

Turnaround Cities: Spanish Case Study Insights from the Basque Country & Bilbao

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Table of Contents

Introduction	3
Background	4
Policies and strategies	5
Technological upgrading in the 1980s.....	5
Cluster development.....	6
Skills formation	7
Urban regeneration.....	7
Institutional set-up and funding	9
Public sector.....	9
Private sector	10
Funding	10
Enabling factors and lessons-learnt	11
Conclusion	12
References.....	14
Interview Participants	15

Introduction

The Basque Country in northern Spain is considered one of the success cases in Europe in terms of managing structural change (OECD, 2011). With an economy long thriving based on heavy industries such as shipbuilding, steel, and machine tools, it plummeted into a significant depression in the 1970s and 1980s as a result of the international steel crisis. The opening of the Spanish economy after the end of the Franco regime in 1978 furthermore left domestic firms struggling to compete internationally. By 1985, the once wealthy Basque country had among the highest unemployment rates in the European Union (OECD, 2011).

Much has changed in the region ever since. Today, the Basque country is one of the most prosperous and innovative areas in Spain and counts among the top 25 percent of OECD regions in terms of average household income (OECD, 2020a). Important knowledge intensive clusters such as aeronautics have emerged while traditional sectors have been strengthened. Bilbao, the largest city in the region, has become a synonym for successful urban regeneration with the famous Guggenheim Museum having attracted more than 20 million visitors since its opening in 1997.¹

The following case study explores the strategies employed and analyses the unique institutional set-up of the region which have enabled this success story. Chapter 2 starts by providing some background information on the Basque context, followed by a description of the strategies and policies

¹ [The Art Newspaper \(2017\)](#)

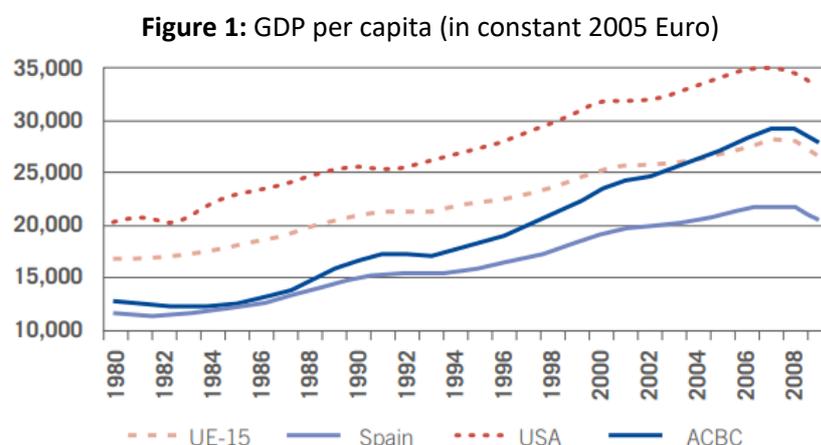
implemented in Chapter 3. Chapter 4 explores the institutional landscape in the region. The final two chapters draw out the enabling factors and lessons-learnt and conclude.

Background

The Basque Country is a region in northern Spain.² It is one of the 17 regions, the so-called Autonomous Communities (AC), which represent the first level of subnational government in Spain. With approximately 2.2 million inhabitants it is the seventh largest AC and comparable to the Combined Authority of West Yorkshire in terms of population, albeit larger in surface area. It is further divided into the three provinces Alava, Biscay and Gipuzkoa. Bilbao is the largest city in the Basque Country with a population of around 350,000 inhabitants in the city proper and around 1.1 million in the Bilbao Greater Metropolitan Area. Other important cities are Vitoria-Gasteiz, the seat of the regional government, and San Sebastian.

The Basque Country is one of three historic regions recognized in the Spanish constitution of 1978 (OECD, 2011) and has a strong regional identity, including its own official language called Euskara. As the other ACs, the Basque Country has extensive competences for most major policy fields, including health, education and the promotion of the economy. Uniquely, the region also has fiscal autonomy. Together with the AC Navarre this differentiates the region from the other ACs which do not count with such revenue raising and spending powers (please refer to chapter 4 for more details on this). Historically, the Basque Country was one of Spain’s most prosperous and most industrialized regions. Heavy industries including steel, shipbuilding, and machine tools, accounted for a significant part of the economy with other well-established manufacturing sectors such electronics, paper and chemicals further contributing to the industrial profile of the region. Furthermore, the Basque financial sector was among the most influential with investments throughout Spain (OECD, 2011). However, the crisis of the 1970s had a devastating impact on the economy and employment levels. Bilbao as the economic centre of the region was hit particularly hard. In a period of only 6 years, between 1979 and 1985, 25 percent of industrial jobs in Metropolitan Bilbao disappeared (Plaza, 2006). Unemployment in the whole region fluctuated around 20 percent for most parts of the 1980s and 1990s (Lacasa, Klement & Dornbusch, 2018).

Against these odds, the Basque economy made an impressive recovery, earning it the label of a “regional transformation success story” (OECD, 2011) from the 1990s onwards. Figure 1 shows the evolution of the GDP per capita between 1980 and 2009 compared to the average of the EU-15 countries, Spain and the US.



² This case study refers to the Basque Autonomous Community when using the term Basque Country, not the wider cultural area inhabited by the Basques

Source: Monge-González & Salazar-Xirinachs (2016)

Having been hit strongly by the economic crisis of the 1970s, the region's GDP per capita had fallen to levels close to the Spanish average and was significantly below the European Union average and the US in much of the 1980s. However, starting in the early 1990s, GDP growth accelerated, leaping ahead of the rest of Spain, and overtaking the EU-15 average in 2004. Unemployment rates furthermore decreased significantly from the high rates of the 1980s with a steady decline from 1995 onwards, falling below 5 percent in the mid-2000s (Lacasa, Klement & Dornbusch, 2018). Today, the Basque Country continues to be an important manufacturing hub, with many of the traditional sectors, such as steel, automotive and electronics, still playing an important role, while new ones, such as aeronautics and ICT have also gained importance (Lacasa, Klement & Dornbusch, 2018).

Policies and strategies

Since gaining autonomy and hence acquiring important policy competences in the early 1980s, the Basque government has been keen to support the local economy in a way it felt the central government had failed to do in the previous decades of economic decline (Taylor & Raines, 2001). Core to these efforts was a strategy of supporting and upgrading existing industries as well as the gradual diversification to related but more knowledge-intensive sectors. A cluster development approach and a focus on skill formation have been central in this endeavour since the early 1990s. In parallel, the regeneration of Bilbao as the economic centre of the region had a high priority, with the Guggenheim Museum being among the most notable and known examples in the world for culture led urban regeneration. The following chapter explore the region's efforts around these themes.

Technological upgrading in the 1980s

During the 1980s, the regional Basque government focused its efforts, somewhat contrary to the dominant thinking in this period, on supporting existing traditional industries. The focus was mainly on improving the productivity of the existing firms through cost cutting and incremental innovations (Lacasa, Klement & Dornbusch, 2018; Morgan, 2016). This was partially done out of need since the attraction of firms from outside for the development of new sectors would have been difficult due to the terrorism threat from ETA at the time; but also due to a long history of local firm growth with a strong local SME sector in diverse industries (Taylor & Raines, 2001). The following statement of the then Minister of Industry encapsulates the spirit at the time: 'the first thing we did with the traditional industry was to not let it die. The key issue was to keep on doing what we already did, but making it well' (Morgan, 2016).

The efforts had two overarching objectives: the promotion of R&D activities within firms as well as the establishment of technology centres which would complement the firms' internal R&D (Del Castillo & Paton, 2010). Multiple programmes to improve the technological and innovative capacities of the existing firms were implemented. The SOFAD programme running from 1982 to 1989, for instance, aimed to help firms adapt external technology. The IMI programme provided subsidies for firm diagnostics and viability studies specifically for the integration of the then new microelectronic technologies into firm activities (Del Castillo & Paton, 2010). And the TEKEL programme supported the requalification of the existing workforce. These programmes aimed to reach as many firms as possible rather than being selective in order to create awareness among Basque firms for the importance of technological upgrading.

However, the principal activity in terms of improving the innovative capabilities of local firms was the establishment of Technology Centres which have been largely credited for helping Basque firms to improve their competitive position (Morgan, 2016; Del Castillo & Paton, 2010). The Centres were established as non-profit organizations and were aligned with the specializations of the existing sectors. This was to facilitate knowledge transfer from research centre to firms (Morgan 2016). In fact,

the initial centres, designated in 1982, were existing small laboratories that had already emerged organically around certain industries. These were endowed with significant funding by the government in order to scale up their activities. The actual research was conducted in collaboration between the centres and the firms. While Basque firms had a lower than Spanish average investments in R&D, adding the R&D work conducted in collaboration with the Technology Centres actually put them ahead of other firms in Spain (Lacasa, Klement & Dornbusch, 2018). Until today, the Technology Centres continue to play a key role in the regional innovation system (OECD, 2011).

Cluster development³

From the early 1990s onwards, the policy objectives shifted towards stimulating a gradual move into related but more knowledge intensive industries, such as aeronautics, ICT and renewable energy. Key to this new strategy was the cluster approach. In 1990, the Basque government hired Michael Porter and the Monitor Group to analyse the Basque competitive context and to provide input for the formation of clusters. Table 1 provides an overview of the clusters launched between 1992 and the year 2000.

Table 1: Clusters in the Basque Country

<i>Date formed</i>	<i>Cluster</i>	<i>Coordinating Organisation</i>	<i>Newly created</i>
1992	Electrical appliances	ACEDE	Yes
	Machine tools	AFM	No
1993	Automotive	ACICAE	Yes
1994	Port	UNIPORT	No
	ICT	GAIA	No
1995	Environment	ACLIMA	Yes
1996	Knowledge	Cluster Conocimiento	Yes
	Energy	Cluster Energía	Yes
1997	Aeronautics	HEGAN	Yes
1998	Paper	CLUSPAP	Yes
2000	Shipbuilding		Yes

Source: Taylor & Raines (2001)

The underlying idea was to move away from top-down policies to a more complementary bottom-up approach in which cluster associations would help to articulate the needs of the different sectors. A strong emphasis was therefore placed on private sector involvement and bottom-up decision making. This resulted in the actual clusters not mirroring the recommendations of the initial Porter/ Monitor study, but rather being based on a combination of the initial proposal and a self-assessment of the local private sector.⁴ Each of the proposed clusters was then provided with a cluster methodology developed by Monitor, however it was left at the discretion of each cluster whether they were to take up the offer of the government. Hence, rather than imposing top-down several cluster associations, it was the decision of the firms themselves to establish or to strengthen existing organizations in order to work together as a cluster. Some clusters which were not included in the initial list also proposed their formation which was accepted if they were able to make a sufficiently strong case. ICT is among these cases.

The focus of the cluster activities was on the internationalization of the sectors, networking and collaboration between the different actors as well as skills formation. Each cluster was tasked to develop a strategic plan addressing these and other relevant issues, which was then agreed with the Department of Industry. Up to 70 percent of funding for the proposed initiatives was covered by the

³ The following section is based on Taylor & Raines (2001) and Del Castillo & Paton (2010) where not explicitly referenced otherwise

⁴ The proposed cluster were white goods; high value-added steel; forestry; leisure and travel; and Rioja wine

public sector, much of it by a refocusing existing funding pots. This way the clusters fulfilled one of their intended goals to articulate the needs of the different sectors more effectively, in particular around skills development and R&D.

The cluster approach has continued to play an important role in industrial and innovation policies until today, however with a new emphasis on developing knowledge-intensive industries and on diversifying the economy since the early 2000s (Lacasa, Klement & Dornbusch, 2018). Three sectors were chosen for this purpose and comprehensive plans for their development launched: 1) the bioscience and health sector with the plan Biobasque 2010⁵ at its heart; 2) the energy sector around the plan Energybasque; and 3) advanced production technologies being promoted through the plan Nanobasque 2013. Since 2009, this approach was also complemented by the so-called pre-cluster initiatives, which was an entirely bottom-up process to create new clusters based on meeting certain eligibility criteria, such as sector potential and representation (Lacasa, Klement & Dornbusch, 2018). Since 2013, the cluster strategies have found a natural continuation with the Smart Specialization Strategies as proposed by the European Union (Freije, 2013).

Skills formation

An integral part of the efforts to gradually upgrade and diversify the economy was a focus on skills formation in terms of retraining the existing workforce and ensuring young people have the right skill set for the new industries to form (Azua, 2022). Since the 1990s, the Basque government has therefore dedicated significant efforts to build up a high-quality vocational education and training (VET) system with a focus on creating effective institutions to support the system, quality control and continuous training (Albizu et al., 2011; OECD, 2020b).

From 1997 onwards, a network of VET providers was created throughout the Basque Country, overseen by the newly created Basque Institute for Vocational Guidance (Azua, 2022; OECD, 2020). The institute was the first of its type in the whole of Spain, making the Basque Country a pioneer in the area of VET in Spain (OECD, 2020b). In 2004, Tnika, the Basque Centre for Applied Innovation in Vocational Training, was furthermore created to act as an intermediary between VET centres, universities, research centres and companies. Tnika tasks include, among others, conducting and disseminating research on VET innovations; encouraging the internationalization of VET in the Basque Country; a continuous improvement of the quality of the offered programmes and training VET teachers in innovation (European Commission, 2019).

These efforts are seen as an important ingredient for the Basque Country's success over the past decades. While VET is not as widespread in Spain as a whole, the Basque VET system today has a significant uptake with 30% of the population holding a VET degree and is considered a reference point of excellence in Europe (Albizu et al., 2011; European Commission, 2019).

Urban regeneration

In parallel to the industrial and innovation policies mainly focused on specific sectors, the city of Bilbao embarked on a series of urban regeneration projects from the early 1990s. Together with Barcelona, Bilbao became one of the meccas for urban planners around the world to examine and learn about culture led urban regeneration of former industrial cities (González, 2011). Its perceived success has been such that it even coined the so-called Bilbao or Guggenheim effect: "the transformation of a city by a new museum or cultural facility into a vibrant and attractive place for residents, visitors and inward investment (Lord, 2007, p. 32)."

⁵ [Biobasque \(2010\)](#)

At the beginning of this process was the realization that the sector focused initiatives to improve the socio-economic conditions in the Basque country had failed to address the inherent spatial nature of the challenges resulting from industrial decline (Linacero, 2015). Bilbao being the economic centre of the Basque Country with a lion share of the industry had felt the impact the strongest, and hence had lost centrality within the economic system (Rodríguez & Martínez, 2003). The spatial distribution of decline was also very marked within the city with most of the abandoned industrial sites being situated along the left bank of the river. In 1991, there were 158 derelict sites within the city alone, covering 450ha (Rodríguez & Martínez, 2003).

Bilbao opted for an approach of urban regeneration which can be described as cultural- and project-led with the aim of improving urban competitiveness (Rodríguez, Abramo & Vicario, 2015). It had three defining characteristics. First, a more proactive stance on land management and spatial planning than in the 80s. Second, the aspiration to embed spatial planning into a wider discussion on strategic city development; and third, a focus on large scale redevelopments and infrastructure projects (Rodríguez, Abramo & Vicario, 2015; Rodríguez & Martínez, 2003).

In order to become more proactive in terms of spatial planning, a new masterplan for Bilbao was presented in 1989 in order to replace the existing one from 1963. The new master plan placed important weight on the repurposing of derelict industrial sites with the aim to create land for the expansion of economic activity focused on the tertiary sector, in particular in the form of mixed-use areas with housing, offices and commercial activities. Four derelict sites were designated as “opportunity areas”, namely (1) Abandoibarra, an inner port and industrial area close to the centre; (2) Zorrotzaurre, a large degraded inner city industrial area; (3) Ametzola/ Eskurtze, a former railyard and freight station; and (4) Miribilla and El Morro, former mining sites (Rodríguez & Martínez, 2003). Abandoibarra was the flagship site destined to become the new CBD due to its central location. It is also the location of the newly built Guggenheim Museum, the Euskalduna Conference Center and Concert Hall (Rodríguez, Abramo & Vicario, 2015), all opened towards the end of the 1990s. Together with the redevelopment of the Zorrotzaurre neighbourhood, Abandoibarra was seen as having strategic role for strengthening the competitiveness of the city, by providing the required space for a new type of industries based on high-skilled service industries rather than heavy industries.

In parallel, a new strategic plan for Bilbao was being developed based on a SWOT analysis of the city (Gomez, 1998). The Strategic Plan for the Revitalization of Metropolitan Bilbao was launched in 1992 in order to define short- and medium-term objectives with the aim to rally the activities of the different public institutions and private actors around them (Rodríguez, Abramo & Vicario, 2015). In 1991, Bilbao Metròpoli-30 was set up to further this process and to bring different actor together around the strategy in a PPP set-up. In 1994, Bilbao Metròpoli 30 had more than 100 members, which included local and regional institutions, the Chambers of Commerce, universities and firms of different sizes (Gomez, 1998).

The third characteristic was the emphasis on large scale emblematic urban development and infrastructure projects to stimulate the re-emergence of the city. The underlying idea was that these developments would help to project a new image of the city and showcase the commitment of the local administration to create an attractive environment for businesses. A new metro system was inaugurated in 1994, as well as a new airport terminal and the port was extended. The most notable of these projects was certainly the inauguration of the Guggenheim Museum in the redeveloped area in the district of Abandoibarra. In all these developments a strong emphasis was placed on creating widely recognizable designs. For this purpose, well known international architects were hired, including Sir Norman Foster for the design of the newly built metro stations and Frank Gehry for the Guggenheim Museum (Gomez, 1998). This had a strong signalling and marketing effect, helping Bilbao to showcase its aspirations and a new image to the world.

Institutional set-up and funding

The unique institutional set-up in the Basque Country facilitated the effective implementation of the policies and strategies described in the previous chapter. The institutional landscape is characterized, on the one side, by a strong interventionist government, and on the other side, by an emphasis on creating a whole ecosystem in which a variety of actors contribute to the design and implementation of industrial and innovation policies. Morgan (2016) describes the system as a “collective entrepreneurship model” in which public and private actors “work in concert to achieve mutually beneficial ends and where firms are encouraged to explore joint solutions to common problems” (p. 13). He furthermore underlines the efforts gone into nurturing collaborative learning as a defining characteristic of the system (Morgan, 2016).

Public sector

The public sector organization in the Basque country is unique, even within the Spanish system, and has had an important influence on the way policies could be implemented. As one of the 17 autonomous communities, the Basque Country has had extensive responsibilities since the early 1980s and hence independence around most major policy fields including regional economic development and urban planning. These responsibilities are matched with near fiscal autonomy in which both revenue raising power and spending decisions are almost entirely local (more on this in section 4.3).⁶ The region itself, is furthermore, characterized by a multilevel government system, comprising a region wide government, the provincial governments of Alava, Biscay and Gipuzkoa as well as municipalities.

This set-up allowed the government to play a particularly active role in supporting industry and innovation with the policies described in the previous sections (Morgan, 2016). After gaining autonomy in the early 1980s, there was a strong appetite to take an active stance and experiment with different approaches to demonstrate the region’s ability for self-reliance (Taylor & Raines, 2001). Initially, individual leadership by a number of high-level politicians played an important role. However, over time, institutions were created that allowed to detach the initiatives and hence their effectiveness from the specific individuals.⁷

Each of the different levels of government hold responsibilities in terms of economic development with the regional government being responsible for the overarching industrial and competitiveness policy; the provincial level with the economic promotion within their territories and the local level being focused mainly on employment policies (Gray, 2022). Over time, as institutional capacity grew in the region, more responsibilities were delegated “downwards” to take advantage of local knowledge and to create local agency (Gray, 2022). Today, the province and municipal governments of Gipuzkoa have a particularly strong involvement in economic development activities as economic activity is more dispersed there than in the other provinces.

Key actors within the regional government were the Department of Industry and SPRI, the Basque Business Development Agency created in 1981, as well as the provincial governments. The SPRI rapidly became the point of reference for regional development agencies in Spain (Del Castillo & Paton, 2010). Its role in the system has evolved over time with the Department of Industry taking on the more traditional industrial policies while the SPRI moved to focus more on innovation related policies (Del Castillo & Paton, 2010; Morisson & Doussineau, 2019). Other agencies have been created over the years, many as a PPP set-up including Orkestra (the Basque Institute for Competitiveness) in 2006; Ikerbasque (the Basque Foundation for Science) in 2007 as well as Innobasque in 2007.

⁶ [OECD \(2019\)](#)

⁷ Various interviews

Private sector⁸

A strong principle of 'subsidiarity' has underpinned the institutional landscape in the Basque Country in which the public sector has initiated and financially supported a lot of the policies, while allowing the private sector to take an important role in their design and implementation (Morgan, 2016). The establishment of the cluster associations throughout the nineties was one of the key steps to involve the private sector in this regard. At the start, those sectors, which were keen to form a cluster, established working groups each to develop a strategic plan for the cluster. This process was facilitated by external consultants sponsored by the government. The working groups were comprised of representatives of relevant firms, education and training institutions, the relevant applied research institutions as well as the Basque government, and were presided by a representative of the private sector.

Additional working groups were established to work on specific topics. Over time, each sector established a cluster association to help with the coordination of the cluster's work. In some cases, these were pre-existing industry associations. In other cases, new organizations were established as not-for-profit private organizations funded by the Basque government, membership fees and fees paid for services. Clear boundaries were set for the activities and functions which the cluster organizations had to fulfil in order to avoid that the associations would become simple industry organizations. The work of the cluster organizations has been credited with creating social capital within the sectors and promoting human capital formation and R&D activities. They were deemed particularly important in these regards in the sectors that are mainly comprised of SMEs such as electronics, aeronautics and ICT (Valdavisio, 2015).

Besides the cluster associations, the private sector has been engaged in several other bodies relevant to policy design and implementation. For example, Innobasque was established as a PPP in 2007 to promote innovation throughout the Basque country in association with the business community and civil society organizations (Morgan, 2016). Today, it has over 1000 associated entities, including firms, the public sector, research and education institutions and civil society.⁹ 50 percent of its associates are firms with a large majority of those being SMEs. Similarly, Bilbao Metropoli-30, the association set-up in the nineties to carry out planning, research and promotion projects for the revitalization of Metropolitan Bilbao, is a PPP comprised of private firms, universities, public sector and other.¹⁰

Funding

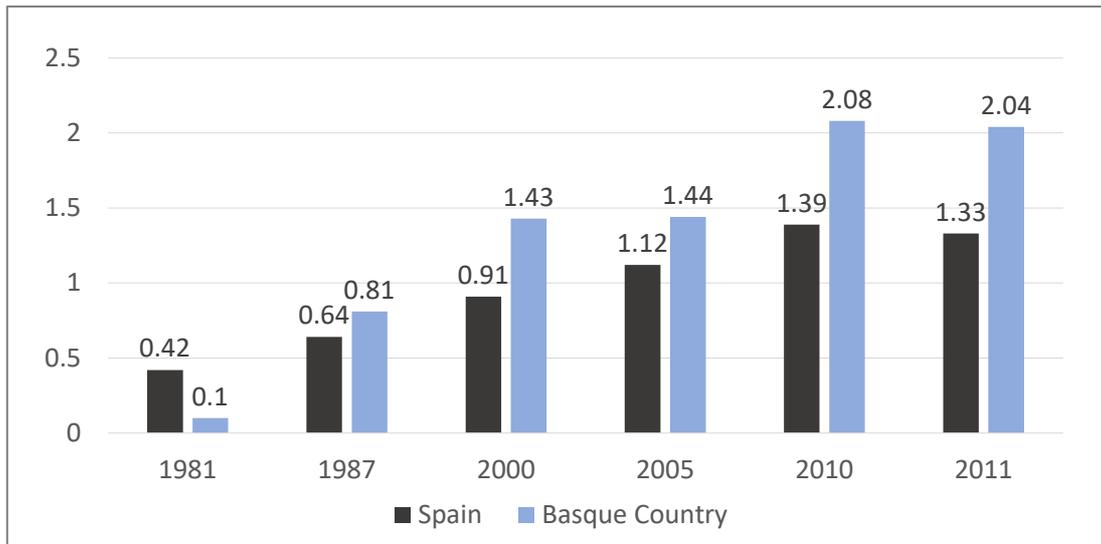
The Basque Country's unique fiscal situation has been an important facilitator for the region's ability to implement industrial and innovation policies. The region benefits from almost complete fiscal autonomy in terms of revenue raising powers and spending decisions (OECD, 2011). Under the agreement with the central government, the Basque provinces are responsible for the collection and regulation of most taxes (Gray, 2015). Only a small quota must be paid to the central government to cover a share of the expenditures of the few policy competences held by the central government such as foreign and defensive policy.

Figure 2: Regional R&D spending as a share of GDP (in %)

⁸ Section based on Taylor & Raines (2001) if not specifically referenced otherwise

⁹ [Innobasque](#)

¹⁰ [Metropoli-30](#)



Source: Freje (2013)

This set-up has allowed the region to be among the top per capita spenders of the Spanish regions. Its per capita public expenditure was, for example, 30 - 40 percent higher than in Catalonia and Madrid in the early 2000s (OECD, 2011). Furthermore, the government has made a conscious decision to dedicate a significant portion of its spendings on industrial and innovation policies. Figure 2 shows the evolution of R&D expenditure as a share of GDP over time compared to the Spanish average. Starting from the late 1980s, the spending has been significantly above the average. This is also reflected in the direct comparison to Catalonia and Madrid in terms of Regional R&D spending as a share of regional budget, which was 2.85 percent in 2007 compared to 0.93 percent and 0.83 percent in Catalonia and Madrid respectively (OECD, 2011).

The priority of the topic for the Basque Government is also reflected in the absolute numbers. Public resources of the regional and the provincial governments budgeted for the promotion of R&D and innovation amounted to over €2.3 billion between 2006 and 2010. It is furthermore mirrored in the funding position of the SPRI, the Basque Business Development Agency, which counted with 66 full-time employees and a budget of €30 million in 2017 alone (Morisson & Doussineau, 2019).

Enabling factors and lessons-learnt

While the Basque Country certainly has several unique characteristics which are difficult to replicate elsewhere, it is worthwhile to explore the factors that enabled the successful turn-around of the region as well as to distil lessons-learnt to inform policies in other areas around the world. A few points are particularly salient.

First, the institutional arrangement in the Basque Country, with the regional government having both the relevant powers to promote its own economy as well as the needed resources, created local agency and accountability. Both factors were key to the design and successful implementation of the policies. The set-up empowered the regional government to take matters in its own hands and to leverage local knowledge. At the same time, it created a higher level of accountability for the outcomes since failures could not be blamed on a distant central government.

Second, a strong sense of collaboration for the common purpose facilitated the design and implementation of the policies. After being granted autonomous status, the Basque Country had a strong desire to demonstrate that the region could be a self-reliant and independent from Spain, hence giving the policies a significance beyond the mere economic sphere. Furthermore, this was also

the result of a deliberate effort of the government to involve businesses and the wider public in creating a shared vision which allowed a sense of common purpose to develop.¹¹

Third, a strong involvement of the private sector enriched the design and implementation of the policies. While the government took the initial lead on many policies, it respected the principle of subsidiarity, allowing the private sector and other actors to take on an important role in the different initiatives, even when they were financed with public money. This way, the government was persuasive rather than invasive (Morgan, 2016). The involvement of the private sector also facilitated the continuity of policies. Given the time and resource committed by private firms, politicians were facing a stronger backlash when trying to cancel programmes, which they did not fully support.

Fourth, Basque policies were informed by a combination of highly place specific local and more generic external knowledge. The modification of the cluster list and methodology suggested by the external consultants around Michael Porter through consultations with the local private sector is one such example. This allowed the government to take advantage of lessons-learned from around the world while adapting them to the specific local context.

Fifth, sector-focused and urban regeneration policies were designed and implemented in parallel in a mutually reinforcing manner. The impacts of structural change were spatially very uneven across the Basque Country, as is the case in most regions, hence requiring an approach which provided solutions for the specific areas most affected as well as at a general sectorial level. The redevelopment of urban spaces in Bilbao facilitated the provision of spaces for new industries, projected the aspirations of the region and helped to reclaim the abandoned sites for public use. Conversely, the industrial and innovation policies helped to bring the visions of a new modern city to life by creating the conditions for firms to flourish and create employment for the population.

Sixth, change in the Basque Country, while remarkably quick, did not happen overnight, but has been a continued process lasting until today. Processes of regeneration and structural change, hence, take time and require the long-term commitment and follow through by the government. The stability stemming from fiscal autonomy as well as stable governments allowed the administration to develop these long-term strategies rather than following a piecemeal approach. Policies were, furthermore, gradually adapted to the changing situations. A culture to continuously monitor and re-adjust facilitated the effectiveness of the policies (Lacasa, Klement & Dornbusch, 2018).

And finally, change does not come cheap. Significant amounts of public funding have gone into the different policies and strategies over the years. A well above average public spending per capita and the sizeable share of it directed towards supporting technological change and other innovation activities are testimony to this.

Conclusion

This case study reviewed the experience of the Basque Country in the last forty years, which managed to emerge from a period of deep socio-economic depression in the 1980s to become one of the wealthiest regions across Europe. For this purpose, chapter 3 explored the strategies and policies employed, while chapter 4 analysed the region's institutional landscape.

A strong focus on technological upgrading of existing firms and a gradual diversification into more knowledge intensive related sectors facilitated the renewal of the region's economic fabric. High-profile strategies aiming for a very visible urban renewal in the city of Bilbao, the economic centre of the region, further complemented the economic policies. The unique institutional landscape in the

¹¹ Various interviews

Basque Country enabled this success story by promoting local agency and accountability and ensuring the availability of sufficient long-term funding.

A number of lessons-learnt can be drawn from this case study, including the importance of local leadership, the complementarity of urban and industrial development strategies and the importance of the involvement of other actors in the design and implementation of the policies.

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Interview Participants

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