The ESPON 2013 Programme

BARCELONA

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1. **BARCELONA - THE STORY AND THE SIGNIFICANCE**

1.1 Barcelona is an important case study. It is a major European city which has undergone massive economic transformation during the past three decades after the advent of democracy in Spain. It makes a substantial contribution to the regional Catalan, Spanish national and European economy. It operates in a decentralised policy making system with powerful regional government being more important than either national or local government. It also operates in a complex multi–level territorial governance system. Barcelona is a good test of the challenges of developing policy for successful cities and a good model for non-capital cities across Europe.

1.2 This study is based upon original data collected in our field work with extended interviews with key figures in the public and private sectors in Barcelona and Cataluña. But it also draws heavily and freely upon existing research and consultancy studies which analyse the development of Barcelona, its history, economy, governance arrangements, social structure and territorial significance. The key studies we draw upon include *Barcelona: Global Repositioning of an Emerging Metro*, Burdett et al, LSE CITIES 2010; *Promoting entrepreneurship, employment and business competitiveness: The Experience of Barcelona*, OECD 2010; *Review of Regional Innovation: Cataluña*, OECD 2010; *Competitiveness in Cataluña*, IESE Ghemawat and Vives 2009, *Agglomeration Economies in the Barcelona City Region*, Burns et al, ESPON 2010; *The Repositioning of the Spanish Metropolitan System within the European Urban System*, Burns, UPC 2005; *Promoting Creativity and Knowledge in Barcelona Metropolitan region: How to Increase the City’s Competitiveness*, Pareja-Eastwya, et al, ACRE 2010. This chapter in addition to our own primary research reflects many of their findings and analyses. We are glad to have had access to them. The experience of Barcelona will be used to test the key hypotheses of our study. They were the following.

1.3 *Deconcentration matters.* This hypothesis essentially argues that the benefits of an urban system where public and private investment and resources are concentrated upon the capital city are smaller than those of a more deconcentrated, territorially balanced urban system where growth and resources are spread across a range of different sized cities in a wider territory. It implies that: national economies will be more successful when the gap in economic, social and environmental performance between the capital and second tier cities is smaller; more successful national economies have more second tier cities performing well.

1.4 *National policies - and levels of centralisation - matter.* This argues that the performance of second tier cities is significantly affected by national government policies - implicit or explicit, direct and indirect. It implies that institutional and financial decentralisation from national to sub-national (regional and local) levels of government where these have significant roles, responsibilities and resources will reduce the costs of overconcentration on the capital and maximise the contribution of second tier cities to national competitiveness and welfare. In addition, second tier cities will perform better where national and regional policy making systems are horizontally and vertically aligned to focus upon place making.

1.5 *Local factors matter.* Second tier cities are path dependent and are constrained by external factors - historical, cultural, structural, political and institutional. But those factors are not determinant. The economic performance of cities will depend upon their strategic capacity to manage those constraints.

1.6 *The key drivers of territorial performance are innovation, human capital, connectivity, place quality, and governance capacity.* Policies on those dimensions are crucial and again should be explored and assessed.
1.7 **Territory matters.** This argues that globalisation makes the governance capacity of place more important. It will be increasingly multi scalar. Economic governance in second tier cities should be located at the highest achievable spatial level. Second tier cities need strategies to shape the different territorial roles they play regionally, nationally and in Europe.

**An initial overview - How did it get to here?**

1.8 As Burdett’s study underlined, Barcelona has achieved an extraordinary transformation in its economy since the 1980s. The capital of Catalonia, the largest economic region in Spain, Barcelona successfully reinvented itself following nearly 40 years of General Franco’s dictatorship, strengthening its position in Europe and attracting foreign investment, international entrepreneurs and tourists. Although Barcelona is not immune to the current global financial crisis and recession, it is an important example of urban economic transformation in a country that is Europe’s fifth largest economy and the eleventh largest economy in the world. And despite the crisis, Barcelona is also better placed than most other Spanish cities to emerge intact because of its diversified economy, robust governance models, increasingly innovative economy, long term infrastructure investment, sound financial management, and lack of over dependence upon the finance and housing markets which have recently collapsed in many countries including Spain. As the CITIES report argued the essential story is one of ‘Barcelona’s emergence from the neglect and isolation of the Franco dictatorship, led by visionary and capable Mayors and a powerful city municipality, by flexible and collaborative institutions, and by its dynamic and cohesive private sector.’ They used strategic planning and project-led development to successfully deliver an ambitious modernising and repositioning strategy over several decades.

1.9 Since the 1970s Barcelona has encountered huge transitional forces - democratisation, deindustrialisation, tertiarisation, economic and demographic deconcentration, Europeanisation and globalisation. It has responded to those forces in three broad ways at different periods.

**Barcelona’s first act 1979-92 Stop the rot and build confidence with prestige projects**

1.10 Barcelona’s strategy from the mid 1980s to the 1990s was to stop economic decline and restore confidence in the city. It concentrated upon creating visible signs of change and iconic projects to build internal confidence and external interest. This began the physical redevelopment of the city from the exhausted industrial model to a new urban model. The 1992 Olympic Games were the symbol of that strategy. But the Olympics were used intelligently to mobilise support and resources to achieve structural changes the city had wanted to make any way for many years.

**The second act 1992-2007. Beyond physical regeneration to a high value added, European economy**

1.11 After the success of the Olympics which was not guaranteed and required huge delivery capacity, Barcelona’s ambitions widened beyond physical regeneration to high value, economic development to become a major European city. The city pursued economic diversification through increased Foreign Direct Investment, entrepreneurship, competitiveness and new jobs. It made major efforts to attract international talent as well as retain and expand its existing population. It developed strategies for a new knowledge economy. Economic growth and expansion required the city to improve physical connectivity as well as working relationships with partners in the metropolitan area. The private sector became a more important player in the city’s economy.

**The third act. Barcelona towards 2020 – aiming to become a world class city**

1.12 In recent years Barcelona has again raised its ambitions to become a globally important as well as European and regionally important city, serving as both the Mediterranean Capital and the Gateway to Latin America. This has led to new priorities and focus for the city. There
is increased concern to have more careful growth. There has been an increased focus on the high value-added knowledge economy but also on place quality and the development of the creative economy. Private sector leadership has become more critical including efforts to attract and retain leading firms that provide competitive business services. There is a greater focus upon better coordination between a wider range of players for example universities, banks, and infrastructure providers and between different tiers of government and neighbouring municipalities. There is an increased concern to make the city government itself more effective, integrated, flexible and accountable to its citizens.

What are the secrets of Barcelona’s success?

1.13 We anticipate our analysis briefly here. In our view, there are several reasons for Barcelona’s success. First it has shown consistent entrepreneurial and visionary leadership. Second it has developed a model of public private partnership and citizen involvement which constantly evolves but whose essential principles remain the same. Third it has made strategic planning not an add-on but a standard way of doing business in the city. Fourth it has focussed upon quality which increasingly differentiates cities from each other. Fifth it has internationalised its ambitions and its reach. Sixth, it has systematically worked on the fundamentals of the economy as well as some of the more sexy sectors of the economy like tourism, biomedics, culture, and ICT. The seventh secret is its constant self assessment and willingness to compare its performance with the best places within Europe and globally. The city has never rested on its laurels but is always willing to learn from competitors about how to improve.

1.14 There is another message from Barcelona which is crucial for our study – city government matters and city governance matters even more. The city council has recognised that being well run and efficient is important – especially in a period of scarce resources. It has made substantial efforts to modernise improve its performance especially with e-government. But Barcelona’s leaders have understood something bigger about city government. Providing well run local services are a necessary but not a sufficient condition of success for a city. They have recognised that the city council should not be a provider of services alone. It has to be a leader and a shaper of place. The idea of place shaping is now very fashionable. But Barcelona virtually invented the idea. It has demonstrated leadership in creating the kind of place that people globally and locally want to live, work and invest in. That is the key to its success.

2. BARCELONA – THE ECONOMIC CONTEXT

2.1 Barcelona is the capital city of Catalonia, in north East Spain on the Mediterranean coast. It is an example of rapid transformation from a classical industrial city in decline to one that has now a reputation in international markets. The City of Barcelona has about 1.6 million inhabitants in an area of 100 square kilometres. But the metropolitan region extends to almost 200 municipalities and has 4.7 million inhabitants. Barcelona is the second largest city in Spain, just after Madrid, and one of the major metropolitan regions in Europe.

2.2 Barcelona is the economic engine of Catalonia, which itself is responsible for nearly one fifth of Spain’s total GVA, and 26.9% of total Spanish exports in 2007. It has an international reputation and brand, capable of attracting foreign investors, entrepreneurs and tourists. It also has a strong tradition of entrepreneurialism, and a flexible and diversified industrial base of small and medium sized exporting enterprises. 8.4% of the working age population in Catalonia engaged in some form of business creation in 2007, compared to an average of 5.4% across the EU (Global Entrepreneurship Monitor, 2007).

2.3 The economic crisis in 1993 had a major impact on the manufacturing industry, so between 1993 and 1995 there was a large growth in unemployment in Spain and the Barcelona Metropolitan Region (BMR). However, the subsequent economic expansion generated a
period of economic growth that lasted until 2007, in which the BMR and the Spanish economy experienced significant employment creation, with average growth rates of more than 3%.

2.4 In keeping with this economic growth, employment in the province of Barcelona increased 56.5 per cent between 1995 and 2008, creating more than 900,000 jobs, an average yearly rate of around 3%, similar to that of economic growth. More than 70% of the jobs were generated in the services sector, where employment increased almost 60%, and in construction, where employment doubled. Employment in the manufacturing industry, on the other hand, only grew 25%. In 2008 there was a sharp drop in the construction sector. So only the services sector experienced sustained stable growth.

2.5 Barcelona has a longstanding manufacturing and industrial tradition that has been adapting to the challenges posed by the knowledge-based economy. While Barcelona was traditionally known for automotive, chemical, textile, food processing, publishing and consumer electronics industries, these activities have almost entirely moved to the city suburbs. The industrial structure of the city-region is polycentric, with a diversified economy but with specialised centres in the medium and small-sized cities around Barcelona. The economic structure of the City of Barcelona has been changing in the last decade, where knowledge-based industries are replacing the old industrial areas. The City of Barcelona has concentrated on services, which employ 83.1% of its workers. 78.1% of businesses with employees in the province of Barcelona in January 2007 were in the services sector, 14.2% in industry and 7.3% in construction.

2.6 In the City of Barcelona, the service sector is even more important not only because of the important number of enterprises in the tourism and other business-oriented sectors, but also because the industrial activity has gradually moved to the outskirts of the city mainly because of increased land prices in the inner city. Despite the deindustrialisation process, industrial activity in Catalonia remains above the national average, although in Barcelona itself it is below the national average.

2.7 Tourism, especially business tourism, and conference activities have grown in the city particularly. Barcelona has a huge business in international congresses and conventions - seventh in the world rankings for the number of congresses in 2008. Business tourists represent 51% of all of the city’s tourists. Its logistics sectors have increased because of the development of the Port. Container traffic has increased by 100% in seven years. The Airport handled 30,000,000 passengers in 2007. It has the capacity to accommodate 70 million in future. Barcelona has created a particularly entrepreneurial environment, reflected in the number of people starting new businesses. The Global Entrepreneurship Monitor shows, the rate of entrepreneurial activities in the province of Barcelona measures 8.9%, similar to Catalonia but higher than the national average (7.3%). This figure is also higher than many nations across Europe. Barcelona is also fifth in a list of the best European cities for business, according to the European Cities Monitor 2008. It is an important centre of foreign direct investment as Catalonia attracts 26% of the total Foreign Investment in Spain.

3. GOVERNANCE AND POLICY MAKING IN THE BARCELONA METROPOLITAN REGION

The national story

3.1 A recent OECD recent review outlined the following essential institutional features of urban policy and decision making in Spain. It is a Unitary country with a highly decentralised political system with two tiers of sub-national governments: the regional and the local governments, the latter being composed of provinces and municipalities. Spanish Regions
(called Autonomous Communities) have very similar powers to the regional authorities in other Federal countries (e.g. Lander in Germany, Cantons in Switzerland). First they have legislative powers within the framework of national legislation. Second they have exclusive responsibilities in many policy fields including tourism, urban planning, housing, social services. Third they share responsibility with the State in the administration and organisation of their territory and can establish, abolish, modify or amalgamate municipalities or decide on methods of cooperation between them, the environment, education, research, health, economic development, public works and infrastructure. Fourth, they have significant resources, largely derived from their own fiscal revenues and revenues they share with the national government.

3.2 In this context, the national government has less capacity to develop urban policies since urban issues are essentially a regional responsibility. However, national government still plays a significant role. First it has an influence over the distribution of responsibilities through legislation. Second it plays a key role in the funding of a wide range of economic development activities at local, metropolitan and regional level. Also it has responsibility for creating and managing transport communications and infrastructures. So national government:

- establishes the legal framework in which regional and local governments must act. This is for instance the case regarding the ‘Pacto Local’, i.e. the decentralisation process concerning the transfer of responsibilities from the regions to local governments. It is also the case for policy sectors in which the State shares responsibilities with regional authorities.
- is still responsible for many policy domains, including strategic sectors such as air transport, national railways and notably the high speed train network and energy and also culture which has been important in the development of many cities.
- has enormous resources that it can devote to urban areas if it chooses to. One good example of this is the various national programmes National Government has set up to fight the recent economic crisis.

The regional story

3.3 OECD’s assessment is that in comparison with other Unitary countries in the OECD, regional governments in Spain are stronger than local governments. Over the last decade the regional government level in Spain has become increasingly important, with more responsibilities and expenditures delegated to this level. As a result of the increasing regionalisation process, Spain’s governance structure is based on a decentralised model of decision-making with 17 regions or Comunidades Autonomas with different responsibilities. Autonomous communities now represent more than 50% of general government employment. Regional governments have complete autonomy in some fields, but share responsibilities with the Central government in other fields. Local government responsibilities and budgets, however, have remained relatively constant. Autonomous Communities have many freedoms in fields such as regional public works, infrastructure and transport, but share responsibilities in education and health with the Central government. Autonomous Communities are responsible for delivery of these services, but the Central government typically provides minimum standards when it comes to service provision and access. Local governments are responsible for services such as water and sewerage, parks and street lighting. Larger municipalities have more responsibilities.

3.4 The result of this model is the increasing leadership of the regional level without institutional mechanisms for coordination between national and regional governments. For that reason Spain has a low level of integration between tiers of government which affects the model of economic development.
Local government is the Cinderella of Spain’s recent political development. Decentralisation over the last 30 years has focused on the regional level (the Autonomous Communities). In Catalonia, this process has been especially important for cultural reasons. Acquiring more legal and financial autonomy has been a key Catalan governmental strategy at the expense of other issues. As a result, there has been little attention paid to local issues, with occasional reforms, as in 1987 (creation of counties) and maybe in 2010 (via the creation of the Metropolitan Authority of Barcelona). Relations between the Catalan government and the municipalities belonging to the city-region have been influenced both by the Spanish-Catalan debate and the differences in political majorities of regional and local governments. The political struggle between the Generalitat and the City of Barcelona has been particularly significant.

The ACRE study noted that the fragmentation of Catalan – and Spanish - local government is not exceptional but a general feature of the Napoleonic model of local government. The model – which includes Spain, France, Italy, Portugal and Greece - is characterised by high local identity at the expense of high local autonomy. In other words, the essence of local government is political rather than functional. Local governments represent territorial communities and office holders are expected to represent the interests of this community with higher levels of government – especially regional in the Spanish case.

This helps explain local fragmentation and the policy of retaining small units of local government. Several proposals from the Catalan government to merge municipalities have failed. In fact, the number of municipalities has been increasing, to almost 950. By contrast, in North European countries there have been large territorial reforms imposed by Central or regional governments to reduce the number of municipalities, and improve service delivery. As the ACRE study notes, the extensive number of different instruments of collaboration between Catalan municipalities illustrates the limits of small governments. The capacity of local governments is also affected by their constrained economic powers and resources.

For almost three decades of democratic rule in Spain, there have been few incentives to promote and encourage the consolidation of metropolitan areas to deal with urban issues. Instead the priority has been the consolidation of Autonomous Communities. In fact, the development of other forms of local autonomy which could challenge the power of existing political actors has been systematically postponed.

**Fiscal capacity of cities**

OECD noted that Spain’s highly decentralised approach to territorial administration is also reflected in the concentration of sub-national expenditures managed by the regional governments. Although a Unitary country, Spain has a high share of sub-national expenditure even when compared to Federal countries like Germany, Austria and Belgium. This has been the result of two decades of decentralisation, mainly benefiting regional governments (Figure 3.2). Autonomous Communities were responsible for 36.4% of total government spending in 2005 while the local governments were only allocated 13%. Most of the decentralised functions have been delegated to the Autonomous Communities while local government expenditures have remained relatively stable over recent years. The most important expenditure items for Autonomous Communities are health and education, with 91% of all government expenditures on health and 89% of the education expenditures in 2004 made by regional governments.

The Central government controls major infrastructure spending for the main road and motorway network, long distance and high speed trains and most local trains. The Central government also allocates the majority of public funds and retains control over the Port of Barcelona and the city’s Airport. There are also a number of frameworks, plans, initiatives and funding streams which specifically target business development, many of which are
relevant to Barcelona. Other indirect polices have been crucial to the development of Barcelona’s knowledge based industries and contributed to the competitiveness of the city-region, especially the High Speed Train or broad band connectivity. During the past decade, the Barcelona region has had huge public investments in these infrastructures. Central government and in many cases the EU have been the main providers of funds. As ACRE noted, although local government strategy was fundamental for the design and implementation of policies, national government played a key role in providing parallel measures and policies to those adopted by the local government.

3.11 Local government expenditure is marginal compared to the regional and Central levels of government. The creation of the Autonomous Communities after the dictatorship transformed the fiscal distribution from Central government to regional government, while the fiscal capacity of local government has not been improved. Many municipalities and provinces – Barcelona included - want reform of local finances so as to increase their financial resources. Provinces depend on national government transfers, while municipalities depend on property taxes. In practice, local governments assume more tasks than those assigned to them, but without additional resources. This situation specially applies to big cities, which attract more diverse populations with specific needs. In the metropolitan area, Barcelona benefits from a particular charter that provides the city with greater economic resources. In fact, the City of Barcelona is wealthier in terms of gross product and family income per capita than the average municipality in the BMR. Also as a result of the economic crisis especially in construction, in recent years the financial resources of local authorities have declined, while the demands for social services have increased. Central government has implemented temporary measures - plans of direct local investments – but which do not address the question of a reform of local finances.

**Governance in the Barcelona Metropolitan Region (BMR)**

3.12 As the ACRE report noted in the BMR, there is a complex overlap of institutions and policies. Three main tiers of government develop policies at metropolitan scale: local with 164 municipalities, regional (the government of Catalonia) and national (the government of Spain). The three levels play different roles in the BMR, the local government is essentially responsible for improving the municipality’s position in the urban hierarchy. The progressive decentralisation of responsibilities and policies towards lower levels of government that have taken place in Spain since the end of the dictatorship has encouraged the proliferation of agreements between them (Consorcis) and also the development of joint programmes.

3.13 The metropolitan region is obviously affected by the general national features, like local fragmentation and lack of economic resources or the lack of incentives to promote and encourage the consolidation of metropolitan areas. In Catalonia this structure is overlapped with the Catalan structure of government. Between the provincial and the local level there is an extra level of government with its own non-elected body and with similar attributes to the provinces. As a result, the Barcelona metropolitan region has different bodies, operating at different territorial levels:

- Generalitat de Cataluña (regional government): with its own budget, has exclusive competences in many fields and shared competences with the Central government in others. As the ‘national government’ of Catalonia, the Generalitat plays a key role as a funding body and as a leader in the development of consensus-building around economic development.
- Diputació de Barcelona: depends on funding from the national government and has no competences in policy-making. The Diputació has more than 60 programmes to support municipalities in different fields such as welfare, trade, tourism, economic development, education or environment amongst others (Diputació de Barcelona, 2009)
7 County councils or Consells Comarcals: they have a weak role in the definition and implementation of policies. The regional government funds them and their function is to give advice and funds to the municipalities and the coordination of the policies in their county.

164 City Councils: they play a major role in the definition and implementation of different policies, including economic development. The high number of municipalities hides the real structure of the region with a small number of cities led by Barcelona that are relevant economic centres, a second group of cities that concentrate population but are not very relevant in economic terms and a third group of municipalities formed by villages and small towns.

3.14 Although Barcelona extends beyond the municipal boundaries of the City of Barcelona, governance of the immediate urbanised area and the broader metropolitan region has been fragmented since 1987, when the Corporación Metropolitana de Barcelona (Barcelona Metropolitan Corporation; CMB) was abolished by the Government of Catalonia. This decision resulted from tensions between an increasingly powerful socialist Barcelona and Catalan nationalist Catalonia, which escalated in 1986 when the 1992 Olympic Games were awarded to Barcelona. Although subsequently new metropolitan bodies were created for transport, the environment and urban services, each had different boundaries and did not extend beyond the urbanised area of Barcelona into the wider metropolitan region and responsibility for metropolitan planning was retained by the Government of Catalonia.

3.15 It was not until 2010 that agreement was finally reached to bring these various responsibilities and powers back together into one metropolitan governance body, the Àrea Metropolitana de Barcelona (Metropolitan Area of Barcelona; AMB). This new body will integrate the formerly fragmented metropolitan bodies for the environment, transport and other urban services and will also be responsible for promoting a metropolitan strategic plan. Its area of jurisdiction will be the Barcelona Metropolitan Area, the immediate urban area surrounding the City of Barcelona within the broader metropolitan region. It is hoped that these new arrangements will provide a more effective platform from which to realise metropolitan planning and initiatives.

3.16 The difficulties in establishing a territorial equilibrium, not only in the BMR but also in Catalonia, are reflected in differences in the distribution of resources and the difficulties in agreeing the weight which each area should have in the overall development of the region. There are conflicting views on the role that the Central city should play. On the one hand, the local government thinks that it should be the nerve and strategic centre of the region, and demands greater recognition of Barcelona as a motor of this development. On the other hand, the regional government has a broader view of the region and has to create different nodes of attraction across the whole territory.

3.17 In the absence of coherent metropolitan governance, the Government of Catalonia has played an important role in the transformation of the Barcelona metropolitan area. As well as developing territorial plans for the metropolitan region, the Government of Catalonia’s land development institute, Incasòl, has been a key actor in the transformation of land for new high-tech and knowledge intensive clusters. The economic policies of the regional government have also been influential in Barcelona, especially in relation to internationalisation and innovation. The Generalitat has played an essential role in policies such as health, education, social services. As in most metropolitan areas, local authorities have responsibilities for urban planning, public transport and environment.

**Governance – a summary**

3.18 The governance framework is a complex multi-tiered scheme in which public administrations play a key role at different levels. Barcelona City Council plays a leadership role in the
development of policies for the metropolitan region, setting the policy agenda for the whole region and symbolically representing it with higher levels of government. In spite of that, small and medium-sized cities with long local traditions of economic growth try to develop their own projects and initiatives, sometimes without a clear coordination with Barcelona. The role of regional government in the coordination of these efforts is key. From this tier of government, the Generalitat promotes policies for the clustering of knowledge and creative sectors at a regional level, which means the creation of a regional strategy for these sectors. One of the main aims of these policies is to avoid competitiveness between municipalities in the attraction of talent and capital, and to avoid the duplication of projects.

3.19 A key feature of the institutional structure of the BMR is the crucial role of local authorities in policy development for economic growth but also the lack of a coherent coordination mechanism of the different local authorities. Despite that, Barcelona has led the process of economic development and pushed for a major coordination of efforts between municipalities. ACRE underlines another key feature of the governance system of the BMR is the powerful role of public authorities in providing infrastructures and services to attract private investors to the region.

3.20 ACRE notes that the coordination between municipalities and projects is influenced by politics. Most of the main municipalities of the metropolitan region are partially or totally controlled by the socialist party, which ensures a better coordination and transfer of experiences between municipalities. Here Barcelona often leads in policies that are later implemented by other municipalities of the region. Although private actors play a key role in economic development through their direct involvement in implementation and through the role of entrepreneurs associations in decision-making, public administrations at different levels play a leading role in economic development, not only through investments but also through the creation of an institutional environment of trust in innovative and creative companies.

Key players in Barcelona

The City Council of Barcelona

3.21 The OECD review of Barcelona has identified the key players in the economic development system of the city. Its clear judgement is that the City Council has played a major role and provided the clear leadership required to take Barcelona successfully through rapid change. It has sustained energy and drive from key personnel reflecting its capacity to attract talented employees. These characteristics have enabled it to gain credibility and to play to the strengths of a local authority in bringing together the key players and mobilising and facilitating investment. The City Council also convenes a strategic committee of economic promotion for the city, which brings together politicians, trade unions and business and voluntary organisations from across the region. This exemplifies its ability to get people round the table, reach consensus and develop strategy. The Economic Promotion Department of the City Council has played a major role in setting the conditions for business and facilitating financial capacity.

Barcelona Activa

3.22 Barcelona Activa is the local development agency of the City of Barcelona. It was created in 1986 to promote quality employment and innovative businesses and started as a business incubator coaching 14 business projects. Some 20 years later, OECD noted its role and reputation has grown and it is the primary instigator of employment and innovation in the city. It has a modest budget but plays a central role in economic development in the city as the agent which designs and executes municipal policy in the field. One of Barcelona Activa’s strengths is its capacity to be close to the City Council – President of Barcelona Activa is also
the Deputy Mayor and has led on economic promotion— whilst also able to operate at arm’s length.

3.23 The City Council of Barcelona is not the only player in the development of policies. Regional government and agencies are very important actors in the development of policies and their coordination, especially for the economic sub-centres of the BMR, where there is less funding than in Barcelona. Universities, trade unions, chambers of commerce and entrepreneurs associations also play a role in strategic planning and they participate at different levels of decision-making. Nevertheless, the Barcelona City Council initiatives lead the whole process and are transferred to other municipalities.

Universities

3.24 Barcelona benefits from the presence of internationally recognised institutions of higher education where almost 200,000 students study. Barcelona plays host to eight universities that belong to the Catalan university system, five are public (Universitat de Barcelona – the biggest in Spain with 85,000 students, Universitat Autònoma de Barcelona, Universitat Politècnica de Catalunya, Universitat Pompeu Fabra and Universitat Oberta de Catalunya, the latter an e-learning university), and three are private (Universitat Ramon Llull, Universitat Internacional de Catalunya and Universitat Abat Oliba). The educational attainment of the population in Barcelona has improved considerably over the past few years (Annex Figure 2.4). The number of students enrolled in basic, secondary and undergraduate studies has increased, while those without studies have decreased. Barcelona is also home to two highly reputable business schools: IESE and ESADE. Barcelona benefits not only from a better educated local population but also from an important number of foreign students that come to Barcelona to study. In 2006, 10% of the students enrolled in the eight universities in Barcelona were foreigners.

3.25 In 2006 there were 400 degree subjects and 240,000 students— 16% of the Spanish total. The three internationally renowned business schools raise Barcelona’s profile and help to attract foreign students. They have become more international in last ten years and developed more courses in English to compete with United States market and in economics and management. The universities are increasingly being seen as potentially playing a bigger role in local economic development, especially through special instruments devoted to high tech research such as the supercomputer in the UPC, the Science Park at the University of Barcelona, the Research Park at the Autònoma University, and the Spring Boards of the different universities aimed at connecting research and entrepreneurship.

4. BARCELONA’S DEVELOPMENT PATH 1975-2011

4.1 There is considerable consensus upon the development trajectory of Barcelona during the past three decades. As Burdett has underlined, Barcelona’s success today can be traced back to its geographical advantages and historic strength in industry, as well as more recent the policies. Barcelona emerged as a major Mediterranean port and centre of commerce because of its coastal location and natural harbour over a thousand years ago. Barcelona was also one of the first cities to industrialise during the Industrial Revolution and rapidly became known as the ‘Manchester of the South’. Industry drove its economic development and population expansion throughout the 19th century. In the early 20th century, Barcelona hosted a series of major trade fairs, including most significantly the World Exhibition in 1929. These activities attracted manufacturers and wholesalers to Barcelona, and promoted a further burst of growth.

4.2 Barcelona’s growth was limited under the Franco regime and it was economically isolated and suffered from under-investment. In the 1970s, these problems were compounded by the
oil crisis and political uncertainty during the democratic transition. The city deindustrialised rapidly, pushing unemployment into double figures. Spain’s entry to the EU in 1986 and the creation of the European Single Market in 1993 presented Barcelona with an opportunity to secure the city’s economic renaissance and to capitalise on its strategic geographical position in Europe, and in particular in the Mediterranean region.

4.3 As Burdett notes, Barcelona seized this opportunity. Along with the wider region of Catalonia, it achieved 104% real growth between 1986 and 2007, compared to a European Union 27 average of 83.4%. It has been rated the top European city for quality of life since 1998 (European Cities Monitor), the third best-known city in Europe and 19th in the world (European Cities Monitor, 2009; Global Attractiveness Survey, 2008), and the fourth European destination for business and international investment (European Investment Monitor, 2008). It has attracted substantial foreign direct investment and tourism. For example tourists rose from 700,000 visitors in 1981 to over 6.7 million visitors in 2008. And Catalonia hosts 34% of all foreign companies operating in Spain in 2008.

4.4 By hosting the 1992 Olympic Games, Barcelona was able to address its infrastructure deficiencies and to rebuild its international reputation. City branding and promotion were used to attract foreign investment, foreign entrepreneurs and tourism, and later to promote high-growth sectors, such as design, media, logistics and biotechnology. Major improvements were made to Barcelona’s port, airport, rail and road infrastructure over a twenty year period, delivering significant increases in the city’s strategic importance in Europe and in the competitiveness of its firms. Investments in transport infrastructure were linked with the re-configuration of urban and metropolitan space for new knowledge-based and high-tech industries, creating an attractive environment for the new economy. New agencies and programmes were put in place to drive innovation and entrepreneurialism, and to help firms reposition themselves and develop their export capacities in rapidly changing international markets, building on the energy, ambition and confidence of Barcelona and Catalonia’s small and medium enterprises (SMEs).

4.5 What key strategies did Barcelona’s leaders adopt? Burdett has identified the following:

- A series of strategic plans were developed during the 1990s and 2000s to establish economic development goals for Barcelona, involving a wide range of actors. This provided a common vision around which individual initiatives could be pursued by different actors and institutions in the public and private sectors, including an effective public-private consortium model.
- Barcelona’s infrastructure inadequacies were addressed through sustained investment in the port, airport, rail and road networks. These strengthened Barcelona’s international competitiveness and connectivity, repositioning it in Europe and the rest of the world.
- The city’s international reputation has been rebuilt, initially through the successful hosting of the Olympics and the urban transformations which accompanied them. This reputation has been effectively leveraged by new agencies to attract international investment, entrepreneurs and tourists, and more recently to promote priority growth sectors such as logistics, biomedicine and design.
- In addition, the urban and metropolitan fabric of Barcelona has been re-developed to attract new high-tech and knowledge-intensive industries. The new land developments have been promoted through the Barcelona brand in an increasingly strategic and metropolitan way via the Barcelona Economic Triangle.
- New agencies, such as the city development agency Barcelona Activa and the Catalan internationalisation agency COPCA as well as the Barcelona Chamber of Commerce, have developed programmes to support firms and entrepreneurs in setting up and growing their businesses and in increasing their operations internationally.
4.6 Although the financial crisis has hit Barcelona hard, it has continued to invest in connectivity infrastructure, including a new high-speed rail station, a new metro line and a new airport terminal, boosting confidence and providing jobs. There are hopes that new metropolitan governance arrangements that are currently being put in place may potentially provide Barcelona with a stronger framework through which to secure the next phase in its transformation. It has, too, a new strategic metropolitan plan, Barcelona Visió 2020, to guide its future development, including through increasing orientation toward emerging economies.

4.7 This development trajectory outlined by Burdett has been underlined and detailed by the OECD review of economic development in Barcelona. It argued that for Barcelona, since the 1970s, two phases can be identified: Act 1 (1970s-1992): addressing the fundamentals; A second act (1992 – 2007): Barcelona’s shift


4.8 OECD note that competitive pressure in the late 1970s and 1980s led to acute deindustrialisation in the city and a significant contraction of the local economy. By 1986, the unemployment rate in the city was over 20% and many parts of the city became derelict. Barcelona suffered from low international visibility and a lack of civic pride. The goal in this phase was to arrest decline and begin to restore confidence. This required visible signs of change and physical redevelopment of the city. As a result the City Council initiated a redevelopment strategy to achieve physical and infrastructure regeneration. Winning the 1992 Olympic Games in 1986 was the pivotal point in the transformation process for the city. Barcelona used the Olympics to consolidate, reorganise and improve the city’s infrastructure with extensive work investment and regeneration of in telecommunications, road and rail networks, thoroughfares and town squares, cultural heritage, old industrial areas and the waterfront including reclamation of the beach. OECD notes that the process substantially improved its international status, its economy and its image of Barcelona from one of decline to prosperity, confidence and cultural vitality which was crucial to attracting investors and tourists. Delivering the games ‘led to important changes in the way Barcelona’s authorities did business with a focus a consensus based approach.

Act 2 (1992 – 20010) towards high value added in a global perspective:

4.9 OECD underlined that the 1990s was a period of profound changes in the economic pattern of the BMR. Also, the social transformation that had been initiated in the previous decade continued and intensified. After the Olympic Games, urban restructuring of the city continued and the “Barcelona Model” began to emerge. The Olympics provided a springboard for the development of a strong brand for Barcelona based on an entrepreneurial spirit and its high quality of life. The aim for the city during this period was to become world-class by attracting, growing and retaining talent and creative businesses in the services/knowledge-based industries. The development model during this phase was built heavily on knowledge, entrepreneurship and value-added services. An intensive effort to reengineer the city’s physical space also took place. La Diagonal was linked to the seafront, the waterfront was regenerated and Forum 2004 with its conference and hotel facilities was constructed. Notably, the 22@ project, which saw the upgrading and demarcation of the South East quadrant of the city for the incubation of SMEs, was also planned and implemented. Ambitious projects such as the new high speed station in the north of the city, a new airport and the expansion of the city’s port were also made.

4.10 OECD argues that this recent success means that Barcelona is particularly well-positioned to respond to the current global financial crisis relative to other cities across the world. Indeed, the city’s investment in the near future are scheduled to proceed as planned and will not significantly strain the city’s budget.
# OECD Interpretation of Barcelona’s Development Path

<table>
<thead>
<tr>
<th>Development Phase</th>
<th>Period</th>
<th>Key Ingredients</th>
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| 1                 | 1970s to 1992     | • Goal was to arrest decline and begin to restore confidence. Required visible signs of change and iconic projects. Key idea is to build some confidence internally and attract external interest.  
• Requires the beginnings of physical redevelopment of the city from the derelict industrial mode to a new mode of urbanism.  
• Physical and infrastructure led regeneration.  
• Requires detailed masterplanning and a new urbanism.  
• Requires an urban development agency or similar capability.  
• Focused on larger sites and urban infrastructure.  
• Iconic projects at local scale with international visibility. |
| 2                 | 1992 to 2004/2007 | • Goal was to become a significant European city.  
• Increasing economic diversification through FDI, entrepreneurship, building competitiveness and building a new supply of jobs.  
• Attracting international talent and reversing population decline.  
• The beginning of sectoral and knowledge economy strategies.  
• Required a balanced focus between urban development and economic development with a special need to complement physical development with entrepreneurship, incubation and attraction of foreign investment.  
• Continuity of large sites but also market-led development of smaller sites.  
• Need for additional and modernised infrastructures emerges. Connectivity becomes very important.  
• Success begins to trigger wider metropolitan growth and gives rise to initial metropolitan coordination needs.  
• Private sector becomes more important partner/actor in development and begins to share some elements of leadership with City Government. |
| 3                 | 2005/2008 to 2020 | • Goal is to become globally important city with leading continental and sub-continent roles (Mediterranean Capital, Gateway to Latin America etc.) and to sustain growth through high quality urban environment and connectivity/infrastructure.  
• Growth management challenges emerge. Need for continuous flow of new sites and development opportunities. Need to contain/control negative externalities, e.g. congestion, inflation, conflict over land uses and conflict between diverse populations.  
• Increased focus on high value-added knowledge economy but also on quality of place and creative economy. Greater embedding of local and international businesses.  
• Requires proactive image and identity building to highly segmented markets/audiences.  
• Requires economic development agencies which are able to work with complex international businesses, foster business to business collaboration, provide advanced technologies and attract and retain human capital.  
• Private sector co-leadership becomes more critical to attract and retain leading firms in clusters and provide competitive business to business services.  
• Strategic coordination of wider range of players required (e.g. universities, banks, infrastructure providers) and between tiers of government and neighbouring municipalities.  
• Metropolitan growth strategy becomes more critical and coordination is essential to reinforce strategic goals.  
• Connectivity is a major preoccupation to ensure hub and gateway status. |
| 4                 | 2020 onwards      | • Is about maintaining ‘world class’ international success.  
• Requires continuous reinvention and reinvestment and very active problem solving, including ongoing growth management.  
• Major companies and institutions are active and smart and very demanding clients of the city.  
• Requires continuous proactive marketing and customer care with major investors.  
• Metropolitan governance must be very effective. Vertical and horizontal coordination is the norm and organisations are highly flexible and adaptive.  
• Presence of world class development organisation/s, which are jointly owned and governed by major stakeholders as partners. |
5. WHAT POLICIES HAVE WORKED, HOW AND WHY?

Economic success

5.1 Burdett has provided a very positive overall assessment of Barcelona’s achievements. The following section draws heavily upon that analysis. Barcelona and its region have experienced extraordinary growth over the last 25 years, emerging from Franco’s dictatorship with great dynamism. Catalonia has grown faster than the European average (104% real growth between 1986 and 2007, from €65.6bn to €133.8bn, in Catalonia, compared to 83.4% and 89.5% in the European Union 27 and the Eurozone respectively (Eurostat). Catalonia has been a key driver of Spanish growth, especially during the late 1980s and mid 1990s. Barcelona, in turn, has been a major driver of Catalan growth: Barcelona Province (which includes the metropolitan region) accounted for three quarters of the total growth in Catalan GVA over this period (Eurostat). Spain is now the ninth largest economy in the world and the fifth largest economy in Europe, according to the International Monetary Fund.

5.2 The strong growth of Catalonia reflects a major increase in employment in the region during this time: between 1986 and 2007 employment in Catalonia increased by 82.3%, compared to an increase of 67.8% for Spain as a whole. This has resulted from improvements in the employment rate and rapid population increases especially during the last decade. Catalonia’s population expansion demonstrates its ability to attract migrants from within Spain and internationally: the percentage of foreigners in the Barcelona metropolitan region rose from 2.6% in 2000 to 14.9% in 2009 (Idescat). The investment made in Barcelona’s strategic infrastructure has already resulted in significant improvements in capacity and competitiveness. This has enabled Barcelona to secure an increasing share of European markets as they integrated through the 1990s, and of new economies as they have emerged. The Port of Barcelona is now the largest port in Catalonia and Spain, both in terms of value and volume of traffic, and is one of the fastest growing ports in Europe (Port de Barcelona, 2007).

International reputation and attractiveness

5.3 Barcelona now enjoys a strong international brand, being the third best-known city in Europe (European Cities Monitor, 2009) and the 19th best-known city in the world (Global Cities Attractiveness Survey, 2008). It ranks especially highly in relation to quality of life, being the highest ranking European city since 1998 (European Cities Monitor), but is also high ranking in business (fourth in Europe (European Cities Monitor, 2009)), international investment (fourth in Europe (Ernst and Young Investment Monitor, 2008)) and international meetings (in the top five internationally (ICCA World Country and City Rankings, 2008; International Meeting Statistics, 2009)). The city and wider region’s attractiveness to foreign investors, businesses and visitors has been a key source of growth in the economy over the past 25 years. By 1997, Catalonia was receiving some 25.6% of the €5.8 billion of foreign direct investment (FDI) entering Spain, well above its population share of 15.5%.

5.4 The factors that make Barcelona an attractive city to foreign investors and workers also make it attractive as a tourist destination, both for business visitors and holiday-makers. Attracting fewer than 700,000 tourists in 1981 and 1.8 million in 1992, in 2008 Barcelona attracted over 6.7 million visitors. Between 1990 and 2001, the number of tourists in Barcelona grew by more than 100%, making Barcelona the European city with the highest tourism growth rate (Turisme de Barcelona). Barcelona has also become a significant destination for business visitors. The number of visitors participating in conferences, conventions and courses in Barcelona has grown from 95,300 in 1989, to 218,000 in 1997, and 630,000 in 2007 (Idescat). Much of this growth has been driven by increasing numbers of international visitors and by increasing numbers of trade shows hosted by the city, supported by the new conference facilities that have been created including the Centre
Barcelona was effective not only in its governance configurations and approach, but also in the specific policies it pursued. By investing in its urban core and natural and cultural assets, Barcelona turned its advantageous location, climate and quality of life into a real source of economic dynamism. The Barcelona brand has been effectively leveraged to attract not only tourists, but also international investors and entrepreneurs, and to develop priority growth sectors, such as design, logistics and biotechnology. Barcelona has been able to expand its international influence and secure its position as the capital of the Mediterranean by strategically developing its port, airport and rail infrastructure. Old industrial land has been transformed into spaces capable of attracting and supporting a productive knowledge economy. The Barcelona Economic Triangle, which includes projects such as the 22@Barcelona Innovation District, represents a significant change in the urban and metropolitan landscape.

5.5

What Policies?

5.6

An overarching vision for the future of Barcelona was developed through the strategic planning processes of the 1990s. Although the objectives changed slightly over the years, they continued to emphasise the need for Barcelona to occupy a strong strategic role in the Mediterranean region of Europe and in the globalising economy. From the late 1990s, the idea of Barcelona as a ‘City of Knowledge’ emerged, and efforts were increasingly targeted at developing Barcelona’s strength in knowledge-intensive industries such as media, design, logistics, biotechnology, aerospace and energy. These ideas are key elements of the new 2010 strategic plan, Barcelona Visió 2020, alongside an increasing emphasis on orientation towards the emerging economies that are likely to provide sources of growth in the future, especially those with which Barcelona has a geographic or cultural connection, including within North Africa and Latin America.

5.7

The most significant policies adopted were:

- Sustained and strategic investment in connectivity infrastructure;
- International promotion and branding to attract foreign investors, entrepreneurs and tourists;
- Re-development of metropolitan and urban fabric for the knowledge economy; and
- Developing entrepreneurialism and exports through targeted programmes.

5.8

The development of connectivity infrastructure has been a fundamental part of Barcelona’s transformation since the late 1980s. Successive strategic plans have emphasised the importance of investing in the metro-region’s port, airport, roads and rail network to increase the capacity of its firms to compete in international markets, and to secure Barcelona’s international position. This investment has been increasingly linked to the development of advanced economic services and industries in the metropolitan region, such as logistics and biomedicine.

5.9

The investment made in Barcelona’s strategic infrastructure has already resulted in significant improvements in capacity and competitiveness. This has enabled Barcelona to secure an increasing share of European markets as they integrated through the 1990s, and of new economies as they have emerged. It hopes that additional investments and further expansions of the Port and the new high-speed rail link to France will improve its position further.

5.10

Many of the most significant investments date back to the Llobregat Delta Plan, developed in 1994. The aim of the Plan was to develop Llobregat as the principal port and logistics hub of
Southern Europe, by expanding capacity, creating a logistical platform, and strengthening intermodal connections. Today, the transformations that followed are part of a broader set of urban re-developments in the Llobregat area (west of the city of Barcelona), including aerospace, biotech, mobility, food sciences and optics business parks, in one of the three areas making up the Barcelona Economic Triangle. Further investments in infrastructure have also been pursued, notably in high-speed rail connections to Madrid and France, and in a new metro line, which when complete will be the largest subterranean line in Europe.

The expansion of the Airport

5.11 Just 3km from the port, Barcelona El Prat airport plays an important role in connecting with the area’s distribution and logistics operations as well as boosting Barcelona’s attractiveness to tourists and businesses. In addition to the two new passenger terminals that had been delivered alongside the 1992 Olympics, a new air freight facility began operations in 1996. In 1999 the new El Prat master plan was approved by the Spanish government, which proposed a new runway and further terminal expansions and were delivered throughout the 2000s. Most recently, a new terminal opened in 2009 with a capacity of 30 million passengers annually – broadly equivalent to the total number of passengers travelling through the other three airport terminals in the previous year. Together, these improvements have already increased the area of the airport from 8.45km2 to 15.33km2 and, when complete, will increase Barcelona’s annual capacity to 70 million passengers. In 2009, Barcelona El Prat airport was the tenth busiest airport in Europe, with 27.3 million passengers.

5.12 High speed rail is critical in establishing Barcelona’s position as the capital of the Mediterranean and an internationally competitive player. The high-speed rail link to Madrid has been in operation since 2008, with travel time down to 2 hours and 38 minutes. The forthcoming link to the French high-speed rail network will bring several South-Western European cities within four hours of Barcelona, such as Lyon Marseille and Bordeaux in France, Genova in Italy and Geneva in Switzerland.

5.13 The new multi-modal station, La Sagrera, is being built in the east of Barcelona to support annual traffic of over 100 million passengers. There the high-speed rail will connect with upgraded local train network, metro and bus services and new road infrastructure. These new connections are one of the major attractions of the new 22@Barcelona innovation district under development close to La Sagrera. By linking investment in high-speed rail to investment in metropolitan transport infrastructure, it is anticipated that the benefits of high-speed rail will be delivered throughout the metro region, as well as in the immediate area of the high-speed rail stations themselves.

5.14 Barcelona is now the largest port in Catalonia and Spain, both in terms of value and volume of traffic, and is one of the fastest growing ports in Europe. A key strength is its proximity to the Llobregat logistics cluster, now the largest in the South of Europe and the Mediterranean, with over 800 logistics and transport companies and 86,500 workers. Barcelona is well positioned to increase its market share of traffic from emerging economies, and become the gateway into Southern Europe for Asian traffic. It has 38% of traffic between China and Spain. It is now Europe’s top cruise destination, with passenger traffic increasing from 1 million in 1998 to 3.2 million in 2009 (Port de Barcelona).

Transforming the physical environment

5.15 The transformation of Barcelona’s public spaces and the reclamation of its waterfront were particularly important in rebuilding its international reputation by visibly transforming the city. The urban development programme in the early 1980s was small-scale but effective in demonstrating change and building confidence. Larger urban reconfigurations pursued alongside the Olympic Games then enabled Barcelona’s architectural, historical and cultural assets to be reconnected with its natural assets, creating a more attractive city for residents.
and visitors. The regeneration of the waterfront and reclamation of 4.5km of beach transformed Barcelona’s international profile. Public resources were targeted towards legacy projects that would benefit the city in the long-term, minimising the short-term costs associated with hosting the Olympic Games themselves. 68% of Olympic funding went to long-term construction projects, compared to the 9.1% that went to the construction of sports facilities. As only 38.5% of the total investment went to the City of Barcelona, the benefit of the Games was felt throughout the wider metropolitan area and region. Public investment was used to attract further private investment, and was particularly successful in delivering housing, hotels and business centres. Overall, 36.8% of the Olympic construction was funded by the private sector, one third of which was funded by foreign capital. This investment was not only enabled by the international promotional effect of the Olympic Games, but also magnified the longer-term promotional impact of the Games.

5.16 A joint-venture was set up between the Spanish Government and the City of Barcelona municipal authority called Barcelona Holding Olímpic S.A, which delivered the Olympic facilities, the Olympic village and the majority of the new road infrastructure. This consortia model was used throughout the 1990s and 2000s to bring different levels of government together with the private sector. A variety of consortia were created to promote Barcelona in different economic spheres. Each of these bodies developed their own strategies and delivered specific programmes of initiatives, linked to the objectives of internationalisation and the development of a knowledge economy.

Physical transformation for the knowledge economy

5.17 As Burdett again outlines, the re-development of Barcelona’s urban fabric has played a fundamental role in developing a knowledge-intensive economy. Building on small-scale projects to improve public space in the 1980s, the Barcelona city council and the Government of Catalonia increased the scale and ambition of redevelopment projects throughout the 1990s and 2000s. Today, some of the city’s most significant projects are explicitly linked together through the ‘Barcelona Economic Triangle: the Mediterranean innovation hub’. Together, these projects represent Barcelona’s ambitions to become an international centre for innovation, the leading Mediterranean logistics hub, and a European centre of excellence for science and technology. This bringing municipal and regional authorities together under the common umbrella of the Barcelona Economic Triangle has however underlined the increasing recognition of the need for effective metropolitan governance in Barcelona. It also underlines the potential value of the MBA.

5.18 The Barcelona Economic Triangle encompasses 7 million square metres of land for knowledge-intensive activities, with the potential to generate more than 200,000 new jobs. It is formed of three sets of clusters, each specialising in different aspects of the knowledge-economy. In addition, the Government of Catalonia’s land development Institute, Incasòl, has been a key actor in industrial land development since its creation in 1980, increasingly focussing over the last 10-15 years on high-tech and knowledge-intensive clusters. As Burdett notes, Incasòl is also able to promote quicker land re-classifications, whose profits it is then able to reinvest in public goods, such as public housing. This is a particularly powerful mechanism because Spanish law does not recognise the speculative value of land, just the current market value, in relation to land development projects linked to public interest requiring compulsory purchases of land. Incasòl, therefore, as any other public administration with land development powers, only has to reimburse the landholder for the actual value, not its expected change in value. This is important because it means that Incasòl can then use the full increase in land value to fund public goods such as infrastructure improvements and public housing.
What are the secrets of success?

5.19 There is consensus that a series of key principles and processes underlined Barcelona’s successful transformation. We discuss each in turn.

The Barcelona model of governance and its transformation

5.20 The ACRE study noted that the early 1990s were a turning point for Barcelona in terms of governance when public-private partnership started to spread. During the 1980s Barcelona’s governance system was based on a strong participation of citizens in the decision-making processes through the involvement of civic and neighbourhood groups. This collaboration ‘between participative and representative democracy’ allowed for a major urban renewal of the city and the preparation of the Olympic Games in 1992. For many authors this governance approach lay behind the success of the Games and explains the emergence of a ‘Barcelona Model’ of governance. In this model there was not only a consensus between citizens and the private sector at local level about the future of the city but also good coordination between the different levels of government, with collaboration between the local, the regional and the national levels. Thus, the ‘Barcelona Model’ allowed for a virtuous circle able to provide economic growth and social cohesion.

Strategic planning as a key policy mechanism

5.21 In the late 1980s the City Council of Barcelona adopted an approach based on “strategic planning” to involve all economic and social actors in key decisions about the city’s future. The City Council created a consortium that included the chamber of commerce, the main trade unions and entrepreneurs associations, the trade fair association, representatives of the port authority, and the University of Barcelona. The plan was developed by a private non-profit organisation, the ‘Strategic Metropolitan Plan’. From the beginning, the agreed strategy was to consolidate the service economy through the tourism industry and the creation of new motors for growth based on added-value activities.

5.22 The Barcelona Strategic Plan Association was created in 1988 to strengthen strategic approach to investment for the Olympic Games in 1992. It unites the strategy for the city and provides a platform for agreement and cooperation among the socio-economic institutions and the 36 municipalities of the metropolitan area. Although it has no formal governance/institutional framework, it is accountable to the Mayor of Barcelona. Transformed from the Barcelona Strategic Plan, the first Metropolitan Plan was published in 2003 and revised in 2007. The organisation works through sponsoring projects across the Barcelona metropolitan area rather than coordinating economic development although it has specific responsibility for transport and environment bodies operating across the Barcelona metropolitan area. In the past it promoted projects including housing, provision of services, planning, transport and the promotion of the quinary sectors. The focus for 2006 to 2010 is on knowledge, innovation, new ways of doing business and developing infrastructure and housing — including accommodation for migrants.

5.23 Strategic planning has been the key method of creating a common vision and guidelines for the city’s development over the decade. During the 1990s, three Strategic Plans were approved (1990, 1994, 1999) for the City of Barcelona. After Mayor Maragall, Mayor Clos went one step further and started working on the first Strategic Metropolitan Plan which was approved in 2003. The first Strategic Metropolitan Plan was different from the other plans because it included representatives from 36 municipalities of the metropolitan area of Barcelona. The leadership came from the Mayor of Barcelona who is the president of the general council of the plan, which includes 300 representatives from different sectors and also from members of his team who lead different commissions. This plan also allowed the participation of other local leaders and mayors from other political parties for the first time. One of the collective demands supported by the majority is the need to simplify the
institutions of the metropolitan area and create a new body - to coordinate the 36 municipalities.

Now, as in its past, Barcelona’s leaders are thinking ahead. The return of metropolitan governance to Barcelona after two decades of fragmentation is crucial. The law creating a statutory body for the economic and social development of the Barcelona Metropolitan Area - the urban area surrounding the City of Barcelona within the broader metropolitan region - was approved in July 2010, reflecting the increasing acceptance at regional level of the importance of Barcelona to Catalonia. This new body will integrate the formerly fragmented bodies for the environment, transport and other services within the Barcelona metropolitan area and will also be responsible for promoting a metropolitan strategic plan. Although the reforms do not provide statutory status to the plans developed by the Metropolitan Strategic Plan Association (PEMB) they provide a firmer metropolitan basis for action than has existed since the abolition of the Barcelona Metropolitan Corporation in 1987.

Barcelona Vision 2020 was developed by the existing Metropolitan Strategic Plan Association and was approved in November 2010. The plan emphasises the need to build relationships and presence in the emerging economies that are likely to be future drivers of growth. The strategic plan not only targets Brazil, India and China, but also growing North African economies such as Egypt and Morocco and Latin America, where Barcelona retains strong cultural and economic ties. Barcelona Vision 2020 is likely to be the first metropolitan strategic plan to be received by a statutory metropolitan body, the Barcelona Metropolitan Area, rather than an informal partnership, as has been the case in the past. It is hoped that these new governance arrangements will enable key actors in the public and private sector better to realise the competitive potential of the metropolitan region within the Mediterranean and in emerging markets.

Leadership

Burdeitt has argued that the story of Barcelona’s transformation has been written by its mayors and the city council. Its first democratically elected Mayor of Barcelona, Narcís Serra, took the decision to run for the 1992 Olympic Games, kick-starting Barcelona’s transformation. Serra was a Minister of the Spanish government from where he played an important role in securing support for the Barcelona Olympic Games. His successor, Pasqual Maragall, developed a vision of Barcelona as the capital of the Mediterranean. He recognised the need for long-term planning as well as individual projects, and began the first strategic planning process to ensure the Olympic projects were linked to longer-term initiatives and goals. These processes were continued by the next Mayor, Joan Clos, who continued the earlier vision, as well as developing it further through the idea of Barcelona as a ‘City of Knowledge.’

Collaboration and partnership

Burdeitt argues that Barcelona’s transformation was achieved through a mixture of careful and strategic planning, and multiple individual projects and initiatives. This mixture was successful because Barcelona and Catalonia’s public actors were able to develop a joint vision and work in a flexible way with the private sector to deliver the elements of that vision. Burdeitt underlines that Barcelona and Catalonia have developed a delivery model which combines the strengths of both public and private sectors in municipal companies and consortia, making for agile and effective institutions. In his assessment the energy and entrepreneurialism of Catalonia’s private sector has been a key mobilising force, working with political leaders and public institutions.

Extending the consortium model

The consortium model has been used frequently in Barcelona, to bring public but also private actors together. The involvement of the private sector in Barcelona’s transformation was a
critical achievement of the Olympic Games and the strategic planning process first initiated in the late 1980s. A joint-venture was set up between the Spanish Government and the City of Barcelona municipal authority called Barcelona Holding Olímpic S.A, which delivered the Olympic facilities, the Olympic village and the majority of the new road infrastructure (Brunet, 2005). This consortia model was effectively used throughout the 1990s and 2000s to bring different levels of government together with private sector actors.

5.29 As the LSE CITIES report made clear, new consortia were created to promote Barcelona in different economic spheres. Each developed their own strategies and delivered specific programmes of initiatives, linked to the overarching objectives of internationalisation and the development of a knowledge economy. Burdett argues that these organisations have successfully married international promotion and branding with concrete actions to support the development of their target sectors. Some notable examples include the following:

- The consortium Barcelona Tourism was created in 1993, bringing together the City of Barcelona municipal authority and the Chamber of Commerce, to develop a promotional programme for the city.
- Fira de Barcelona, a publicly-owned trade fair body with autonomous management, boosted Barcelona’s profile as a business destination by expanding its activities and developing the city’s conference facilities and infrastructure.
- Strategic platforms have been created to attract foreign entrepreneurs, researchers and investors, notably ‘Invest in Catalonia’, the international promotion body of the Government of Catalonia and ‘Do it in Barcelona’, the promotional platform of Barcelona Activa.
- Public-private consortia have been set up to use the Barcelona brand to promote strategic sectors within the knowledge economy internationally, as well as undertaking a range of other activities to support the development of the various sectors.

5.30 The OECD review of economic development in Barcelona identified 5 key features which have underpinned its success which reinforce many of Burdett’s arguments outlined above. These include:

**An active and pragmatic consensus**

5.31 There is a strong partnership culture operating at many levels between the City Council and the many other players and organisations. Over time this has built up into credible and trusted relationships. A consequence of this is that it has allowed the focus to be on delivery. The key players understand their role and the need to drive progress in the same direction.

**Strong leadership from the City Council**

5.32 The city council has created the right environment in which this collaborative culture has developed. It has actively encouraged increased collaboration between the universities, the council and business.

**A business-led growth model**

5.33 There is a consensus that Barcelona’s transformation and future development has been based on a business-led growth model. This has driven the focus of effort into attracting companies and the innovative and enterprise culture that now dominates in the city. The public sector has actively acknowledged this and ensured that it plays a role that supports and facilitates this rather than competes with it.

**Development of a strong universal brand**

5.34 Since the mid-1990s Barcelona has developed a strong brand about what it can offer businesses and the quality of life for their employees. This is accepted and promoted by all the key organisations and is clearly a unifying message.
*Location for creativity and innovation*

5.35 The city has managed to transform its traditional industrial base into a diversified economy where high value added services and innovative products have gained importance. In 2007 the Barcelona province is the location of most of the companies in high technology and knowledge services of Catalonia.

*Local economic development model - Barcelona Activa’s achievements*

5.36 The OECD’s evaluation of the impact and success the key economic development agency for Barcelona, Barcelona Activa is also worth considering in this context, since it is one of the most significant institutions in the city region.

*Local value added*

5.37 The OECD underlined that the transformation of the economic structure of the city of Barcelona, from an industrial area into a knowledge-intensive hub has been very successful. The number of employees in high-tech and knowledge-intensive service sectors account for almost a quarter of the total employees in the service sectors. Barcelona Activa had made some important contributions to the transformation of the city. It had promoted the adaptation of the capacities and skills of the population to meet the new demands of employees, tackling unemployment. The agency had encouraged entrepreneurship and business growth in knowledge-intensive and high value-added sectors in the city. It had encouraged a culture of innovation by providing spaces to innovate, by stimulating networks and collaborations, and by providing high-quality services to potential entrepreneurs regardless of their kind of idea. All these helped attract new talents from abroad seeking to innovate.

*Good political leadership and support*

5.38 OECD judged that Barcelona Activa worked well with and under the Economic Development Council. There was good coordination between the Barcelona City Council, its public bodies and the Barcelona Activa team. The agency had established close partnerships with other public agencies to contribute to the overall strategy of the city.

6. WHAT ARE THE FUTURE PROSPECTS AND CHALLENGES FOR BARCELONA?

*New narrative needed?*

6.1 Barcelona leaders constantly challenge themselves about their current and future performance in relation to their competitors. The recent OECD assessment of the future challenges is instructive. We rehearse its assessment at some length in this next section. It argued that Barcelona might need a new story to meet its new circumstances. Barcelona had successfully redeveloped its physical attributes and local economy to a point where a fresh approach was needed. It had a world class reputation in the promotion of local development and urban regeneration. The benefits of 1992 Olympics had been absorbed. It needed new catalysts and a new narrative about Barcelona. Growth constraints and citizen uncertainty meant a fresh ‘mandate and agenda’ had to be developed and explained for local development. Other improvements were also needed, for example in terms of starting a business, employing workers, levels of regulation and taxation, on which Catalonia still performs comparatively poorly.

*More institutional collaboration to meet new challenges*

6.2 A network of capable and talented organisations had emerged to promote local development but there was a lack of clarity over the agenda that they are pursuing. There was some inefficiency in having so many different bodies taking disparate initiatives. Ensuring that organisations joined up and integrate their strategies was a key future challenge.
6.3 A new approach was required because conditions had changed. For example, a wider range of actors involved meant better coordination and alignment of budgets was necessary. Growth would need to be managed at a wider metropolitan level. There would be a shift form grands projets and large scale urban development projects to a more diversified programme of projects. There would be a need for a clearer identity and strategy more widely within and outside the city. It would require even more public private partnership working.

6.4 One particular issue OECD underlined was the need to integrate the business activities being undertaken by Barcelona Activa and the more physical orientated activities of the 22@ Innovation district. A second was the link between economic development in the city and metropolitan level. OECD argued that the Strategic Plan gave few specific clues on detailed arrangements and more work was needed.

More infrastructure required

6.5 Barcelona had done a huge amount on the cultural side- shopping, night life, hotels and physical and recreational facilities is excellent. Much had been done to enhance air, road, rail and sea communication. However much more was needed. The capacity of the electricity grid is a factor. The city needed more affordable housing to retain jay workers since inflation had squeezed lower income people out of the city centre market. Also the costs of growth in terms of sprawl, congestion and pollution also would have to be addressed if Barcelona was to retain its attractive quality of life and hence attract mobile talent.

Diversify economically and demographically - but retain authenticity

6.6 OECD also argued that Barcelona had to continue to diversify its economy to remain a global economic player but not at the same time limit the risk the loss of local identity that might follow. In fact, OECD argued the place would be best served by confidently asserting Barcelona’s personality and identity, but also allowing that personality to express itself to highly diversified markets and people.

Greater coordination of economic promotion

6.7 OECD also argued that so far proliferation of agencies in economic development had not been a real problem. But it argued that the continued lack of systematic coordination might undermine efforts on future. It would be important to coordinate more actively the actors in economic promotion in Barcelona and recruit a wider group of supporters and participants.

Improve connectivity within the city, metropolitan area and external markets

6.8 As growth has spread, metropolitan and regional connectivity had become more important. At the same time, growth and development in the Spanish economy and other Spanish cities in particular, raised the importance of a well networked web of economies in Spain. The wider Mediterranean basin is a fast growing zone of European and North African economies in which Barcelona could play a leading role as a gateway and hub centre. In addition, Barcelona’s emerging strengths in globally networked industries required continued connectivity and accessibility of Barcelona to other major centres.

6.9 OECD underlined connectivity and accessibility will be critical to Barcelona’s success in long term economic development. Barcelona was already a well-connected city, but a substantial portion of its connectedness is linked to lower value tourism or well established routes with established markets. In the next phase of its development, Barcelona will need both to consolidate and deepen existing connections (e.g. with European and North and South American centres) and it will also need to develop enhanced connectivity with emerging markets and growing economies. Therefore enhancing connectivity with the BRICS countries (Brazil, Russia India, China and South Africa) should be prioritised along with enhanced connectivity with Eastern Europe and the wider Mediterranean basin.
Managing growth across the wider metropolitan area

6.10 The process of deindustrialisation, deconcentration, and tertiarisation had led to a very large, complex and internally divided metropolitan area. Managing those processes was critical. Metropolitan approaches to manage growth well and to avoid the problems of inflation, congestion and environmental degradation would be critical. One danger highlighted by OECD was that different municipalities might start to pursue different growth agendas with elements of competition or lowering of standards emerging which undermine the ability of other municipal actors to achieve the best outcomes. Barcelona Activa should therefore distinguish between being ‘in competition’ and being ‘competitive.’ There was also substantial scope for Barcelona based organisations such as Barcelona Activa and 22@ to provide services more widely across the metropolitan area.

Building regional alliances with Catalonia

6.11 Barcelona is the driver of the Catalonia region. Catalonia cannot succeed without Barcelona’s success. However, OECD argued there should be increased synergy between the economic promotion of the region and the city with a single shared agenda and programme of co-investment. There is a need to better strategise and communicate how these two powerful tiers of government are working together on their economic agenda.

Greater strategic coordination and alliance

6.12 OECD argued greater strategic coordination was needed in three areas. First, there should be a greater level of public-private partnership, particularly with the Barcelona Chamber of Commerce given the city’s 12 public-private collaboration platforms. Second Barcelona Activa’s role in the stimulation and growth of Barcelona’s knowledge economy and the role of 22@Barcelona as an area-based economic development agency, trying to attract and provide services to knowledge economy companies, needs to be more clearly defined to minimise possible overlap and unproductive inter-agency competition, and to maximise synergies. Third there should be a more active partnership between Barcelona Activa and universities, R&D and technology centres and the science park network.

Employment and unemployment needs managing

6.13 There will be greater demand for employment services in Barcelona. There would be slowing of investment and more people seeking work. Immigration into Barcelona is not likely to be slowed directly in proportion to current economic conditions and employment opportunities. Labour supply growth in the wider metropolitan area will continue to be a factor, as will continued domestic migration. All would need to be managed.

More innovation required

6.14 OECD’s assessment was that despite the strength of Barcelona’s further education institutions, ICT and media clusters as well as the city’s thriving bio-technology sector, the knowledge base was not being sufficiently translated into commercial application. The commercialisation of technology should be enhanced. The level of entrepreneurial activity has to be lifted. There are not enough knowledge based companies being created from universities. Barcelona needed a clear city wide innovation system with a wider range of existing organisations operationalising a common agenda.

Attracting talent

6.15 In the next phase of growth, OECD stressed that Barcelona will need to continue to attract international talent and the investment that they bring or can attract. It needed a programme linked to growth sectors where there is international talent such as creative and digital industries, higher education/research, bioscience, technology and advanced services.
**Business growth and survival**

6.16 OECD identified a series of potentially important issues in this field. There was a need to help companies survive in the new difficult market conditions. The availability of good premises in a tighter commercial property market would be crucial. Other places might try to tempt firms from Barcelona. Barcelona would need a ‘business retention strategy’ for strategically important firms. The current range of business growth activities will require enhanced coordination and well orchestrated public and private joint ventures and liaison. Finally the local development agency and Chamber of Commerce needed greater coordination and sharing of services.

OECD SWOT Analysis of Economic Development in Barcelona

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<thead>
<tr>
<th>Strengths</th>
<th>Opportunities</th>
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<tbody>
<tr>
<td>• Barcelona Activa has proven to be successful in creating an entrepreneurial and innovative environment in the city.</td>
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<tr>
<td>• Barcelona Activa is well-known locally and credible in relation to the community.</td>
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<tr>
<td>• Barcelona Activa provides state-of-the-art technology and e-services.</td>
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<tr>
<td>• Barcelona Activa has top-quality infrastructures and well-trained service providers.</td>
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<tr>
<td>• Barcelona Activa is a leading local economic development agency also in Latin America.</td>
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<td>• Barcelona Activa has a great pivotal position between the public vision and the private priorities.</td>
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<tr>
<td>• The businesses created by Barcelona Activa’s incubator and programmes remain actively involved in the network of enterprises.</td>
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<tr>
<td>• The innovation culture among the companies of Barcelona Activa is well developed.</td>
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<tr>
<td>• Barcelona Activa benefits from the strong support from the public authorities and good will across the city.</td>
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<tr>
<td>• Barcelona’s tourism development is a window for Barcelona Activa to the international sphere.</td>
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<tr>
<td>• Quality employment and entrepreneurship tools and services are demanded internationally and there are few providers of such services.</td>
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<tr>
<td>• Barcelona Activa is highly collaborative with other public and private organisation and could do more.</td>
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<tr>
<td>• Barcelona Activa is well placed to join networks and expand the reach of partnerships with cities abroad to attract human and financial capital.</td>
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<tr>
<td>• Barcelona Activa could make use of the international community in Barcelona as a bridge to other innovative cities to explore new collaborations.</td>
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<tr>
<td>• Barcelona Activa could actively seek to attract and coach talented entrepreneurs from abroad.</td>
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<td>• Barcelona Activa could develop specific training programmes to support business creation among the immigrant community.</td>
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<tr>
<th>Weaknesses</th>
<th>Threats</th>
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<tr>
<td>• Barcelona Activa has created various but mainly small enterprises.</td>
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<tr>
<td>• Barcelona Activa has not been able to raise enough awareness among businesses of the importance of technology transfer.</td>
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<td>• Businesses created by Barcelona Activa have disconnection with academic researchers.</td>
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<td>• The ‘Barcelona Activa brand’ is not exploited enough internationally.</td>
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<tr>
<td>• The communication strategy of Barcelona Activa does not sufficiently reach minority groups.</td>
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<tr>
<td>• Barcelona Activa is lacking commercial products, tools and infrastructures to reach out to new markets nationally and internationally.</td>
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<tr>
<td>• International competition from emerging cities which toughens the attraction and retention of talents in the city.</td>
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<tr>
<td>• Barcelona Activa should give some activities priority, notably supporting entrepreneurship and training in strategic areas for the future of the city.</td>
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<tr>
<td>• Barcelona Activa should make sure that the demographic diversity of the city is taken into account in the programmes and tools offered to avoid social disruptions.</td>
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<tr>
<td>• The innovative culture among companies outside Barcelona Activa and in universities is low.</td>
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**The impact of the crisis and future implications**

6.17 What are the prospects for Barcelona? There are a range of views. All emphasise the scale of the challenge in the current crisis. Spain, Catalonia and Barcelona have each been hit hard by the recent financial crisis. Between 2007 and 2009, the GVA growth rate declined from 3.3% to -5.4% in Barcelona Province, and from 3.5% to -4.3% in Catalonia. Unemployment also increased dramatically over the same period, from 6.6% to 16.2% in Barcelona Province. Exports and FDI have also declined sharply, from €49.7 billion to €41.2 billion and from €2.61 billion to €1.35 billion in Catalonia between 2007 and 2009 respectively. But most agree that despite the scale of the challenge, because of the strategic investments and advances it has made in the recent past, Barcelona is relatively well placed to meet it.
Spain as a whole faces a large fiscal deficit and its credit ratings have been downgraded. Its dependence on internal demand and the construction industry in particular, as the source of recent growth is crucial. Despite Catalonia having been less reliant on construction as a source of growth than Spain more generally, its recent performance suggests it is being particularly badly affected by the crisis. Barcelona Province appears also to be experiencing a more negative impact than Catalonia as a whole. It is possible that Catalonia and Barcelona’s greater openness to international markets, including their comparatively high rates of inward FDI, exports and tourism, have made the city and its region more vulnerable to the crisis.

The ACRE study notes that the current economic crisis has caused a sharp drop in employment, investment and consumption, especially in the construction and manufacturing sectors. The financial difficulties caused by the crisis have spread to all sectors and more companies have reduced their activities or have gone bankrupt. The credit crunch particularly affects companies that are financed by venture capital, like many innovative companies. Moreover, the drop in demand has affected all sectors, especially activities such as advertising and other consumer goods sectors. But perhaps the activities that could be more affected by the crisis are the cultural and creative activities. Indeed, the extent of government deficit will impose restrictions on their expenditure, which will affect social needs first.

As economic and political concerns intensify, OECD notes the risk that Barcelona might become more inward-looking, focussing on local issues at the expense of the international outlook that has been so important to its development. The emphasis in the new metropolitan strategic plan, Barcelona Visio 2020, on the importance of building relationships with emerging economies was seen as important as was the move towards more coherent statutory metropolitan governance. However, it underlined strong political leadership and building innovative institutions and coalitions for change would be crucial to the city’s future.

Burdett argued that Barcelona, and to a lesser extent the whole metropolitan region, is better positioned to face the crisis because of long term strategies adopted in the 1990s. For example, Barcelona’s strengths included its adaptable and entrepreneurial SME sector, its geographical location, attractive quality of life, openness, strength in logistics and trade, and diverse industrial base. However, some significant weaknesses include levels of innovation, R&D and education, which remain below EU averages despite considerable improvements over the past decades (see, for example, Ghemawat and Vives, 2009). In particular, the low levels of productivity seriously threaten the capacity of the region to compete in the European arena. Connected to this, salaries are not a competitive advantage any more in Spain and in particular in the BMR, but there has been no substitution in terms of better quality labour.

ACRE argued that the BMR is better positioned than other Spanish regions because of its historic efforts in promoting capital-intensive activities and creative and knowledge rather than labour-intensive ones. Most of the infrastructures and projects, such as the 22@ project or the creation of science parks, are in a final stage or have already started to generate economic growth and the modernisation of transport infrastructures is producing an impact as well. However, the remains of a highly industrialised past based on low salaries slows down the recovery. Also the crisis and employment losses had shifted the focus on competitiveness and promotion of the creative and knowledge economy. Instead, social issues and social cohesion are appearing in the policy agenda and are transforming strategic aims. Developing and implementing coherent and effective policies to address these issues will be important if Barcelona is to secure a sustainable future growth path.
7. WHAT KEY FINDINGS AND POLICY MESSAGES FOR WHOM?

7.1 What does the Barcelona experience tell us about the key hypotheses of this study? We believe it confirms both their relevance and significance.

National and regional policies for cities do matter

7.2 The report has again underlined the significance of national and more importantly regional policy for success. Democratisation and decentralisation of government and decision-making since 1979 has arguably strengthened the capacity of Cataluña and Barcelona metropolitan area as its key dynamo to flourish. The report has also underlined however that many in Barcelona feel that their success has been again almost despite rather than because of national government policy. There is a widely held view that the primary focus of national policy is to support the capital Madrid rather than other second tier cities in Spain. It is clear that there is not a coherent urban strategy for Spain. Transport policy it has been argued is primarily designed to strengthen Madrid rather than second tier cities. The cities themselves have limited financial powers because so much of reform has been focussed upon creating successful regional institutions rather than sub regional and urban institutions. In the case of Barcelona there is a strongly held view that it is still challenged by Madrid economic dominance and that many decision making powers and the headquarters of key firms have moved to the capital in recent years at the expanse of Barcelona. There is pride in Barcelona’s achievement against the odds but a great desire for a national strategy that would encourage their continued success.

‘The national system needs to clarify the role of second tier cities and give further support to them as well as Madrid’.

‘There is no urban agenda in Spain. There is no lobbying for cities.’

‘Barcelona is a second tier city in Europe but a tertiary city globally.’

‘Barcelona also needs to develop the contribution it can make to Mediterranean Europe and Europe itself. The high speed Mediterranean train is needed.’

Second tier cities can contribute significantly to national performance

7.3 It is clear from this narrative that Barcelona has indeed contributed to the improved performance of the Spanish economy during the past three decades. In many ways it has outperformed the Spanish economy and in terms of FDI and exports it is crucial to the future so the Spanish economy. Many in the city argue that the nature of its regeneration and it more balance economic structure with less investment in the property boom and financial services means that it will be better placed than some other Spanish cities in the future to contribute to national economic performance.

‘Barcelona did its homework during the boom. It did not go crazy. It was responsible.’

Cities are path dependent but can shape their stories

7.4 This report has also underlined the importance of indigenous polices and strategies to Barcelona development. It has been dramatically affected by a series of forces and pressures upon Spain during the past two decade democratisation, deindustrialisation, Europeanisation globalisation. But it is clear that Barcelona leaders in the public and private sector have responded to and exploited those challenge and opportunities to the city’s advantage. Barcelona has demonstrated clear leadership and this needs to continue more deeply with the private sector and more widely across the territory. Nevertheless, there is some feeling that the longevity of the political system which thus far has been an advantage may be becoming a liability as the new generation feels it cannot enter the political elite or the old
model for development appropriate to an earlier period may be no longer as relevant to the next period.

‘Partnership came from the ground. Nothing came from above. Madrid was so far away we had to invent our own solutions.’

‘The Barcelona model of trust between public, private and community partners was built up during the golden years. The crisis, the greater complexity, the divergent interests of the private sector has placed that model under stress. It needs reviving.’

‘Trust has been reduced. We have to do things differently. The model is not broken. The triangle still works. But we need a new social contract.’

‘The positive things that will happen in the future will be the small things not the grands projets. The prestige project model is exhausted.’

**Territorial economic governance matters**

7.5 This report has also underlined the importance of territorial governance. It is commonly accepted that Barcelona’s economic achievement in recent decades has almost been despite rather than because of the governance arrangements for the metropolitan area. Fragmentation and conflicts within the metropolitan area has led to a pattern of unbalanced economic and social growth across the metropolitan area and arguably to economic underperformance of the metropolis. This story of Barcelona is an effort to recreate informal working relationships at different spatial levels within the metropolitan area to compensate for the abolition of formal metropolitan government in 1987. In 2010 a new governance arrangement for the metropolitan areas was approved and the powers and resources of that organisation are currently being determined. But the essential thrust of our work has been that local government structures have become increasingly inadequate to the challenge of creating a successful second city in a fiercely competitive global economy. All are agreed that scale matters and that Barcelona will need to find a way of pooling the economic assets of the second tier cities around it if it is to flourish further in future.

*The secret of success for Barcelona was scale. The new dilemma is how to govern at scale.*

‘The metropolitan area needs to grow up and get an agreed story and machinery to build a stronger Barcelona city region.’

‘We need a polycentric system where we all recognise the value of Barcelona city but we do not have a Madrid style centralised metropolitan system.’

‘People outside feel Barcelona gets the value added but they pay the price of the investment.’

‘The arrangements are still weak - all second tier cities are in the back yard of Barcelona.’

‘There are increasing disparities between places within the metropolitan area with the physical concentration of economic and social problems in the more deprived areas growing despite their lack of financial and institutional resources. The challenge of the metropolitan area is to address the related problems of dispersion, specialisation and segregation.’

‘We still have not got balanced infrastructure development across the metropolitan area - it still lacks some basic resources like public transportation, housing, the environment.’

‘Spatial policy is now at the heart of the debate. How can we capture the potential and minimise the challenges though governance is the key question.’
'We recognise the need to work together. There is now a degree of political maturity.'

'The old tensions and animosities are over. The romantic nationalist period is over. We are all integrated into the same economy.'

'We have not had a new project for some time. The metropolitan thing is the next big project'.

Innovation, human capital and skills, connectivity, place quality and strategic decision-making capacity are the key drivers of competitiveness

7.6 This report has underlined that these indeed are the key drivers of a successful second tier city. Barcelona has significantly improved its performance on all of them in recent years. It has a large traditional manufacturing economy which is dominated by small firms but is also encouraging innovation through its universities and in key sectors of the economy like biomedicine, logistics, and design. The Barcelona economy is a mixed one with strengths in traditional as well as modern sectors. It does not keep all its eggs in one basket. The city has made significant efforts to improve its skill base. It has also significantly upgraded its connectivity in recent years. Its airport, port, rail and metro systems are expanded and modernised massively. It is now better connected but it still must have better links along the Mediterranean axis from North Africa to Northern Europe. The place quality of the city is extraordinarily good. From the Olympics onwards, it has made great efforts to improve the urban fabric, creating a place which is both modern but authentic with deep roots in its traditional culture and identity. And it has made huge efforts to develop and promote its image nationally, in Europe and globally. Barcelona has significant strategic decision making capacity. The city government has played a major role in the political economy of the region. That leadership has been high quality, often charismatic, and consistent. It has encouraged public private partnerships through its strategic planning processes but also through the myriad of economic development initiatives it has undertaken, perhaps most notably in 22@Barcelona and within the Barcelona Economic triangle. It has a powerful and successful economic development agency - Barcelona Activa. But social challenges are growing. And the global economic challenge is also greater.

'The social challenges will grow in the future. The welfare state is still new to Spain and this is a time bomb.'

'The boom helped to raise standards and close the gap between social groups. Local authorities have done lots of good things for deprived groups. But the crisis will put stress on that system.'

'Skills, innovation, the commercialisation of knowledge remain the outstanding challenges.’

'Aligning the decision making for sectoral and territorial development still needs sorting out.’

'We can attract employees to Barcelona. Our big challenge is to attract the key employers.’

'We can attract some through international marketing. But we can’t get the big boys.’

'We need to be more business friendly. We need to be more international. We need to have more English speaking. Openness is the key to our future.’

'Barcelona needs to become more internationalised and recognise its global role.'
'Multi level governance is the key challenge for Barcelona. To be successful it needs five things: political leadership and capacity; the ability to cross cutting politics; the ability to involve citizens; the ability to create consensus; the ability to assess value and to achieve accountability for action.'

'We must be optimistic but realistic'

The balance sheet

7.7 There are challenges ahead for Barcelona metropolitan region – economic, social and political. Unemployment has risen recently because of the global recession. The collapse of the housing market has left some with negative equity and the increased pressure upon existing stock has resulted in very high rentals. The pressure upon public expenditure, given the need to expand its infrastructure, is a challenge. The city has become much more ethnically diverse during the past decade with an increased number of city residents born outside Spain. This has brought many assets and benefits to the city. But increased social and economic challenges for all groups in a recession, but especially recent immigrants, means Barcelona will have to pay particular attention to sustaining social cohesion in the next decade.

7.8 Barcelona City Council has demonstrated leadership and strategic decision making capacity and has delivered many substantial projects. But since the abolition of the metropolitan agency in 1987, the governance of the wider Barcelona area remains a challenge. The fragmentation of local government has been a constraint upon the wider metropolitan area’s economic development, even allowing for the success of a series of voluntary Metropolitan Strategic Plans which encouraged wider working. It is very significant that a new Barcelona Metropolitan Agency was approved in 2010. But it is crucial that it has the powers and resources to help Barcelona to operate at a greater economic and geographic scale than it currently does. Working together at the increased scale of the real Barcelona urban economy – not artificial local government boundaries – is the key to the metropolitan area’s future economic performance and social development. To play on the world stage it needs the advantages that scale brings. That could be Barcelona’s next ‘grand projet’.

7.9 Also global competition will be fiercer. The city and the city government must continue to become more international, more multi lingual, and more business friendly. Despite the improvements it has made in recent years, the city region needs to improve its skills and innovation levels even further. Also Barcelona must strive for its international ambitions without losing its authenticity and identity which makes it so different and hence attractive to residents, visitors and investors.

7.10 But Barcelona has recognised - and is therefore well positioned to meet - those challenges. Its economy is fundamentally sound. The investment it has made in both image and infrastructure endures. There is significant public private sector consensus on what needs to be done. The city council is well managed with debt levels below some other Spanish cities. The city invested less in financial services and the property boom and has experienced less of a collapse. So it has a huge amount to work with. The challenge for Barcelona city government and its partners is to make sure that its third act remains as successful as its first two.