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Appendix 4b: Valencia Autonomous Community Case Study

Valencia Region



Source: Spanish-Fiestas [accessed November 2020]

Contents

Introduction	3
Regional Context	3
Performance targets and related key statistics	10
1. Innovation	11
2. Business	13
3. Infrastructure and built assets	15
4. People	16
5. Place	17
6. Environment	19
Analysis	19
References	24

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Introduction

This document profiles the Autonomous Community of Valencia (ACV) in Spain, referred to as the Valencia region.

The aim of this study is to consider how the structure and governance of the region contributed to its social and economic outcomes. The study covers the geography and governance structure of the region, economic history of restructuring in the Valencia region, policies related to economic restructuring including productivity, inclusivity and sustainability, performance targets and key data. The data focusses on key aspects of the economy such as innovation, business, infrastructure and built assets, people, place and the environment.

Regional Context

An autonomous region in Spain, Valencia is located in the central and south-eastern Iberian Peninsula on the Mediterranean coast and covers a total of 23,355 km sq. and is divided into three provinces of Alicante, Castellon and Valencia (Eurostat, 2019). The central location of the Valencia region in the middle of the Mediterranean gives it a strategic advantage in terms of its regional growth potential.

It had a population of 4,946,233 in 2018, approximately 10% of the total population of Spain (Eurostat, 2019). The region generates 9.3% of Spain's total GDP and provides 20% of its exports and is the third largest contributor to the Spanish economy from the 17 autonomous regions (Eurostat, 2019).

The economy is mainly service based with a strong tourism focus and a large industrial presence. The economy is largely composed of small and medium sized enterprises with a higher percentage of businesses per capita than Spain (Generalitat Valenciana (GV), 2017). Some of the main products exported by the region, apart from fruits (12%), includes ceramic products 10%, automobile vehicles (15%), footwear (5%) and machinery products (7.6%) (GV, 2017).

Governance structure of the Valencia region

- The governance system comprises of an executive council headed by a President and a unicameral legislative assembly. This was created following the 1978 democratic constitution when Spain was restructured into a pluri-national state comprising 17 autonomous regions with governing responsibilities as part of a devolved governance system.
- The autonomous status of the Valencia region was a consequence of the will of the people to exercise self-governance and organise self-government institutions and other devolved competencies within the constitutional framework.
- Important areas where they exercise autonomy are developing and modifying civil law, research, academy and technology, including development of policies related to science, technology and innovation (Cort Valenciana, accessed 2020).
- The shift towards autonomous governance systems gave the regional government an opportunity to create policies and strategies that would directly address growth challenges. For instance, in Valencia it enabled state policy makers to plan and reposition urban planning through various entrepreneurial development, rescaling the regional economy through projects like the City of Arts and Sciences (Ciutat de les Arts i de les Ciències) or the recent port expansion around the city of Valencia.
- The Valencia region also exercises financial autonomy in the areas of tax and revenue collection, including the introduction of appropriate measures and subsidies that ensures

that the region's growth and development is not compromised or diminished (Cort Valenciana, accessed 2020). This means that the regional government has the autonomy to make decisions on the regional growth and development of the region.

- With the setting up of the new governance system in 2015, l'Acord del Botanic was adopted by the new government (GV, 2017). This is an initiative which represents the Statute of Autonomy in Article 19.1 where it stated that the 'La Generalitat will promote a model of equitable, territorially balanced and sustainable development, based on the incorporation of innovation processes, full integration into the information society, lifelong learning, openly sustainable production and a stable and quality occupation ensuring safety and health at work' (GV, 2017:8; Zepeda et al, 2006).
- The Acord of the Botanic has five axes and embodies the principles of the sustainable development goals (SDGs), on the basis of which all the growth strategies of the region were designed from 2016 onwards (GV, 2017).
- Before 2015 power was mostly concentrated in the hands of a few which led to a governance system that was largely inefficient, authoritative and non-transparent with decisions being made without any public consultation or participation (Vento, 2016).
- Growing inequality and poverty was the result of weak accountability by the largely authoritarian government which resulted in non-transparent ways of designing and implementing policies, adding further to the siphoning of public sector funds from health care, education and housing to the private sector.
- With the establishment of the new government in 2015, the region adopted the new regional plan known as the Transformation of Valencian Economic Plan in 2017.
- The Valencian Ministry of Industry, Trade and Innovation is responsible for the development of regional innovation policies and strategies. Together with the Ministry, the Institute of Valencian SMEs (the regional agency in charge of regional innovation system management and co-ordination) works to promote and develop research, development and innovation (Etxaleku and Girbes, 2011).

Industrial history of the Valencia region

- As one of Spain's 17 autonomous communities, Valencia has full autonomy to make its own governance policies and decisions for its economic growth and development. The region is also bestowed with economic and social structure characteristics which is common to all the regions located alongside the Mediterranean arc.
- Historically agriculture was the mainstay of the Valencian economy, which was possible because of intensive irrigation activities. This made farming successful and Valencia became one of the richest farming regions in the Mediterranean basin. Its unique climatic and locational advantages also enabled the region to produce large quantities of grapes, almonds, oranges and rice, giving rise to many co-operatives in the region.
- There was also a manufacturing sector which was largely run by small proprietors who manufactured a wide range of consumer goods such as furniture, candy, shoes, leather and plastic products, including a number of automotive and metallurgical plants.
- Its decline began in the 1960s with rapid deindustrialisation and the shift in the economy from an agrarian and manufacturing to a service based one. Table 1 presents a brief timeline of the region's economic restructuring.

Table 1: Brief timeline of the economic restructuring of the Valencia region

Timeframe	Phase	Characteristic feature
1960s-1970s	-First transition to democracy -Spanish 'organic law referendum'	-Agriculture and manufacturing industry were the mainstay of the economy -Rapid urbanisation -Economic growth in the form of urban projects and infrastructural development -Population boom
1970s-1980s	-Adoption of a new Spanish constitution -Beginning of democracy -Establishment of Valencia Autonomous Community	-Autonomous identity of the Valencia Region -Devolved powers with the regional government -Rescaling of planning policy -Urban and territorial 'planning' got devolved -Surge in urban and cultural development
1990s onwards	-Growth plan to raise the profile of Valencia as the centre of economic and social development in the Mediterranean region	-Large infrastructure investment -Rapid economic growth and a surge in the tourism industry -Growth in the service industry
2000s	-Economic downturn following the global financial crisis, exacerbated by large regional borrowing	-Growth of autocracy within the regional government
2010 onwards	-Economic restructuring with the signing of the agreement of the L'Acord del Botanic agreement	-Drafting of the Plan of Transformation by the newly elected government in 2015 -Regional government planned and redefined the development policy along the lines of the 17 SDGs and the 2030 Agenda.

Economic history and consequences of economic restructuring

The decline

- With the decline of the agricultural sector in the 1960s and the subsequent deindustrialisation in the 1970s and 1980s, there was a gradual shift to the service and tourism industry (Vento, 2017).
- This was followed by a shift in urban infrastructure development, following the establishment of the autonomous status of the Valencia region in the 1970s.
- Economic growth between 1996 and 2007 was mainly focussed on large infrastructure developments and large investments which failed to generate the expected returns. However, this growth rate created a regional imbalance by reducing external competitiveness, and productivity declined due to these sectors of growth (GV, 2017).
- The result was a substantial regional financial debt which the regional government was unable to clear, leading to large borrowings from the central government (Vento, 2017).
- Growth rates dropped to -3.7% in 2009 as a consequence of heavy investment in the construction and tourism industry (Etxaleku and Girbes, 2011). Such a growth pattern did not inform a long term strategic vision for future development in the region or lead to alternate

solutions that would tackle the challenges posed by globalisation and technological growth in the Valencia region, European and global markets.

- There was also increased investment in the construction and property sector leading to the transfer of wealth from the public to the private domain with no real development within the public sector and the society (Prytherch, 2006; Albertos et al, 2015; Vento, 2017).
- This is corroborated by the fact that the share of the industrial sector's contribution to the economy plummeted from 19.5% in 2000 to 15.4% in 2005 even though the construction industry grew from 8.1% to 10.5% within the same time period (Zepeda et al, 2006).
- The Valencian economy continued to grow with 3% GDP growth in 2005 which is slightly less than the Spanish GDP of 3.4% and this was mainly due to the growth of regional entrepreneurialism, even though there were signs of a potential reduction in regional competitiveness (Prytherch and Huntoon, 2005; Prytherch, 2006; Zepeda et al, 2006; Albertos et al, 2015; Vento, 2017; Vega et al, 2019). However, while the growth rate was below the Spanish national average, it was well above the average European rates for the 25 member countries (1.7% in 2005) (Zepeda et al, 2006).
- The consequence was early school drop-out in favour of jobs which required little or no skills and resultant unemployment and poverty when those industries collapsed following the financial crisis in 2008. This not only caused stagnation but also resulted in a large number of working-age people migrating from the region, leaving an ageing population.

Regional Policy Context

This economic downturn was followed by a new strategy of growth by the Valencian Government in 2015. The new strategy in 2016 laid the foundation for a major shift towards an economic model based on the principles of sustainability (both environmental and productive and social). The Acord of Botanic laid out the transformational pathway towards a new model of Valencian economy (GV, 2017). Of particular importance is Axes four which set out the direction of change and strategies (GV, 2017). These include:

- Reindustrialisation, recovery of agriculture, the promotion of sustainable tourism and a balanced trade model;
 - Promote ecological transition of the production model;
 - A recovery path for the Valencian financial system;
 - The provision of infrastructure strategies;
 - Develop the Valencian innovation system;
 - An active role of public bodies as development agents; and
 - Moving towards industrial relations that reverses economic instability.
- The agreement comprised of a new model of public policy based on the 17 sustainable development goals (SDGs) and the principles of the EU 2020 strategy and is known as the Transformative Policies for the Social and Solidarity Economy (TPSSE) (Avila and Bono, 2020). The strategy recognised social economy as a new field (Avila and Bono, 2020).
 - The Valencian Government also developed awareness-raising plans and integration of the SDGs within its framework of action (GV, 2017).
 - The Valencian Government in 2015 adopted a strategy for the transformation of the economy through the adoption of the first Biennial Plan to support Valencian Cooperativism by the Valencian Cooperativism Council.
 - The Valencian Cooperativism Council, known as the Fent Cooperatives, comprising the Counsel and the Confederation of Cooperatives was set up to promote Valencian

Cooperativism (Avila and Bono, 2020). It was aimed at improving the competitiveness of Valencian cooperatives by focussing on four main areas: economic, social and environmental sustainability; increasing employment opportunities, and making inclusive and equal representation of men and women, including youth, in corporate responsibility areas.

- Within these four main areas, the plan was divided into six strategies: sustainable business development; corporate development; employment and territorial development; financing of cooperatives; dissemination, training and cooperative research; and institutional consolidation. These six lines were further divided into 27 strategic objectives, 72 initiatives and 101 actions (Avila and Bono, 2020).
- The Plan included a strategy for monitoring progress and assessing results as well as an evaluation plan after two years of implementation (GV, 2017; Avila and Bono, 2020).
- Being part of a devolved governance system, the Valencian Government exercised full autonomy through the Valencian Ministry of Industry, Trade and Innovation. This included designing policies related to the development of research, innovation and technology through a network of technology institutes in partnership with the industry, academia, research centres and the Valencian Institute of SMEs commonly known as IMPIVA (Etxaleku and Girbes, 2011; Verdu, 2006).
- The regional government actively promoted co-operation and collaboration between private firms and research centres to make research, innovation and development outcomes more productive (Etxaleku and Girbes, 2011).
- To improve productivity and competitiveness of companies, five objectives were promoted: investing in innovation and technology in order to achieve the targeted GDP of 2.3% in 2015, increase in skills and human resources, incorporation of at least 800 innovative companies per year, industrial diversification i.e. 25% of employees in high-tech sectors and increase in high-tech exports (45%) (Etxaleku and Girbes, 2011).

The Spanish circular economy strategy has envisaged the reduction of consumption of materials (through reuse, recycle and reduction) by up to 30% of Spanish GDP (España Circular, 2030). It includes reduction in use and consumption of non-renewable resources and protection of natural heritage sites and sites of special scientific interest (España Circular, 2030). These principles of sustainability embodied within the strategy have been mainstreamed within the regional governments including in the Valencia region in the following areas (GV, 2017; Escribano and Desantes, 2019):

- Industrial Policy Strategy of the Valencia Region 2020;
- Plan for Energy Efficiency saving, Renewable Energies promotion and self-consumption in buildings, infrastructures and equipment of the public sector in the Valencia Region (PAEEG);
- Valencian Plan for Ecologic Production;
- Valencian Strategy to Climate Change;
- Plan for Rural Development 2014-2020;
- Territorial Action Plan for the Green Infrastructure of the Coast of the Valencia Region (PATIVEL); and
- Integral Waste Plan of the Valencia Region.

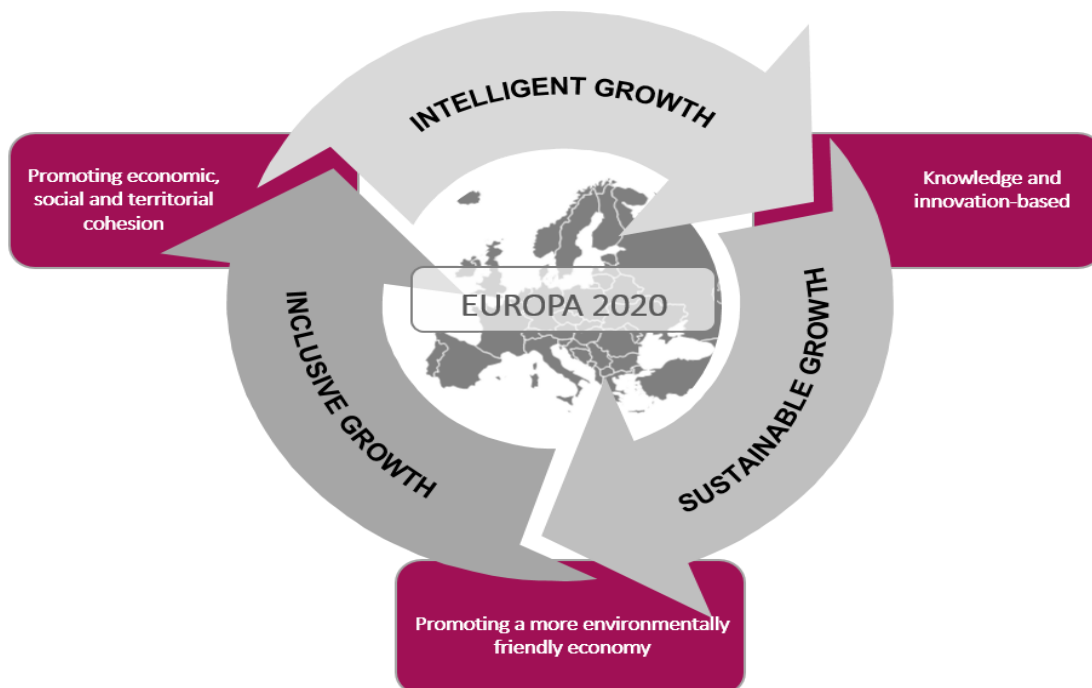
The Valencia regional development plan is characterised by focusing political support and investments on priority areas including addressing challenges and needs to facilitate and progress knowledge-based innovation.

- The regional policy for innovation is managed by the regional public administration with the aim to foster collaboration between various stakeholders such as companies, research

centres and public administration. This is mainly to increase the regional collaboration through access and use of new technology and the development of technical knowledge.

- Industrial Policy Strategy of the Valencia Region 2020 had allocated a total budget of €1.14 billion, of which the EU will contribute €568 million (EU, 2018) and 80% of the funding will concentrate on priority areas. Areas that have been identified as priority include research and innovation, information technologies, growth and support for SMEs and energy efficiency and this will be achieved through collaboration and cooperation between research centres and SMEs in the region (EU, 2018; Stronge et al, 2019).
- It is expected that this will create scope for more than 6700 Valencian research groups to participate and collaborate in an international consortium comprising of 2500 SMEs and 6700 small companies in order to improve regional competitiveness of local businesses in the region.
- Valencia has also become part of the Smart City strategy in 2016 based on the principles of sustainable and inclusive growth which comprises high levels of employment, effective use of resources, greening of the city and growth that is based on knowledge and innovative economy (Ajuntament de Valencia, 2016).
- To ensure that the regional economy of Valencia is futureproofed, the following areas in employment will be given priority: i) decent employment; ii) safeguarding against seasonal and technological shocks; iii) guarding against a crisis of care; iv) and ensuring environmental sustainability of the Valencia region (Stronge et al, 2019).

Figure 1: RIS3 Political Framework



Source: EU, 2019

Functional economic areas

Data on functional economic areas in Spain is limited. The only available information was on Local Labour Market Areas (LLMAs) in Spain which is similar to Travel to Work Area (TTWAs) in the UK, a term generally used to estimate local unemployment patterns and also to understand the efficacy of labour market programmes (Diaz, 2003). LLMAs are defined as a group of municipalities which have a

criterion of a certain number of residents working in the LLMA and the number of jobs in the LLMA for the residents living in the area. In other words, both needed to have the minimum threshold to be able to qualify as a LLMA or a functional economic area. It is also used to understand local unemployment rate and the distance that individuals need to commute to get to their jobs (Diaz, 2003).

- LLMA in Catalonia (which is part of the Valencia region) developed as a result of the jobs available in nearby areas where people commuted on a regular basis for employment purposes (Diaz, 2000; Diaz, 2003).
- Murcia is also another functional economic region which is part of the Mediterranean arc with a strong dependence on exports, similar to the Valencia region.
- Alicante and Catalonia, which are part of the Valencia region along with Murcia grew from a poor agrarian region to an economically prosperous one after the 1980s following the region's easy access to the European market, which gave a boost to the region's export industry including tourism and the service industry (Naylon, 1992).
- As most of the service jobs were concentrated in the Valencia city region, this acted as a first port of call for commuters from 130 municipalities and the neighbouring city of Castellon. The second destination was from the 62 municipalities of which 12 were from Castellon (Diaz, 2000).
- More specifically, the entire coastal strip from Catalonia, Valencia to Murcia which was part of the Mediterranean axis has high productivity in terms of its agricultural production. With the economic boom following the growth of the tourism industry, this implied that agriculture still continued as a part-time economic activity alongside the seasonal jobs offered by tourism (Naylon, 1992). These economic activities led to the rapid transformation of the regional economy as the region operated as functional economic areas due to interdependence within them, with respect to regional export and import activity between Valencia, Murcia and Catalonia (Naylon, 1992).

Alignment of local and national policy objectives and priorities

Following the economic crisis in the region and the loss of competitive edge in the international market, related to export of produce and manufacturing of goods, Valencia's economic restructuring from 2008 onwards was mainly focussed on transforming its institutional arrangements to provide better public services to its community and its citizens (Collino, 2008). It resulted in better alignment of its regional policies and prioritising growth and development with that of the Spanish and European requirements mainly because the economic restructuring involved fresh new funds from the European Regional Development Funds (Pyke and Sengenberger, 1992; Verdu, 2006). For instance, the Valencian government's emphasis on research and innovation, science, technology and production, strengthening the network of the SMEs to promote the growth of the innovation process was a result of the priority setting of these objectives by the Spanish government in accordance with the European ones, which not only helped to improve Valencia's regional competitiveness but also increased its overall productivity. The autonomous character of the region further played an important role in setting priorities and allocating resources in areas which would contribute to the region's economic growth and development in accordance with the national priorities set by the Spanish government.

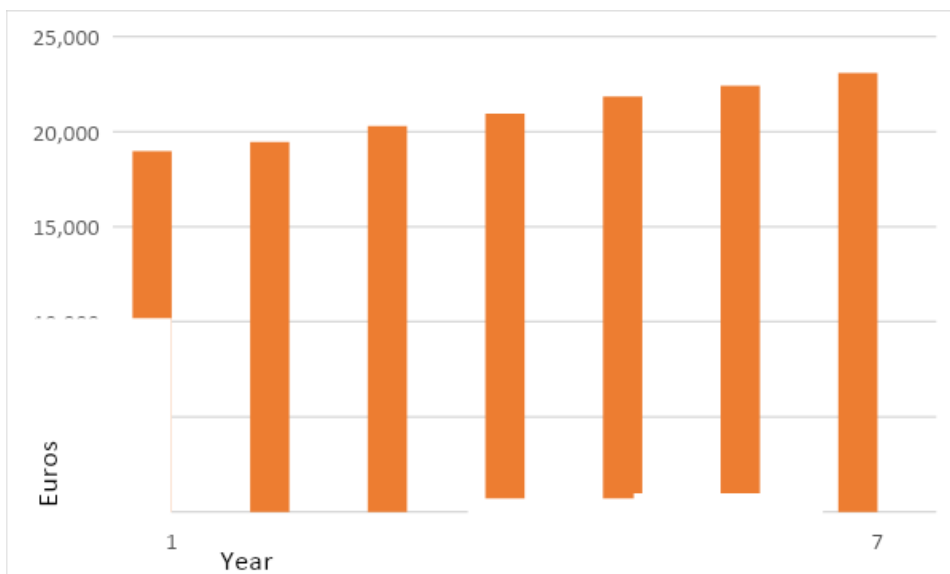
- In a similar vein, adopting the circular economy model by the Valencian Government was also a result of the Spanish circular economy strategy drawn from the European circular economy model striving towards a green and sustainable economy by reducing, reusing and recycling products instead of the previous 'take, make and dispose' principle.

- The adoption of the Transformation of Valencian Economic Plan in 2017 along the principles of sustainability of planet, people prosperity is a consequence of this, on the basis of which, new strategies were developed for the region's growth and economic restructuring (GV, 2017). This included strategies for the development of research, development, technology and innovation.
- The National Council for Science, Technology and Innovation Policy (by the Ministry of Economics, Industry and Competitiveness of Spain) had outlined the Spanish Strategy for Science, Technology and Innovation (STI) for the period 2013-20 (GV, 2017) including the priorities for the development of the national and regional growth plans. The Strategic Entrepreneurship Plan was set up in 2018 by the Valencia Council of Entrepreneurship in accordance with the regional government's strategy for the economic restructuring of the Valencia region.
- The plan required collaboration and engagement between various departments and disciplines such as education, training, finance, employment and innovation in order to facilitate easy setting up of companies to fulfil business obligations for a sustainable future (Interreg Europe, 2020). The next section presents some key data and statistical figures to highlight the performance of the Valencia region following its economic restructuring process.

Performance targets and related key statistics

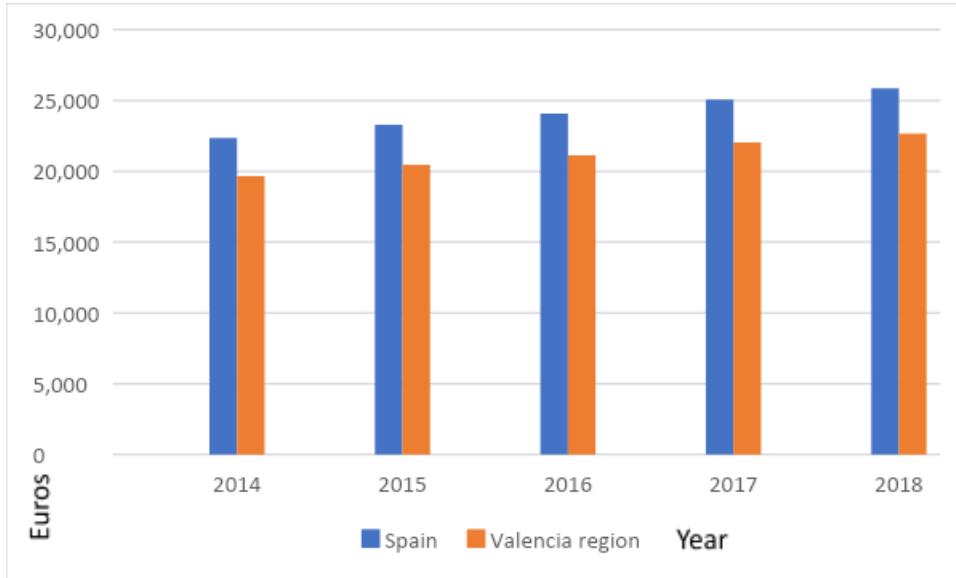
Valencia region had a GDP of €108.6bn in 2017 (Eurostat, 2019) which is 9.3% of the Spanish GDP. GDP per capita in Valencia was €24,300 in 2017 which is lower than the Spanish GDP of €27,600 per capita (Eurostat, 2019).

Figure 1: Valencia GDP per capita



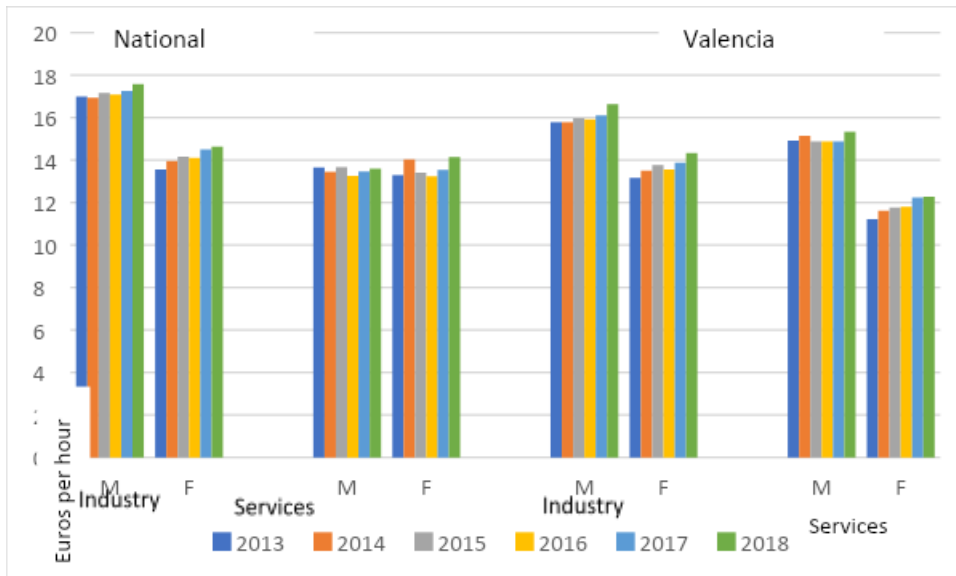
Source: GV 2016

Figure 2: GDP per capita in Valencia and Spain



Source: GV 2019

Figure 3: Male and female earnings per working hour and sector in the Valencia region



Source: National Statistics Institute [accessed September 2020]

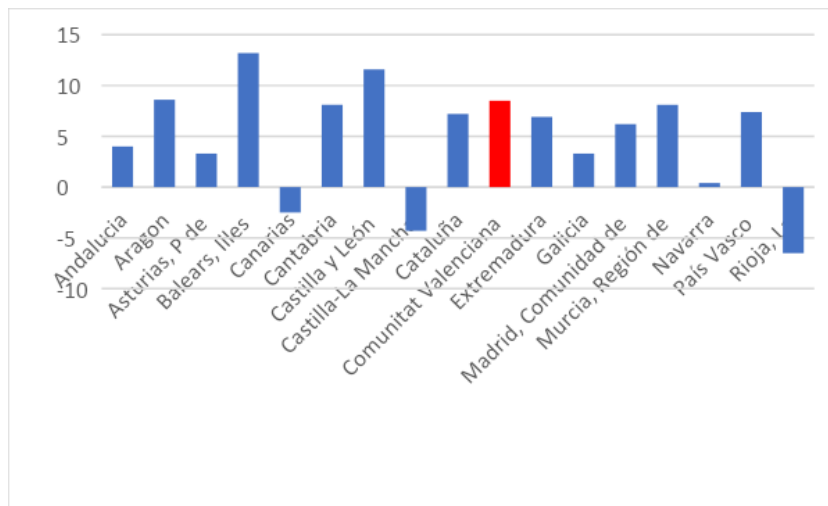
1. Innovation

Research and Development

The Valencia region has been ranked as ‘moderate’ according to the regional innovation scoreboard (2019) with a score of 69% relative to EU in 2019 (EC, 2019). Madrid has a score of 74% relative to EU in 2019 which also puts the region in the ‘moderate’ innovation category (EC, 2019). This is also reflected in the percentage of trademark application and design application in the region which is 85.5% and 70% respectively (EC, 2019). Trademark applications are an important indicator of innovation as it fulfils the essential functions of: i) origin of goods and services, ii) provides quality assurance through evidence of company’s relation and commitment with the consumer, iii) and communicates in order to advertise especially within the service sector (EC, 2019). A design application is the external appearance of a product which can be created by assembling various components acquired from different sources and is an indicator of number of designs applied for at the EU Intellectual Property Office (EUIPO) (EC, 2019). However, the region scores low when it comes to SMEs innovating in-house (22%) or in collaboration with others (19%) compared to Navarra which is 34% and 30% respectively (EC, 2019). Valencia region (and Spain in general) also scores very low on public private collaborations when compared to other regions in Europe such as Dusseldorf or Stuttgart (EC, 2019).

According to the National Institute of Statistics, expenditure on innovative activities was €18,689 million in 2018, of which a large proportion was spent on internal R&D, 43%, 11.7% on external R&D and 45.3% on other innovation activities (NSI, 2019). Other innovation activities included design engineering, brand value and other intellectual property activities.

Figure 4: Expenditure on internal R&D by autonomous communities in Spain in 2018 (% of total R&D)



Source: National Statistics Institute [accessed August 2020]

Figure 4 shows the communities with the highest expenditure on innovative activities with Comunidad de Madrid at the top with 31.3% of the national total, followed by Catalonia at 26.5% and País Vasco, 9.1% and the Valencia region at 6.3% (NSI, 2019).

Higher Education

Table 1: Number of students in university education, 2017-18

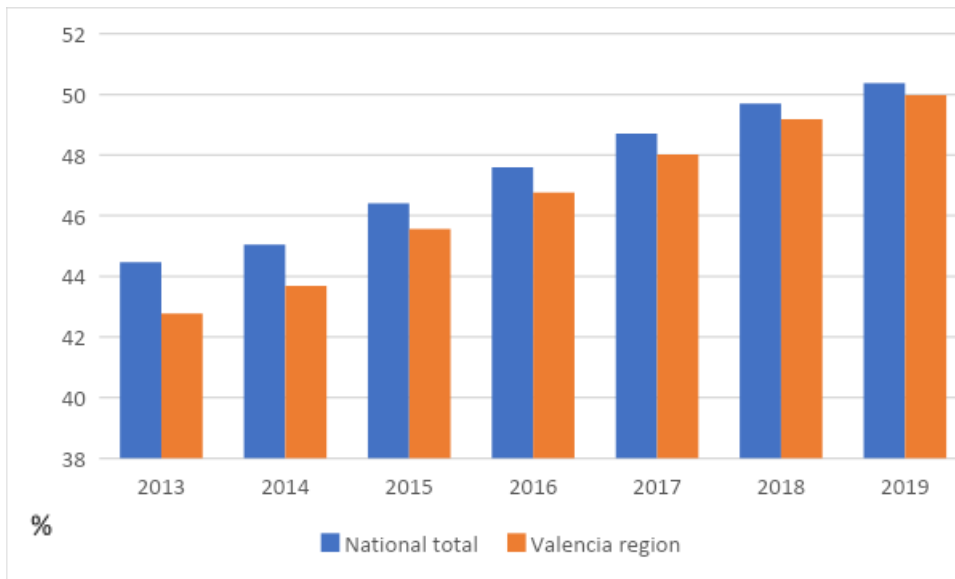
Level of education	Student numbers	Male %	Female %
University education	154,219	44.4	55.6
Bachelor's degree	120,404	44.1	55.9
Public universities	101,179	45.4	54.5
Private universities	19,225	37.1	62.9
Master's degree	24,435	43.9	56
Public universities	16,457	47.2	52.8
Private universities	7,978	37.1	62.9
Doctoral studies	9,380	49.3	50.7
Public universities	9,036	49.4	50.5
Private universities	344	46.5	53.5

Source: GV 2019

2. Business

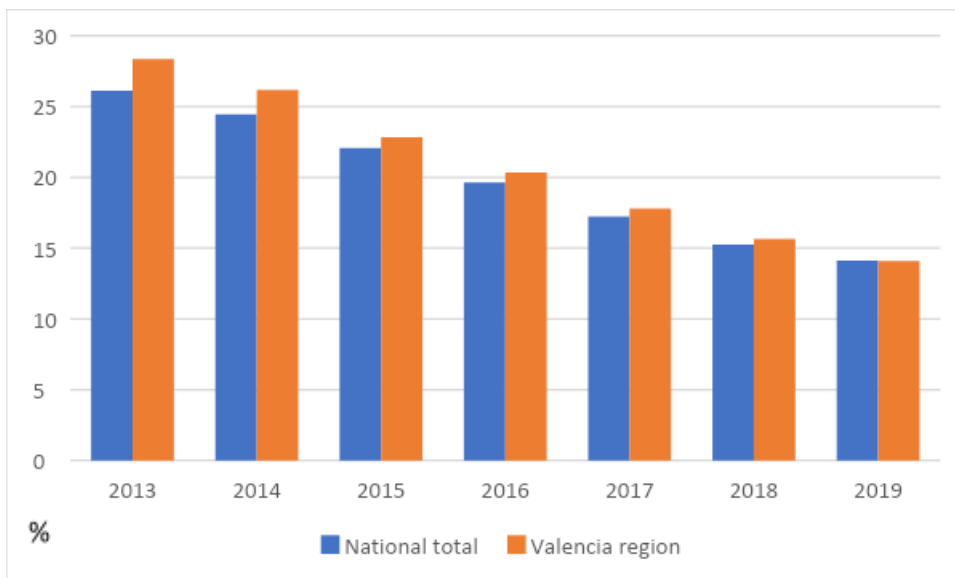
There were 142,334 businesses in the Valencia region out of 1,286,750 nationally in 2014. The Valencia region has the fourth highest business creation rate behind Madrid, Catalonia, and Andalusia (Stronge, et al, 2019). The region also ranked the fourth easiest place to start a business in Spain (World Bank, 2015; Stronge et al, 2019). Even though Valencia region ranks low when it comes to public private partnerships and SMEs collaborating, the region performs well in relation to the number of innovative enterprises. According to the Regional Innovation Scoreboard, Valencia ranks second highest with 22.7% of innovative enterprises compared to Pais Vasco which ranks highest with 24.3% of innovative enterprises and Catalonia with 22.3% (EC, 2019).

Figure 5: Rate of employment in Valencia region



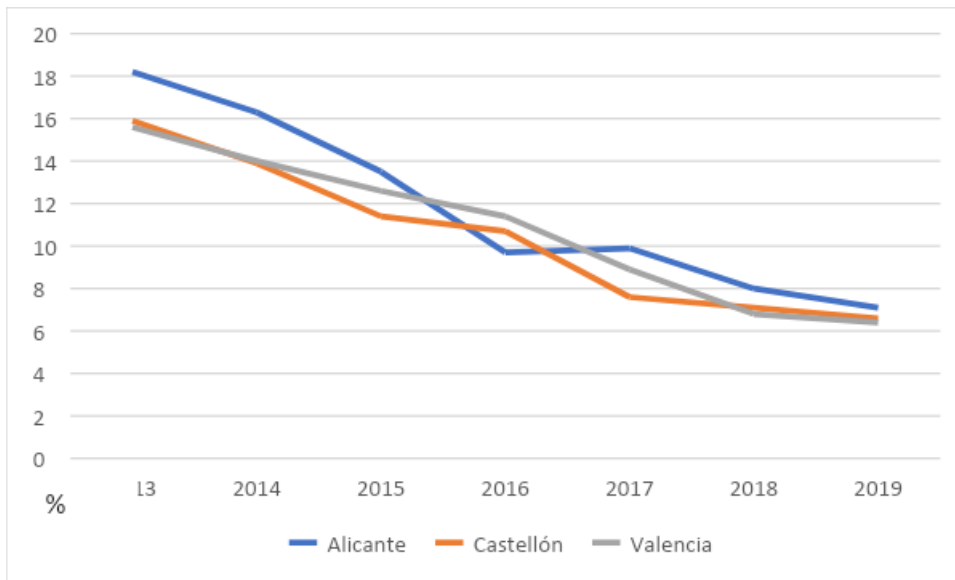
Source: National Institute of Statistics [accessed August 2020]

Figure 6: Rate of unemployment in Valencia region



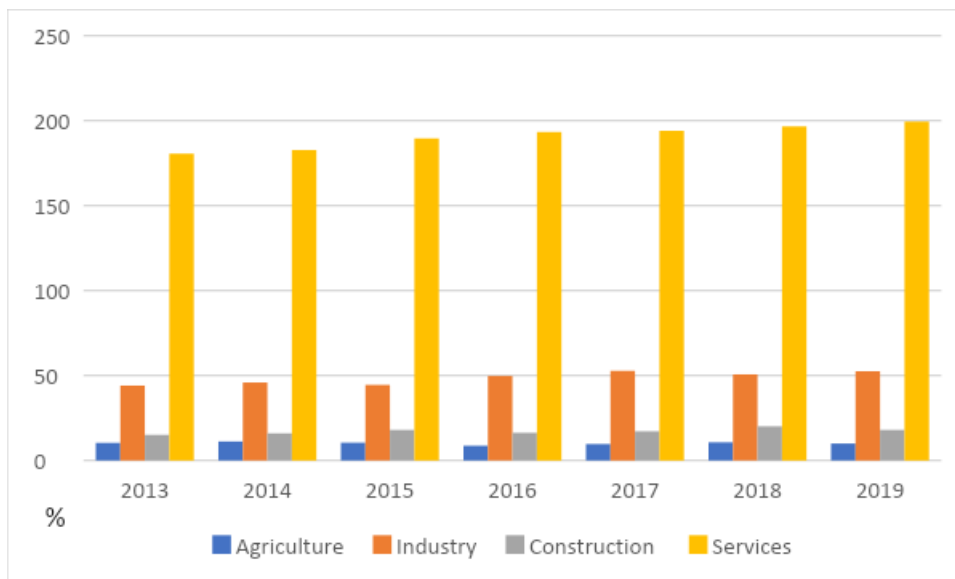
Source: National Institute of Statistics [accessed August 2020]

Figure 7: Percentage of unemployed persons seeking first job or who have left their last job more than 1 year ago by province



Source: National Statistics Institute [accessed August 2020]

Figure 8: Percentage of employees by sector in the Valencia region



Source: National Statistics Institute [accessed August 2020]

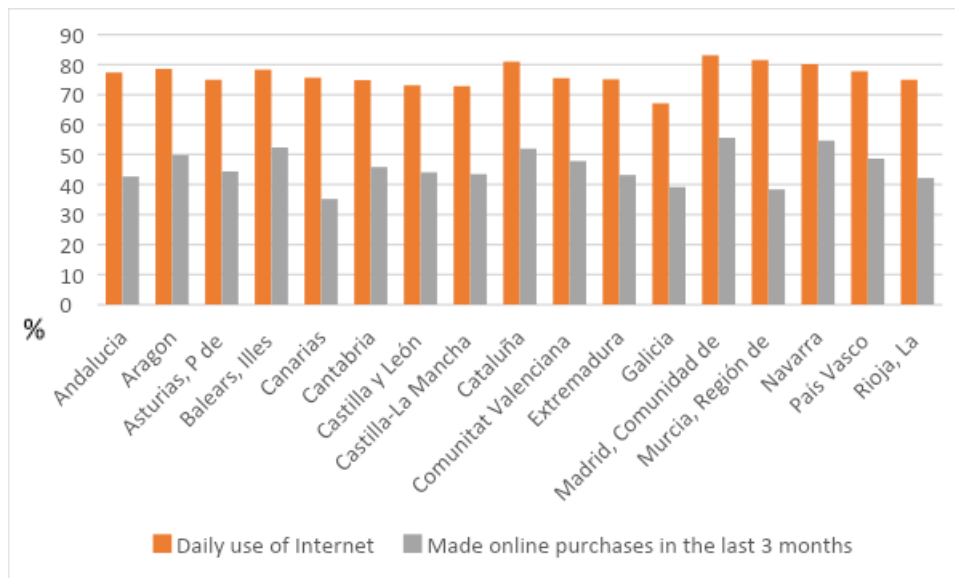
3. Infrastructure and built assets

With its geo-strategic location at the centre of the Mediterranean axis, the Valencia region’s infrastructural development remains a priority in order to facilitate trade, transportation and easy

movement of people, goods and services. This is essential mainly because the region has established its profile not only as a tourist attraction but also a location which ensures quick and easy connectivity to Europe and other parts of the world (Camara Valencia, 2019).

Figure 9 illustrates the use of internet services within the autonomous regions of Spain. Even though the Valencia region is below Madrid (83.1%), Navarra and Murcia, the data shows that daily use of internet in the region is the fourth highest at 75.5% with an approximate 48% users who have made an online purchase within the previous 3 months in 2019.

Figure 9: ICT users by autonomous communities in 2019

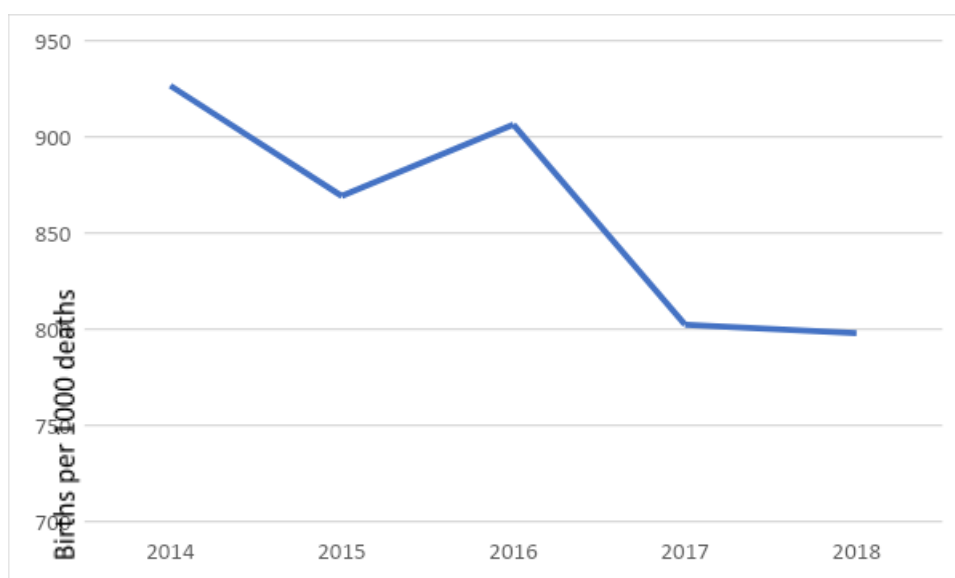


Source: National Statistics Institute (2019)

4. People

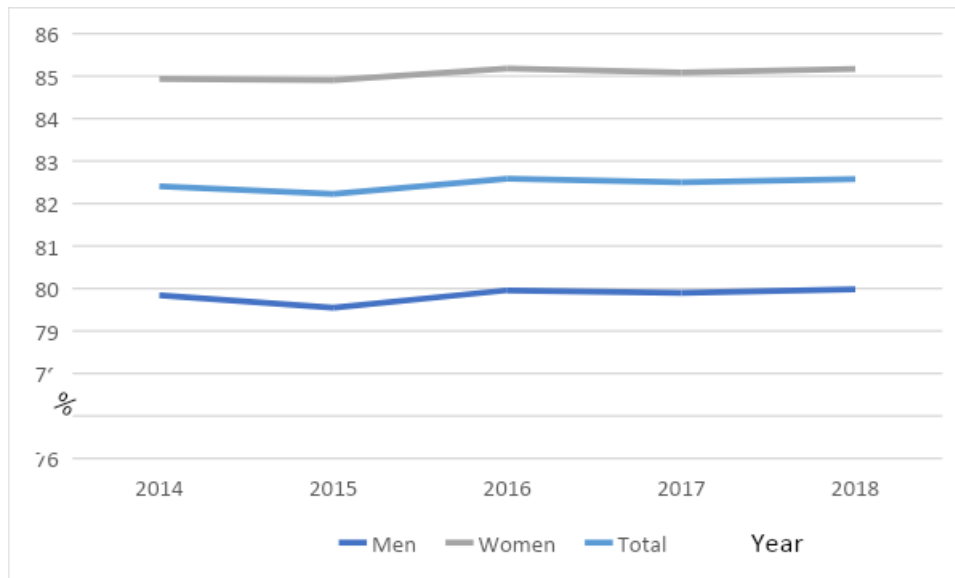
Demography

Figure 10: Births per 1000 deaths in the Valencia region



Source: National Statistics Institute [accessed August 2020]

Figure 11: Life Expectancy at birth



Source: GV 2019

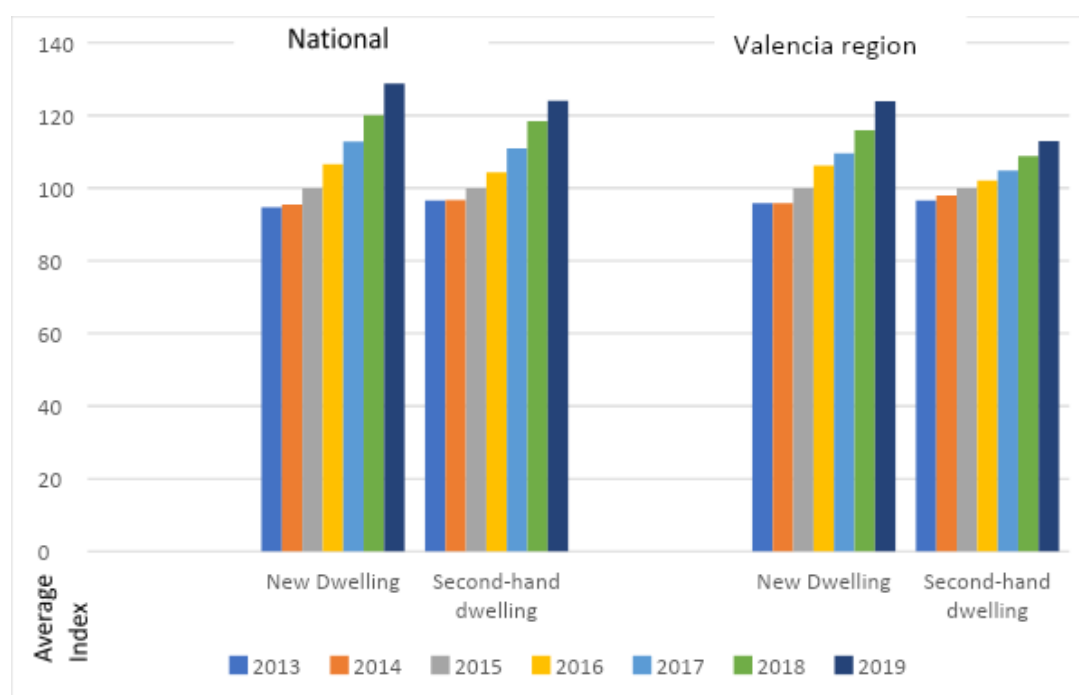
Figure 10 shows that the population replacement rate of the Valencia region declined between 2014 and 2018 and taking into account the migration rates the total population declined. Data from the National Statistics Institute of Spain further indicated that there was a total of 1,899,800 people with certified disabled conditions in 2018 between the age group of 16-64 (National Statistics Institute, 2019). 34.45% of disabled people are economically active with more males than females being economically active.

The number of people employed with a disability was 25.8% in 2018 which is 0.1% lower than the 2017 figure (National Statistics Institute, 2019). Of the total number of employed people with disabilities (489,500 in 2018), 88.7% were on salaried jobs and of these 73.3% had an indefinite contract (National Statistics Institute, 2019).

5. Place

Housing

The average house price index of the Valencia region shows that the prices of new and second-hand dwellings have grown steadily from 2013 to 2019; although the increase has been just under the national house price index, especially for second-hand dwellings.

Figure 12: The average annual housing price index

Source: National Statistics Institute [accessed September 2020]

Tourism

The hotel occupancy survey data in the Valencia region shows the average number of hotels operating in the region between 2018 and 2019. The number of hotels grew from 999 in 2018 to 1029 in 2019 and the occupancy rate over the weekend remained at 67% for both years. The occupancy rate of bedrooms at all times during the week also remain approximately the same, growing from 66 to 67% in 2019, showing that the region had a moderately thriving tourism business in the year 2018 and 2019.

Table 2: Establishments, bed places, occupancy rate and employed personnel in Valencia

Hotel Occupancy Survey	2018	2019
Estimated number of open establishments (annual average)	999	1029
Occupancy rate of beds at weekends %	67	67
Occupancy rate of bedrooms % (all times)	66	67
Number of employed personnel (annual average)	15,649	16,301

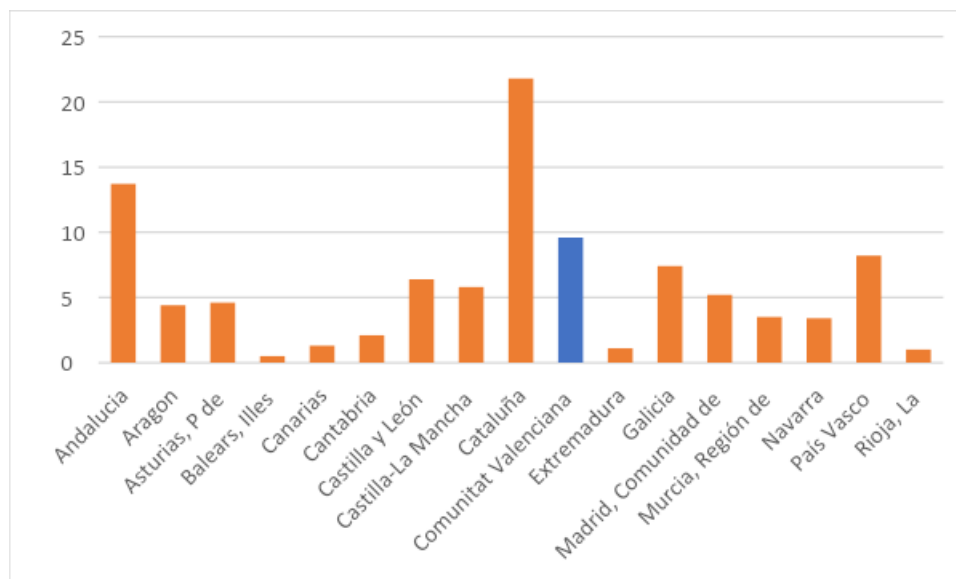
Source: National Statistics Institute [accessed August 2020]

6. Environment

The Valencia region, similar to the Basque government, is part of the Sustainability Bond Framework which issues multiple sustainability bonds to address environmental, economic and social challenges in the region (Sustainalytics, 2018). The region's climate change strategy 2050, Biodiversity Strategy 2030 and Energy Strategy 2030 outlines the targets related to climate change and reduction of carbon emissions (40% by 2030, 80% by 2050) through increased use of renewable energy resources and alternative use of energy in the transport sector (Sustainalytics, 2018). Figure 13 shows that the Valencia region has the third highest expenditure on environmental protection at 9.6% in 2018 after Catalonia and Andalusia.

The highest annual growth was in the waste management sector which was 10.2%, followed by air and climate protection (2%). Even though Catalonia (€253,544) and Andalusia (€483,346) have the highest expenditure on environmental protection, Valencia ranks third highest with an expenditure of €199,347 in 2018. Industry spending on environmental protection rose to €2,626 million in 2018 for Spain, up by 4.2% from the previous year (NSI, 2018). This amounted to 0.4% of the industry's turnover. Current expenditure for environmental protection increased by 4.5% and investment by 3.3%.

Figure 13: Percentage of total environmental protection expenditure by autonomous communities



Source: National Statistics Institute (2018)

Analysis

Local political issues and challenges: how they were resolved

- Major structural reforms were introduced by the newly elected government in 2015 which was based on the SDG principles and the EU 2020 strategy known as the transformative policies for the social and solidarity economy (TPSSE) in order to transform the economy of the Valencia region (GV, 2016; Avila and Bono, 2020).

- The regional challenges were addressed through an increase in: i) research and development expenditure in the private sector; ii) collaboration between the public and private sector along with external collaborators in Europe to allow exchange of knowledge and skills; iii) cooperation and collaboration between firms and strengthening the role of industrial and cooperative clusters (Cooke, 1999; Etxaleku and Girbes, 2011).
- Emphasis was also given to improving living conditions by providing flexible and better paid employment opportunities including making provisions for technology adoption and encouraging reskilling (Stronge et al, 2019).
- The regional government also undertook proactive awareness raising work on the importance of achieving the SDGs in the education sector (GV, 2017; GV, 2016).
- The regional government's commitment to the SDGs was promoted through the strengthening of collaboration between the public and private sectors including strong partnerships between SMEs, civil society organisations and academic institutes to maximise the outcome of achieving the 2030 agenda of sustainability and its related goals (Etxaleku and Girbes, 2011; GV, 2016; GV, 2017; Stronge et al, 2019).

Governance arrangements and capacity

- Even though the Valencia region enjoyed autonomous status, the previous governments in Valencia had failed to implement the principles of sustainability, as the necessary structures and institutions were not in place (Garcia, 2009).
- The federal system in Spain enabled the Valencian Government to introduce major structural changes in the region with the election of the new government in 2015 leading to a new model of economic growth and regeneration.
- The structural reforms were based on the principles of public community partnerships which were bottom-up and inclusive strategies in place to mainstream sustainable economic growth, for instance through the circular economy model (Espana Circular, 2030; Avila and Bono, 2020; Zepeda et al, 2006).
- The core principles of sustainability became the premise of the restructuring of the Valencia region which encouraged training and technical support for policy makers in the government administration, active participation of key stakeholders such as Regional Parliament, Regional Council, different government bodies in the region including the private sector and civil society organisations and universities in order to mainstream the SDG goals (GV, 2016).
- Capacity building was encouraged by providing online training in the SDGs to all government officials (GV, 2016).
- An interesting feature of the economic restructuring process is the setting up of the Valencian Cooperative Council in October 2017 which promoted the development of cooperatives in Valencia in 2018-19, by aligning it with key regional policies and strategies to achieve socio- economic and environmental sustainability in Valencia region (Avila and Bono, 2020).

Accountability

- The new transformative economic plan launched by the new government in 2015 incorporated a rigorous evaluation plan to assess the extent to which the aims and objectives were being met (GV, 2017; GV, 2016). The evaluation will be held on a regular basis emphasising transparency and accountability and focusing on identifying challenges and blockages. The feedback will be used to ensure that new measures are introduced to facilitate the achievement of the key aims and objectives.

- The evaluation process was designed to be participatory and inclusive in nature and will measure and monitor the Action Plan for the new economic restructuring work through participation from all actors such as private, public and civil society organisations and SMEs (GV, 2017).
- Coordination between socio-economic actors, public institutions and between the different departments that make up the GV will be encouraged, especially between the Ministry of Sustainable Economy, the productive sectors, trade and labour organisations. Consequently, monitoring and evaluation will be carried out at two levels:
 - a) The participation and institutional collaboration of economic and social actors, through the Social Dialogue Bureau of the Valencia region.
 - b) The joint departments of the Council participating in the Action Plan, through a Standing Technical Monitoring and Evaluation Committee.

Observations on findings and good practices

Lessons emerging from the Valencia region case study are:

- **Transparency and accountability can lead to better public policies:** The development of only a few sectors such as real estate, construction and the service industry led to stunted growth as most of the policies promoted public-private partnerships with zero accountability. In other words, these were non-transparent and led to wealth concentration in a few private hands while the accumulation of public debt depleted funds allocated for public services.
- **Strong governance system with a focus on economic growth and sustainable development:** The new government that came to power in 2015 focussed on transformative economic growth and economic restructuring, based on the principles of sustainability and the incorporation of the 17 goals within the economy. Thus, the dataset shows very slow growth in some sectors, mainly because some of the regional strategies and policies for economic restructuring were developed between 2016-17 after Valencia's Action Plan for the Transformation of the Valencian Economic Model was set up and implemented thereafter. However, with a strong policy focus on sustainable economic growth, the region shows potential to grow.
- **Geographical and regional assets needed to be recognised at the outset:** The Valencia region has a unique geographical and locational advantage in terms of connectivity, development of trade and business growth with mainland Europe and this potential has not been adequately tapped into (GV, 2016). These advantages could play a pivotal role in the restructuring of the economy.
- **Regional decentralisation and autonomy have their own merits:** The decentralised governance system ensured that regional policies were designed to address regional problems. This was possible in the Valencia region because of the prevalence of the Statute of Autonomy which enabled the regional government to exercise self-government through the prevailing institutions, including a high degree of budgetary and legal autonomy (GV, 2016; Etxaleku and Girbes, 2011).
- **Use of new knowledge for science, innovation and growth:** Economic growth and restructuring was dependent on the successful exploitation and use of new knowledge in the creation and improvement of goods and services established through scientific and technological research and innovative technological development. This enabled the regional government to understand the problems and design policies in accordance with the deficiencies identified in those areas. This was illustrated in the field of innovative technology, R&D and innovation within the framework of its scientific and technological policy which encouraged strong collaboration and resource allocation between the private

firms, research, academic centres and the public sector (Albertos et al, 2015; Etxaleku and Girbes, 2011).

- **Co-operative partnership between the public and private sectors:** An interesting feature of the Valencia region is the prevalence of a network of SMEs which has been pivotal to the economic transformation of the region. But the majority of the SMEs (96.8%) in the region were traditional small sized firms which were in need of upscaling to increase their productivity. This was achieved through inter-firm co-operation and setting up of co-operatives to promote research and innovation and strong partnerships, especially within the sectors such as in the ceramics, shoes, furniture, tiles and toy industry (Etxaleku and Girbes, 2011).
- **Developing partnership to collaborate in R&D:** In order to address these challenges, therefore it was necessary to: i) increase R&D expenditure in the private sector; ii) increase collaboration between the private sector with external collaborators in Europe to allow exchange of knowledge and skills through internationalisation; iii) increase cooperation and collaboration between various firms and strengthen the role of industrial clusters and specialisation within traditional SMEs (Etxaleku and Girbes, 2011; EC, 2019).
- **Strong leadership can lead to new forms of growth and development:** The Valencia region has the potential to develop while enhancing well-being and has clear strengths in very relevant aspects to structure a sustainable economy (GV, 2016). Examples of this are the improvements in qualifications, infrastructure endowments, its high export orientation and the diversification in destination markets, a strong business and entrepreneurial dynamic, inter-firm co-operation, a consolidated and articulated industrial fabric, and dynamic private services (GV, 2016; Etxaleku and Girbes, 2011).
- **Regional restructuring is a complex and iterative process:** Regional economic restructuring can take longer than expected as it is influenced by national and international factors. In some instances, these are hard to control but can have a lasting impact on the regional economy.

To sum up, the **factors which contributed to the region's economic restructuring** are:

- Decentralisation and autonomy in policy making;
- Actively promoting collaborative research and innovation;
- Allocating resources to local and regional institutions;
- Promoting the growth of autonomous innovative enterprises;
- Encouraging partnership working;
- Promoting the growth of co-operatives to increase regional competitiveness;
- The upscaling of traditional SMEs and their industrial specialisation; and
- Adopting the sustainable development goals.

Conclusion

The Valencia case study is an example of economic restructuring from a largely manufacturing and agrarian economy to a service-based one following the transition to an autonomous status in the late 1970s. Even though the initial phase of economic growth was marked by large-scale entrepreneurial activities that led to wealth concentration in the hands of a private few, the second phase of economic restructuring was dynamic in many respects. The latter phase was characterised by a specialisation in services through a network of SMEs in co-operative trusts within industrial districts, which provided specialised services that are complementary rather than competitive in nature. This made regional growth and development more inclusive and participatory rather than top-down.

Co-operative partnership between private firms, research and development institutes, public sector including external collaborators is another characteristic feature. This was instrumental in the upscaling of traditional small-scale private firms and promoted internal research and innovation in Valencia within these sectors. This gradually led to economic growth and promoted the region's competitiveness within the European markets. Sustainable development was key to the economic restructuring in Valencia, as the regional government had the authority to set up a new regional economic model based on the fundamental principles of sustainable development (Avila and Bono, 2020). These principles paved the way for the restructuring of its institutions that made self-governance possible along with a reinforcement of the community's unique identity as a distinct cultural and economic hub (GV, 2016; Etxaleku and Girbes, 2011). As the policies for sustainable economic growth and development in Valencia were established after the new government was formed in 2015, the trends in economic growth is much slower than expected. However, the current growth strategy of the Valencia region and its subsequent policies and plans is indicative of a strong potential to grow and develop in the coming years.

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