwork and conflict resolution. Work placement after the course or further education is sought with accompanying support or advice even once a position has been secured. Participants in the project are long-term unemployed (70% more than 3 years), 60 per cent women, more than 50 per cent foreigners, age range from 20 to 60 and mostly low school achievement levels but also people with university degrees. From mid 1998 to mid 2000 advice has been given to more than 300 long-term unemployed, with 130 participating in the 6-month integration course (30% breaking off early). More than 60 per cent of the remaining candidates were placed into work or education/vocational training: 20 per cent in the private sector, 40 per cent with a one-year contract in charitable organisations, 20 per cent in further training and the remaining in self employment (2-3%) and other (part time employment).⁶⁹

The overall impact of local initiatives such as those undertaken by the Komunales Forum is difficult to assess but they certainly express a vibrant grass-roots approach of people wishing to improve the economic and social perspective in the area and encourage others to take their future into their own hands. The meeting of the OECD team with the main people responsible for the Community Forum permitted to establish that the existence of such a structure made things easier for inhabitants, often as a first step towards dealing with official institutions like Social Welfare or the Labour Office, that are often overburdened and are perceived as being less close. The language barrier is one of these obstacles. Close co-operation of existing institutions or new frameworks (Quartiersmanagement) with the Community Forum can certainly be helpful by drawing on a wealth of experience, knowledge and local networking.

The Advice and Co-operation Centre for Foreign Entrepreneurs

As previously indicated (See Chapter 4), the Commission of Foreigners' Affairs of the Berlin Senate supports and contributes funds to an association that can be qualified as an Advice and Co-operation Centre for Foreign Entrepreneurs (*Verein für Gegenseitigkeit*). It is also supported by the Turkish-German Association of Entrepreneurs for Berlin and Brandenburg, a representative of which is member of the board. It was created in 1989 and disposes of a budget of 53 000 Euros and one single permanent person for core activities, with additional activities financed on a project basis. Business advice is provided in German and Turkish and concerns mainly legal issues, tax regulations and public support programmes for setting up businesses.

Brochures are published in the two above-mentioned languages but also in Polish. Approximately 200 persons wishing to set up a business and 50 entrepreneurs seek advice from this organisation each year and the number is rising. The Advice and Co-operation Centre runs apprenticeships in ethnic businesses as well as a programme in support of internships in apprenticeship.

Business development programmes and programmes managed by IBB

Business development

Investitionsbank Berlin (IBB) manages an extensive array of business development programs that are not necessarily limited to application in the distressed urban areas of the city. They aim to support and finance small business development in general and are listed in a comprehensive Subsidy Guide, edited both in German and English.⁷⁰ The guide presents European, Federal and Berlin Senate programs and financing with practical information on conditions to be fulfilled and where and how to apply. This document lists 8 different categories of programmes (92 minimum all told):

- investment and financial assistance (25 programmes);
- investment and financial assistance for environmentally oriented projects (8 programmes);
- sales promotion (4 to 6 programmes);
- R&D (10 programmes);
- consultancy assistance (6 programmes);
- business start-up assistance (7 programmes);
- labour market policy assistance and employment promotion (18 programmes);
- real-estate subsidies (14 programmes).

No information or evaluation was supplied to OECD concerning the use of these programs in different areas of Berlin. Thus there is no way of verifying which share of these programs was devoted to business development in the distressed urban areas.

Micro-credit and ethnic business programs

The ARP micro-credit programme, DtA-StartGeld

There are two programmes in Berlin for small enterprise creation, advice, support and financing: the ARP business start-up loans programme, and the DtA-StartGeld (start-up money). The purpose of these programmes are: to enhance competitiveness; improve innovative ability; create/maintain jobs and boost regional economic structures. Support takes the form of subsidies, favourable interest rate loans, risk-reducing instruments and free advice. Sponsorship conditions apply to individuals or enterprises to finance businesses or projects and investments but more rarely personnel costs. A "Business Angel's Club" seeks to bring advice and financial support to innovative start-ups. Client business centres offer advice from other founders and enterprises. This comprises general and financial advice, preparation for discussions with a bank and support for the drawing up of financial and business plans.

Technological support takes the form of specific funding; innovation support programmes, personal transfer programmes ('innovations assistant') and a Technology Coaching Centre (TCC). The ARP's loan programme also includes trades and small retail businesses but some sectors are excluded (legal, notarial, accounting, business and fiscal advice; translation services; game parlours; beauty saloons; travel agencies; transportation; cleaning). Sponsorship takes the form of interest-free loans of up to 15 000 Euros. In the case of several applications for setting up a combined livelihood, the maximum allocation is of 25 000 Euros. The term is for ten years, two of which are free of repayment. There are no sureties.

In the framework of ARP more than 850 low interest loans were awarded (out of 2000 requested) all over Berlin between 1997 and 2000 (but no data indicating which areas benefited most from this programme was supplied). The total sum of loans allocated corresponds to 24 873 000 DM. The European Union and Land Berlin provided funding.

The aims of the DtA-StartGeld support measures are to encourage a return to working life through self-employment, as well as the establishment of new businesses. Support is provided in the form of investment and loans to purchase equipment for production during the establishment phase. The target group includes individuals wishing to start a new business and existing small enterprises in industrial production and retail as well as service fields wishing to further develop their activity or diversify to related areas. The conditions put forward to receive StartGeld support are the following: investment not

exceeding 50 000 Euros, firm with less than 100 employees, maximum loan of 50 000 Euros, pay-out up to 96 per cent. The term is of ten years with two years free of payment and a fixed interest for the entire period.

The “Equal Credit” project

The “Equal Credit” project started the first half of 2002. Twenty loans have been decided to begin with for this sub-program applied to specific distressed urban areas. The main difference between ARP and “Equal Credit” resides in the fact that the second programme provides business support measures including a “mentor” to counsel the selected firms all along the process. IBB plans to turn this pilot project into a permanent micro-credit-fund financing up to 1 000 micro-credits per year, the maximum sponsorship per project amounting to 15 000 Euros.

The aim of “Equal Credit”, which is a transnational project co-financed by the European Union, is to help with the establishment of small enterprises. The target groups are women, migrants, the unemployed, those receiving social assistance, young people and elderly people. A major area of focus is the support of non-Germans in the setting up a business, since this group in particular has been affected by unemployment and poverty since reunification.

In order to realise the goal of increasing the number of small enterprises, IBB is to make small loans available, with a mentor placed for one year at the disposal of the person wishing to set up a business. Should difficulties arise, there will be recourse to an additional specialist. Joint marketing will also form part of the project (marketing and publicity often being areas very much neglected by founders, because they are cost intensive). Because the potential and needs are great, Wedding was selected as a test area for the cultural sector (*Markt der Kulturen*), to be later carried over to other districts in Berlin. Most enterprises established by migrants are in services. The project's focus areas, some of which were previously excluded from the ARP programme, are: culture, leisure, tourism, languages, social services, household and neighbourhood help, catering and foodstuffs. Support will take into account the background of those wishing to set up a business, for example Indonesian catering, Turkish storytellers, Kyrgyz artistic handwork. To attract customers to the services supported by the 'Culture Market' programme, ethnic diversity and origin as well as authentic quality will be emphasised. Targeted clients will be the inhabitants of the wealthier districts of the city as well as tourists in Berlin.

Berlin finances

The high level of debt of Berlin, the shortcomings in economic growth expected from Reunification and the slow but regular demographic haemorrhage do not offer much room for manoeuvre to Berlin public decision-makers in redressing local finances, furthering economic development and helping distressed urban areas within the city. Land Berlin still receives relatively important amounts of Federal subsidies, even if these have been drastically reduced since Reunification. Solutions to urban distress imply better and more efficient spending on well-targeted area programs inserted into an overall city strategy. To understand these constraints and develop proper solutions a brief overview of the present state of Berlin finances appears necessary.⁷¹

Berlin financial problems

There have been a series of budgetary freezes throughout the 1990s imposed by the Berlin Senate. The current debt of an estimated €40 Billion is rising (in 1991 it stood at €8 Billion), mainly due to historical factors, with new infrastructure investment and renovation required at the beginning of the last decade, as well as excessive optimism on the direct economic effects of Reunification and an expanded administration across the city, making personnel one of the biggest costs. Subsidies previously given to West Berlin (€10 Billion per year) were seriously reduced, leading to a loss of industry and jobs in that part of the city. Finally, consecutive budgetary plans were over ambitious in terms of revenue expected from the sale of properties, the “capital effect”, and the savings from planned cuts hoped in administration.

Major projects for the new capital have contributed to this situation. The new *Messegelände* (Exhibition Centre) cost €950 Million and the Senate continues to pay its losses.⁷² Another example was Berlin’s bid for the Olympics: €25 Million were spent on the initial bid and the Senate spent more than a further €400 million on completing various sports arenas around the city. These venues continue to be a burden on the Senate, costing more than €10 Million a year to run.⁷³ The public housing policy decided at the beginning of the 1990s to meet the expected rise in the city’s population due to unification led to the construction of thousands of additional flats. Unfortunately, the population decline in Berlin after 1993 resulted in lower occupancy rates with 100 000 flats currently vacant.

Table 13. **Länder equalisation payments and supplementary federal grants**

					Supple- mentary federal grants	Länder receiving equal- isation payments	Länder making equal- isation payments	2000 (per capita)
	1999	2000	1999	2000	1999	2000	Supple- mentary federal grants	Länder receiving (or making) equal- isation payments
	EUR mn				In €			
Volume of equalisation payment	13.213	13.340	7.466	8.321	7.466	8.322	-	-
Baden	-	-	-	-	1.752	1.980	-	187
Württemberg	-	-	-	-	1.630	1.917	-	156
Bavaria	-	-	-	-	-	-	577	834
Berlin	1.943	1.955	2.718	2.823	-	-	531	249
Brandenburg	1.367	1.375	586	646	-	-	1.495	676
Bremen	1.080	987	340	446	-	-	-	327
Hamburg	-	-	-	-	340	562	-	450
Hesse	-	-	-	-	2.426	2.737	-	
Mecklenburg- Western Pomerania	1.026	1.030	471	503	-	-	585	286
Lower Saxony	951	966	530	569	-	-	122	72
North Rhine- Westphalia	-	-	-	-	1.318	1.125	-	62
Rhineland- Palatinate	541	658	194	399	-	-	162	99
Saarland	828	750	150	168	-	-	701	157
Saxony	2.336	2.347	1.099	1.190	-	-	535	271
Saxony Anhalt	1.489	1.495	665	719	-	-	577	278
Schleswig Holstein	287	404	89	183	-	-	144	65
Thuringia	1.365	1.371	623	675	-	-	567	279

Source: Federal Statistical Office Germany, (2001).

The financial situation is further complicated by a current deficit between spending and income of €2 Billion per year. The largest part of Berlin's public budget is spent on personnel, particularly in the education services, and this proportion continues to rise due to national pay agreements. The plan of the Berlin Senate is to, firstly, close the €2 Billion deficit on the yearly budget (estimated to be done by 2005) and then, secondly, to pay off the original debt (estimated to be done by 2015). To cope with these difficulties and help absorb the deficit Berlin already gets the highest federal equalisation

payments as the next table shows but on the other hand several other Länder receive higher levels of supplementary federal grants.

Acknowledging that the city of Berlin already gets a good hand-out from the Federal Government the Finance Minister for Berlin has stated that before asking for any additional national financial help the Senate must show it can start saving money itself. This should be done by making cuts in education, youth facilities, culture, universities and the police, with expenditures already proportionally higher than other German cities in the areas of social welfare, higher education, culture, and construction.

Table 14. **Social welfare, higher education, culture, and construction spending, German cities**

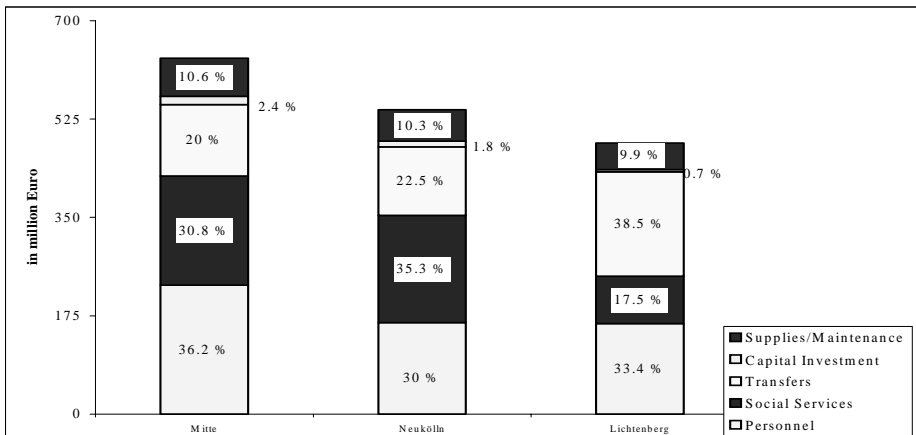
2001	Social welfare (€ per inhabitant)	Higher education (€ per head)	Culture (€ per 1.000 inhabitants)	Construction (€ per inhabitant)
Berlin	1.099	409	179	486
Hamburg	1.074	358	102	102
Bayern	409	256	102	77
Rheinland-Pfalz	205	179	77	51

Source: Berliner Zeitung, (2002).

Fiscal situation in the study areas

The programs in the three study areas of Berlin are taken in a context of fiscal austerity. Strict budgeting measures are imposed on district administrations in order to balance the city's budget and face the staggering levels of local public debt. Berlin's central government requires that its 12 districts reduce their spending by 380 m. Euro within the next two fiscal years, 130 m. Euro in 2002 and 250 m. in 2003.⁷⁴ The structure of Berlin's outlays complicates any budget reduction efforts: areas that are politically and administratively less feasible to reduce (such as personnel costs and social services) take a large share of the budget, investment and outlays for supplies, more prone to be cut down, represent only a limited portion of overall expenditures. Mitte, Neukölln and Lichtenberg, like all the other Berlin districts, will not only see their budgets affected by these new spending restrictions but are also facing pressure on their administrative resources to meet the new budgeting guidelines. The following sections describe the budget structure of each district and the cuts to be made.

Figure 10. **Budget structure in the three districts**



Source: Berliner Zeitung, (2002).

The three districts present a relatively homogeneous budget structure; the most salient differences are that Lichtenberg allocates a larger share to direct transfers and benefits than to social services and this balance is inverted in comparison to both Mitte and Neukölln. Neukölln's spending on personnel is also proportionally lower than the other two districts. A more detailed breakdown of outlays for supplies and maintenance reveals that the largest share (about 50% of the items for Mitte and Lichtenberg, and slightly below 36% in Neukölln) is allocated to payment of utilities, as well as the rent on schools and other public offices. Outlays for this line are higher than all the district capital investments for the three cases.

Mitte

Mitte's budget for the fiscal year 2002 amounts to 633 m. Euro (slightly less than 1 980 Euro per resident). While the district's outlays for child and youth services have been marginally increased, planned infrastructure projects are being postponed due to budgetary restrictions. These include renovation of Jülicherstraße and the east sections of the Großen Tiergarten as well as the new sports complex planned at the Neues Ufer. Most importantly for the study area, Wedding Crematorium on Gerichtstraße is being closed with savings in personnel for the city but employment losses for the area.

Neukölln

A sum of approximately 541.4-m. Euro (approximately 1 970 Euro per resident) is available for the district this fiscal year, 35 m. Euro less than the previous period. The impact of this budgetary reduction of over 6 per cent for the district will be felt in sensitive areas such as outlays for meals in childcare centres and maintenance of parks, buildings and streets. A planned childcare centre in Rudow has been suspended as well as street refurbishing throughout the district. Furthermore, the district will have less funds to replace equipment in playgrounds, classrooms and childcare centre kitchens. Funds for institutionalised youth programmes are being reduced together with other social programs. Despite these substantial cuts, the district will receive additional funds for personnel costs and hire more staff to assist its 43 000 social assistance recipients.

Lichtenberg

With a 2002 budget of 482.4 m. Euro, Lichtenberg has the smallest budget of the three districts studied, however the district's per capita expenditures (slightly over 3 110 Euro per resident) are significantly higher than those of Mitte and Neukölln. The district will reduce outlays on social services whilst maintaining its child and youth programs to the maximum extent possible. Cost reductions will also take place in supply and maintenance outlays, partially by merging schools, following the decrease in the district's school-age population. An additional 1.4 m. Euro is available for investment expenditures, nevertheless there is still a wide gap between the estimated 21 m. Euro needed to revamp the physical and social infrastructure of the district and the 3.5 m. Euro available for this year.

PART VI

ASSESSMENT AND RECOMMENDATIONS

Preliminary considerations

Analyses in this report amply show that the different issues at stake concerning distressed urban areas in Berlin are not only linked to wider city area problems (infrastructure, unemployment, out-migration) but also concern Federal and Land policies deployed in the districts, in conjunction with civil society and the private sector. Recommendations therefore have implications beyond these geographical areas and cannot address solely the Berlin Senate and the districts. They should not be established on a sectoral basis and can only fit into an ambitious and realistic strategy for the overall balanced development of the capital city of Germany. Approaches of this type, such as the “Berlin Studies, Strategies for the City”, published in 2001,⁷⁵ as the end result of a series of workshops and seminars, have been elaborated before but with limited outcome.

Drawing on the lessons from this experience, a comprehensive strategy is required, not only for the urban regeneration of these distressed areas but also for the future of the capital that will depend in great part on its capacity to solve these problems, ensure equal opportunity for all and promote sustainable development in every part of this unique city. This having been stated, the financial situation of Berlin does not offer much leeway, in spite of continued, though reduced, support from the Federal government, whilst poverty remains at an above average level as compared to other German cities. A place-based approach is needed to improve endogenous development and enhance competitiveness. A classical subsidy-type solution is excluded, not only for financial reasons but also because it would be artificial, inefficient and fragile. Berlin must first learn to help itself by adjusting to difficult post-reunification realities. Better, more efficient, well targeted and monitored spending is a prerequisite. A partnership for a New Berlin could then be developed with the Federal government, with selective financial support.

It is a well-established fact that cities are locomotives for national economic growth. Berlin still being, by far, the most populated city in Germany, what more can be done for Berlin (or can Berlin do) versus other cities? Berlin will not recover from Frankfurt (banking) or Munich (the Silicon City) its lost functions or missed opportunities. It can however continue developing the media sector, even if Munich has a sizeable portion of it and Bertelsmann is headquartered in Gütersloh. The same applies to the cultural sector. Being both a city of classic art and innovative creation, Berlin is attracting an increasing number of contemporary artists and international galleries. A city going through a crisis can thus fall back on its strengths, although budget cutbacks are affecting the subsidised culture scene as well as labour-intensive social services.

A partnership between Berlin and the Federal government should be based on three unique features and strong potential assets of Berlin, even if these are today perceived as problems or goals difficult to attain. One is immigration; another is the geographical position of Berlin in the context of EU enlargement and the last is the vast, well preserved surrounding region of Brandenburg, creating an exceptional mix with the rich and diverse cultural offering of Berlin.

- Berlin is the number one “Turkish city” outside of Turkey and around 13 per cent of the population is non-German, with many coming from Eastern Europe and the Balkans but now also Africa, Asia and Latin America. If naturalised Germans and the *Russland Deutsche* are added to these, the cosmopolitan character of the city is even more pronounced. Berlin is also the capital city of the European country with the highest number of immigrants. Berlin can ill-afford to let the majority of its foreign inhabitants have less educational or job opportunities than the rest of the population, particularly since immigrants have largely counterbalanced the outflow of German citizens. Better efforts to integrate this population (often second or third generation in the case of the Turks) would not only be beneficial to this population, and the functioning of the city (less welfare and unemployment payments) but could also reinforce its image as a city of cultural diversity and opportunity, with positive economic consequences.
- The same holds for the potential of EU enlargement for Berlin. Integrating the transition economies into the European Union necessarily means a geopolitical shift in the configuration of a reunified Europe. Berlin is from that point of view both a Western and Eastern European city, situated in the heart of

Europe, only 70 kilometres from the Polish border. What Berlin may have lost in terms of industrial or financial clout to other West German cities it can certainly regain as a bridge between these two parts of a once divided Europe. Geographical proximity and the existence of an important population of Eastern European origin can translate into knowledge and know-how of Eastern European markets for German and foreign firms alike, whether European or not. Hasn't Sony chosen Berlin as its European headquarters? This can also be the basis for an accumulation of knowledge and research at the university level in the field of Eastern European studies.

- The preserved character and low population density of Brandenburg, added to the low cost of land surrounding Berlin have served as a magnet for up-scaling Berliners wishing to own their home and enjoy suburban amenities that they were long deprived of. This is undeniably one of the factors explaining the demographic decline of the city of Berlin proper. On the other hand this is an asset that can be drawn upon to attract newcomers to Berlin, city of classical and contemporary creation and culture, if it is capable of creating enough new service jobs. The good public transportation infrastructure linking Berlin to its hinterland⁷⁶ can offer easy commuting, which is not the case in many European and North American cities, sometimes of smaller size, plagued by traffic congestion created by daily population movements in the greater metropolitan area. Closer co-operation between Berlin and Brandenburg, such as effective joint promotion of the whole territory for foreign direct investment, better land use, particularly for peripheral commercial centres, within the framework of existing institutions, would be mutually beneficial and would be the basis for the creation of a bustling metropolitan area.

Main issues

If appropriate measures, backed up by adequate and at least medium-term financing are not efficiently implemented in favour of the distressed urban areas in Berlin, they will continue to decline as wider city difficulties develop: demographic loss, important budget deficits, high unemployment rates, stagnation in the number of big company headquarters. The downward social and economic trends in these areas could lead to ghetto and slum effects in spite of Berlin's low average population density and the

existence of green spaces. An overall weaker Berlin economy limits opportunities for people in these areas to seek jobs or relocate to other parts. From this point of view, the interactions between neighbourhoods and their districts, between districts themselves and between districts and the city should be well identified, for instance in terms of job opportunities, housing and transportation infrastructure. An area-based approach brings added-value to overall city planning: how DUAs evolve will have an impact on wider patterns of investment, including in the more dynamic business, research or industrial areas of today, particularly those located in the vicinity. Barriers to further growth could emerge there by lack of attractiveness of adjacent distressed areas or lack of sufficiently skilled local manpower.

Berlin, more than 10 years after reunification is just beginning to adjust to the economic difficulties that followed high expectations, whereas in the districts, lower expectations and tight budget cuts have created a downward spiral effect. Even if economic growth in Berlin were to develop, this would not be enough to remediate these areas, in particular because of the absence of the stabilising effect of a growing permanent population. Quite the opposite is occurring: the regular population decrease, mainly characterised by an outflow to Brandenburg is partially compensated by newcomers but most people and families stay less than five years in their neighbourhood. Berlin is becoming more and more a “city of transit”, unable to retain many of the most skilled elements of its population. One of the most tangible signs of this worrisome trend is the fact that many graduates leave Berlin to seek jobs in cities where the job market is more open. The paradox is that space is not lacking: “The active population could be nearly doubled in the existing structure.”⁷⁷ In spite of present difficulties Berlin has many assets to retain its graduates and attract young professionals from elsewhere in Germany and Europe. Its unique cosmopolitan atmosphere, combined with many natural amenities makes it an attractive city with a positive image.

Some changes in federal and Land policies could certainly help to improve the situation in Berlin. This is the case in the field of education. Considering the fact that a very high percentage of students in most distressed urban areas are foreign, many start school without enough knowledge of the German language, since they usually do not attend kindergarten. Teachers are not trained adequately for these conditions. When overall attainment level is down, families, German and non-German, whose presence could help stabilise the neighbourhoods, move out. The same conditions prevail for the few young people who, in spite of these difficulties, are able to achieve their educational goals: feeling no true links to the neighbourhood, lacking a sense of place and identity, and with limited employment opportunities, they are prone to leave.

These local situations require prior area knowledge and information from the field. Thus all policies, projects and measures need to be defined with small local area participation and support, whether public or private or through NGOs, whilst the initiative must come from the Senate at the proposal of each district. Some measures will be common to all distressed areas (Youth Clubs for instance), some are necessarily specific, as is the case for the choice of projects by a panel of representative citizens within the framework of Quartiersmanagement.

There is also a need to acquire a “culture of flexibility” within public and non-profit organisations working in these neighbourhoods. The situation is by definition unstable, hence the ways to develop and implement policies and programmes more rapidly, to monitor early signs of change, shift funds and staff, train people and improve capacity at local level should be actively sought. The transmission and interpretation of information from the local level to the district and finally to the Senate need to be accelerated so that in turn policies and projects can be adapted. A permanent feedback is required for that purpose, besides the regular meetings taking place at different levels and the exchange of information between *Quartiersmanagers* (which incidentally leaves out the distressed areas without QM such as one of the areas subject of this report). An acceleration and simplification of the information flow would also help to decide whether to transform the numerous pilot projects into sustainable and mainstream projects on a larger scale.

Following the recommendations of the OECD report on *Integrating Distressed Urban Areas* (1998), solutions in these areas cannot be limited to “closed” proposals. They must help integrate these areas into the larger metropolis. This can be accomplished by developing new economic activities; implementing growth management policies, searching for complementary governance structures, organising new arrangements among local authorities for more effective policy implementation, checking unintended harmful impact of sectoral policies and finally promoting local initiative as well as public-private partnerships.

One of the major questions that arises is the following: is there an overall strategy or a dispersion of focus? An overall strategic framework – including a formal structure to promote co-ordination and co-operation – has been important in other urban renaissance cities coping with economic restructuring and spatially concentrated patterns of disadvantage in key parts of the city. This is the case for Belfast, Glasgow and Canberra, and is increasingly recognised in professional literature as a key to success, as Peter Karl Kresl’s study on four North American cities (Montreal, Chicago, Pittsburgh and Philadelphia), presented as an appendix to chapter four, demonstrates.

Also, strategies would have to clarify the issues between exogenous and endogenous based development. This means identifying the untapped assets in neighbourhoods (See Chapter 2) so that additional measures will be successful, under predetermined conditions, with scarce resources going where they will be used most efficiently, with good chances of success instead of being only a temporary remedy. Having a long-term perspective is also essential: no short-term measures will produce significant and sufficiently visible results. An overall city strategy integrating these components, once adopted should be properly and widely publicised, with regular progress reports made, so as to avoid the waning of initial enthusiasm and support, as seems to have occurred following the release of the Berlin studies (See Above). In the absence of an active and co-ordinated marketing of the strategies for urban renewal, measures will remain mostly “cosmetic” instead of being truly sustainable.

Strategic principles and guidelines

Strategic principles

The overall strategy to be devised by the Berlin Senate to fight urban distress should be based on a certain number of principles inspired by those that have been successfully applied in other urban renaissance cities.

Berlin should first draw on the identified assets of the areas concerned as well as those of the whole city of Berlin. In particular a strong focus on identity appears essential. Secondly, improved co-operation between different levels of government and various public agencies should be sought, also with a view to facilitate efficient public-private partnerships.

More economically productive spending should be pursued rather than harsh budget cuts in certain sectors that might compromise Berlin’s chances for the future. A clarification of financial relations with the Federal Government would also be beneficial, particularly in matters pertaining to police and security, with a clearer distinction between capital and city functions so that the Senate finances exclusively the police forces necessary for the security of its inhabitants.

Box 10. The Urban Renaissance City

An “urban renaissance” city is identified by the *ten following criteria*⁷⁸:

- A vision for the future based on broad public consultation.
- A strategic plan to guide development, including urban regeneration at the centre and growth management on the periphery of the functional region.
- A clear analysis of how environmental, economic and social issues are linked, with policies to address the threats to sustainable development.
- Identification of territorial assets which are to be maintained and enhanced and commitment to maintaining and developing infrastructures to make best use of these.
- Identification of obstacles to implementing better policies to address congestion and pollution, the reuse of brownfield sites, the integration of distressed urban areas, the needs of an ageing population, the problems of the long-term unemployed, as well as the obstacles to taking advantage of ICT, the new economy and the promotion of small and medium enterprises.
- Recognition of the importance of the “Learning City Region” concept, and facilitation of effective organisational learning to develop high levels of innovative capacity.
- Identification of national policies and programmes with both a positive and negative impact on its development.
- Clarification of the roles and responsibilities of national and regional government, the allocation of resources, and adoption of the metropolitan governance principles⁷⁹.
- Development of partnerships with other cities and regions, and local partnerships with civil society.
- Defining and setting up benchmarks to measure progress.

Source: OECD Secretariat, (2002).

In other areas, additional financial support from the Federal Government could be negotiated for projects that are essential to the sustainable economic development of the city and its distressed areas following the prestige projects that befitted the capital city after Reunification. More EU funding could also be secured for that purpose insofar as the districts would be provided with sufficient specific budget allocations by the Senate to make available the necessary counterpart funds for these projects. Under these conditions, the urban renaissance of Berlin could be sustained.

Guidelines

Based on the above-mentioned considerations, identification of major issues and certain strategic principles, recommendations are formulated following simple guidelines, in the absence of which programs will temporarily hide symptoms and problems rather than solving them on the long run:

- combine “hard” (physical renovation, basic infrastructure) and “soft” (human resources, training, networking) measures;
- no measure is strictly local but it is always linked to a wider area perspective or city-wide policies;
- insure better co-ordination and exchange of information between the Senate, the districts and QM, with the Land supplying relevant information on European and Federal programmes and funding;
- publicise initiatives and evaluate them, communicate results even if not adequate;
- cultivate image of areas inward (for the inhabitants) and outward (for investors and potential new residents);
- better use the wealth of participatory experiences in neighbourhood planning and renewal in Berlin: QM is in a way the synthesis of these within a specific program;
- rely on local good will, talents and champions (to identify), capable of representing different categories of interests or even a whole neighbourhood;
- take mostly well thought out and concerted top down decisions to comfort positive trends, ensure effective support and create the proper conditions for sustainability;
- when launching pilot projects integrate the longer-term view necessary for possible geographical extension.

Recommendations

The following combination of “hard” and “soft” measures is proposed bearing in mind time sequences and financial constraints. Not all recommendations will be retained simultaneously: they need to be discussed between the Senate, the districts and the other main public and private actors as well as with the NGOs. Whenever possible, priorities and timeframes are suggested, the objective being to provoke an in-depth debate to help define the strategy into which these different policies and projects will fit, given the difficult situation that the capital city is facing today.

The first and second sets of recommendations concern physical capital. The undertaking of highly visible “lighthouse projects” in the distressed urban areas would help inhabitants and investors alike to regain confidence in their potential, enhance their image and create local jobs. A new structure to foster economic development and enterprise creation would facilitate co-operation between the main public and private actors to that end. The third set applies to education and youth issues, the fourth to reinforcement of Quartiersmanagement and the fifth to metropolitan governance.

Lighthouse projects

Lighthouse projects are divided into two categories: those mainly based on cultural identity and sense of place and those relating to the creation of mostly public spaces with an artistic, architectural or environmental dimension, with the purpose of facilitating integration and the strengthening of social ties. Most of these are medium-term projects in their implementation but decisions on the short-term can help to create new momentum. They draw upon OECD principles contained in the above-mentioned 1998 report concerning the creation of new economic activities, often based on local initiative and implemented whenever possible within the framework of public-private partnerships.

Cultural identity and sense of place

- The Turkish market in Neukölln could be made more attractive to attract other Berlin customers. This supposes effective street cleanup. This short-term project could be carried out with the support of Quartiersmanagement in Reuterkiez and the German Turkish Union of Entrepreneurs of Berlin and Brandenburg. EU

funds destined for the support of ethnic businesses might be solicited in conjunction with the district.

- A Turkish bazaar in Neukölln or Wedding, considered as a small “replica” of the famous Istanbul bazaar, also selling quality goods and handicraft and art-craft could be decided as a major city project, apt to dynamise the district economy and facilitate economic exchanges between different parts of Berlin. Such a project would require public and private investment, particularly from Turkish entrepreneurs and banks, with help from Investitionsbank Berlin (IBB) to set up new businesses in the premises thus created (micro-credit).
- Building a new mosque in either of these inner-city neighbourhoods could constitute an architectural landmark, as the Paris mosque does. This would also remediate the dispersion of places of worship for the Moslem community, often having recourse to unpractical and costly premises in apartment buildings not meant for that purpose. A major project of this type would require at least Berlin Senate funding and contributions from associations and individuals.
- Creating a small Museum of Arab and/or Turkish (Ottoman) art and culture in the Neukölln or Wedding distressed areas, rather than in the famous Berlin “Museum Quarter” would instil pride and confidence amongst many local inhabitants, while facilitating the creation of related businesses (restaurants, souvenir and handicraft shops). Proper links should be maintained with the Pergamon museum for that purpose. Rather than seeking a costly and difficult to finance architectural project, certain abandoned buildings, such as the old asylum in Wedding, located next to the new S-Bahn station could be renovated for that purpose. Such infrastructure could also be open to temporary exhibitions of contemporary artists of different nationalities.
- Capitalising on the ethnic profile of each of the study areas as well as on Berlin’s vocation as an important University centre in Germany, it would appear particularly useful for these neighbourhoods (learning opportunities for local young people, job creation) as well as all of Berlin (links with Turkey and certain other countries of emigration, EU enlargement) to create specialised study centres. These would focus on civilisation,

culture, languages, political science and economy related to these countries/regions. The inner-city areas could house a Centre for Turkish, Middle East or Central Asian Studies. Hohenschönhausen could be the location for a Russian, Eastern European Study Centre or a Centre of Vietnamese studies. In all cases, existing facilities could be used, with present research or study units possibly transferred from other parts of the city.

- Many call-centres have been established in the former Eastern Länder and Berlin but only very small centres (travel agencies mostly) cater to the important Turkish language population residing in Germany. Creation of a Turkish language call centre in one of the two QM study areas could be conceived for the delivery of useful administrative information but also service and/or product information. The first proposal could be studied between the Berlin Senate and the Federal government whereas the second can only stem from private initiative. The German Turkish Entrepreneurs Union of Berlin-Brandenburg could launch a study for this purpose with the support of the Industrial Investment Council, which disposes of in-depth knowledge of a market it has helped to develop in the former GDR. Call centres can create several hundreds of jobs.

Public spaces and social ties

- As compared to many other cities, Berlin can boast a great number of green spaces and parks. Reuterplatz in the Neukölln study area is one of them but it is poorly maintained and subject to degradation. Its renovation would enhance the area and create a pleasant public space around which more shops and restaurants could open up. Experience proves that such an operation can be successful if there is a full participation of inhabitants in the definition of objectives and a consultative process for the design and choice of equipment. This could be a major Quartiersmanagement project, provided supplementary funds are allocated for this short-term project. Once renovated, the square could host Berlin-wide leisure or culture events to attract visitors from other parts of the city.
- The conversion of a big factory in Wedding next to the new S-Bahn station is planned, following purchase by a foundation (See Chapter 3): it will house art galleries, small shops,

small industry and social residential units. Besides salvaging worthwhile industrial heritage, this project will create jobs and attract visitors to the area. If supplementary public financial support were required it should be given (public-private partnership) insofar as such a project could play an important role in the regeneration of the area. Other potential projects of this type in other distressed areas of Berlin could usefully be identified and encouraged.

- In the inner city there are many other abandoned old factories, often of a noteworthy architectural character that could be used for purposes related to their original function. Thus, in the proximity of Reuterkiez there used to be an important chocolate factory. Transforming this premises into a museum devoted to the theme of chocolate (cocoa production, refining, evolution of techniques and packaging, etc.) would certainly draw family crowds from Berlin and Germany and even other tourists, given the development of “thematic museums”.
- One of the obstacles to the development of distressed areas is the “ghetto effect”, with few people from other parts of the city coming to the area because of low attractiveness or few leisure and shopping possibilities. The opening of a museum can create new possibilities and improve the image of an area. Appropriate choices, both for inhabitants of these areas and other visitors, could be a museum of the environment or a museum of urban history and design integrating sustainable housing (architecture in Berlin and major cities in Europe or the world). Conversion of abandoned factories or other facilities could offer a low cost solution in any of the three study areas or in one of the fifteen other QM areas.

An Economic Forum for Berlin

Taking example on the successful example of Glasgow it is highly recommended to create within short delay a Berlin-wide Economic Forum⁸⁰ with district sections including direct representation of QM and DUA areas. Such a forum should bring together all public agencies and major employers and associations [chamber of commerce, Senate Commission for Foreigners, the Advice and Co-operation Centre for Foreign Entrepreneurs, German Turkish Entrepreneurs Union of Berlin and Brandenburg, Economic Development Agency, International Investment Council, Investitionsbank Berlin (IBB), etc.].

This forum could include representatives from Brandenburg and later evolve into a single regional development agency.

The first purpose of such a Forum, that could formally meet once or twice a year but maintain permanent working groups on different themes, would be to ensure a better dissemination and exchange of information useful for economic development. This would facilitate co-operation and mutual support between numerous actors, creating synergies whilst avoiding costly and unproductive duplications.

The second purpose, which appears very strategic in the present Berlin context, would be to have a concerted locational approach to investment decisions (local clusters, land and infrastructure availability). Major sites such as the Adlershof science and technology park and Berlin Buch (medical research) or the city's business and financial centre are the main beneficiaries of FDI and other major German investment, but it is much more difficult for certain districts and distressed areas to present their case and assets. The approach encouraging particularly the development of certain major projects in well identified geographical areas can lead to neglect the potential of others. Businesses settling in lesser-favoured areas are not necessarily at a disadvantage if given the possibility of exploring all possible choices. This would imply that the districts should play a more active role in marketing their industrial and service locations instead of just following up on enquiries.

One of the issues that the Forum could first tackle could be that of vacant commercial property. A pooling of current vacancies could be envisaged and publicised. The activation of such a new service would be facilitated by setting up higher rates of depreciation for property owners who temporarily rent to start-up entrepreneurs at favourable rates. In turn, it should be possible for owners and landlords to be able to write off their overhead costs so they could offer reasonable rents to short-term occupiers.

Education and youth

Education

In the field of educational issues in Berlin, the link with recognised shortcomings of the German educational system (See OECD PISA Study) are obvious but measures could be taken at the level of the Berlin Senate and the districts to alleviate certain difficulties. This would be a way of correcting certain harmful effects of sectoral policies as recognised by OECD in 1998. The following proposals, the implementation of which present a character of

urgency, take into account the fact that most of these distressed areas are characterised by a high percentage of foreign population:

- School funding is now per capita. A corrective measure whereby percentage of foreign students (with language problems) would also be taken into account could be adopted.
- The creation of more mother/child language courses would help in the acquisition of initial language skills, especially since kindergarten is not compulsory and school starts officially only at seven.
- Extending school hours in these areas would permit foreign students to get more support and language training.
- Encouraging parents to put their children in other schools to bring the too high percentage of foreign pupils down would require measures in school bus transportation.

Youth issues

OECD field visits to distressed areas have permitted to establish that youngsters seldom leave their neighbourhood and thus ignore the plight of their counterparts in other disadvantaged areas of the city. This is particularly true between the inner city (mostly in the former West Berlin) and the outer city (former East Berlin). “Walls in the mind” remain. To break these down and promote better understanding and integration of different communities the following measures are suggested on the short-term:

- promotion of Berlin-wide programs (inter-Berlin youth exchanges between inner city and outer-city areas on certain school days or on weekends);
- organisation of vacation period exchanges with other parts of Berlin and cities in Germany and Europe;
- development of a systematic school policy to encourage youths from these DUAs to discover Berlin museums and cultural events;
- also organising crash programs for ICT skills acquisition, particularly in Youth Clubs (which is useful for job search and professional positions), that would permit online follow-up of the

above-mentioned exchanges and development of common projects on the Internet.

Reinforcement of Quartiersmanagement

Quartiersmanagement has proved its usefulness in facilitating local initiative and strengthening social links. On the other hand, neighbourhood offices appear understaffed as compared to needs and the economic competencies of QM are limited. Besides, a sufficient time-span is needed to ensure sustainable effects. For these reasons a strengthening of QM is highly advisable to help develop new economic activities, better promote local initiative and public-private partnerships, following the 1998 OECD recommendations. The reinforcement of QM could be accomplished by adopting the following measures:

- establishing and publicising immediately (in German and other languages) an objective *état des lieux* for each small area, releasing major data and underlining weaknesses and potential strengths, with initial identification of local networks and experiences;
- establishing rapidly with local inhabitants and associations a sustainable development charter that will serve as reference for choice of future projects (avoid dispersion);
- recruiting on the short-term bigger QM teams on a renewable contractual basis of at least one year;
- getting more funding (Federal and Senate) and also in a longer term perspective: up to ten years would not be unreasonable, following the opinion of certain Senate administration officials;
- giving to QM a better view of all existing programs and reinforcing their economic role through close co-operation with the local labour office and other economic institutions;
- nominating “QM correspondents” in other areas of Berlin that are not experiencing economic or social distress to seek job/SME links and help break cultural barriers by organising exhibitions and publicising training opportunities.

Governance proposals

Discussions with officials at different levels of government in Berlin tend to show that there exists a certain administrative complexity with many actors working in the same fields, albeit with different sectoral objectives, which results in an insufficient flow and sharing of useful information. One of the main consequences is lack of true co-operation on many issues that are crucial to the betterment of the distressed areas. Proposals are organised around these two themes.

Develop communication and exchange of information

The objective is to rapidly gather and circulate better useful, practical and strategic information for inhabitants and investors (small and bigger) alike on the areas themselves.

- The proposed tool is the establishment of a true Internet portal policy. The Business Location Centre (BLC) has developed such a portal but the district and neighbourhood sites are far from being up to standard, homogenous and complete. Besides, none are in English. Each of these could have a section for investors, also in English, distinct from the one for inhabitants, which should be in German, Turkish and languages of local minorities.
- Useful information need not concern only Berlin: the experience of other German, European and North American cities can be very valuable for decision makers and inhabitants too. Systematic search and publication of related Internet links through the Internet portal approach is recommended. Also, dissemination of information on DUAs in elsewhere in Germany and other countries and how they are tackling their problems through the organisation of exhibits, visits, conferences and presentation of policy tools is suggested on a regular basis.

Improved co-operation between different governmental entities

In spite of the existence of formal structures between Berlin and Brandenburg and the recent communal reform in Berlin, co-operation between different local authorities leaves room for improvement. The 1998 OECD recommendations mention the search for complementary governance structures as well as new arrangements between local authorities for more effective policy

implementation. The following proposals to be implemented step by step, should short-term attainment appear too difficult to accomplish, are based on these principles:

- Improve Berlin-Brandenburg co-operation by better co-ordinating investment and infrastructure in the fringe area rather than accept sterile competition concerning land use, in particular for shopping centres. More effective joint promotion of Berlin and Brandenburg for FDI through the Industrial Investment Council would also be opportune (costly competition between greenfield and brownfield sites rather than concerted action).
- Reinforce district initiative so that these could be more active in projects and job creation. For the time being the districts mostly distribute funds and have little say in policy definition. Their role is mostly limited to implementation of Senate policies that they have little chance of modifying. Giving them a minimum of fiscal initiative/leeway would require a reform at the Land level. This could only be conceived as part of a package of measures to promote a better-balanced economic development of Berlin in territorial and social terms, within a well-defined strategy.

Open perspectives and conclusions

The Berlin of the future is a city that must overcome its present difficulties tied mainly to unemployment and out-migration, more than ten years after Reunification. The existence of close to twenty distressed urban areas within the capital are a geographical illustration of these problems and points of concentration of economic and social decay. All big cities world-wide face such issues, often exacerbated by the effects of globalisation. In the case of Berlin, the lack of a solid industrial base, that has now disappeared, without yet being replaced by a burgeoning service sector in spite of promising signs, these difficulties appear more acute, whilst the solutions do not seem simple at first glance.

Being the capital city of Germany, the Federal government is necessarily just as concerned as the Berlin Senate by the present situation. Active co-operation and common work will be required to jointly work out realistic (in particular in budgetary terms) but ambitious solutions to these problems for the benefit of both city and country. Berlin must therefore define its strategy on the basis of an ample debate, before going ahead with new measures or modifying existing ones. A “Vision for Berlin” appears all the

more necessary because simple savings, even if well arbitrated and applied, can only constitute a partial remedy to ensure the future of the capital city. These definitely need to be included in a broader context that opens new perspectives for the capital. At the outcome of this report on three distressed urban areas within Berlin, it is clear that geographically targeted measures will not attain their goal if they are not situated within an overall city strategy to ensure a territorially balanced and sustainable model of development. This “Berliner Weg” (Berlin Way) towards the future must be based on the three following cornerstones to succeed:

- become a true gateway to Eastern Europe;
- develop harmoniously as a unique European multicultural city;
- establish an efficient and smooth partnership with Brandenburg: Berlin can help its hinterland just as much as it can help Berlin.

Creating value on these strong potential assets will require vision and imagination with a long-term perspective. The support of all citizens and the effective mobilisation of sufficient funds will also be required to sustain economic growth and social cohesion within the city in a process of transition that has not yet come to its term.

APPENDICES

Appendix to Chapter 1

Berlin demographic patterns

Berlin registered slight population increases in the years following reunification but the major trend since 1994 has been one of steady population decrease in both the eastern and western parts of the city.⁸¹ In December 1990, the population of the reunified city comprised 3 433 700 people. With almost uninterrupted growth over the following three years, it peaked at around 3 478 800 in March 1994 (+1.3%), the highest figure since the end of the war. Numbers have been falling since to reach 3 386 700 at the end of 1999. This is 2.7 per cent below the March 1994 record and 1.4 per cent below the level at the end of 1990. The initial increase in the population was the result of an influx of foreigners, with their numbers rising from 315 600 in 1990 to 435 100 at the end of 1996 (+37.9%). This brought their percentage of the Berlin population from 9.2 per cent to 12.6 per cent. Numbers dropped slightly afterwards, only to rise again in 1999. At the end of that year the 433 600 foreigners represented 12.8 per cent of the total population. Correspondingly, over the entire period since 1990, the number of German citizens declined steadily (minus 5.3%). Trends in East and West Berlin have been pretty similar even if the proportions are different.

In *East Berlin* the population rose by 2.2 per cent from late 1990 (1 275 700) until October 1994 (1 303 400). Following decline translated into 1 269 300 inhabitants registered in East Berlin at the end of 1999 (0.5% less than at the end of 1990). Share of the East Berlin population in the overall total at the end of 1999 was thus of 37.5 per cent. The influx of foreigners contributed to the population increase at the beginning of the period and limited the decline in the latter period. Thus, in 1990, 23 500 foreigners were living in the East (only 7.4% of all foreigners in Berlin). By the end of 1999, the percentage had increased to 17.5 per cent of all foreigners living in Berlin (6% of the population of East Berlin, instead of only 1.8% in 1990).

During that time, the number of Germans declined from 1 252 200 in 1990 to 1 193 300 in 1999 (minus 4.7%).

In *West Berlin*, the 1990 population was 2 158 000, increasing to 2 177 600 in January 1994. At the end of 1999 the population had fallen to 2 117 400 (minus 1.9% as compared to 1990). The impact of foreign nationals moving to West Berlin is also significant over the whole period. At the end of 1990, 292 100 foreigners were settled in West Berlin and by 1996 this number reached 361 100 (+23.6%). Since 1997, a slight drop in the foreign population has been registered, with a 1999 figure of 357 600. From 13.5 per cent of the West Berlin population in 1990, the foreign inhabitants settled in West Berlin rose to 16.9 per cent by the end of 1999. Concerning age distribution, the proportion of elderly people has always been higher in West Berlin which explains that the average age of the population is also higher (1990: 40.7 years, 4.5 years more than in the East; 1999: 41.5 years, 2.2 years more than in the East).

The spatial distribution of demographic trends at the *district level*⁸² shows population decrease between 1990 and 1999 in 14 districts, in both parts of the city. The biggest declines were registered in Schöneberg (7 900) and Charlottenburg (8 100) in the West and in Prenzlauer Berg (8 600), Lichtenberg (11 500) and Marzahn (27 200) in the East. On the other hand eight districts increased their population over 1990, the five with the biggest growth being situated in the East: Weissensee (+22 400), Pankow (+15 700), Treptow (+10 800), Hellersdorf (+6 900) and Köpenick (+6 900). Neukölln saw its population grow until 1995 before falling again, putting the 1999 level (307 100) close to that of 1990 (307 200).

Birth figures dropped dramatically in Berlin right after reunification. Thus, in 1990, the number of live-born children in Berlin was of 37 596 whereas in 1991 only 30 562 were registered (minus 18.7%). Decline continued over the next three years (28 503 in 1994). Since 1995 the birth rate has rebounded slightly (29 856 in 1999), which is still a fifth less than in 1990. This evolution is mostly the result of developments in East Berlin. In 1990, 15 400 children were born in that part of the city but the following year this figure dropped to 8 712 (a reduction of 44%). In 1992 and 1993 the downward trend continued (respective decreases of 11% and 3%), resulting in all time low of 7 522 this last year. Since 1994, a slight reversal of this trend has occurred: 1999 witnessed 9 724 live births in East Berlin, which is still 37 per cent less than in 1990. Over the same ten-year period the proportion of children born out of wedlock in that part of the city rose from 41.1 per cent to 55 per cent. West Berlin experienced similar but lesser-pronounced trends: 22 150 births in 1990 as compared with 20 132 in 1999 (minus 10.1%). Children of unmarried

parents accounted for 21.3 per cent of the total in 1990 and 31.8 per cent ten years later. In both parts of the city, declining birth rates contributed to persistent excess of deaths over births, in spite of increased life expectancy (1990: 5 140 more deaths than births).

Inward and outward migration has played an important role in the evolution of Berlin demographic patterns, albeit more in qualitative than quantitative terms, since incoming and outgoing migratory movements are of very comparable dimensions. Thus, from 1991 to 1999, in-migration concerned 1 064 000 people and out-migration 1 025 000 (migratory surplus of close to 39 000). This means that roughly one third of Berlin's population was replaced over this time period. On average 120 000 people moved to Berlin each year. On the other hand, the number of people leaving Berlin rose rather steadily by more than a third (82 800 in 1991 versus 139 600 in 1998). Between 1991 and 1995 there was an annual migratory surplus which peaked at 32 000 in 1992. Ever since Berlin has recorded a migration deficit (highest in 1997, minus 26 900). In 1999 the deficit amounted to 7 000. The in-migration surplus of the first part of the period stems mostly from the arrival of foreign nationals in both parts of Berlin, particularly between 1992 and 1993 (148 000 arrivals just about evenly divided over the two years), many coming from war-torn former Yugoslavia. Since then, the number of foreigners settling in Berlin has been less important (52 000 in 1999) and they have also contributed to out-migration (44 500 leaving the same year).

Concerning *German nationals*, Berlin recorded increasing negative migration balances in both parts of the city until at least 1997. Different in-migration figures were registered over the period for each year (minimum of 47 000 in 1993, maximum of 70 400 in 1999).⁸³ However, even in the years of highest in-migration, this did not compensate for the fast pace of departures from Berlin over the whole period (from 1991, with in and out-migration at a comparable level of 52 000 to 1999 with 85 000 departures, exceeding in-migration by 14 600). Of the 51 700 German citizens who moved to Berlin in 1991, 63.5 per cent elected to go to West Berlin. In 1999, this proportion had fallen to 57.9 per cent. In 1991, there were only 5 200 cases of in-migration originating from the immediate area around Berlin (*Berliner Umland*).⁸⁴ In 1999 these were more than 12 000. Of the people who moved in 1991 from the *Umland*, 69.3 per cent went to East Berlin but by 1999 proportions for both parts of the city had become more or less similar.

The number of German nationals leaving the city rose from 52 300 in 1991 to over 89 400 in 1998 (85 000 in 1999). Out-migration from East Berlin was 19 600 in 1991 (37.5% of total). By 1998, this figure had nearly doubled to 39 000 (slight drop the following year, as for the entire city). At the

end of the period, the share of departing East Berliners had risen to 44.1 per cent. Migration to the *Umland* accounts for a large part of German out-migration. In 1991 more Berliners moved to the rest of Germany than to the *Umland* but in 1993 the situation reversed and by 1998 the area in the immediate vicinity of the city welcomed more than 40 400 arrivals from Berlin, clearly outnumbering those moving to the Western part of the country. In 1999, 37 300 Berliners also left the city behind to move to the adjacent area.

This recent movement of suburbanisation is similar to that of other major cities in the Western world, but it could only take place once the West of the city was not any more artificially cut-off from its hinterland and that East Berliners were free to move and in a position to acquire the means to do so. In 1991, only 3 200 Germans moved from East Berlin to the *Umland* but by 1998 this figure had risen to 21 200 (19 600 in 1999). Thus, 52.2 per cent of East Berlin out-migration is now directed to the suburbs, as compared with only 16.4 per cent at the beginning of the period. West Berlin experienced a very similar trend: in 1998 close to 19 200 people moved to the vicinity, or nearly ten times as many as in 1991 (17 700 in 1999). The *Umland* received in 1999, 37.3 per cent of out-migrants from West Berlin (versus 5.9% in 1991) but this is still less than the proportion moving to former West Germany.

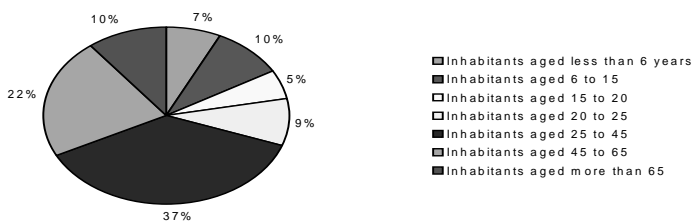
Concerning internal migration between the two parts of the city, a regular increase has been witnessed for most of the period. The 48 700 moves of 1998 amounted to four times the 1991 figure, with 22 000 moving from East Berlin to West Berlin (4.6 times more than in 1991). This shows that in absolute figures more people moved from West to East but in relation to population figures for each part of the city, the percentage of East Berliners going West is higher than that of West Berliners moving to the East. On the other hand East-West moves in both directions only accounted for 10.7 per cent of address changes in the city, which means that most Berliners move within their part of the city or within their district (See Endnote No. 9).

Appendix to Chapter 2

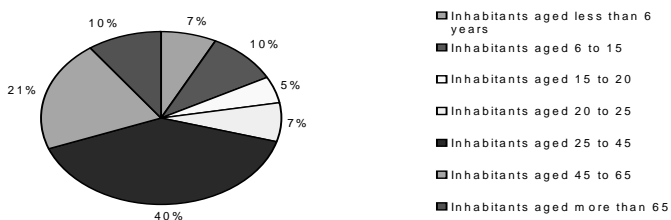
Age distribution of the population in the study areas

Figure 11. Reinickendorfer Strasse age distribution

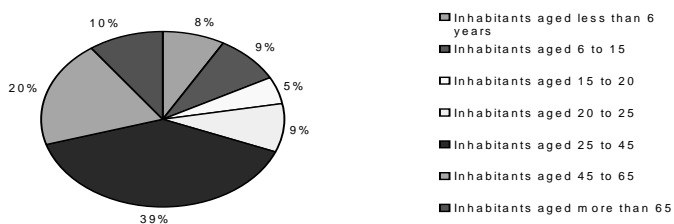
Age-distribution of Population in Reinickendorfer Strasse, 2001



Age-distribution of Population in Reinickendorfer Strasse, 1995



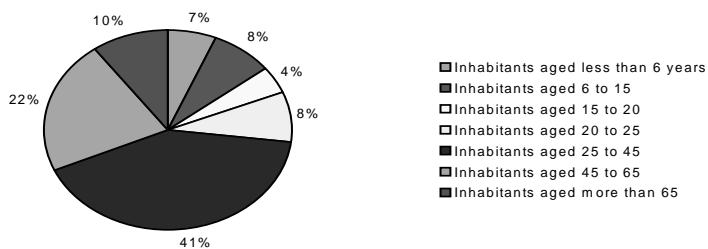
Age-distribution of Population in Reinickendorfer Strasse, 1992



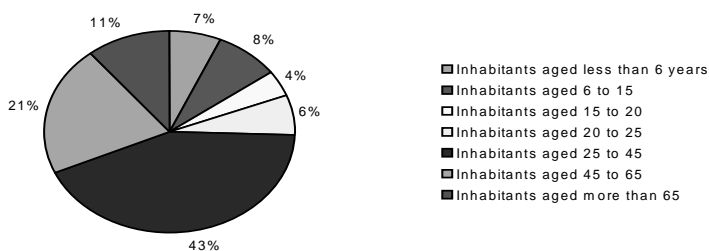
Source: Statistical Office of Berlin, (2002).

Figure 12. Reuterkiez age distribution

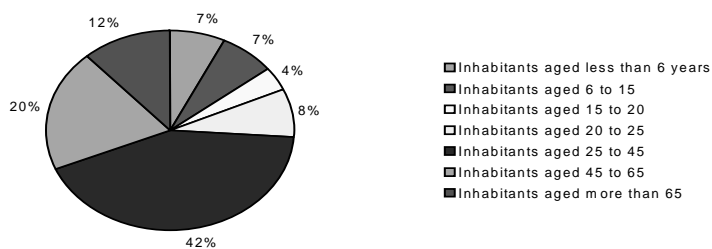
Age-distribution of Population in Reuterkiez, 2001



Age-distribution of Population in Reuterkiez, 1995



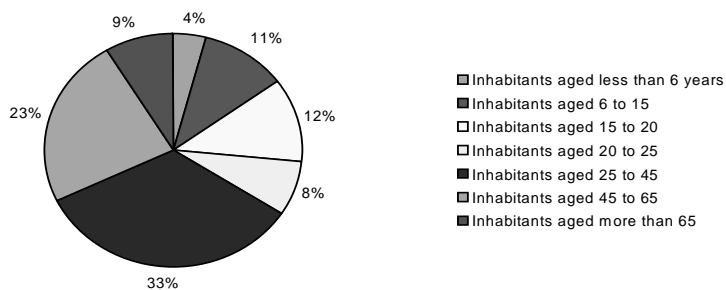
Age-distribution of Population in Reuterkiez, 1992



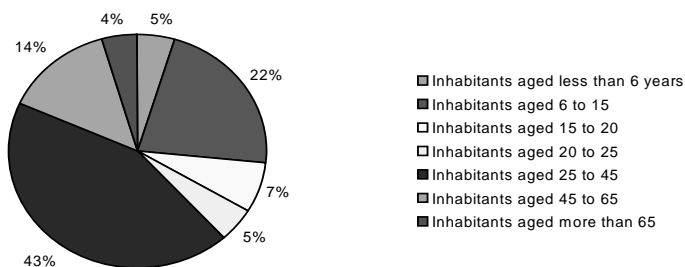
Source : Statistical Office of Berlin, (2002).

Figure 13. Falkenberger Chaussée age distribution

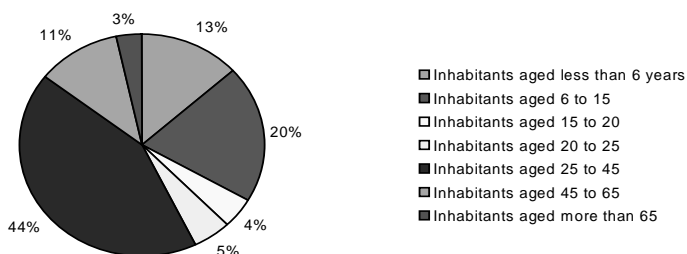
Age-distribution of Population in Falkenberger Chausee, 2001



Age-distribution of Population in Falkenberger Chausee, 1995



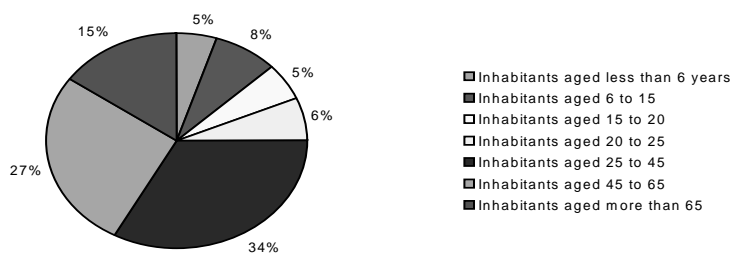
Age-distribution of Population in Falkenberger Chausee, 1992



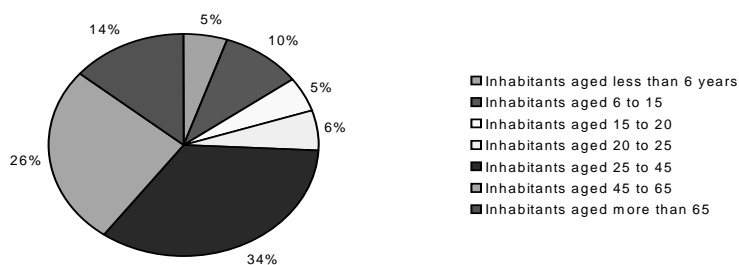
Source: Statistical Office of Berlin, (2002).

Figure 14. **Berlin total age distribution**

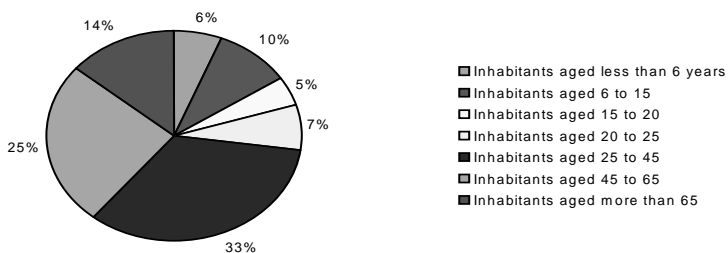
Age-distribution of Population in Berlin, 2001



Age-distribution of Population in Berlin, 1995



Age-distribution of Population in Berlin, 1992



Source: Statistical Office of Berlin, (2002).

Appendix to Chapter 4

*Revitalisation of a traditional manufacturing city: four selected North American cities*⁸⁵

Throughout the developed world most cities with economies based on traditional manufacturing have experienced very difficult periods of adjustment to the consequences of the liberalisation of goods, services, financial and even labour markets, and the dramatic changes in the technologies of production, transportation and communication. In addition to posing substantial challenges to urban economies these forces of change have also required economists and economic geographers to reconsider some of the concepts, processes and theories that have served them well in the past. The very nature and impacts or consequences of clusters, agglomeration, comparative advantage, borders, economic space, image, urban hierarchy, and so forth must all be examined again for their relevance in the new globalised economy of the 21st century. The focus will be on revitalisation of the districts of cities that are marked by declining traditional manufacturing. The relevant experience of four cities in the traditional manufacturing regions of the United States and Canada will be studied: Montreal, Chicago, Pittsburgh, and Philadelphia. Throughout the paper the recent experience and current situation of Berlin, as well as the concerns that have been articulated by the Berlin Project, will be kept foremost in mind. But before getting to the cities themselves, I would like to offer comments on four aspects that are relevant in a general sense: the importance of borders, clustering and networking, the capital city and encouraging start-ups. Each is a very complex topic and I will make no effort to give a comprehensive treatment but will limit myself to aspects that are relevant to the focus of this paper.

The importance of borders

Cities in Europe and Cities in North America find themselves in rather uncertain situations when it comes to the consequences of globalisation. Trade liberalisation is supposed to lower the barriers to exchange among nations and to make national borders insignificant. In most cases the consequences have been noticeable although econometric analysis rarely indicates that the impacts have been as positive as had been forecast by the initiative's enthusiasts.⁸⁶ Nor has the border been reduced in insignificance. John McCallum has studied the importance of the Canada-US border and has concluded "that trade between two Canadian provinces is more than 20 times larger than trade between a province and a state" when the same distance is involved.⁸⁷ Subsequent analysis has lowered this to about 12 to 1.⁸⁸ Charles Engel and John H. Rogers have

estimated that “crossing the border is equivalent to 1 780 miles of distance between cities.”⁸⁹ Long entrenched social ties, cultural affinities, institutional complementarity, the lending preferences of local financial institutions, and the national bias in practices and policies of national and sub-national governments are among the factors that create this ‘invisible border’ that remains long after the formal cross-border barriers have been lowered or eradicated. Therefore, city leaders cannot assume that a regional trade liberalisation initiative, such as NAFTA or the EU or Europe’s opening to the East, will automatically result in a significant positive economic impact on their economies. Indeed, in North America much of the positive impact of the Canada-US FTA has been reserved for cities in the US South, from the Carolinas, through Texas to California, rather than for US border cities.⁹⁰ Cities close to the border that have declining traditional manufacturing sectors, such as Buffalo, Cleveland, Pittsburgh, Detroit and Chicago have generally been disappointed in the manufacturing revitalisation impact of the FTA.

The advances in transportation and communication that have reduced the historic premium placed on proximity and advantageous location have dramatically affected the anticipated benefits from changes in economic space. The functions that had previously been performed by “bridge cities” such as Buffalo or Detroit or even Pittsburgh that link two national economies, and those performed by “point-of-access cities” such as Toronto or Montreal or Vancouver that link two continents can now be performed by cities that have a less compelling geographic location. Aircraft can now fly from Los Angeles to Paris or London non-stop and the linkage function assumed by cities in eastern Canada or the North-east US has gone the way of that of Prestwick, Shannon, Goose Bay and Gander. This is no less true for cities in Europe. Concomitantly, these advances plus advances in the technology of production and distribution of goods, while destroying some activities in traditional manufacturing cities, offer a new array of potential manufacturing and service activities that can take advantage of the urban assets of those cities, including trained labour, glorious *fin de siècle* residential and commercial architecture, and a work ethic.

The reconsideration of clusters

These changes in technology make necessary a similar re-evaluation of the notion of clusters. Since Alfred Marshall economic geographers seem to have been obsessed with clusters and their benefits. It remains true that in many industries close proximity to a large number of firms in the same sector of industry enables firms to derive benefits from a shared labour pool, or specific sources of financing, or some other asset. Machine tools on the west side of

Chicago are an example; so are the electronic instrumentation firms in the Pittsburgh metropolitan area. And for firms in many areas of high technology activity face-to-face contact is essential for the generation of new ideas and the efficient sharing of information. But in many sectors of the economy these aspects are diminishing in importance. Advances in telecommunication mean that, while at some point face-to-face contact is necessary, communication from one floor to another in the same building is little different from communication from one continent to another. Job availability can be posted on e-mail lists in the context of highly mobile workers who no longer simply respond to offers they see posted outside competing firms as they commute from home to work. This is, of course, obvious to us all. But it does suggest that in many instances and for many cities clustering can be replaced by networking, with interaction occurring among firms hundreds of miles apart. The potential for this has always been greater than the extent to which it was seen in reality, but it seems a safe bet that this is increasingly the way of the future.

Replacing clustering with networking should suggest many things to local authorities. For one thing it could breathe new life into Sister City activities, or more to the point Strategic City alliances. Whereas the former typically were based on the interests of ethnic communities in the two cities, the latter is based on strategic or functional interests that are based in similar economic problems or aspirations of the two cities. The Canadian government has had for many years a program of developing new exporters to border states, through bus trip to contiguous towns and cities for smaller firms. Included are visits to companies, lawyers, brokers, local officials and so forth in the border areas of the US. Most cities have moved beyond the ethnic culture dimension of the Sister City, but this structure would seem to be very suitable for development of networks among firms since they would be developed in the context of municipal governments that were committed to nurturing them and to reducing the uncertainty that necessarily accompanies development of a network. Essentially, this means that firms and local economic development planners need not limit their attention to development of clusters contained within the metropolitan region.

If the cluster provides some of the advantages of a large integrated corporation, it is also true that it can be burdened with its disadvantages. Many firms declare bankruptcy every day. One of the primary causes is that fact that they have become closed in their thinking to new ideas. They become, in the sense of Thorstein Veblen, past-bound and conservative. Both firms and clusters need contact with different ways of thinking and in some situations the network may offer more opportunities for continual re-generation and competitiveness enhancement than does a local cluster. Of course, this is not

necessarily the case, but in concentrating on development of clusters local authorities should be continually aware of this potentiality.

If we focus our attention on the inner city or the city core, it must be remembered that not all industries have the potential for much clustering. Health care - hospitals, regional medical centres, and so forth - do exhibit a great deal of local clustering. Institutions specialise in certain treatments, share some staff and facilities, and offer many desirable opportunities for city core companies to provide specific services from cleaning to transportation to medical evaluation. However, this is not the case for pharmaceutical firms. The automobile industry is characterised by local outsourcing and clustering but analysing drilling cores or developing software can be done hundreds or thousands of miles from the firm that requires the work. So local authorities must remember that development of clusters to aid in revitalisation of a city district marked by declining traditional manufacturing may not be worth the effort if the industries in the metropolitan region do not lend themselves to local clustering and, from the other side, firms that are established in that district may have not possibility of inserting themselves in local clusters.

As a final comment on clusters, we can take caution from the comments of Harrison and Glasmeier that are based on earlier work of Niles Hansen: "A nucleus of economic activity must exist before economic specialisation can be rafted successfully onto an existing economic base. Cluster development tends to occur where there is already a critical mass of economic activity to support the creation of new markets and to warrant the formation of industrial linkages."⁹¹ In the city in which the manufacturing base is in rapid decline the "existing economic base" and the "critical mass of economic activity" are not likely to provide the suitable context for establishment or maintenance of an industrial cluster, especially one with linkages to other parts of the metropolitan region, whether that city is Berlin or Pittsburgh.

Capital cities

As a capital city, Berlin has certain advantages when it comes to a competitive economy, but it should not be forgotten that it also has some very decided disadvantages.⁹² On the plus side, capital cities tend to have very current telecommunications infrastructure given their position as the national command centre for governance of all sorts, due to the requirements of defence communication, and because of the needs of foreign delegations to communicate. They usually have one or more airports that put it in contact with all parts of the globe and access to excellent road and rail service. The labour

force is usually above average in its educational attainment, technology spin-offs are rather common, and the city has immediate name recognition. Finally, even with occasional electoral shifts between interventionist administrations on the left and those on the right that are prone to tax cutting, the economy of the capital city experiences less economic fluctuation or instability than is the case with other cities; the capital city is unique in its ability to separate itself from the economic vacillations of the regional economy in which it is situated.

On the negative side are at least three aspects. First, the government wage, salary and benefits package tends to be rather generous and jobs tend to be held until retirement or the worker chooses to quit. This makes it somewhat difficult for smaller businesses and start-ups to compete for workers, and often they choose to opt for a location in another non-capital city. This is of particular given the interest almost all cities have in generating start-ups in certain desirable industries or sectors of the economy. These start-ups often realise their potential to become the large, multinational firms of tomorrow and there is a demonstrated tendency for them to remain where they had their beginning.⁹³ Second, government has a certain cachet that even aside from the generosity and stability of its compensation package makes it the preferred employer for a great many of the brightest young people just entering the work force. This, of course, varies from nation to nation and among the various levels of government, but it can be a negative factor for a capital city that seeks to develop a dynamic private sector that is not a client of the government. Third, in capital cities the mentality of the population is often that of the bureaucrat, rather than that of the entrepreneur. This is more prominent when government is large relative to the rest of the economy. In Quebec, for example, the capital Quebec City, on the north shore of the St. Lawrence River, contrasts dramatically with the more industrial and entrepreneurial population in Lévis and in the region of the Beauce on the south shore, which extends toward the US border. This difference in mentality makes it difficult to develop a common economic development strategy for the entire region, and for Quebec City to assert itself as the command, services, transportation and financial centre of the regional economy and to develop its own cutting edge private sector. In spite of the proximity of Quebec City many firms to the south consider themselves to be in the orbit of Montreal, up to an additional 100 miles to the west. Thus, it is imperative for any capital city to try to examine realistically its net assets and liabilities from the standpoint of the entrepreneurs who are crucial to any success in developing the private sector.

Encouraging start-ups

Along the same lines, most cities today understand the need to generate new firms in their own metropolitan region. As was noted above, research tells us that once started in a location, the start-up tends to stay there and may have the potential to grow over time into the firms or industry clusters leaders all cities hope to have in their economy. These firms have certain specific needs for financing - essentially access to venture capital. While some of that access can be gained from venture capitalists in other parts of the country or continent, the most effective venture financing occurs when the firm and the investor are in the same geographic region. Additionally, start-ups are most possible where process of establishment is most friendly to the entrepreneur. In Europe, the Netherlands and the United Kingdom are seen to be the most friendly environments while France is one of the least friendly; the large number French entrepreneurs who have started firms in England is proof of this. There are many things the individual city can do to encourage both the accumulation of venture capital and ease of establishment for new firms through policies on taxation and regulation. Finally, new firms in technology related sectors tend to be started by individuals in the 25-40 year old age bracket with high levels of education. Many cities are disproportionately populated with retired and young people, and with workers with low levels of educational attainment. When one examines the development plans of many cities, one of the primary initiatives is improvement of the local culture, restaurant, club, recreation and housing assets with the intention of making the city attractive to young professionals in mind. With regard to city policy in this area, Chatterton and Hollands stress the importance of facilitating development of an indigenous youth culture and club scene rather than allowing entertainment firms operating nationally or internationally to enter the market and develop the city's nightlife assets from without.⁹⁴ The issues of attracting and retaining a young work force and facilitating start-ups are two of the most important for Berlin in the long run.

Summary

The major issues mentioned above have relevance to all cities that seek to enhance their economic position in the global urban hierarchy, and which are of particular interest cities such as Berlin that are faced with declining industrial activity and all of the consequences that follow from that condition. The importance of borders, reconsideration of clusters, and policies to encourage start-ups affect all cities, with the obvious sub-set of them being concerned with a proper estimation of the advantages and disadvantages of being a capital city. As was noted earlier, these are very complex issues and the discussion here was limited to their most pertinent aspects. Nonetheless any

city leaders should examine them closely before assuming the nature of their relevance to their particular urban economic situation - each city is in many important ways unique. After these initial considerations we can now examine the four cases of North American cities that have had experiences that are of relevance to Berlin.

The four North American cities

The cities included in this study are all located in the historic industrial heartland of North America: the Chicago-Baltimore-Boston triangle of the US and the St. Lawrence Valley in Canada. Each of the cities has seen a secular decline since the 1950s when the economies of the South and West emerged from the Great Depression and WWII to begin their economic transformation from agriculture to manufacturing and services. In both countries this was accompanied by substantial rural to urban migration that was followed by migration from the heartland itself encouraging the growth of cities in these new urban centres. In the US this development was stimulated by dramatic Cold War expansion of defence production and military bases, much of which was in the South and West, as well as provision of such basic infrastructure items as electrification, the Interstate Highway System and airports. Senator Paul Douglas, formerly a University of Chicago professor of economics, was fond of noting that he had never pressed for military base or defence production contracts for the state of Illinois, on the understanding that expansion based on the private sector was more likely to be enduring. In actuality this expenditure proved to be the base for subsequent private sector activity. In any event, the manufacturing cities of the North suffered from slow decline.

With regard to Montreal, the discovery of oil and gas at Leduc in Alberta in the late 1940s began the transformation of the Canadian West from rural agriculture to urban management of petroleum production. Economic growth here began to draw attention, capital and labour away from Montreal. Concomitantly, Toronto began its rise as the corporate headquarters and financial industry centre of Canada, again at the expense of Montreal, which had formerly performed these functions. The controversy over language rights and the desire of the majority of francophone residents of Quebec to establish their own nation only exacerbated these economic-geographic movements. Finally, we must also remember the impact of government policy measures such as the completion of the St. Lawrence Seaway. The Seaway made it possible for ocean ships to travel through the St. Lawrence River to the grain, timber and ore loading facilities located in the Great Lakes. Since they could now by-pass Montreal the city's traditional transshipment, storage and *entrepôt*

functions were dealt a sever blow, similar to that of the previously mentioned ability of aircraft to by-pass Montreal on flights between Europe and cities in the North American interior.

Each of the cities we shall examine has suffered from this secular decline, but each had its own individual experience with it. Much of this was out of their control and affected the entire North American region in which they are situated, but some of it was the result of conscious government policy to move from the traditional economic-geographic structure to one that was more in line with the needs of the post-WWII nation and with the exigencies of beneficial developments in technology. None of these events generated a discontinuity or “shock” equivalent to that which has been experienced by Berlin with unification, although the pace of economic change was dramatically accelerated following the oil price hikes of 1973 and 1979. But in all cases each city became aware of its deteriorating situation and at one time or the other has initiated a process of planning a strategic response to the threat to its economic life. It is to these responses that we will now turn. In each case the discussion will not attempt to give a comprehensive survey of the post-WW II economic experience of each city but will rather focus on some aspects of that experience that should be of interest to the Berlin Project.

Montreal

By the late 1980s both the city of Montreal and the provincial government of Quebec had become alarmed by the extent of the economic decline of Montreal relative to Toronto and even Calgary. The surge of the latter proved in the long run to be less threatening, but Toronto gained the position of the economic capital of Canada and one of the principal internationally-engaged cities of North America. The city’s response was characterised by the relationships among levels of government in Quebec. In effect, the individual Quebec cities have few or no relationships among themselves but each is directly linked to the provincial government in Quebec City. Therefore, in 1979 the provincial government began to implement a coherent strategy for the economic development of Quebec; since Montreal is by far the dominant city the plan had the city as its primary focus.

The first report issued by the government was *Bâtir le Québec*, a survey of the state of the Quebec economy and its recent performance in relation to Canada and to Ontario. The program of action was issued three years later in 1982 and was tellingly entitled *Le virage technologique*. The program entailed a clear focus on new technologies, innovation and research, and improvements in management, marketing and finance. Many governments

issued similar reports but what is striking about the Quebec/Montreal approach is that there was broad agreement that this was the best approach to take and subsequent governments in both the city and the province have continued their support of it. **Thus, Montreal has developed during the past two decades under one coherent strategic plan.** This is the first lesson to be gained from the example of Montreal. In most other cities in North America, there is neither an institutional commitment to one plan nor an institutional structure below the mayor or governor/premier to implement it. As each mayor or governor/premier is replaced by the voters the strategic approach to development is typically altered, sometimes dramatically, by his or her successor. Furthermore, in the US state governments are invariably torn between rural and urban interests, between farm interests and those of manufacturing and services, between north and south, or between up-state and down-state. Therefore, it is rarely the case that a state governor or government can take a specific long-run coherent approach to the economic problems of the cities. While not unique, the experience of Montreal and Quebec are distinctive enough to provide us with a very interesting model of government action.

It should also be noted that the Montreal and then the province of Quebec were the first sub-national governmental entities to endorse and promote enthusiastically free trade between Canada and the US. This support certainly fit into the sovereignty-association agenda of the Parti Québécois to seek a counterweight to economic ties with the rest of Canada, but it also was in harmony with the desire to develop the manufacturing and service sectors in ways that would make use of the latest technology and innovation. Closer ties with the US would increase competitive pressure on local firms to enhance their productivity, it would give them better access to advanced technology and methods through mergers, economies of scale, and joint projects and it would expose the labour force to new ways of doing things. This is an example of a city and its provincial government recognising that a major policy initiative was about to be undertaken by the national government that would entail both threats to existing economic activities and exciting new options that would be realised by those sub-national governments that adopted the appropriate response to it. This is the second lesson we can learn from Montreal.

To jump ahead to the situation in Montreal today, available data indicate that the city has the largest number of engineering consultancies in Canada, it ranks number one in research facilities, and it is the only city in Canada with four Ph.D. granting universities. Furthermore, as the following table indicates it has the largest number of workers with high technology skills in Canada; and in my study of urban competitiveness Montreal is ranked number 15 in a set of the 63 largest cities in Canada and the United States (Kresl, 2000). There are many reasons why Montreal is so well

positioned in technology-related areas of the economy, but the specific focus and consistency in implementation of a strategic plan by two levels of government are certainly powerful factors.

Montreal has recently begun to revitalise two districts in the city that have been derelict: the Angus Shops, and the Lachine Canal area.⁹⁵ The Angus Shops were established in 1904 by the Canadian Pacific Railway (CP) for the manufacture of locomotives and rolling stock. Over the years this role was diminished to repair and maintenance until they were shut down in 1992.

Box 11. Technology-related employment

<i>IT</i>		<i>Software and computers</i>		<i>High technology</i>	
Montreal	7	Montreal	8	Montreal	10
Toronto	9	Toronto	19	Toronto	16
Edmonton	35	Vancouver	21	Vancouver	23
Calgary	42	Ottawa-Hull	27	Calgary	27
Vancouver	45	Calgary	57	Ottawa	35
Quebec	57	Edmonton	58	Edmonton	45
Ottawa-Hull	58	Quebec	62	Quebec	60
<i>Communication</i>		<i>Ranked among Canadian cities</i>		<i>Average ranking</i>	
Toronto	10	Montreal	#1	5 points	1.25
Montreal	15	Toronto	#2	7 points	1.75
Vancouver	54	Vancouver	#3	14 points	3.50
Quebec	55	Calgary	#4	20 points	5.00
Ottawa-Hull	56	Ottawa-Hull	#5	21 points	5.25
Edmonton	57	Edmonton	#5	21 points	5.25
Calgary	58	Quebec	#7	24 points	6.00

Note: This is the ranking of Canadian cities out of the 63 largest cities in Canada and the U.S., 1995

Source: Kresl, (2000).

When this occurred a struggle ensued over what would be done with the defunct site. The two parties to the dispute were the *Société de développement Angus* (SDA) that was created by a local community group the *Corporation de développement économique communautaire* (CDEC). This group was primarily concerned with replacing the industrial employment that had been lost. The other party was the CP that sought to get zoning permission from the City of Montreal for a residential development. The City shared the desire of the SDA to revitalise the economic function and employment of the area so when negotiations were undertaken the result was that the site was split evenly between residential and industrial development. Development of both is now underway and is expected to be completed by 2005. The industrial part of the project will be the Angus Technopole. Taking advantage of the skills of the local work force that had just been made redundant, the Technopole is being centred on environmental training, computer recycling and recycling of wood from other CP facilities. The latter will require specialised training and skills since much of the wood will be specially treated or contaminated wood and the work will go beyond mere woodworking.

What is of interest in this exercise in industrial site revitalisation is the creative way in which local constituencies of residents were mobilised and brought into the decision-making process. During the crucial period 1995-1997 the CDEC established a group the *Comité de Relance Angus* (CRA), or the Angus revitalisation committee, composed of representatives of universities, financial institutions, unions, community organisations and local companies. Its charge was to develop a plan that was aimed at bringing into the structure members of the community that were excluded from the labour market. The entire exercise is generally considered to have been a great success.

The other current revitalisation effort in Montreal is the old Lachine Canal district, the *Faubourg des Recollets*. This industrial area ran into difficulty when, in response to the completion of the St. Lawrence Seaway, the canal was abandoned. Part of the district was converted to parking lots for the nearby city centre and part was taken over by highway construction. There was some effort at revitalisation during the 1980s but it was not until the end of the following decade that a coherent plan of redevelopment was adopted. In 1997 the provincial government established the *Centres de développement des technologies de l'information* in five Quebec cities, including Montreal. This was followed the next year by another provincial government initiative, the *Cité du multimédia*, with which the Montreal Centre was united. The City of Montreal was also involved, through its *Société de développement de Montréal*, since the City owned much of the land. In contrast to the Angus project, the planning process for *Cité* has largely by-passed the local residents and social organisations. Resident involvement has been developed only after the nature

and design of the project had already been determined. This initiative will be completed in 2008, and its success in a rather mercurial IT and media sector of the economy is not yet assured, in part because the interest of local resident “stake-holders” has not been fully engaged. Thus, the need to creatively involve the local community and its human resources is the third lesson Montreal has to offer us.

Chicago

The energy price induced deterioration of what soon became known as the “rust belt” hit Chicago rather quickly. During 1980-1982 manufacturing employment in the Chicago fell by 22 per cent, primarily in the Southeast quarter of the city in steel and automobile production. The situation was made even worse for the Mayor since much of the work force was black. The Mayor’s “Task Force on Steel and Southeast Chicago” reported that of the workers who lost their jobs between 1979 and 1983, 47 per cent were still unemployed in 1984 -- the figure was 62 per cent for black steelworkers. The rate of unemployment in this district was estimated to be between 20 and 25 per cent. Of total unemployment in Chicago 26 per cent was in manufacturing with over 48 per cent being in metals, machinery and transportation equipment. Ship dockings fell from 683 in 1971 to just 144 in 1985.⁹⁶ The approach of Mayor Harold Washington was that of sticking to the basics -- increase the number of blue-collar jobs for workers who had been laid off -- rather than developing finance and other service activities. The industries that were targeted for attention were: steel, fashion, telecommunications, medical equipment, food processing, packaging equipment, pollution control, and refrigeration equipment -- all industries that were already well established in Chicago. This is the first interesting aspect of the Chicago experience -- **a city should consider the option of sticking to what it already does well, with new activities to be developed from a solid base after the primary objective, job restoration, has been achieved.**

After a trip to Asia, Mayor Washington became convinced that increased international linkages would bring benefits to Chicago. When trips to South Korea, Japan and some other markets yielded orders in excess of \$40 million, the Mayor decided to establish the Department of Economic Development with a major mandate to develop international markets. The international focus was dependent on the enthusiasm of the Mayor and when Harold Washington died of a heart attack just after being re-elected in 1987 this focus began to fade. His successor had to develop his political base and that meant that attention was concentrated on local issues; there was a further vacillation between building up the neighbourhoods and making the central

business district, the “loop,” into one of the premier business locations in North America. Gradually the Department of Economic Development diminished in importance until its principal members left and formed a consulting company, to do essentially much of the same work. By the end of the decade it was the Governor of Illinois, James Thompson, and state government agencies that assumed the task of building international linkages for the Chicago economy. This time it was the much closer post-FTA Canada that became the primary focus. **The second lesson from Chicago, then, is that any economic strategy is dependent upon enthusiastic support of a powerful political leader who, hopefully, can put in place a constituency and an institutional structure that will guarantee a long enough commitment to it so that some reasonable chance of success can be assured.**

In 1989 Richard M. Daley was elected mayor and after a period of transition and of dealing with a substantial municipal budget deficit he got the city on the move again. One of the first problems with which he had to deal was the racial segregation that had long been characteristic of Chicago. This was an exaggerated version of the experience of many US cities during their post-WW II history. White non-Hispanics left the city for the suburbs and their number declined from 2.2 million in 1970 to 1.26 million twenty years later, or 43 per cent of the total. In 1990 blacks comprised 39 per cent of Chicago's population and Hispanics were almost 20 per cent.⁹⁷ The great challenge facing any mayor was that of fashioning a political coalition from these three racial/ethnic communities and to bring the benefits of economic growth to them. Richard J. Daley, the father of the current mayor, had created a machine that was able to accomplish this well in to the 1960s when throughout the US black-white coalitions fell apart. When the first Mayor Daley died in 1976 it all came to an end and the schisms became explicit. The two next mayors attempted first to govern relying on the white constituency and then by courting the neighbourhoods. Harold Washington was successful in 1983 in forging a coalition between blacks, Hispanics and “lakefront liberal” whites who were fed up with the traditional machine politics. The second Richard Daley has very effectively and skilfully managed to broaden the coalition to include all major groups and, being successful in getting the city to “run again,” has been able to provide benefits to all to keep their support. This is the third lesson one can gain from the experience of Chicago -- it is possible for a mayor to create a coalition of diverse racial and ethnic communities that will make governing a complex modern city possible.

As is the case with most cities, Chicago has had to develop programs to revitalise city districts where manufacturing has declined or stagnated. During the decade of the 1990s the city has introduced Empowerments Zones in three areas: West Side, Pilsen/Little Village and South Side, the Historic

Homeownership Assistance Act for rehabilitation and halting disinvestment in housing in a dozen areas, and special programs for two historic industrial districts -- the Pullman railroad equipment district and the US Steel South Works Infrastructure project. The instruments used in these initiatives are combinations of the usual items -- tax credits, public works, easing of regulatory measures, federal and state funding, and so forth. Much of this is similar to what has been done in many other places and there are too many individual projects for them to be examined in a paper such as this; but there are aspects that are of interest to the Berlin Project as we will see from examination of just one of them.

In 1994 Chicago was designated as one of six US cities to be included in the Empowerment Zone Initiative. The program includes tax incentives and grants and loans to be used in creating employment and expanding business opportunities, as well as job training, child-care and transportation.⁹⁸ The West Side Empowerment Zone is of interest because it has had to deal with one of the issues that faces Berlin -- inclusion of a minority population or work force in the economic activity that is being revitalised.⁹⁹ The West Side has a population of about 100 000 mostly African-Americans, and has historically been a centre or cluster of metalworking activity. Most of the 4,000 firms are small or medium-sized and are owned by Whites. Flight to the suburbs and demographic changes have caused difficulty in maintaining the labour force of 90 000, of which only about 9 per cent reside in the Austin area. An obvious solution is for employers to increase their use of Black residents of the Austin area. With this objective in mind some local institutions including the South Shore Bank, long a pioneer in urban minority economic development, have created institutions aimed at enhancing management and technical abilities of local firms -- the Austin Labour Force Intermediary and the Austin Enterprise Centre.

The complex of institutions and programs involved is too rich to be detailed here and it will be a few years before definitive results can be determined. But research done on US cities, including Chicago, how difficult it can be to include minority workers in economic activity. Kathryn Neckerman informs us that for firms in non-poor neighbourhoods the labour force is 26 per cent locals, in poor neighbourhoods this figure rises to 48 per cent, but in ghetto poor neighbourhoods, those in which 40 per cent or more of the population lives in poverty, the figure declines to 30 per cent.¹⁰⁰ Keith Ihlanfeldt has found that exclusion of locals from employment in their own neighbourhood occurs where there is a plurality of Blacks, but does not when the plurality of workers is White or Hispanic.¹⁰¹ The lesson we gain from the Chicago experience in this regard is that inclusion of racial or ethnic minorities in economic activity is a complex and difficult task; it must be considered to be

nuanced and to depend on the specific historic cultural and social relationship of the minority group being considered with the rest of the metropolitan area.

Chicago's recent enhancement of its position as a command, financial and services centre for the Mid-west is a story that has obvious roots in its history as well as specific initiatives that have been pursued during the past decade or two. Abu-Lughod stresses the role played by the Chicago Mercantile Exchange in and its International Monetary Market in enabling Chicago to force itself from its cherished "second city" status into the small club of primary global financial centres.¹⁰² It is, however, a story that is not germane to the purpose of this paper.

Philadelphia

Philadelphia's decline has been a steady one for the past half-century, but the late 1980s and 1990s were particularly noticeable in relation to other comparable cities. For example, during the 1990s, one of the strongest decades in recent US history, Philadelphia city and county, which are contiguous, declined in population by 10.6 per cent -- a rate that exceeded the 6.1 per cent decline of the 1980s.¹⁰³ Between 1989 and 1999 the labour force fell from 698 000 to 644 000, manufacturing employment fell by 35 per cent, services rose by 12 per cent but all other sectors declined by 25 per cent. The rate of decline in the very important 15-34 year old segment of the population fell by 13 per cent in comparison with the national average of 1.4 per cent. Retail sales plummeted and by 1998 had not recovered their 1988 level. By the early 1990s the city centre became known primarily by its social pathologies -- drugs, crime and homelessness.

As was the case in Chicago with mayors Washington and Daley, Philadelphia was turned around by the election of a dynamic new chief executive, Ed Rendell. The city was on the verge of bankruptcy when Rendell assumed office in 1992. In quick order he brought the budget into balance, came to an agreement with unions, took control of the Philadelphia Housing Authority (an effort to reach out to the minority community), opened a convention centre and gave the city a feeling of optimism about the future. Rather than try to replace the lost manufacturing jobs, as Chicago had, Rendell recognised the "the city had no choice but to focus on what it did have -- health care, banking and legal services, tourism -- the familiar anchors of the so-called service economy."¹⁰⁴ The clusters showing positive job growth during the 1990s were business, financial and distribution services, education and knowledge creation, hospitality, tourism and entertainment, IT, medical devices, and transportation.¹⁰⁵

It is obvious to all that Philadelphia has lost out to other competing cities for headquarters functions. Its primary financial institutions have been lost due to mergers, and even Pittsburgh has more top 200 corporation headquarters than does Philadelphia. Jerome Hodos wonders whether Philadelphia may not provide an alternative model for the “global-city,” that is, global cities that have not anchored their position on a base of being a global financial centre.¹⁰⁶ He suggests that other cities in this category are Atlanta, Montreal, Detroit, and Birmingham (UK). This experience has direct relevance to the situation of Berlin, at least as described by Stefan Krätke.¹⁰⁷ This relevance is only exacerbated by the prominence of Frankfurt as a financial centre in the German and EU economies.

Crime statistics are a key indicator of the health of a city and they tell a very positive story for Philadelphia under Mayor Rendell. Between 1995 and 2000, major categories of crime have declined by one-third, and theft from autos fell by 76 per cent. Surveys of individuals in the centre city show that those who feel safe rose during that five year period from 59 per cent to 76 per cent, while those who feel unsafe, occasionally or often, has fallen from 36 per cent to 21 per cent.¹⁰⁸ Figures such as these are the *sine qua non* of urban revitalisation. A lesson we can gain from Philadelphia, then, is that a city can be energised by a new mayor with a clear sense of what he or she wants to accomplish and a vision of the future of the city.

Bringing life to the city proper is essential for the vitality of the metropolitan area. Philadelphia has about 26 000 abandoned homes and 31 000 vacant lots.¹⁰⁹ Revitalising these sites is desirable if only to slow the sprawl that has been taking place in Philadelphia as in so many US cities. Expansion of housing was stimulated in 1997 by a 10-year tax abatement on improvements through reconversion of vacant buildings into residential buildings. In 2000 both the city and the state approved a 10-year tax abatement of taxes on new residential construction. Finally the current mayor, John Street made neighbourhood revitalisation a campaign pledge and he has followed through on this with the Neighbourhood Transformation Initiative. Central to this is a \$295 million bond issue that the City Council approved in March of this year. A land bank is being developed through which land will be cleared and made available or suitable for housing or business location. With “blight certification” a property can be condemned. Either a developer or a city agency then pays the market price for the building and then develops it. Very little social housing has been done in recent years because of the budget difficulties of the city government so the focus has been on “market rate” housing for the city centre. Thus the most problematic areas are North Philadelphia and parts of West Philadelphia, rather than in the city core. This activity is too recently adopted for us to be able to judge how successful it will be.

In addition to improving the housing and apartment stock, and to reducing crime and the perception residents and visitors have of crime, Mayor Rendell sought to improve the cultural and night-life amenities of the centre of the city. Second only to the central location of Philadelphia in the Northeast and Mid-Atlantic regions of the US, business owners state that the city's cultural attractions are its chief asset.¹¹⁰ Philadelphia has always had a strong cultural presence with its renowned orchestra, art museum, and so forth. In recognition of the value of its culture assets South Broad Street has been renamed Avenue off the Arts and the new Kimmel Center, now home of the Philadelphia Orchestra and a theater, has just been opened. This goes hand-in-hand with the strength of the city's hospitality sector, where the number of hotel rooms, virtually unchanged between 1995 and 1998, have risen from 6 703 in that latter year to over 9 800 in 2000, and employment in restaurants, hotels, and cultural institutions has increased by 23 per cent between 1994 and 1999 to 51 938. The lesson from this is that Philadelphia joins literally all cities seeking to enhance the competitiveness of their city centre in focusing on its cultural assets and institutions. This helps both the residential and the business sectors.

Philadelphia shares some disadvantages with other cities in Pennsylvania. The first is the extraordinary multiplicity of governmental entities in the metropolitan region. The Pennsylvania Economy League notes that with 22 governments per 100 square miles and with 238 municipalities in the five-county Philadelphia region this is the third most fragmented region in the US.¹¹¹ While the Delaware Valley Regional Planning Commission provides a coherent strategic structure for the region, the multiplicity of local governments makes for confusion both in tax bills and in decision making. As a consequence, this multiplicity of governments makes it difficult for a rational structure of taxes to be introduced. The specific problem for Philadelphia is the "wage tax." This is the single most mentioned negative aspect of locating in the Philadelphia economy by business leaders and by the residents. The rate is currently set at 5 per cent and Mayor Street has stated he wants to lower it to 3.5 per cent by 2007. Not only would this reduce the primary impediment to locating or retaining activities in Philadelphia, but it is anticipated that once economic activity and resident incomes increase, as a result of the wage tax cut, total revenues from this tax will rise above their current level. Thirdly, the commonwealth of Pennsylvania suffers from high medical malpractice costs. Philadelphia is a substantial regional and national health care centre and this role is placed in jeopardy by the high rates. In some states, such as Nevada, high malpractice costs have lead to an outward migration of physicians. This situation can only be dealt with at the level of the state government. The final lesson we can learn from Philadelphia is that complexity of governmental structure and fiscal problems that are imposed by the state or provincial level of government can significantly hinder a city's economic growth and vitality.

Pittsburgh

Pittsburgh is widely known as a city which has seen its status as one of the nation's primary centres of blue-collar heavy manufacturing substantially disappear during the 1960s and 1970s, as its outmoded factories and mills were not able to respond to the exigencies of the post-OPEC crisis economy. The steel district along the Monongahela River Southeast of the city became an area of rusting hulks of former mills with employment in steel making falling from 150 000 in 1950 to fewer than 20 000 by 1989. Slowly a new centre of economic activity was developed toward the airport west of Pittsburgh, with electronic instrumentation providing one of the major new industrial clusters. More recently, as will be shown below, other areas of competitive strength have been developed. In the downtown area, business activity has held up rather well. Pittsburgh still remains the headquarters city for several major corporations, although Alcoa moved its headquarters from the city centaur to the other side of the Allegheny River and some head offices, such as Westinghouse, have been lost to mergers with firms outside the metropolitan region.

One of the major problems has become the lack of a vital residential community in the city centre. Almost 150 000 workers come to jobs downtown every day, but few stay there after work. Hence the city centre tends to be abandoned in the evening and on week-ends. Once Pittsburgh was the fifth largest city in the US, but the city itself now (1999) has a population of just over 330 000, and it has declined by about 10 per cent in each of the last two decades. Low apartment and house rentals and prices throughout the surrounding area have made it unprofitable to invest in building conversions or new construction downtown. Mayor Murphy has instituted a \$60 million development fund to buy centre city sites for housing and commercial construction, and some developers have begun to convert vacant or under-utilised buildings to lofts and other types of housing. The lack of a residential population has resulted in the fact that taxis are rarely available for anything but a ride to the airport. One negative factor impacts on others and the cycle of negativity is difficult to break.

The lack of commercial traffic and revenues has meant that retail sales have fallen off for many firms. In the central Fifth and Forbes retail area many stores have closed and low-rent nail and T-shirt shops have moved in. The Mayor's office has just announced Plan C, a comprehensive plan to revitalise the Fifth/Forbes Corridor and, ultimately, the central business district. Key to the plan is site acquisition for development of a more congenial and competitive downtown retail district. In an earlier proposed but not accepted plan eminent domain was an element. But the details were left rather vague and because of

this uncertainty property owners postponed any building renovation until they could be certain that their building would not be targeted; only a few speculators purchased properties in hopes of a gain. This time neither condemnation nor eminent domain will be authorised. The negative consequences of uncertainty as to the details of a strategic plan are another lesson we can gain from Pittsburgh.

The other major effort to revitalise the downtown area and its residential attractiveness is the establishment of the Cultural District. The Cultural Trust was established in 1984 and has gradually come to own land and buildings, some of which it rents for a variety of residential and commercial purposes, such as restaurants, and some of which is used for five theatres, a concert hall, galleries, and so forth. The thoroughly renovated Renaissance Hotel now occupies the building that had been planned as a hotel in the 1930s but never functioned as such. Just across the Allegheny River, walking distance from the Cultural District are the Andy Warhol Museum and new baseball and football stadiums. Obviously the intention is that of putting in place a variety of mutually supporting facilities that will reverse the historic downward spiral experienced by the centre city.

The greater Pittsburgh economy has developed competitive strengths in several technology-related areas: robotics, bio-medical, life sciences, information-telecommunication, advanced manufacturing and environmental remediation of brown sites. However, unlike Chicago and Philadelphia the economic activity of Pittsburgh remains heavily industrial. It has strength in education and knowledge creation but the city is differentiated by its clusters in electrical equipment, defence production, automobile equipment, furniture, heavy machinery, analytical instruments, and so forth. Some of the movement away from manufacturing has been accomplished with funding from Pennsylvania's share of the tobacco industrial settlement, specifically to establish the Life Sciences Greenhouse and the Digital Greenhouse. There was also an imaginative division of labour between the two major universities, with Carnegie-Mellon University focusing on robotics and the University of Pittsburgh specialising on medical-related activities. The challenge is to be able to establish the sort of linkages discussed by Porter between these new clusters of activity and firms in the centre of the city. A lesson from Pittsburgh's experience is that a city does not have to accept the dominant model of services-oriented economic development. The city's vision of its future may entail building on the past, as was the case with Chicago, or abandoning it, in the face of irreversible collapse of its major industry, as has been the decision of Pittsburgh with steel.

There are two recent financing developments that could prove to be of interest to other cities. First, in funding the development of the Cultural District some of the theatres and the orchestra have worked out an agreement with the city whereby the city would count towards payment of the cultural entities' financial obligations the value of admission tickets that were contributed to certain groups of individuals who might not otherwise be able or inclined to attend cultural events. The elderly, handicapped, young people, single mothers and low-income residents are examples. This was of obvious benefit to all constituencies involved, including the possibility of developing a long-term audience that otherwise might never be reached. Second, the Homestead mill of US Steel has been abandoned for a couple of decades. Recently a developer sought to use the site for a multi-use facility of cinemas, shopping and residences. One difficulty, as was noted in the discussion of Philadelphia, was the multiplicity of governmental entities that would have to be involved, specifically three municipalities. The agreement reached was that the three municipalities would simply share equally in the tax revenues that would be generated, even though they were not actually equal participants. This agreement dramatically cut the time and money involved in reaching agreements with all three governments and made it possible for the project to gain approval expeditiously. Here we have two imaginative financing arrangements that could serve as a lesson to other cities.

A final initiative, in the area of transportation, is an example of how a city can imagine linking its new economy with its old economy. The city has proposed a magnetic-levitation rail line from the airport in the west through the new economy district and downtown Pittsburgh to Greensburg in the east. The federal government has indicated that it was considering funding one mag-lev pilot project to the tune of one billion dollars. Pittsburgh bases its optimism on the facts that the terrain is challenging enough to afford a true test of this technology and that, due to the strength of its traditional manufacturing sector, the city "knows how to build things." If the city is successful in its bid, this could prove to be an interesting lesson in how to link the past with the future.

Local economic development specialists observe that 20 years ago Pittsburgh was a "disaster;" today one gets a sense of realistic optimism about the future for which they seem to be preparing themselves rather effectively. Heavy manufacturing has been transformed into advanced manufacturing, the downtown area is on the way to being revitalised, and new areas of economic strength have been developed. For a city that fell so far, one has to be impressed with the progress that Pittsburgh has made thus far.

Lessons for Berlin

The primary characteristics of the Berlin economy are as follows: unemployment is extraordinarily high at 18 per cent, there is a shortage of jobs in the entire metropolitan region and indeed in the Land of Brandenburg, there is a mis-match between the skills of workers and the needs of employers, traditional policies such as public works and resort to large firms have ceased to be effective, major employers have abandoned the region, and the process of unification has resulted in institutional confusion and disharmony. Thus Berlin is characterised as a traditional economy that is experiencing secular decline and a polity that has experience an incomparable shock. No such shock has been experienced by any city in North America, but secular deterioration of a traditional manufacturing economy and the need to fashion an appropriate response to it -- one that has promise of maintaining or enhancing the city's position in the competitive urban hierarchy -- has been a common occurrence during the past two decades.

This objective has been that of distilling from the experiences of four cities in North America -- Montreal, Chicago, Philadelphia and Pittsburgh -- some observations, stated as lessons, that will be of use to the municipal leadership and economic planners in Berlin. Each of the four North American cities has experienced a secular decline and has engaged itself in responding to that decline. From these experiences the following observations or lessons seem to be most relevant to Berlin:

- Economic development can be done most effectively if a single plan can be adopted and can remain the plan that is used for a period of decades, rather than just a few short years.
- Cities must be alert to policy initiatives that are undertaken at the national or provincial level and they must adopt appropriate responses to them.
- For effective planning the city must creatively involve the local community and its human resources.
- Some cities can plan for their economic futures by sticking to what they already do well rather than attempt to refocus the economic activity in accordance with some currently favoured approach.

- Similarly, it is possible for cities to become, in a special sense of the phrase, “global cities,” without the now standard status as a global financial centre.
- It is very important that the city have a strong leader who can put in place political support and an institutional framework that will ensure a sufficiently long commitment to the plan, although in some situations a strong private sector-public bureaucracy structure can provide this commitment.
- Diverse racial and ethnic communities and their interaction can be a hindrance to effective economic planning, but it is possible to create coalitions that will turn this diversity into an asset.
- All cities that seek to enhance their competitive position begin by improving their cultural institutions and assets, whether for competitiveness, retention of high-skill labour or revitalising the city centre.
- It is clear from these cases that the economic life of a city must be considered to be embedded in the social, political and cultural lives of that city.
- Often cities are hampered in their efforts by fiscal problems and complexity of governmental structure that are imposed by a higher level of government.
- Examining the experience of other cities can reveal imaginative approaches to taxation and to financing of projects.
- It is quite possible for a city to create effective specialisations among its major universities and to force effective linkages between each university and the research and technology divisions of the small and large companies in the metropolitan region and beyond.
- Some cities have been successful in emphasising the continuity of the past strength of their economy with the aspirations they have for the future.

None of these lessons have been presented as a startling revelation that would never have been considered by a city planner, indeed several references to the literature confirm that they have received their fair share of discussion. Nonetheless the fact that they have been found to be relevant to cities in situations which are similar to that of Berlin should support their relevance and value to those who will chart a course for Berlin. All of the questions that have been raised by InvestitionsBank have not been dealt with but it may have become apparent that interesting perspectives on those remaining questions could be gained from the experiences of major cities in North America.

Appendices to Chapter 5

Federal-Länder programme “Socially Integrative City”: Integrated Urban Renewal Policy

In 1999 the German Federal government and the *Länder* launched a joint programme “Districts With Special Development Needs -- The Socially Integrative City”. The new project gives Germany an innovative approach to urban renewal policy. It is designed to pool resources (policies in the fields of employment, economy, ecology, social affairs, youth, culture, urban development), to foster co-operation between all involved players and to mobilise the residents of a neighbourhood. “The Socially Integrative City” was established to counteract the growing socio-spatial disintegration in German cities and is based on model conceptions of urban “social integration” and of a new “civic society”.

The reorientation of urban development promotion introduced by “The Socially Integrative City” Programme is anchored in various reform initiatives which the federal government, *Länder* and municipalities have developed to solve the complex problems they now face. This shift is due to the fact that it has become obvious that sectoral efforts to solve many policy problems are inadequate. The new approaches range from the Alliance for Employment to the tax reform, from the revamping of the welfare state to administrative reform, from Local Agenda 21 processes to crime prevention councils and the Healthy Cities Network.

A peculiarity of “The Socially Integrative City” programme is its encouragement of all levels of government as well as various neighbourhood players to co-operate and create inter-institutional and inter-sectoral structures. Investment projects as well as initiatives not involving investment are to merge into policy “for the citizens and by the citizens” in individual urban districts.

“The Socially Integrative City” programme calls on cities and towns to create a long-term, integrated urban development policy action plan focusing on small communities. The idea is to provide new impetus for construction, urban planning, social, economic, environmental, cultural and administrative activities and neighbourhood initiatives. The integrative thrust of these concepts can be measured in terms of the degree of interplay of city-wide, neighbourhood and target-group policies.

To accommodate the huge demand for exchange of findings and transfer of knowledge, co-operative links, communication of information and public relations work within the programme community and at large, the federal government and the German *Länder* have awarded a contract to the German Institute of Urban Affairs (DIFU) to provide information, guidance and referral services. DIFU's role is disseminating experiences in implementing the programme, establishing and improving contacts among the many players, furnishing ideas and inspiration for the local administration of the programme and for its sustained development.

The *Länder* nominated 161 districts in 123 larger and smaller municipalities for the 1999 programme edition. In 2001 it had been enhanced up to 249 districts in 184 municipalities. Two types of urban districts with development insufficiencies play leading roles: huge, densely populated housing estates built between the 1960s and 1980s, and late 19th century residential areas, mostly on the fringes of the inner city. In addition, each *Land* selected a model district for the programme. These 16 model districts are accompanied by a procedure labelled "On-Site Programme Support". It involves implementation and documentation and backs local activists with advice, information and "logistical support".

Reinforcement of civic participation and codetermination, (establishment of neighbourhood management or similar organisational structures), is an integral part of the programme. This reorientation constitutes a challenge for experts in town planning, urban development, youth services, social work, community affairs, labour administration, business promotion, culture and environmental protection. It requires a new perception of policy and administration, including the willingness to forego a "vested" authority to make decisions and design projects, to embrace less formal procedures, to get away from established, proven routines and to shape innovative concepts for integrative urban development and put them into practice.

Source: Soziale Stadt © 2000-2002 Deutsches Institut für Urbanistik (DIFU)¹¹²

Neighbourhood Management objectives and principles

(From "Neighbourhood Management, a Key Instrument in Integrative Urban District Development by Thomas Franke and Rolf-Peter Lohr, DIFU, EURA conference, Copenhagen, May 2001)

Neighbourhood Management action and networking

Neighbourhood management becomes a central co-ordinating office for a highly varied project landscape:

- social and ethnic integration -- improving neighbourly community life;
- employment and education for local residents, placement on the primary labour market;
- economic revitalisation, support for the local economy;
- redevelopment and modernisation measures, improving the residential environment; linking investment measures in urban renewal with non-investment social and employment measures;
- improving the transport infrastructure and accessibility;
- improving social and cultural infrastructure, integrating facilities such as schools, youth and senior-citizen facilities into district work, the promotion of children, young people, and families;
- improving (residential) security in the neighbourhood;
- public relations, image development.

The spectrum of effective players is as wide as that of the fields where action is needed. They include individual residents and existing resident groupings such as neighbourhood networks, district groups, local resident groups, citizen action groups, and interest groups. They also include:

- cultural, religious, and other associations (especially sports clubs) and networks;
- urban renewal advisory boards, tenant advisory committees and associations, youth committees;
- crime prevention committees, city marketing bodies;
- sponsors and sponsoring organisations active in the district, churches, and schools;

- local business people, local retailers' associations;
- representatives of the housing industry;
- representatives of the political parties in city and district councils.

Where possible, neighbourhood management should unite all locally active players in district-level co-operative structures such as “community conferences”, “round tables”, and “neighbourhood forums”. It should arbitrate differences, mediate disputes, and co-ordinate the efforts of all players in the framework of a holistic project landscape (horizontal networking). By integrating target-group oriented players into the overall community concept, a holistic, socio-spatial approach is achieved. To ensure effectiveness, it is vital that player representatives composing these co-operative structures have authority to make decisions. The co-operation of the administrative authority competent for the neighbourhood is indispensable.

In addition to its functions as co-ordinator and activator at the local implementation level, neighbourhood management should maintain at least a presence in bodies responsible for net-working the local level with administrative and city-wide players (representatives of council parties, of retailer and handicrafts chambers, labour authorities, the press), so that it can communicate neighbourhood needs “upwards” and “outwards”, and keep the neighbourhood informed about “material constraints” or differing interests.

Neighbourhood population: participation and activation

There are three basic options for participation by local residents:

- The classical form of participation in the form of forums, initiatives, round tables: the precondition for this form of participation is the existence of a corresponding discourse basis in the neighbourhood, for example through existing association and grass-roots party work. For this approach, planning resources are needed at the local implementation level and access for civic action groups to local political institutions with which direct discussion has to be conducted.

- The second possibility is to reach the residents of a neighbourhood where they experience their daily problems -- for example, in home improvement or amelioration of the residential environment. Direct participation in solving these problems reveals the advantages and disadvantages of the measures planned. The prerequisites for this procedure are early involvement of local residents right at the start of the planning stage and intensive accompanying support. This can also provide the basis for further forms of participation.
- The third alternative is to make residents neighbourhood players, *i.e.*, to give them the possibility of performing functions in civic self-organisation. This can, for example, be in the form of associations and clubs. The precondition is decentralised access to resources allocated by local government.

The list of instruments for activating the neighbourhood population is comparatively long: street parties, activating surveys, visiting work, inspections and neighbourhood walks, neighbourhood newspapers, competitions, workshops, advisory services, public debates, innovative workshops, arts projects and public relations.

Neighbourhood Management and governance issues

It cannot be the task of neighbourhood management to overcome an “unsuitable” administrative system. Neighbourhood management would be completely overburdened if high-level administrative co-operative and co-ordinating structures did not attempt to eliminate these structural problems. Also, neighbourhood players must be shown the advantages of co-operating with neighbourhood management -- for example, easier dealing with the bureaucracy or economic advantages. Problems and conflicts ought not to be swept under the carpet, they should be brought out into the open and thus made productive. This can contribute to critical discussion of neighbourhood development and to eliminating obstacles for neighbourhood management.

Networking among neighbourhood residents is often a laborious and protracted process, since, in many cases, there are no organised resident structures in the neighbourhoods concerned. In such areas a great deal of time and energy needs to be spent. Residents need to be made aware of the issues and induced to take action -- merely in articulating problems or, at a later stage, in volunteering active commitment. It is clear that there is no ideal way to build effective co-operative structures. It is necessary to be open to processes taking

place in and ideas emerging from the neighbourhood, and to apply a whole range of methods sensitive to the local situation. The successful use of instruments and methods depends to a large degree on the scope for action available. Neighbourhood management and working bodies need sufficient competence and powers to implement decisions without undue delay.

Experience has repeatedly shown that five principles are important for the neighbourhood level.

- The setting up of a neighbourhood management should be wanted in the neighbourhood, and is best developed from within the neighbourhood. At the local implementation level, the establishment of a neighbourhood management should give people a sense of a new departure.
- This can happen only if all neighbourhood players are involved at an early stage.
- Neighbourhood players should be strongly involved in defining the functions of neighbourhood management.
- It should be ascertained whether players already established locally can take on the job of neighbourhood management. This improves the chances for the sustainability of projects and measures in the neighbourhood.
- Neighbourhood managers should already be equipped with good local knowledge and competence to work together with disadvantaged population groups, who often have no one to speak for them.

These principles for the neighbourhood have their pendant in five principles for administrators and politicians:

- Local government should really want neighbourhood management. Successful work is possible only if this is the case.
- Local government should regard neighbourhood management as a chance to gain a better understanding of the problems and potential of a community in the interest of more purposive and effective action.

- Local government should be prepared to devolve powers to ensure real participation by all local players. Politicians should return to their real job -- guiding and controlling work -- and leave decision-making as far as possible to the community or neighbourhood level. The administrative authorities should build internal co-operative structures, so that they can package the various subsidies and other resources for feeding into the neighbourhood.
- Among other things, this requires appropriation of a fund that is at the independent disposal of local players. This fund is particularly important for neighbourhood management, because it makes it possible to carry out smaller projects on demand from within the neighbourhood.
- Experience has shown that these principles are indispensable for the functioning of neighbourhood management. Fulfilling them can be a lengthy process, in which conflicts cannot be avoided. Neighbourhood management accordingly needs an open conflict culture.

How to activate and involve local residents raises even greater problems

What are they to be activated for? What methods can be used to activate and involve them; how does one reach the population? How can participation, once achieved, be sustained? What role do public relations play in activation and involvement? Small-scale, short-term forms of participation at the project level, for example building modernisation, home improvement, or enhancement of the residential environment are usually relatively unproblematic, but do not go very far. It is easiest to encourage people to become involved and to keep their interest with small projects and rapidly visible first results. In contrast, participation in more comprehensive development processes gives rise to great uncertainty. In all, residents should be fed no illusions about their wishes being realised; the chances of a project's success must be clearly articulated, and procedures must be transparent.

Activation is most successful in the long run when people take action on their own initiative. Wherever possible, the necessary structures for facilitating personal initiative should be established. It is naturally not the job of neighbourhood management alone to organise participation and activation. It is necessary that the various sponsors, companies, institutions, associations, and political groupings become much more active with regard to resident participation than has often been the case in the past. Neighbourhood

management and resident-centred urban renewal cannot as a whole be regarded as the sole “problem-solving channels”. The result would be system overload and trite recriminations. The implementation of integrated action concepts must be understood as a long-term process that lives by the interplay between top-down and bottom-up elements. At the same time, rapidly realisable “lighthouse” projects are necessary, which can “prime the pump” in the neighbourhood and show that something is happening.

Tax, gross domestic product and public revenue in Berlin

The number of employers who are taxpayers in Berlin (110 806) in the year 2000 appears to be low compared to some other Länder. Performance (at the level of €103 275 295 000) also appears similarly below average.

Table 15. **Employers paying tax, their deliveries and other performances in the German Länder**

2000	Number of Tax-payers	Deliveries and other performances (in €1.000)	Deliveries and other performances (per capita, in €)
Baden-Württemberg	407 807	661 038 746	62 421
Bavaria	505 068	671 955 652	54 586
Berlin	110 806	103 275 295	30 465
Brandenburg	77 379	49 952 996	19 287
Bremen	21 463	49 362 579	74 792
Hamburg	77 007	245 417 324	142 684
Hesse	229 419	381 419 458	62 733
Mecklenburg-Western	50 524	32 251 745	18 325
Lower Saxony	248 340	356 300 514	44 818
North Rhine-Westphalia	622 428	1 144 552 584	63 445
Rhineland-Palatinate	149 039	147 765 096	36 485
Saarland	34 042	39 085 846	36 529
Saxony	135 869	79 183 617	18 037
Saxony-Anhalt	66 962	41 568 726	16 050
Schleswig-Holstein	99 467	106 026 720	37 867
Thuringia	73 530	43 770 367	18 087
Germany	2 909 150	4 152 927 275	50 393

Source: Federal Statistical Office Germany, (2001).

In 2000, the revenue of Berlin’s public budget was €18 343 Million. This amounted to a drop in the city’s public budget on the previous year. Berlin’s budget lies seventh highest out of the total of sixteen Länder.

Table 16. **Revenue of Public Budgets by German Länder**

	1999 EUR mn	2000 €	2000 (Per Capita)
Baden-Württemberg	41.514	42.340	3.998
Bavaria	48.645	50.288	4.085
Berlin	19.203	18.343	5.411
Brandenburg	11.325	11.452	4.422
Bremen	4.422	3.977	6.026
Hamburg	8.836	9.027	5.248
Hesse	26.929	27.517	4.526
Mecklenburg-Western	8.233	7.947	4.515
Lower Saxony	28.219	28.965	3.643
North Rhine-Westphalia	70.856	71.168	3.945
Rhineland-Palatinate	14.375	14.637	3.614
Saarland	4.317	4.317	4.035
Saxony	19.334	19.500	4.442
Saxony-Anhalt	11.680	11.557	4.462
Schleswig-Holstein	10.535	10.350	3.696
Thuringia	10.534	10.557	4.362

Source: Federal Statistical Office Germany, (2002).

The following table shows that Berlin had the biggest discrepancy in its public budget balance in 2000 (situated at –€2 546 Million), which also amounts to the highest rate per capita (–€751).

Table 17. **Financial balance of public budgets by German Länder**

	1999 EUR mn	2000 €	2000 (per capita)
Baden-Württemberg	+ 1.186	+ 139	+ 13
Bavaria	+ 489	+ 1.091	+ 89
Berlin	- 1.845	- 2.546	- 751
Brandenburg	- 791	- 475	- 183
Bremen	+ 283	- 140	- 212
Hamburg	- 599	- 675	- 392
Hesse	+ 327	+ 230	+ 38
Mecklenburg-Western	- 573	- 592	- 336
Pomerania			
Lower Saxony	- 917	- 836	- 105
North Rhine-Westphalia	- 2.044	- 1.914	- 106
Rhineland-Palatinate	- 719	- 647	- 160
Saarland	+ 56	- 3	- 3
Saxony	- 10	- 173	- 39
Saxony-Anhalt	- 852	- 854	- 330
Schleswig-Holstein	- 393	- 328	- 117
Thuringia	- 987	- 688	- 284

Source: Federal Statistical Office Germany, (2001).

Even if the situation of Berlin is not enviable, other Länder experience worse debt within their public budgets (that is the credit market debt in the broader sense *e.g.*, securities debt, indebtedness to banks, etc.). For example, North Rhine-Westphalia had a recorded debt of €105 008 Million and Lower Saxony, of €42 346 Million, whilst the figure for Berlin stood at a considerably lower level of €33 453 Million.

Table 18. **Debt of Public Budgets by German Länder**

	1999 EUR mn	2000 €	2000 (per capita)
Baden-Württemberg	36.265	36.898	3.484
Bavaria	32.272	31.773	2.581
Berlin	31.506	33.453	9.868
Brandenburg	15.338	14.619	5.644
Bremen	8.062	8.522	12.912
Hamburg	15.666	16.626	9.666
Hesse	29.856	29.950	4.926
Mecklenburg-Western Pomerania	9.761	9.586	5.447
Lower Saxony	41.938	42.346	5.327
North Rhine-Westphalia	103.171	105.008	5.821
Rhineland-Palatinate	22.077	22.628	5.587
Saarland	8.088	7.978	7.456
Saxony	15.933	16.206	3.692
Saxony-Anhalt	17.765	16.835	6.500
Schleswig-Holstein	17.505	17.824	6.366
Thuringia	13.286	13.996	5.783

Source: Federal Statistical Office Germany, (2001).

PART VII

JOINT OECD-INVESTITIONSBANK BERLIN SEMINAR

(Berlin, December 12th, 2002)

A seminar was held in Berlin on December 12th, 2002 to discuss the main findings and recommendation of the report on the basis of an abridged text, before formal approval of the draft report by the Territorial Development Policy Committee in January 2003.

The venue opening was highlighted by a statement by Dr. Tilo Braune, State Secretary, Federal Government Department for Transport, Development and Construction. It was attended by around 100 participants from the Federal Government, Berlin and other German cities as well as foreign participants. The programme is included herewith.

It was followed on December 13th, 2002 by a visit of the study area, attended amongst others by Dr. Herwig Schlögl, Deputy Secretary of the OECD.

A selection of presentations made on that occasion can be consulted on the following website:

<http://webdev1.oecd.org/EN/documents/0,,EN-documents-586-nodirectorate-no-29-no-3,00.html>

PROGRAMME

OECD Urban Renaissance Studies: Berlin

Towards an integrated strategy for social cohesion and economic development

12th of December 2002, 09.00 – 19.00

Investitionsbank Berlin, Spichernstraße 2, 10777 Berlin

9h00 Opening

Dr. Ulrich Peter, Head of Department for Promotion of Economic Development, Investitionsbank Berlin

Wolf Schulgen, Head of Division, Senatsverwaltung für Stadtentwicklung, Berlin

Heino von Meyer, Director, OECD Centre, Berlin

Tilo Braune, State Secretary, Federal Government
Department for Transport, Development and Construction

9h40 Lessons from the OECD-Urban Renaissance Studies

Dr. Josef Konvitz, Head of Division,
Public Governance and Territorial Development Directorate, OECD Paris

10h00 Presentations of main findings and recommendations on Berlin

Philip Wade, Administrator,
Public Governance and Territorial Development Directorate, OECD Paris

10h15 Our experiences and consequences of the OECD Glasgow Study

Stuart Patrick, Senior Director, Operational Development,
Scottish Enterprise, Glasgow

10h45 Economic activation of distressed urban areas with high unemployment

Kevin Kane, Senior Manager, Strategic Projects Partnerships,
Scottish Enterprise, Glasgow
and OECD expert: “Linking Social Cohesion and Entrepreneurship”

Heinz Buschkowsky, Mayor of the district Neukölln, Berlin

Prof.Dr. Dieter Läßle, Department for Urban
and Regional Development, University of Hamburg

Wim Ostendorf, URBEX Project Co-ordinator,
University of Amsterdam

Öner Birant, Project Director,
Association for Economy and Employment, Berlin

Moderation

Sven-Göran Mey, Journalist in Economic Affairs

with questions by

Dr. Martin Gornig, Research Officer,
Deutsches Institut für Wirtschaftsforschung (DIW), Berlin

Dr. Andreas Prüfer, City Councillor
of the district Lichtenberg-Hohenschönhausen, Berlin

Dirk Lamprecht, City Councillor
of the district Mitte-Wedding, Berlin

14h00 Quartiers management and mobilisation of young people

Johanna Moehring, Consultant, Local Economic and Employment Development Programme, OECD, Paris
“Creating Opportunities for Young People in Berlin: Support to Self-Employment”

Petra Nothdorf, Senate administration for Urban Development, Berlin

Dr. Andreas Prüfer, City Councillor
of the district Lichtenberg-Hohenschönhausen, Berlin

Joëlle Bordet, Centre Scientifique et Technique du Bâtiment, Paris

Holger Quellenberg, Co-author of the “Shell Studie”,
German Institute for Youth, Munich

Moderation

Sabine am Orde, Journalist, die tageszeitung, Berlin

with questions by

Dr. Rolf-Peter Löhr, Deputy Director,
German Institute for Urban Development (DifU), Berlin

Lutz Basse, Project Manager with focus on Young Immigrants

Thomas Blesing, City Councillor of the district Neukölln, Berlin

16h 00 Coffee Break

16h 30 Ethnic Communities and Distressed Areas

Charlotte Hamburger, Ministry of Refugee,
Immigration and Integration Affairs, Denmark,
and OECD delegate
“Integrating Different Communities in Distressed Areas, Best Practices”

Barbara John, Senate Commissioner for Integration, Berlin

Joachim Zeller, Mayor of the district Mitte-Wedding, Berlin

Dr. Lale Akgün, Member of the Bundestag
and Jury Member of the Competition
by the Federal President Johannes Rau “Integration fördern“
(Fostering Integration)

Amir Dor, Department of Integration for Immigrants
of the City of Tel Aviv, Israel

Dr. Rebekka Ehret, Author for the communal approach towards a
successful integration, University of Basel

Moderation

Petra Schwarz, Journalist, i.a. InfoRADIO Berlin-Brandenburg

with questions by

Dr. Felicitas Hillmann, Research Officer,
Department of Anthropogeography, Freie Universität Berlin

Katrin Lompscher, City Councillor
of the district Lichtenberg-Hohenschönhausen, Berlin

18h 30 Final Statements

Heino von Meyer, Director, OECD Centre, Berlin

Dr. Ulrich Peter, Head of Department
for Promotion of Economic Development, Investitionsbank Berlin

BIBLIOGRAPHY

- BEEKMAN, T., LYONS, F. and SCOTT, J. (2001),
“Improving the Understanding of the Influence of Owner Occupiers in Mixed Tenure Neighbourhoods”, Report 89, Edinburgh: Scottish Homes.
- BERLINER ZEITUNG (1999),
Information compilation used in Table 12, “ICT Equipment in Berlin Schools and three districts”, Newspaper, Berlin, Germany.
- BERLINER ZEITUNG (2002),
Information compilation used in Figure 10, “Budget Structure in the Three Districts”, Newspaper from April 24, 2002, Berlin, Germany.
- BERLINER ZEITUNG (2002),
Information compilation used in Table 14, “Social welfare, higher education, culture and construction spending, German cities”, Newspaper from February 7, 2002, Berlin, Germany.
- BERLIN SENATE (1999),
“The Commission of Foreigners’ Affairs”, Berlin Senate, Berlin, Germany.
- BERLIN SENATE (2002),
Information compilation used in Figure 2, “Percentage of households in poverty by district, 1999”, Department of Health, Social and Consumer Protection, September 2002, Berlin Senate, Berlin, Germany.
- BLIEN, WALWEI and WERNER (2002),
“Labour Market Policy in Germany”, Bulletin No. 49, Institute for Employment Research of the Federal Employment Services (IAB), Nürnberg, Germany.

- BULMAHN, E. (2002),
 “PISA, the consequences for Germany”, German Federal Minister for
 Education and Research, OECD Observer, May 2002, OECD, Paris,
 France.
- DEUTSCHES INSTITUT FÜR URBANISTIK (DIFU) (2002),
 “Die Soziale Stadt, Eine erste Bilanz des Bund-Länder Programms
 Stadtteile mit besonderem Entwicklungsbedarf”, Bundesministerium für
 Verkehr, Bau und Wohnungswesen, Berlin, Germany.
- DUHEM, G., GRÉSILLON, B., KOHLER, D. (2000),
 “Paris-Berlin, Regards croisés sur deux capitales Européennes”, Editions
 Anthropos, Collection Villes, Paris, France.
- DORSCH, P., HÄUSSERMANN, H., KAPPAN, A., SIEBET, I. (2001),
 “The Spatial Dimensions of Urban Social Exclusion and Integration”,
 URBEX Series No. 11, “The case of Berlin, Germany”, European 4th
 RTD Framework Programme in co-ordination with Professor Dr. Sako
 Musterd, Amsterdam Study Centre for the Metropolitan Environment,
 University of Amsterdam, URBEX, Amsterdam, The Netherlands.
- EUROPEAN ACADEMY FOR THE URBAN ENVIRONMENT (1999),
 Berlin-Belfast Symposium, February 1999, Berlin, Germany.
- EUROPEAN ACADEMY FOR THE URBAN ENVIRONMENT (2000),
 “The City in Dialogue: Public participation strategies for urban
 development in central and eastern European cities”, European Academy
 for the Urban Environment, Berlin, Germany.
- EUROPEAN UNION and GESELLSCHAFT FÜR SOZIALE
 UNTERNEHMUNGSBERATUNG MBH. (1998),
 “Active Region Neukölln”, *Transnational Workshop Berlin-Neukölln,*
Newcastle, Belfast, Valencia, Gesellschaft für soziale
 Unternehmensberatung mbH, Berlin, Germany.
- FEDERAL STATISTICAL OFFICE GERMANY (2001),
 Information compilation used in Table 15, “Employers paying tax, their
 deliveries and other performances in the German Länder”, Federal
 Statistical Office Germany, Berlin, Germany.

- FEDERAL STATISTICAL OFFICE GERMANY (2001),
Information compilation used in Table 17, “Financial Balance of Public Budgets by German Länder” and in Table 18, “Debt of Public Budgets by German Länder”, Federal Statistical Office Germany, Berlin, Germany.
- FEDERAL STATISTICAL OFFICE GERMANY (2001),
Information compilation used in Table 13, “Länder equalisation payments and supplementary federal grants”, Federal Statistical Office Germany, Berlin, Germany.
- FEDERAL STATISTICAL OFFICE GERMANY (2002),
Information compilation used in Table 16, “Revenue of Public Budgets by German Länder”, Federal Statistical Office Germany, Berlin, Germany.
- FORREST, R. and KEARNS, A. (2001),
“Social Cohesion, Social Capital and the Neighbourhood”, Urban Studies Vol. 38, No. 12, University of Glasgow, Glasgow, U.K.
- FRANKE, T. and LOHR, R. P. (2001),
“Neighbourhood Management, A Key Instrument in Integrative Urban District Development”, European Urban Research Association Conference Paper, Unpublished data, Copenhagen, Denmark.
- GERMAN COUNCIL OF ECONOMIC EXPERTS (2001),
“For steadiness, against actionism”, Annual Report 2001-2002, German Council of Economic Experts, Wiesbaden, Germany.
- GRÉSILLON, B. (2002),
“Berlin Métropole Culturelle”, Mappemonde Collection, Editions Belin, Paris, France.
- GRIFFIN, K. (1997),
“UNESCO: Culture, human development and economic growth”, UNRISD, Geneva, Switzerland.
- HAAK, J. (2002),
“Nahe zu jeder fünfte Berliner ist arbeitslos”, 8 August, 2002, Berliner Zeitung, Berlin, Germany.
- HANSEN, N. (1966),
“Some Neglected Factors in American Rural Development Policy: The case of Appalachia, Land Economics”, Vol. 62, pp. 1-9.

- HÄUSSERMANN, H. (1997),
 “Sozialorientierte Stadtentwicklung”, Humboldt University, Humboldt
 University Press, Berlin, Germany.
- INSTITUT D’AMÉNAGEMENT ET D’URBANISME DE LA RÉGION ÎLE
 DE FRANCE (2002),
 “Comparaison des Systèmes de Transport”, Paris-Berlin, (in French and
 German), IAURIF, Paris, France.
- INVESTITIONSBANK BERLIN (IBB) (2000),
 “Neighborhood Management Areas”, Data compilation from IBB.
- INVESTITIONSBANK BERLIN (IBB) (2001),
 “2001/2002 Subsidy Guide”, Investitionsbank Berlin Press, Berlin,
 Germany.
- INVESTITIONSBANK BERLIN (IBB) (2001),
 “SWOT Analysis” Investitionsbank Berlin Press, Berlin, Germany.
- INVESTITIONSBANK BERLIN (IBB) (2002),
 “Berlin Districts and Location of the Three Study Areas”, Data
 compilation from IBB used in Figure 3, Investitionsbank Berlin Press,
 Berlin, Germany.
- INVESTITIONSBANK BERLIN (IBB) (2002),
 “The Economy and Employment Association in Neukölln”, Data
 compilation from IBB used in Box 9, Investitionsbank Berlin Press,
 Berlin, Germany.
- INVESTITIONSBANK BERLIN (IBB) (2002),
 “Strengths and Weakness Analysis of the three Expertise Areas”,
 Investitionsbank Berlin Press, Berlin, Germany.
- INVESTITIONSBANK BERLIN (IBB) (2002),
 “Turkish Businesses in Berlin”, Data compilation from IBB used in
 Box 4, Investitionsbank Berlin Press, Berlin, Germany.
- JACOBS, J. (1961),
 “The Death and Life of Great American cities”, Vintage.

- KASARDA, J., et. al. (1998),
 “The Changing Forces of Urban Economic Development: Globalisation and City Competitiveness in the 21st Century”, City Scape, Vol. 3, pp. 71-105.
- KEMPER, F. J. (1998),
 “Restructuring of Housing and Ethnic Segregation: Recent Developments in Berlin”, Urban Studies, Vol. 35, No. 10, Carfax Publishing, part of the Taylor & Francis Group, London, U.K.
- KOMOSS K. (2000),
 “Die Delinquenz Minderjähriger in Berlin im Langzeitvergleich (1984-1997): Kinder, Jugendliche und Heranwachsende”, Berliner Forum Gewaltprävention, Berlin, Germany.
- KRÄTKE, S. (2001),
 “Berlin: towards a Global City?”, Urban Studies, Vol. 38, No. 10, Carfax Publishing, part of the Taylor & Francis Group, London, U.K.
- KRESL, P. K. and PROULX, P. P. (2000),
 “Montreal's Place in the North American Economy,” The American Review of Canadian Studies, Vol. 30, No. 3, Autumn 2000, pp. 315-325, Association for Canadian Studies in the U.S., Washington, D.C., U.S.A.
- LAZEAR E. P. (1997),
 “Culture and Language”, Journal of Political Economy, Stanford University Press.
- LYNCH, K. (1984),
 “Good City Form”, MIT Press, Massachusetts, U.S.A.
- MEINLSCHMIDT, G. and BRENNER, M.H. (1999)
 “Sozialstrukturatlas Berlin 1999”, Veröffentlichungsreihe des Berliner Zentrums Public Health, Berlin, Germany.
- MÜLLER (2000),
 “Humankapital in der Transformation: das Beispiel der Neuen Länder”, IWH-Discussion Paper No. 126, Halle, October 2000, Berliner Zentrum Public Health, Berlin, Germany.

- NEILL, W. J. V. and UWE-SCHWEDLER, H. (2000),
 “Urban Planning and Cultural Inclusion: Lessons from Berlin and Belfast”, Macmillan Press, London, U.K.
- OECD (1996),
 “Strategies for Housing and Social Integration in Cities”, OECD Publication, Paris, France.
- OECD (1998),
 “Integrating Distressed Urban Areas”, OECD Publication, Paris, France.
- OECD (1998),
 “Immigrants, Integration and Cities, Exploring the links”; pp. 137-157, OECD Proceedings from “The Integration of Immigrant Populations in Berlin”, by, Häussermann H., OECD Publication, Paris.
- OECD (1999),
 “Urban Policy in Germany: Towards Urban Sustainable Development”, OECD Publication (also available in the German language), Paris, France.
- OECD (2000),
 “Overcoming Exclusion through Adult Learning”, OECD/CERI, OECD Publication, Paris, France.
- OECD (2001),
 “Cities for Citizens: Improving Metropolitan Governance”, OECD Publication, Paris, France.
- OECD (2001)
 “Economic Survey of Germany”, OECD Publication, Paris, France.
- OECD (2001),
 “Knowledge and Skills for Life”, First Results from PISA 2000, Consult also <http://www.pisa.oecd.org>, OECD Publication, Paris, France.
- OECD (2001),
 “Trends in International Migration”, OECD Publication, Paris, France.
- OECD (2002),
 “The Economic Impact of International Migration”, DEELSA/ELSA(2002)4, OECD Publication, Paris, France.

- OECD (2002),
 “Urban Renaissance Glasow: Lessons for Innovation and Implementation”, OECD Publication, Paris, France.
- OFFICE OF THE SENATE (2001),
 “The Berlin Studie, Strategies for the City”, Governing Mayor of Berlin, RegioVerlag, Berlin, Germany.
- ORSICH I. (2000),
 “Review of the Experience of Berlin since 1989”, Urban Renaissance: Belfast; pp. 130, OECD 2000, Investitionsbank Berlin, Berlin, Germany.
- PAREKH (2000),
 “Rethinking Multi Culturalism: Cultural Diversity and Political Theory”, Harvard University Press.
- PATEL, R. (1998),
 “Making Difference Matter: Ethnic Minority Cultures and City Vitality”, Working Paper No. 11, The Richness of Cities Urban Policy in New Landscape, Comedia in association with Demos, United Kingdom Parliament, Westminster, London, U.K.
- PHILLIPSON, C., BERNARD, M., PHILLIPS, J. and OGG, J. (1999),
 “Older People’s Experiences of Community Life: Patterns of Neighbouring’ in Three Urban Areas”, Sociological Review, pp. 715-739.
- POLESE, M. and STREN, R. (2002),
 “The Sustainability of Cities: Diversity and the Management of Change”, University of Toronto Press, Toronto, Canada.
- PUTMAN R. D. (2001),
 “Bowling Alone”, New York, Simon and Schuster.
- RINGLER and WENZKE (2000),
 “Generation N: Kinder und Jugendliche nutzen den Computer und das Internet”, May 2000, for Institute for Social Research, Computer Sciences and Social Work (ISIS), Berlin, Germany.
- SCHNEIDER, B. (2002),
 “Overview of the administrative structure of Berlin”, Unpublished data prepared for the OECD.

- SCHÜMER-STRUCKSBERG, M. (1997),
 “The Berlin Strategy for Further Development of Large Housing Estates: Statement of Position”, European Academy for the Urban Environment, Berlin, Germany.
- SENATSVERWALTUNG FÜR ARBEIT, BERUFLICHE BILDUNG UND FRAUEN (1999),
 “Berufsbildungsbericht Berlin 1999”, in co-operation with the Senatsverwaltung für Schule, Jugend und Sport, Berlin, Germany.
- SENATSVERWALTUNG FÜR SCHULE, JUGEND UND SPORT (2002),
 “Zahlen, Daten, Fakten zum Schuljahr 2001/2002”, Senatsverwaltung für Schule, Jugend und Sport, Berlin, Germany.
- STATISTICAL OFFICE OF BERLIN (1999),
 “Berlin Sozialstrukturatlas”, Kulturbuch Verlag, Berlin, Germany.
- STATISTICAL OFFICE OF BERLIN (1999)
 “Statistisches Jahrbuch 1999”, Kulturbuch Verlag, Berlin, Germany.
- STATISTICAL OFFICE OF BERLIN (2000),
 “Berliner Statistik”, No. 16, Kulturbuch Verlag, Berlin, Germany.
- STATISTICAL OFFICE OF BERLIN (2000),
 “Ten Years of Unity in Berlin: a narrative and statistical analysis of reunification”, (in English), Available on the Web at *statistik-berlin.de*, Kulturbuch Verlag, Berlin, Germany.
- STATISTICAL OFFICE OF BERLIN (2000)
 “Statistisches Jahrbuch 2000”, Kulturbuch Verlag, Berlin, Germany.
- STATISTICAL OFFICE OF BERLIN (2001)
 “Statistisches Jahrbuch 2001”, Kulturbuch Verlag, Berlin, Germany.
- STATISTICAL OFFICE OF BERLIN (2002)
 “Age Distribution”, Data compilation used in Figure 11, Figure 12, Figure 13, Figure 14, Kulturbuch Verlag, Berlin, Germany.

- THOMSEN, J. (2002),
“Jeder achte Berliner ist arm”, 25 July 2002, Berliner Zeitung, Berlin,
Germany.
- VEBLEN, T. (1921),
“Engineers and the Price System”, New York, B. W. Huebsch.
- VINDE, P. (1994),
Speech as Deputy Secretary General, OECD Australia Conference 1994.
- WILPERT, C. (1999),
“Workers to Entrepreneurs? Immigrant Business in Germany”, Technical
University of Berlin (TUB), Berlin, Germany.

WEBSITES

In English

- berlin.de

Official website of the Land Berlin, covering various aspects of economic activity, society and culture.

- stadtentwicklung.berlin.de/wohnen/quartiersmanagement/index_en.shtml

Neighbourhood management.

- difu.de/english

German Institute of Urban Affairs

- europa.eu.int/comm/regional_policy/urban2/urban/audit/results/berlin.htm

From the European Inforegio site, an urban audit of Berlin.

- stadtentwicklung.berlin.de/planen/stadtentwicklungsplanung/en/gewerbe/stand

Senate Department of Urban Development: location profiling and spatial models of commercial and industrial development.

- izbm.de/english/pages/izbm/izbm.htm

“Innovations-Zentrum Berlin Management GmbH”: managing company of innovation and business incubation centres in Berlin and subsidiary of the Economic development corporation of Berlin.

- blc.berlin.de/en/startseite_themen.html

Business and Location Centre of Berlin: a joint public-private venture to promote foreign direct investment in Berlin.

- iic.de

Industrial Investment Council, a public entity to foster investment in former East Germany.

- berlineastside.de

A joint organisation of the Eastern districts of Berlin to promote investment.

In German

- statistik-berlin.de

Statistics office of the Land Berlin

- berlin.de/sengessozv/auslaender/auslbeauftragtd.html

Commissioner of Foreigners' Affairs of the Berlin Senate.

- sozialestadt.de

Federal "Social City" programme;

- bleg.de

Berlin land development public company.

- berlin.de/ba-lichtenberg/index.html

Lichtenberg District website.

- Berlin-mitte.de/rathaus/main.php3

Mitte District website

- neukoelln-online.de

Neukölln District website

PARTICIPANTS IN MEETINGS WITH OECD

Name	First Name	Title or Department	Organisation
Birant	Öner	Project Manager	Wirtschaft und Arbeit in Neukölln e.V.
Blau	Detlef	Manager	Business Location Centre Berlin
Buschowsky	Heinz	Mayor of the district of Neukölln	Neukölln Town Hall
Duhem	Gilles	Neighbourhood Manager	Humanistischer Verband Deutschlands
Eichhorst	Birgit	Urban Development	Lichtenberg Town Hall
El Chuli	Nasir	Director	Out-reach youth club, Neukölln
Ersöz	Ahmet	Spokesman	Turkish-German Union of Entrepreneurs of Berlin-Brandenburg
Franke	Heinz	Researcher	German Urban Institute (DIFU)
Freiberg	Michael	Health, Environment and Civil Services	Neukölln Town Hall
Walther	Friedemann	Head of the office of the Mayor of Berlin	Senate Chancery
Friedersdorff	Wolfram	Mayor of the district of Lichtenberg	Lichtenberg Town Hall
Geiss	Stefan	Consultant	Empirica
Germershausen	Andreas	Head of task force anti discrimination and violence prevention	Commission of Foreigners' Affairs of the Berlin Senate
Gottmann	Veronica	Neighbourhood Management team	list-GmbH
Häussermann	Hartmut	Director Department of Urban Sociology	Humboldt University Berlin
Henning	Steffen	Internship	Industrial Investment Council (IIC)
Horth	Matthias	Urban Development	Lichtenberg Town Hall
John	Barbara	Commissioner	Commission of Foreigners' Affairs of the Berlin Senate
Lamprecht	Dirk	Town councillor for Economic and Real Estate	Mitte Town Hall
Laufer	Gudrun	Wedding Communal Forum	Stadtbauhof GmbH
Löhr	Rolf-Peter	Deputy Head of DIFU	German Urban Institute (DIFU)
Maas	Brigitte	Wedding Communal Forum	FAST
Marquardt	Heike	Local representative for Lichtenberg	Commission of Foreigners' Affairs of the Berlin Senate

Name	First Name	Title or Department	Organisation
Mindrup	Klaus	Biologist	GMZ Planungsgesellschaft Matthias Zinnen mbH
Nünthel	Wilfried	Town councillor for Civil and Social Services	Lichtenberg Town Hall
Nüske	Marion	Economic Development	Lichtenberg Town Hall
Olhagaray	Bärbel	District areas manager	Lichtenberg Town Hall
Özkanli	Hüsni	Secretary General	Turkish-German Union of Entrepreneurs of Berlin- Brandenburg
Patz-Drueke	Petra	Abstractor of the Mayor of the district of Mitte	Mitte Town Hall
Pfeiffer	Ulrich	managing director	Empirica
Prüfer	Andreas	Town councillor for Economic and Real Estate	Lichtenberg Town Hall
Reimann	Bettina	Urban Development and Law	German Urban Institute (DIFU)
Reusch	Carl	Project Manager	SPI Foundation
Rieckhoff	Christian	Consultant	
Sander	Jutta	Neighbourhood Manager, Reuterkiez	Humanistischer Verband Deutschlands
Schmollinger	Horst	Deputy Director Elections Department	Berlin Statistics Office
Schümer- Strucksberg	Monica	Department Director	Senate Department for Urban Development
Uve Schwedler	Hans	Managing Director	European Academy for the Urban Environment
Voigt	Thomas	Finance Committee	Berlin Senate
Wachs	Philipp-Christian	Director Corporate Development	Industrial Investment Council (IIC)
Wilpert	Czarina	Researcher	Berlin Technical university
Zeller	Joachim	Mayor of the district of Mitte	Mitte Town Hall

INVESTITIONSBANK BERLIN TEAM

Name	First Name	Title or Department	Organisation
Brickwell	Edith	Department Manager	European Services and Product Development
Kuhle	Holger	Project Manager	European Services
Knappe	Sebastian	Assistant	European Services
Roverkamp	Cornelia	Responsible for Cultural markets project	European Services
Zander	Jorg	Responsible for Territorial Employment Pacts	European Services
Kanaï	Juan Miguel	Internship, Humboldt University	
Boggs	Jeff	Internship, UCLA	
Cohen	Bruce	Dr, Humboldt University	
Ernst	Sabine	Customer relations	
Börner	Mandy	Internship	
Weber	Marco	Internship	

OECD TEAM AND EXPERTS

Name	First Name	Title or Department	Organisation
Konvitz	Josef	Head of division	Directorate for Public Governance and Territorial Development
Wade	Philip	Administrator	Directorate for Public Governance and Territorial Development
Mountford	Debra	Administrator	Directorate for Public Governance and Territorial Development
Woefl	Anita	Administrator	Directorate for Public Governance and Territorial Development
Hamburger	Charlotte	Expert on urban development and integration	Ministry of Refugee, Immigration and Integration Affairs, Denmark
Kane	Kevin	Expert on urban economic development	Scottish Enterprise, Glasgow, U.K.
Kresl	Peter Karl	Professor and expert on urban economic development	Bucknell University, Pennsylvania, U.S.A.

NOTES

-
1. The communal reform introduced in 2001 has reduced the number of Districts from 23 to 12. Unless otherwise specified, this study will refer to the new districts.
 2. Berlin is both a Land and a municipality, with the Mayor and Senate chosen by the elected *Abgeordnetenhaus* (House of Representatives).
 3. Former East Berlin representing 405.7 square kilometres and former West Berlin, 485.7 square kilometres.
 4. For an historical and spatial perspective of Berlin development see “Paris-Berlin, Regards croisés sur deux capitales Européennes”. Gilles Duhem, Boris Grésillon, Dorothee Kohler. Editions Anthropos, collection Villes, Paris, 2000.
 5. Brandenburg is one of the most sparsely populated Länder with only 88 inhabitants per square kilometre.
 6. See “Berlin, Métropole Culturelle”, Boris Grésillon, collection Mappemonde, Belin, Paris 2002.
 7. Berlin Sozialstrukturatlas 1998.
 8. In parallel, the number of social welfare beneficiaries also rose, from 65 200 in 1991 to 184 400 in 1999.
 9. From “Ten Years of Unity in Berlin: a narrative and statistical analysis of reunification”, (in English), Statistisches Landesamt Berlin, 2000. Available on the Web at *statistik-berlin.de*.
 10. Urban Renaissance: Belfast, OECD 2000. Page 130: “Review of the Experience of Berlin since 1989”, Irina Orsich, Investitionsbank Berlin (pp. 132-135 on economic restructuring in East and West Berlin).
 11. See the above-mentioned report. Most of this increase is attributable to the inclusion of publishing in statistics since 1995.

-
12. Source: Overview of the economic situation in Berlin, IBB, 2002.
 13. See: "Berlin: towards a Global City?" by Stefan Krätke in *Urban Studies*, Vol. 38, No 10, 2001.
 14. See above-mentioned study by Stefan Krätke.
 15. The following developments are contained in the preceedingly mentioned IBB document.
 16. During the last ten years three quarters of the 770 film and TV production companies in Germany have moved to Berlin which concentrates 24% of all cinema and TV productions.
 17. Conducted each year in April, the Berlin micro-census survey covers one per cent of households, with the results of the samples extrapolated for the entire city population.
 18. The following developments are extracted from a report released in September 2002 by the Berlin Senate Department of Health, Social and Consumer Protection and based on data from the local micro-census of 1999 (8 000 samples), with variables disaggregated down to the former 23 district's level.
 19. Haak, J. (2002), 'Nahezu jeder fünfte Berliner ist arbeitslos', *Berliner Zeitung*, 8 August.
 20. There are 7.3 million foreigners in Germany, which is home to close to 2 million Turks (1 947 000 at the end of 2001), forming the number one community.
 21. From the Balkans in particular.
 22. From Restructuring of Housing and Ethnic Segregation: Recent Developments in Berlin, Franz-Josef Kemper, *Urban Studies*, Vol. 35, No. 10, 1998.
 23. See above-mentioned study.
 24. From the same study.
 25. There are 17 such areas in Berlin, 5 in East Berlin and 12 in West Berlin, four of these being located in the former Wedding district.

-
26. Official figures from the Hohenschönhausen public housing company, "HOWOGE".
 27. This is however justified since the relevant statistical areas (Verkehrszelle) are almost identical to the research areas. Also, the problems in the research areas also exist beyond their borders.
 28. This point will be further discussed in the next chapter on the horizontal issues.
 29. 15 were selected in 1998 and two (the inner-city areas studied in this report) in 2001.
 30. ICC's mission is to attract major investment, both German and foreign, to the former East-German Länder.
 31. <http://www.blc.berlin.de>
 32. Data provided by the Industrial Investment Council (IIC). Additional investment by Philip Morris to modernise its Neukölln plant (350 million DM) was decided in 2000 (source, Berlin Economic Development Corporation).
 33. 540 000 sq. metres of vacant industrial space in 1999 and 1.4 000 000 sq. metres of vacant office space (source: Aengevelt Immobilien KG).
 34. See also the EU research programme on this theme supervised by the Technical University of Berlin at www.urbancatalyst.de.
 35. Figures and following data from "Zahlen, Daten, Fakten zum Schuljahr 2001/2002 (Senatsverwaltung für Schule, Jugend und Sport).
 36. In Germany, within the framework of general educational principles concerning the delivery of basic schooling, each Land is responsible for the organisation of its educational system.
 37. The following developments do not concern Hohenschönhausen, where the reduced proportion of foreigners cannot by definition create such problems. Besides, there is rather over-capacity of school infrastructure. Acquisition of German language skills targets mostly the Russland Deutsche, often middle aged professionals or elderly people.
 38. 70% response rate, permitting the establishment of a report on the specific conditions of 602 Berlin schools of different categories (total enrolment of 247 749).

-
39. Source: Mitte District authorities.
 40. Knowledge and Skills for Life, First Results from PISA 2000, OECD 2001. Consult also <http://www.pisa.oecd.org>.
 41. See article by the German Federal Minister for Education and Research, Mrs. Edelgard Bulmahn, "PISA, the consequences for Germany", published in the OECD Observer (May 2002)
 42. For detail, see annex B1, Table 6.10 of the PISA study.
 43. See above-mentioned publication: 10 years of unity in Berlin (Statistisches Landesamt Berlin).
 44. Youth Club "Outreach", Hobrechtstrasse 55, 12047 Berlin Neukölln.
 45. <http://www.berlin.de/auslb>
 46. Die Delinquenz Minderjähriger in Berlin im Langzeitvergleich (1984-1997): Kinder, Jugendliche und Heranwachsende, Klaus Komoss, Berlin 2000.
 47. Information on Berlin police provided by IBB.
 48. Police administrative divisions do not correspond to districts so it is not possible to supply district figures.
 49. Generation N: Kinder und Jugendliche nutzen den Computer und das Internet, by Mai, Ringler and Wenzke for ISIS (Institute for Social Research, Computer Sciences and Social Work), Berlin, 2000.
 50. ...and "local shoulders" that effectively participate directly in development efforts are not that numerous: they require strong local support to achieve success for the benefit of the community.
 51. OECD Integrating Distressed Urban Areas, 1998. pp. 131
 52. Kevin Lynch, "Good City Form", MIT 1984, pp. 142.
 53. OECD DEELSA/ELSA (2002)4. The Economic Impact of International Migration.
 54. "Overview of the administrative structure of Berlin, a brief experts' opinion" by Dr Bernhard Schneider. Non published document prepared for OECD. Data on number of Citizens' Deputies in districts supplied by IBB.

-
55. See also "From Workers to Entrepreneurs? Immigrant Business in Germany", Czarina Wilpert, Technical University of Berlin (TUB), Berlin, 1999.
 56. The measures taken in Berlin were part of an ambitious program (Stadt Umbau Ost) aiming to renovate the housing estates in the former Eastern Länder and that is now practically accomplished.
 57. In the *Mietskaserne*, the apartments on the street were occupied by the most affluent and those in the inner court yards by more modest families, with many small shops and factories on the ground level.
 58. The 12 principles of soft urban renovation for Kreuzberg.
 59. 22 rehabilitation areas (*Sanierungsgebiet*) were designated.
 60. Quoted from a video "Cities within a city, Large housing estates in Berlin", Angelika Kettelhack, for the Senate Department for Building, Housing and Transport (1998).
 61. The third study area, Falkenberger Chaussée in Lichtenberg is not a neighbourhood management area. The municipality has however divided the district into five parts, each with an area manager maintaining contact with inhabitants and working along principles similar to those applied in Quartiersmanagement.
 62. Sozialorientierte Stadtentwicklung, 1997 by Professor H. Häusermann, Humboldt University, Berlin.
 63. Based on the experience of North Rhine-Westphalia, which first implemented Neighbourhood Management programs, experts from the German Institute for Urban Affairs (DIFU) presented a comprehensive overview of methods deployed and necessary conditions for success of such initiatives. Their findings were presented at a European Urban Research Association conference (Copenhagen, May 17/19 2001). Elements extracted from this study are presented as an annex.
 64. See "Labour Market Policy in Germany", by Blien, Walwei and Werner; Institute for Employment Research (IAB) of the Federal Employment Services, bulletin no. 49 2002.
 65. See "Active Region Neukölln, results of the transnational workshop Berlin-Neukölln, Newcastle, Belfast, Valencia"; European Union and Gesellschaft für Soziale Unternehmungsberatung mbh; 1998.
 66. 217 000 ECU for Neukölln, financed at 50% by European funds (DG V).

-
67. 200 000 ECU over two years, funded at 90% by the EU (DG V and XVI).
 68. See ADAPT II good practice guide (2000).
 69. Information provided by the Komunales Forum Wedding.
 70. “2001/2002 Subsidy Guide”. A guide for business start-ups, self-employed business people and entrepreneurs. Investitionsbank Berlin (136 pages).
 71. Extracted from an IBB report to OECD.
 72. Berliner Zeitung, March 13th 2002.
 73. Berliner Zeitung, March 4th 2002.
 74. Berliner Zeitung, August 7th 2002.
 75. The Berlin Studie, Strategies for the City, Governing Mayor of Berlin, Office of the Senate, RegioVerlag, Berlin, 2001.
 76. See ParisBerlin, “Comparaison des Systèmes de Transport”, Institut d’Aménagement et d’Urbanisme de la Région Ile de France, (in French and German), Paris, 2002.
 77. Hilmar von Lojewski, Head of the Urban Planning Department of the city of Berlin (“Les Echos”, 23rd of May 2002, pp. 48) in “Berlin, une capitale en pointillé”.
 78. See “Analytical Framework for Urban Renaissance Studies”, OECD, July 2001 (DT/TDPC/URB/2001)2.
 79. See “Cities for Citizens: Improving Metropolitan Governance,” OECD 2001.
 80. The existing “Wirtschaftsforum Berlin” is rather dedicated to organising conferences and events of interest to Berlin’s economic actors, public and private, rather than fostering cooperation.
 81. Demographic trends from the above-mentioned report “Ten years of Unity in Berlin, a narrative and statistical analysis of reunification”.
 82. Before the 2001 communal reform, reducing the 23 districts to 12.
 83. In 1998, 66 000 people moved to Berlin but 6 000 to 7 000 correspond to people also owning a house outside Berlin having transformed their Berlin

home into their main residence because of a tax on secondary residency introduced the same year.

84. The "Berliner Umland" is the part of the "sphere of mutual influence" between Berlin and the Land of Brandenburg, belonging to the latter. This sphere of mutual influence forms part of the wider joint planning area shared by the two Länder.
85. Peter Karl Kresl, Department of Economics, Bucknell University, Pennsylvania, USA.
86. This is certainly the general conclusion with regard to Canada of the contributors to the volume published on the occasion of the tenth anniversary of the Canada-US Free Trade Agreement, Ian MacDonald (ed.), "Free Trade: Risks and Rewards", Montreal: McGill-Queen's University Press, 2000.
87. John McCallum, "National Borders Matter: Canada-U.S. Regional Trade Patterns," *The American Economic Review*, Vol. 85 no. 3, June 1995, pp. 16.
88. John N. H. Britton, "Is the Impact of the North American Trade Agreements Zero? The Canadian Case," *Canadian Journal of Regional Science*, Vol. XXI no. 2, Summer 1998, pp. 179.
89. Charles Engel and John H. Rogers, "How Wide is the Border?," *The American Economic Review*, Vol. 86 no. 5, December 1996, pp. 1120
90. Pierre-Paul Proulx, "Liberalisation, Integration and Economic Performance: Experience and Prospects," *Konjunkturpolitik*, Vol. 42 nos. 2-3, 1996, pp. 206-222.
91. This is discussed in Bennett Harrison and Amy K. Glasmeier, "Response: why business alone won't redevelop the inner city: a friendly critique of Michael Porter's approach to urban revitalisation," *Economic Development Quarterly*, Vol. 11 no. 1, February 1997, pp. 28-39.
92. These observations were developed during a study of Quebec City, a city that is far smaller and less internationally engaged than is Berlin but one in which the consequences of being a capital city may be more clearly seen. A counter example would be Austin, Texas, a capital city with a vibrant entrepreneurial culture. In this case the climate of the University of Texas and the presence of a small number of key individuals overpowered the capital city culture.
93. This point is made for Israel and for the US by Arie Shachar and Daniel Felsenstein, "Urban Economic Development and High Technology Industry," *Urban Studies*, Vol. 29, 1992, pp. 853; and Peter Haug, "The Location

Decisions and Operations of High Technology Organisations in Washington State,” *Regional Studies*, Vol. 25, 1991, pp. 531.

94. Paul Chatterton and Robert Hollands, “Theorising Urban Playscapes: Producing, Regulating and Consuming Youthful Nightlife City Spaces,” *Urban Studies*, Vol. 39 no. 1, 2002, pp. 95-116.
95. This discussion has benefited greatly from Juan Luis Klein, Jean-Marc Fontan and Diane Gabrielle Tremblay, “Social movements and local development in Montreal: two cases of industrial reconversion,” The University of Quebec at Montreal, Mimeo.
96. “Building on the Basics: The Final Report of the Mayor’s Task Force on Steel and Southeast Chicago”, Chicago: City of Chicago, Department of Economic Development, 1986, pp. 10-12.
97. Janet L. Abu-Lughod, “New York, Chicago, Los Angeles: America’s Global Cities”, Minneapolis: University of Minnesota Press, 1999, Ch. 11.
98. A brief description of this and links to other aspects of the initiative can be found at the following website:
<www.ci.chi.il.us/Mayor/goverment_economic.html>
99. Discussed in Harrison and Glasmeier, “Response: why business alone won't redevelop the inner city....”
100. Kathryn M. Neckerman, “Out of the Loop? A Comment on David Reingold’s Analysis of Inner-City Employment,” *Economic Development Quarterly*, Vol. 13 no. 4, November 1999, pp. 315-317.
101. Keith R. Ihlanfeldt, “Are Poor People Really Excluded From Jobs Located in Their Own Neighborhoods: Comments on Reingold and Some Additional Evidence From the Multi-City Study of Urban Inequality,” *Economic Development Quarterly*, Vol. 13 no. 5, November 1999, pp. 307-314
102. Janet L. Abu-Lughod.
103. Most of these figures can be found in *State of Center City: 2001 edition*, Philadelphia: Center City District and Central Philadelphia Development Corporation.
104. Buzz Bissinger, “A Prayer for the City”, New York: Vintage Books, 1999, pp. 223.
105. HBS Cluster Mapping Project, <<http://data.isc.hbs.edu/isc/index.jsp>>

-
106. Jerome I. Hodos, "Globalization, Regionalism, and Urban Restructuring: The Case of Philadelphia", *Urban Affairs Review*, Vol. 37 no. 3, January 2002, pp. 358-379.
 107. Stefan Krätke, "Berlin: Towards a Global City?," *Urban Studies*, Vol. 38 no. 20, 2001, pp. 1777-1799.
 108. State of Center City, pp. 19-20.
 109. "Fight for Metropolitan Philadelphia and its Future", Philadelphia: Metropolitan Philadelphia Policy Center, 2001, pp. 24.
 110. State of Center City, pp. 23-24.
 111. Fight for Metropolitan Philadelphia and its Future pp. 52.
 112. For more detail, see "Die Soziale Stadt, Eine erste Bilanz des Bund-Länder Programms Stadtteile mit besonderem Entwicklungsbedarf", Deutsches Institut für Urbanistik (DIFU), Bundesministerium für Verkehr, Bau und Wohnungswesen, Berlin 2002.

OECD PUBLICATIONS, 2, rue André-Pascal, 75775 PARIS CEDEX 16
PRINTED IN FRANCE
(04 2003 06 1 P) ISBN 92-64-10146-2 – No. 53067 2003