

## Designing successful regional economic policy – Experiences, strategies and best practices from Potsdam

*Written interview with Mr Stefan Frerichs, Head of Economic Development, State Capital of Potsdam, Brandenburg*

*The Economic Development Department of the State Capital of Potsdam is the first point of contact for enterprises, start-ups and investors. In the written interview on ‘Regional Economic Policy’, Stefan Frerichs, Head of Economic Development, State Capital of Potsdam, explains his department’s approach and structure.*



### How big is Potsdam? Who lives in your city? What makes Potsdam so attractive – for the residents, and especially for investors and enterprises?

Covering an area of around 188 km<sup>2</sup>, Potsdam is the state capital with the greatest proportion of rural areas within the city limits. As at the end of 2018, resident numbers stood at roughly 180,000. The average age is around 42 years, the level of education is high and relative to resident numbers, Potsdam boasts the greatest academic density of all German cities – and it is still growing. That is just the figures. What we experience on a daily basis is backed by surveys and polls among our enterprises: Potsdam is an entrepreneurial hotspot with good connections to Berlin, a high quality of life in a breath-taking natural and cultural landscape, with easy access to well-functioning networks, good availability of specialists and a strong image as a cosmopolitan and tolerant city. This is what characterises Potsdam.

### Which sectors, industries and other areas of economic activity does Potsdam stand for today? What potentials for development do you see for the future?

Potsdam is one of the regional centres of growth in the State of Brandenburg. The economic clusters “healthcare”, “tourism” and “media, ICT and creative industries” have been defined as the focal areas of economic development. Fundamentally, Potsdam identifies as a service location, as part of the third sector. Thanks to increasingly close cooperation between science and industry, Potsdam is on the right track to establishing a strong position in the fourth sector – digitisation and Industry 4.0. Renowned international companies and institutions establishing a base in Potsdam substantiate this.

In 2017, the Federal Ministry for Economic Affairs recognised Potsdam as one of twelve digital hubs in Germany. The State of Brandenburg, the City of Potsdam and around 30 enterprises and institutions jointly drafted and submitted the application for this award as “MediaTech Hub Potsdam”.

## **What special tasks, opportunities and decision-making competences does your administration have to design efficient and sustainable regional economic policy? Could you provide an example to explain the expedient cooperation at the interface between administration and industry in Potsdam?**

From the perspective of economic development, sustainable and efficient regional economic policy is primarily about lobbying within the administration itself and on the municipal level. For instance, the aspirations and requirements of an active property policy aiming to secure thriving business development conflict with sometimes enormous budgetary expenditures for fulfilling mandatory tasks, especially in relation to education and transport infrastructures. This applies even more for a city experiencing strong growth, like Potsdam.

The formation of the Economic Council of the State Capital of Potsdam is a prime example for bringing economic and administrative interests together. The Economic Council comprises around 30 leading representatives from industry, academia and other institutions, organised by a board and an office in the city's Economic Development department. It deals with specialist topics and advises the city administration and the municipal council on economic issues.

## **What were the conditions for Potsdam's successful transformation and positive economic development since the German reunification in 1990?**

Following the reunification in 1990, the focus was on urban redevelopment and regeneration. In the late 1990s, Potsdam's resident numbers fell below 130,000 and large manufacturing operations were discontinued. Effective urban redevelopment combined with the special scenic and historic significance of Potsdam's location by the gates to the metropolis of Berlin attracted a continuous inflow of newcomers. This also included celebrities – which should not be underestimated. An increasingly positive image and the high quality of life mentioned above have also strengthened commercial establishments. As a location, Potsdam is now in high demand. The early focus on residential development has shifted to include private investment in commercial property. At present, the economic development of the growing City of Potsdam and the quest for available commercial premises are in direct competition with space requirements for schools, kindergartens, sport facilities and green areas, as well as residential developments.

It should be noted that Potsdam had never been a strong industrial location, and therefore did not have to deal with the usual issues connected with the process of transformation from a planned to a market economy. After the reunification, the city continuously developed its strengths as an administrative centre, as well as an academic, science, research and service location.

The administration also plays a powerful catalyst role in its cooperation with industry. In order to develop the Potsdam-Golm Science Park further, the state capital and Potsdam University established a location management company which is financed through state funds and municipal grants, as well as contributions from neighbouring institutions. In particular, the state capital's financial commitment to this location (land acquisition, construction of office and laboratory building) has resulted in sizeable private investment.

## Based on a specific project, could you explain which strategies have proven particularly successful for achieving an efficient and sustainable regional economic policy in Potsdam? How can other municipalities, cities or regions learn from you?

Binding long-term concept decisions on securing commercial premises by the municipal council at an early stage have proven successful for tackling competing space requirements. The concept decided for Potsdam in 2012 will apply until 2020 and is currently being extended until 2030. On this basis, individual non-commercial projects which may promise higher returns (residential developments, large-scale retail, etc.) on commercial premises can be prevented with the support of planning regulations and political backing.

Commercial developments and establishments tend to be a medium-term undertaking compared to residential developments, and require resilience and perseverance.

A recent example is Potsdam securing investor commitment for the commercial development of the city centre RAW Hall next to the main train station. This allows us to reject plans for non-commercial use by the private owner for a period of ten years. The new owner will offer rooms and infrastructure for IT companies and entrepreneurs in the listed industrial hall, significantly strengthening Potsdam's image as an innovative location.

In addition, the investment policy employed by the State Capital of Potsdam to establish business incubators and commercial centres supported by state funding programmes has created an outstanding range of offers for entrepreneurs and SMEs. The city centre now boasts five commercial centres, as well as a trade and business complex, and construction is about to commence for a sixth centre.

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