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Executive Summary

Interim Evaluation of the Operational ERDF-Programme Berlin 2007-13

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1. Interim Evaluation of the Operational ERDF-Programme Berlin

The ERDF-Programme for Berlin defines as its main objective the “Improvement of the international competitiveness and attraction of Berlin.” This shall be achieved through a programme with four main strategies and strategic objectives. The interim evaluation has analysed programme implementation and goal achievement in four priorities and also at the level of action areas. With the perspective of a potential strategy adaptation, two main analytical questions were raised::

- ▶ **Analysis of results and goal achievement:** What is the overall performance of the OP Berlin with respect to outputs achieved and expected – or documented – impacts ?
- ▶ **Strategy analysis:** Considering results and the regional economic development perspective in Berlin, is the current programme strategy still adequate ?

With performing the interim evaluation it was intended to gain a fresh outside view at the strategic orientation of the programme against the backdrop of the general economic development in the region and new trends and ideas to be considered. This did not necessarily mean to question the four priorities and the parallel pursuit of potentially contradicting objectives, such as strengthening competitiveness and social integration, but it meant looking at all possibilities to improve programme effectiveness. Considering changes in the framework conditions (e.g. financial crisis) and a forward view at the new strategic guidelines for the next programme period (EU 2020 strategy) also were part of the analysis, leading to recommendations for the current and the future programme period.

1.1 Module 1 –Analysis of goal achievement

Module 1 includes the analysis and evaluation of the programme performance based on the monitoring data ending December 31, 2010. The achievement of ex-ante quantified objectives at programme and priority levels formed the basis for evaluating the goal achievement and the programme’s overall strategy.

1.1.1 Programme level

Starting point for defining the programme’s strategy was the extraordinarily stressed economic condition in Berlin in the year 2006: Economic lead indicators, such as GDP, economic activity levels, unemployment rates and productivity showed values well below the national average and gave little hope for catching up. The ERDF programme therefore was geared to effectively improve competitiveness and productivity of the urban economy. Four strategic objectives were formulated, each of which to be pursued with a priority axis and including a number of action areas:

- ▶ Priority 1 - Strengthening the innovative and adaptive capacity of enterprises, particularly of SMEs, and creating new jobs: Supporting competitiveness and the creation of new enterprises through investments in productivity, by gaining better access to international markets and impulses through new business-oriented infrastructures
- ▶ Priority 2 - Using knowledge and creativity as drivers for economic and societal development: Supporting innovative capacities and knowledge-based enterprises, through aid to innovation and technology development, information society and better technology transfer.
- ▶ Priority 3 - Creating new development potential through social integration: Support to projects of integrated urban development and social inclusion
- ▶ Priority 4 - Improving environmental conditions connected with creating economic development through environmentally oriented investments and protection measures

The major weight of the programme lies with priorities 1 and 2, with a third of the funds each, while priority 3 includes about a fifth and priority 4 about 10% of the OP's money.

Evaluation of the programme performance was based on the comparison of financial and material indicators with their respective target values as laid down in the programme. Financial monitoring showed a good overall performance: By the end of 2010, about 115 % of the planned ERDF-money allocation had been reached. Some differentiation between priorities had to be considered, however, with priorities 1 and 2 well above, priority 3 just below and priority 4 significantly below the mid-term targets

Assessing the material performance was possible only partially, since a number of indicators were not available by the end of 2010. This partial assessment shows a differentiated result: In priority 1, some targets were not reached, particularly the number of jobs created reaches only 67% of the projected figures. In priority 2, on the other hand, some of the main targets were surpassed. While in priority 3 the projected number of projects, jobs and qualifications could not be reached, the targets for 2013 already had been reached in priority 4 by the end of 2010.

1.1.2 Framework conditions: Economic development in the region

Regional economic development has improved in the period 2006-2010 compared to the years before drafting the programme:

Population growth has increased in Berlin its suburban region, with the surrounding area growing faster (3.6%) than the city (1.4%) between 2006 and 2010. Compared to other metropolitan regions, however, this growth rate is rather low (Rome 8.4%, Brussels 6.9%, Munich 5.6%, Dresden 4.4% and Leipzig 3.2%). In demographic terms, Berlin still seems to fall behind competing urban metropolitan regions.

GDP per capita still remains under the national average (EUR 25,000 in 2009), but the growth differential has been reduced significantly. Labour productivity has improved, rising from 88% to 92% of the national average, but is still low among the German Länder.

Employment has been growing continuously from 2004 by 3% annually, overcoming the sharp reduction in the crisis years of 2008-2010 which had to be observed in many other regions. A very positive trend could be observed in technology- and knowledge-based industries and services. Comparing with other metropolitan regions and the national average, performance in Berlin has shown a particularly good performance. Of all German Länder, Berlin has experienced the highest rate of new enterprises (3.2% annually between 2005-2009), indicating the positive effect of the aid schemes to business founders.

With respect to unemployment, trends have shown parallel development with overall German figures, but at a higher unemployment level. From the highest rate in 2005 (19.2%), unemployment fell to 13% in 2010, but remains still way above the national average (7.7%). Long-term unemployment rates and youth unemployment still are especially problematic in Berlin.

1.1.3 Programme performance and impacts

Activities to support the **strategic objective in priority 1** of the Berlin programme – strengthening innovative and adaptive capacities of SMEs – consist of “classic” aid to SMEs and more advanced support schemes for innovative enterprises. Investment aid, consultancy and the formation of business networks as well as the special focus on innovation- and knowledge-intensive branches are included in the priority's package, forming a modern mix, effectively addressing the strategic objective. Links with technology-oriented infrastructures, culture and creative industries are also included.

The 17 activities in priority 1 encompass a total of 59% of the programme's ERDF-funding (EUR 349 Mio. in 2,800 projects, with total investment of approx. EUR 1,300 Mio). 17% were allocated in infrastructure, 10% in ProFIT aid to SMEs and 8% for investment support. Other important activities include the SME-development fund and ProFIT credits to SMEs.

With the implemented projects, the number of jobs created was 10% above targets, and technology-relevant business park areas surpassed the intermediate targets substantially. Innovative projects in enterprises and research centres were twice as high as projected. Activities to support international market opening, however, were far less successful. Participation capital was below expectations while the SME fund surpassed expectations by far (322% of targeted values).

42% of the ERDF funds have been allocated in projects of **priority 2 - Using knowledge and creativity as drivers for economic and societal development**: Implementation targets were exceeded by about 50% at an average, with significant deviations in individual activities. Supporting innovative capacities and knowledge-based enterprises, through aid to innovation and technology development, information society and better technology transfer

ProFIT grants (EUR 59 Mio.), infrastructure development in RTD and ICT (EUR 52 Mio.) and ProFIT loans (EUR 35 Mio.) have performed exceptionally well.

Support to technological development had been allocated over EUR 200 Mio. ERDF funds by the end of 2010, reaching 521 projects with 535 individual actors. Of these, 400 enterprises form the largest group of beneficiaries, 70 are universities and research institutions. Two thirds of the supported businesses are representing the ICT sector. Overall, a total of 1,500 jobs are to be created in the supported projects, 50% of which are expected in the ICT-sector. About one third of the projects include RTD-consortia, two thirds are performed by individual firms or institutions.

Creative industries' support encompasses a number of rather divergent measures, including investments in cultural institutions, which are supposed to create over 800 jobs (460 of which for women). Financial aid to enterprises in creative industries is channelled mostly through the Creative Industry-VC fund. Projects here are expected to provide 122 jobs, 35 of which for women.

In **priority 3**, the strategic objective "creating new development potential through social integration", projects of integrated urban development and social inclusion form the bulk of activities, esp. in the so-called Zukunftsinitiative Stadtteil (ZIS). Here, financial implementation largely follows programmed targets, but job creation is lagging behind. While some of the smaller activities are hampered by the lack of administrative and co-financing capacities at the district level (e.g. Wirtschaftsdienliche Maßnahmen im Rahmen Bezirklicher Bündnisse für Wirtschaft und Arbeit WDM) others have successfully found private funds to compensate for that (e-Education Masterplan).

In pursuit of **strategic objective 4 – "Improving environmental conditions connected with creating economic development through environmentally oriented investments and protection measures"** a number of activities are being ERDF-funded which are represented in the general Berlin programme for environmental relief (Berliner Umweltentlastungsprogramm II, UEP II). Up to the end of 2010, 81 projects had been supported, of which 67 targeted at climate mitigation, esp. improving energy efficiency and reducing green house gas emissions, mainly in public buildings. Programme performance now is reaching expectations, after a delayed start and re-orientation of the investment priorities, showing effective and efficient use of the funds allocated.

1.2 Module 2 – Strategic Analysis

Based on the results from module 1, assessment of the programme performance, an in-depth-analysis of main features of the programme strategy was elaborated, using various qualitative and quantitative methods. Focus of the strategic analysis was the overall programme approach.

1.2.1 Focus on target groups

Specific target groups, e.g. business founders, are particular relevance to the programme's main objective, to improve Berlin's international competitiveness and attractiveness.

As important target groups were defined young business founders, innovative and technology-oriented SMEs, knowledge-intensive service providers, clusters and networks including research centres and universities, but also – in priorities 3 and 4 – NGOs, educational institutions non-profit associations and other public institutions.

Overall, approaching and involving the target groups intended has been quite successful, particularly with technology-oriented enterprises or businesses in the creative industries field. Less successful seems to be the participation of educational institutions and universities, partly due to complex application requirements and problems to identify co-financing sources.

Table 1 Involvement of target groups

Priority	Target Group	Assessment
Priority 1	Business founders, young businesses	+ Excellent reach of target group, large number of projects
	Innovative und technology-orientierted SMEs	+ Very high share of enterprises in highest and high technology branches as well as in knowledge-intensive services with high technology level; High degree of businesses grouping, indicating deep reach of target group
	(knowledge-intensive), business oriented services	+ Target group is well represented in the relevant actions, esp. IT-enterprises
Priority 2	Innovative und technology-oriented SMEs	+ See priority 1
	Creative SMEs	+ Very good allocation of funds in actions with direct focus on target group – Indirect targeting in the case of qualifying capacities (educational associations and universities); implementation behind plan
	Cluster and networks, (including large enterprises) Universities and research centres	+ Target group is being adressed by several actions, providing demand-oriented aid schemes – Administrative and organisational barriers to prevent a number of potential aid proposals to be realized; formal criteria as frequent problem
Priority 3	NGOs, NPOs, educational associations, district administrations, citizens r	– Raising adequate means for co-financing remains a great barrier Innovative approaches (e.g. private sources for co-financing) necessary to improve target group reach
Priority 4	Public services and infrastructures, NPOs	– Implementation focus on thermal retrofitting has narrowed the target group reach

Qualitative assessment of target group involvement:
+ ... good – .. improvements advised

Source: main report, own drafting, p. 94.

1.2.2 Coherence between the ERDF-programme and Berlin´s Competency/Cluster-strategy in the cooperation context with Brandenburg

Berlin und Brandenburg endorsed a joint innovation strategy "innoBB" in June 2011, with the intention to support the development of promising future fields of competence with a joint cluster-management. The fields of future competence, identified and supported through cluster managements already since 2007, include biotechnology/pharmaceuticals, ICT, medical technology, optical industry, transport systems technology and energy technology. Most of these targeted fields of competence have been reached in the ERDF programme, with projects supporting enterprises representing 10-18% of the relevant branches. Transport systems technology and energy technology have been a particular focus.

Overall, there has been a successful match between ERDF-programme and the joint innovation strategy, with the perspective of deepening and intensifying this linkage in further implementation and in the next programming period.

1.2.3 ERDF-programme contribution to the development of the urban service economy

Businesses representing the urban service economy are of particular relevance to the strategies applied in priorities 1 and 2. Summarizing the analysis, it can be said that the service industry is well represented in the supported enterprises, particularly with focus on knowledge-intensive services as in the case of innovation support actions. Innovation in services, however, seems mainly technology-driven, in contrast to new service content. But two aspects have to be considered which may contribute to this assessment: a) a number of service innovations may be supported through the business founders´ scheme, and b) service innovation is already included and integral part of many projects supported in the general innovation field. Sensitivity for matters of service innovations seems to be an important aspect of current and future policy-learning.

1.2.4 Horizontal programme objectives

In order to assess the programme´s performance it relation to horizontal goals, such as gender, sustainability and integration objectives, an extended analysis based on monitoring data 2007-2010 and data from the new scoring system for 2010 was elaborated. The newly introduced scoring system includes additional information with respect to the horizontal programme objectives, but is not covering all projects and actions yet. Therefore, conclusions from the scoring data have to be carefully interpreted.

Gender equality

Equal opportunities for men and women is included in several objectives of the Berlin programme, explicitly in the objective system and also implicitly included in the objectives "reduction of social (and structural urban) disparities" as well as in the strategic objective 3, "creating new development potential through social integration".

Priorities 1 and 2 focus on the mobilization of female founders and on the creation of jobs for women through aid to business investments, particularly in creative industries. At an average, 36% of all jobs created are reserved for women, the projects supported by the SME-fund are showing a significantly higher share of female business founders.

In priority 3, projects of integrated urban development, show a particularly high focus on female participation. Female employment opportunities are also supported indirectly through a number of projects oriented to improve day care and related infrastructures.

Environment and ecological sustainability

One of the programme's main objectives is decoupling economic growth from resource use by improving resource efficiency. This goal is combined with the strategic objective to open up new development potential through sustainable development. These objectives are meant to contribute to the overarching ecological development concepts, with the target to reduce CO₂-emissions by 40% compared to 1990 in 2020.

The main contribution to this objective is to be seen in priority 4, where the main focus lay on thermal improvements in public buildings such as schools and kindergartens. In priorities 1 and 2, however, only a small number of innovative projects can claim to contribute to the decoupling objective.

Projects in priority 3 contribute indirectly, through improving the living conditions and attractiveness in existing urban quarters, thereby reducing the pressure to move into new (sub-)urban quarters, reducing travel distances for the population and increasing the propensity to use public transport or bicycles.

Integration of migrant population

Like the gender equality horizontal objective, integration of migrant population is implicitly included in the objectives "reduction of social (and structural urban) disparities" as well as in the strategic objective 3, "creating new development potential through social integration".

Monitoring and Scoring-Data show that the programme is not using its full potential to support people with migrant backgrounds. Active targeting is happening only in very limited number of actions, reaching at maximum 10% of projects. Some actions are considerably better, such as support to cultural projects and the ProFIT actions.

Integrated urban development projects also show an explicit focus on integrating people with migrant backgrounds in project development and implementation. Indicative is the neighbourhood library initiative, where user participation from people with migrant background is disproportionately high.

Overall, however, there is enough room for improvement, since the group of project includes only a much below average share of population with migrant background.

1.2.5 Appropriateness of the programme strategy

As background to assess the overall orientation of the Berlin programme strategy, the outlook on regional economic development and a number of key socio-economic trends were highlighted. Using long-term foresight studies, key trends for the region's economic perspective were identified and the programme elements were assessed in terms of their potential to effectively contribute to deal with these trends.

Assessing the Berlin programme's actions and support activities, it can be said that the general strategy is well focused on important future issues. In the next phases it will be relevant to continue to follow the main strategic objectives while adapting and adding specific support activities. This refers to aspects of demographic change, cross-financing of innovative activities with the ESF and a further strengthening of the culture and creativity sector.

Table 2: Appropriateness of the programme strategy in the context of long-term socio-economic trends

Socio-economic trends	Appropriateness of programme strategy
Globalisation, deepening of international division of labor	Indirectly, through project selection
Integration of Eastern Europe	+
Increasing importance of RTD and innovation	+++
Sub-division of innovation processes in networks of close proximity, fields of competence	++
Increasing importance of knowledge and creativity as location factor	+++
Increasing importance of strategic infrastructures	+++
Service-driven economic change, esp. in cities; service innovations	++
Demographic change	+
Increasing importance of entrepreneurship	++
Ecology-oriented economic development, sustainability as critical factor in metropolitan regions	+++
Social disparities, societal disintegration, esp. in metropolitan regions	+++

Source: main report, own drafting, p. 121.

1.2.6 Strategic SWOT

In a strategy-oriented SWOT-approach the programme strategy was checked in more depth: Socio-economic trends (see above), regional economic context and overriding EU-strategies were included in the analysis of external opportunities and threats. The programme's actions then were assessed according to their relevance for four potential types of strategies:

- ▶ SO-strategies build on internal strengths to use external opportunities
- ▶ ST-strategies build on internal strengths in order to reduce or avoid externally caused risks
- ▶ WO-strategies aim at the reduction of internal weaknesses and the development of strengths to be able to realize external opportunities
- ▶ WT-strategies are geared at reducing internal weaknesses and avoiding external risks.

Analysis of the overall strategic orientation of the Berlin programme shows a good balance, with all four strategic options represented. The main thrust of the allocated funds, however, is allocated in the SO- and WO-strategy groups, where the focus lies on creating conditions to use external opportunities.

1.2.7 Resource efficiency and climate mitigation strategies in ERDF programmes of selected metropolitan regions

With respect to the increasing importance of energy and resource efficiency in future programmes, a comparative analysis of EFRE-programmes in Hamburg, London and Vienna was undertaken. This comparison shows considerable differences:

Included in the comparative analysis were actions and support schemes to improve resource efficiency, foster recycling, reduce CO₂-emissions from transport systems and sustainable urban mobility. In an attempt to assess the relative weight of these activities within the programmes, the share of the ERDF-resources allocated was analysed. When comparing the programmes, however, it has to be considered that they are of very different dimensions: While Vienna and Hamburg have very small programmes (25 and 35 Mio. Euro), and London as very large metropolitan region has a proportionately bigger programme (182 Mio. Euro), the Berlin programme is of another size (876 Mio. Euro). In reflection of these differences, the general ecological development programmes of the cities were also included in the analysis.

Concluding from this comparative analysis it can be stated that the activities to improve resource efficiency and reduce CO₂-emissions are underrepresented in the Berlin programme. Increa-

sing energy efficiency, modernizing energy systems and developing the relevant technologies should become a more prominent priority in the future ERDF-programme for Berlin.

1.2.8 Evaluation of actions 2.1.1 ProFIT (loans) and 2.1.2 ProFIT (grants)

The two ProFIT-actions are focused at projects of industrial research, experimental development, prototyping and market opening measures through aid in the form of loans and capital grants to enterprises and research institutions. The projects selected are to contribute to the strategic objective to use knowledge and creativity for economic and societal development.

In order to evaluate the actual (net-)impact of the ProFIT actions, a Counterfactual Impact Evaluation was performed, comparing supported enterprises or research institutions with a control group of similar entities without receiving ProFIT aid.

As indicator for assessing successful economic development the number of employed persons over time was determined in a survey. Applying a Difference-in-Difference-approach (DiD), comparing the status of employment before and after the measure, the two groups had to be composed by a very similar set of enterprises in terms of business size and economic branch. Using the data from the monitoring system, enterprises with ERDF-funding and a comparative set of not funded businesses were included in a telephone survey. The employment development of both groups was compared to that of the similarly composed (and weighted) total of enterprises in Berlin.

Results from both comparisons show, that enterprises and research institutions with projects supported through ProFIT actions have outperformed both comparative groups: total business average as well as the selected survey control group have had significantly less employment growth than the ProFIT-supported entities (employment growth between 2008 and 2010 +20% compared to +10%). Other indicators, such as the development of business size and gross revenues show a similar result. This leads to the conclusion that the impact of the ProFIT actions are in line with the strategic objective by selecting successful enterprises and projects.

2. Recommendations

Based on the evaluation results, a number of meetings in the steering group and discussions on detailed operational experience in working groups with responsible agents for programme implementation, the following recommendations were presented:

2.1.1 Recommendations for the current programme period 2007-2013

- ▶ No major changes in programme structure and strategic orientation needed
- ▶ In case of overshooting ERDF-funds in some actions it is recommended to allocate these resources in actions like 1.4.1 (Kulturinvestitionsprogramm KIP), 2.1.7 (ProFit), 2.3.2 (Zukunftsfonds Berlin) and 3.1 (Zukunftsinitiative Stadtteil ZIS).
- ▶ A number of smaller actions, esp. at district level, need alternative sources for co-financing in order to reach the targeted volumes
- ▶ In the remaining period the new scoring-model for monitoring horizontal objectives should be improved and implementation intensified in order to cover a higher proportion of projects. This would improve data quality and form the basis for a high-quality monitoring system in the next programme period.
- ▶ Likewise, preparations to improve the system of indicators should be undertaken.

2.1.2 Recommendations for the next programme period 2014+

This section of recommendations is based on the EU strategy Europe 2020, the Common Strategic Framework and the SF- and ERDF-regulation drafts available at the time. Since these documents are currently in a finalization phase, especially regarding the detailed description of the investment priorities in the ERFD-regulation, details have to be left open to the actual programming phase.

Programme structure

The draft SF- and ERFD-regulations contain 11 investment priorities with rather strict conditions in terms of content and overlap. If this regime is to be maintained, to cover the current programme's scope of actions would need 7 or 8 priorities instead of 4 today. Still, a number of activities from the current period seem to be outside the scope of the future regulation. Most difficulties result from the separation of support schemes in different priorities, which are contradictory to the overriding objectives of e.g. integrated urban development and reducing CO₂-emissions in all branches of the economy (to put this objective in priority 4 only seems to be a barrier to broad-scale implementation rather than an incentive). Nevertheless, it is recommended to keep the actions in the framework of currently "Integrierte Stadtentwicklung (ZIS)" in high priority of the future programme. Therefore, a manageable way to maintain the integrated character of this programme will have to be found, including a good solution for cross-financing activities with ESF-funds. The further elaboration of the new scoring model may also prove helpful for documenting the programme's impact on CO₂ emissions and reducing fossil fuel consumption – across the limitations of the proposed future priority structure.

Programme content

Along this line, the new regime also proposes a thematic concentration, meaning that at least 80% of ERDF-funds shall be allocated to priorities 1 to 4, with at least 20% being allocated to priority 4 (supporting the shift towards a low-carbon society). Particularly the last regulation, allocating 20% to priority 4 activities, would mean a substantial shift compared to the current allocation of funds.

Recommendations with respect to current priorities 1 (strengthening the innovative and adaptive capacity of enterprises, particularly of SMEs, and creating new jobs) and 2 (using knowledge and creativity as drivers for economic and societal development):

- ▶ Strengthen industrial investment with a clear focus on thematic priorities (sectorial or technological focus, transfer of knowledge, innovation, cluster management)
- ▶ In parallel: focus on complementary, technology-oriented services
- ▶ Transfer of technology and knowledge mechanisms (between research and enterprises) with demand-driven approach (e.g. according to projects of the "Masterplan Industriestadt Berlin")
- ▶ Integration of the thematic focus on energy-efficiency and renewable energies (in line with priority 4)
- ▶ Develop new, more compact support schemes for the culture/creative industries-sector
- ▶ Continuation and strengthening of the cooperation with Brandenburg

Recommendations with respect to current priority 3 (creating new development potential through social integration):

- ▶ Strengthen the sustainability-relevant aspects, create linkage with the focus on energy efficiency
- ▶ Clarify or remove proposed limitations to ESF-cross-financing or if under the regime of "integrated actions" alternatives operational modes can be found
- ▶ Secure better co-financing for district-lead activities

Recommendations with respect to current priority 4 (improving environmental conditions connected with creating economic development through environmentally oriented investments and protection measures):

- ▶ Increase funding for priority 4 according to the thematic concentration regulation
- ▶ Continue with the current focus on environmental quality, climate mitigation and resource efficiency
- ▶ Integrate research and studies with the thematic focus of priority 4, as background for investment activities
- ▶ Potential future activities contain sustainable urban development pilot projects in former airport areas (Tegel und Tempelhof), with thematic reference to the European Smart City-Initiative and research programmes