



# Rethinking Regional Attractiveness in Spain's **Valencia Region**



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# Rethinking Regional Attractiveness in Spain's Valencia Region

2023



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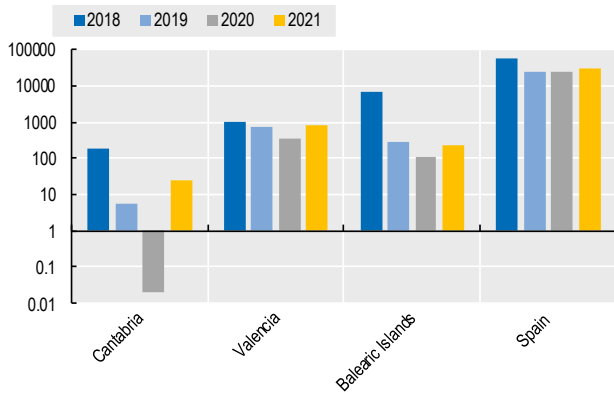
The impact of the COVID-19 crisis, compounded by the consequences of Russia's war of aggression against Ukraine and existing megatrends (e.g. climate change, globalisation, digitalisation and demographic change), continue to produce asymmetric effects within and between countries and regions, with the scope and scale depending on their unique characteristics.

The OECD's work on rethinking regional attractiveness policies in the new global environment, is undertaken with the support of the European Commission (DG REGIO) and is a priority activity of the Regional Development Policy Committee (RDPC). Working closely with 15 regions in 5 OECD member countries (Ireland, Italy, Portugal, Spain and Sweden). It aims to help regional and national policy-makers to better understand the position of regions in an evolving global context, including emerging challenges and opportunities, and identify the policy levers at their disposal to enhance the attractiveness of regions to the key international target groups of investors (including exporters), talent, and visitors. In doing so, it seeks to support regions transition towards new territorial development policies that promote inclusive, sustainable, and resilient development, while enhancing regional attractiveness.

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## A snapshot of the Valencia Region in the world

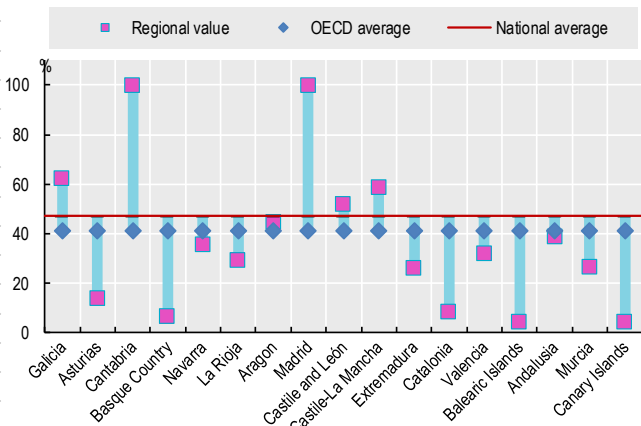
FDI Inwards by region, expenditure in EUR millions



Source: Ministerio de industria, comercio y turismo, 2022.

During the COVID-19 crisis, the Valencian Community was heavily impacted by the global foreign direct investment (FDI) downturn observed across OECD countries (OECD, 2020). FDI flows dropped by 54.2% in 2020, from EUR 773 million (m) in 2019 to USD 354m in 2020. This performance is below global trends, which dropped by about one-third in 2020 and not dissimilar to OECD and EU (Greenfield) FDI inflows, which fell by around 50% and 70%, respectively. Despite these figures, the Region has managed to maintain a certain degree of attractiveness to foreign investors throughout the pandemic. In 2021, following significant investments in the renewable energy (EUR 253m) and real estate (EUR 165m) sectors, capital expenditures surged to EUR 235m. While this is a positive sign, the outlook remains highly uncertain, given the current geopolitical context.

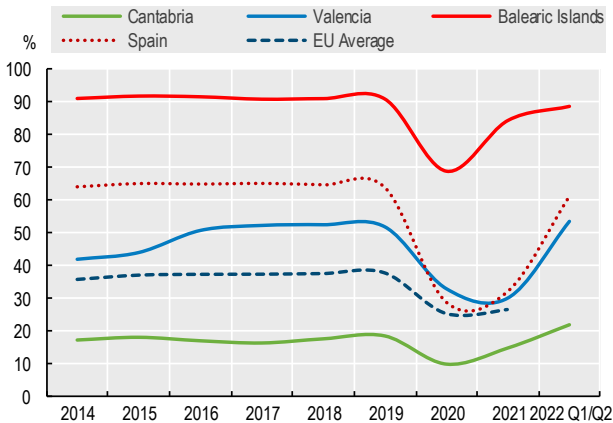
Share of renewables in electricity generation



Note: Ceuta and Melilla regions have been excluded because of a lack of reliable data  
Source: OECD Environmental database ; 2019 ; OECD regions (TL2).

Between 2013-2018, the Valencian Community experienced a 10% net increase in installed electricity generation capacity. The most significant was led by pumped storage hydro plants (138%) – far above that generated by solar (4%) and wind energy sources (1%) (IvieLAB, 2021). In 2019, only 32% of its electricity was produced from renewable resources, below the OECD (41.4%) and national averages (47.1%). 2020 figures show that nuclear power provides around 46.5% of the region's electricity, followed by combined cycle gas turbine technology (12.1%) and wind power (11.5%) (Red Eléctrica de España, 2020). The Valencian Strategy for Climate Change and Energy 2030 outlines an extensive set of measures (e.g., encouraging the use of public transport and electric vehicles, and promoting construction of renewable energy plants closer to municipalities). The plan also aims to increase the share of energy coming from renewable sources to 50% by 2024.

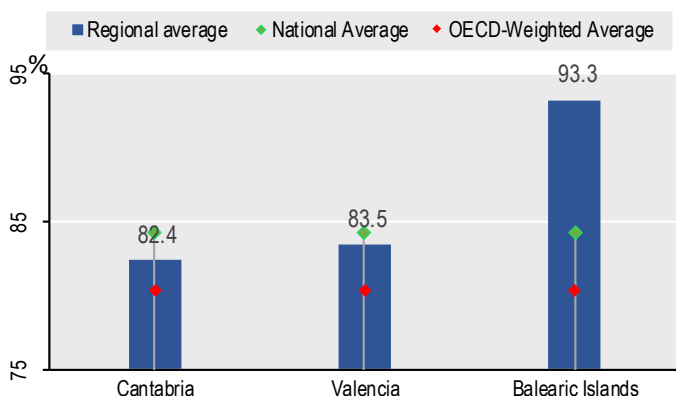
Share of nights spent by foreign tourists in accommodation establishments



Sources: OECD calculations based on Instituto Nacional de Estadística (2022); Eurostat (2021)

Between 2014 and 2019, the share of nights spent by foreign tourists in accommodation establishments increased by 23% to 51.8% - performing above the EU average (37.8%) but below the national average (63.9%). As in most Spanish regions, the halt in travel and tourism due to the COVID-19 crisis led to a significant drop in 2020. That same year, roughly 33% of the total nights were foreign tourists – a figure relatively higher than the national average (28.5%). Following the pandemic, the Valencia region has demonstrated a strong recovery. It is one of the few regions to surpass pre-pandemic levels for the share of foreign tourists indicating the region's growing attractiveness as a destination for overseas markets. In the first half of 2022, 53.5% were foreign tourists, surpassing 2019 levels (51.8%).

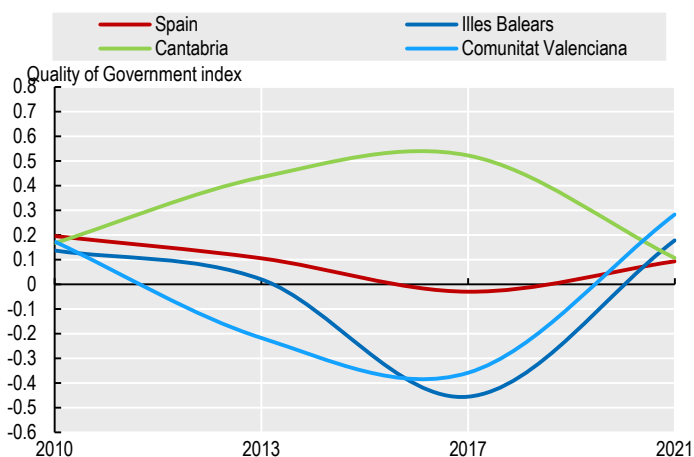
### Share of population satisfied with opportunities to meet people and make friends (2016-2020)



Note: Average for the years 2016-20  
Source: Gallup World Poll (2020)

Social interactions are a significant factor driving residents' life satisfaction and overall well-being (OECD, 2020). Indicators that capture participation in social activities can help measure regional social capital and illustrate an essential relationship between higher levels of social well-being and regional economic growth. In the Valencian Community, 83.5% of the population indicated they are satisfied with opportunities to meet people and make friends, a figure just below the national average (84.3%) and slightly above the OECD-weighted average (80.4%). This result indicates that the region is well placed to provide a diversity of social life opportunities likely to boost well-being and sense of belonging, with positive impacts on the region's attractiveness as a place to invest, live and visit.

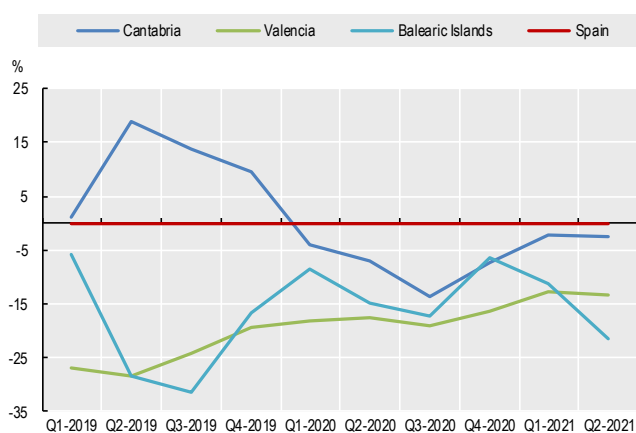
### European Quality of Government Index



Note: The EU median score is represented by the 0 line.  
Scores above 1.1. are generally considered to perform well.  
Source: University of Gothenburg

Perceived quality of government can have profound implications for trust in government and the attractiveness of territories. At the regional level, the European Quality of Government Index (EQI) captures citizens' perceptions and experiences in corruption, quality, and impartiality of three essential public services – health, education, and policing. Between 2010 and 2017, the EQI in the Valencian Community declined considerably, scoring below EU (0 line) and Spanish averages. Data from 2021 indicates that the EQI in the Region has risen above EU and national averages but remains well below what the index categorises as a 'top-performing region (score greater than 1.1).

### Download speed at the regional level (% deviation from national average)



Source: OECD calculations based on Ookla database ; 2021 ; OECD TL2 regions

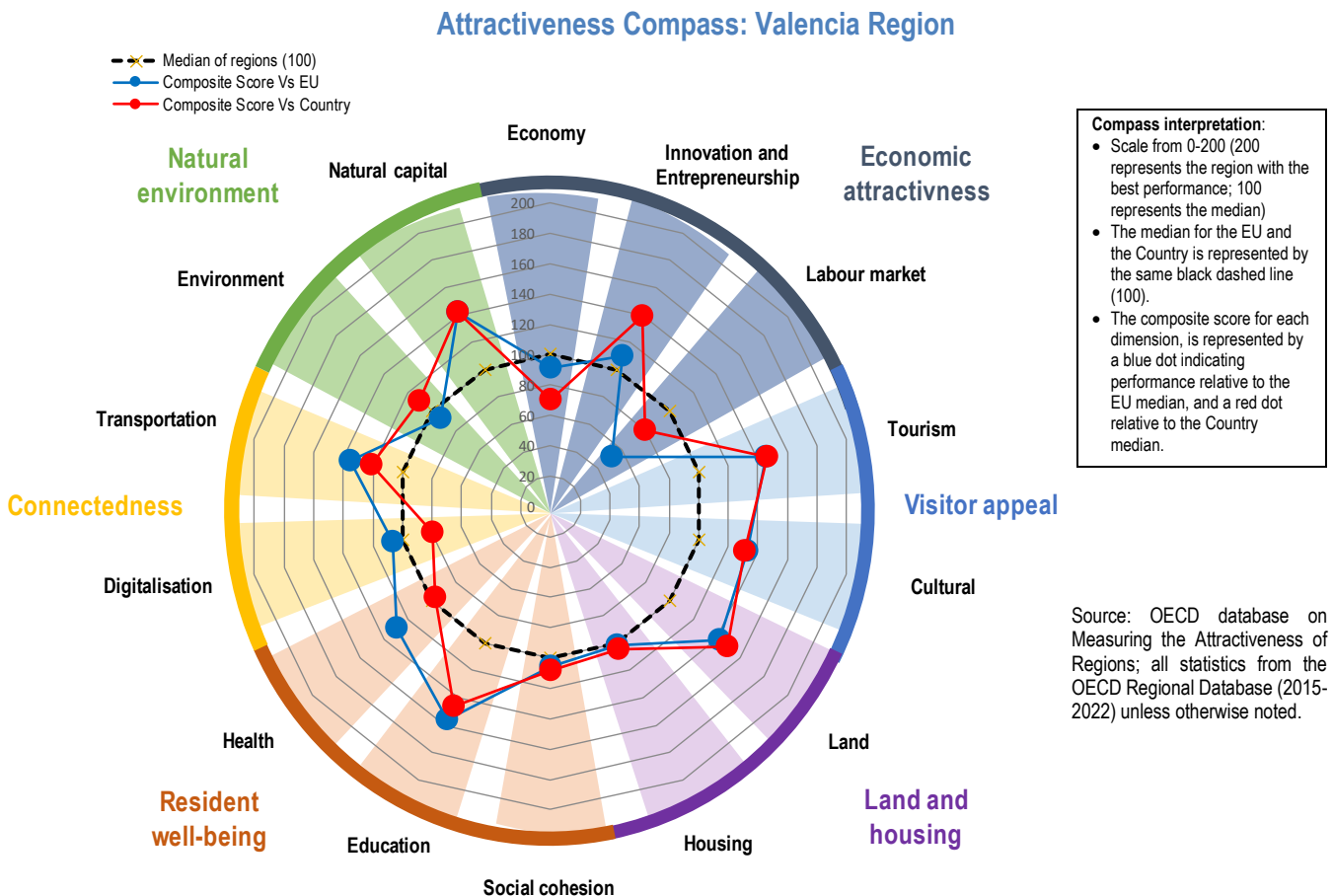
Despite a roughly 15.5% improvement relative to the national average since Q2 2019 (-28%), download speeds in the Valencian Community remained around 13.4% slower than the national average in Q2 2021. Access to fast and reliable internet connections is key to attracting talent, investors, and visitors. Under The 2025 Digital Transformation Plan of the Valencian Community, the regional government is taking advantage of the digital transformation resulting from the COVID-19 pandemic. The plan aims to improve connection to the internet in less densely populated areas (ranging from 1,000 to 3,000 inhabitants) through grants for 5G and next-generation broadband networks. In areas with over 3,000 inhabitants, subsidies will be provided, offering download speeds of at least 100 Mbps.

## Attractiveness profile: Valencia Region

The Valencia Region stands out for its strong infrastructure and human connections, highlighting its potential attractiveness to foreign investors and other international target groups, such as talent and visitors.

Before considering the policy levers available to enhance the attractiveness of a region to international target groups (investors, talent, visitors), it is important to first understand the region’s position in the world. To do so, the OECD considers four families of international connections: business (e.g., FDI projects, trade, employment in foreign-controlled business, etc.), human (migration, and visitors), knowledge (international students, R&D, patents), and infrastructure (broadband, ports, airports, stations). In the case of the Valencian Community, on the **Business** front, the share of **regional gross value added (GVA) from tradable sectors** at 32.2% is slightly below the EU average (34.7%) and somewhat over the national averages (30.8%) – these figures exclude tourism, which is a significant economic sector for the region, however, as tourism is most often supplied and consumed locally it better fits the definition of a ‘non-tradable’ service. In terms of **Infrastructure**, the Valencian community stands out with solid **air transport performance**; on average, people in the region can access 221 unique passenger daily flights within 90 minutes by car, falling behind the EU (354 daily flights) and national averages (233 daily flights). When it comes to **Human** connections, and in particular visitor presence, the number of visitor nights spent per sq. km (786) is higher than in most EU and Spanish regions. Finally, in terms of **Knowledge** connections, the number of **international scientific co-publications** (1,283) is higher than the average of the EU (1,126) and Spanish regions (1,146) in 2021. This important measure of participation in the global research ecosystem is up nearly 48% over the past five years.

The OECD’s innovative and multidimensional approach to assessing **regional attractiveness** considers global engagement beyond international connections and financial drivers alone. The methodology considers more than 50 indicators to develop regional attractiveness profiles, covering 14 dimensions of attractiveness across six domains (Economic attraction, Connectedness, Visitor appeal, Natural environment, Resident well-being, and Housing).



**Economic Attractiveness:** The economic performance of the Valencian Community – as measured by GDP per capita, GVA per worker and economic diversification – is below the EU and national averages, reflecting the need for greater economic diversification initiatives, which can in return, positively impact the region's overall economic performance and foster more robust and resilient growth.

In the labour market dimensions, the Region scores far below the EU average (80%) and slightly below the national average (64.5%), with the youth employment rate at (63%). At the same time, the relatively high number of patent applications per capita (39 per 1 million inhabitants) and the large share of employment in R&D (1.8%) are indicative of the higher score on the innovation and entrepreneurship. These results showcase the imbalances between the regional talent pool and the local labour market opportunities.

**Visitor Appeal:** Tourism is a strategic sector for the Valencian Community economy, accounting for over 15.5% of GDP in 2019 (Impactur, 2019). Although the COVID-19 crisis has heavily impacted the tourism sector, Valencia has rebounded swiftly. The number of overnight stays per capita (over 10 per 1000 inhabitants) is slightly above the EU score (8.7) and on par with the Spanish average (10). In terms of cultural capital. The UNESCO sites in the region range from intangible cultural heritage to architectural monuments - For example, *Las Fallas de Valencia*, is an annual festival featuring ephemeral art, fire and fireworks that attract many tourists. The share of employment in culture and creative industries (1%) is on par with the EU and national averages.

**Connectedness:** On the digital front, over 95% of households have high-speed broadband access in the Valencia region – a figure above the EU average (85%). However, the average download speed is below both EU and national averages. Access to fast and reliable internet is a key factor in attracting talent - remote workers in particular - investors and visitors. Faster download speeds in non-metropolitan areas would reduce regional inequalities and increase opportunities to attract key target groups. On transport connectivity, the Valencian Community performs better than most regions in Spain on rail performance, a measure of rail accessibility and proximity, also surpassing the EU average. The same can be said for the road performance measure (Dijkstra, Poelman, & Ackermans, 2019) (Poelman, Dijkstra, & Ackermans, forthcoming) Satisfaction with the quality of public transport (61%) is on par with other regions in Spain and the EU.

**Land and Housing:** The share of land converted to artificial surfaces between 2004-2019 (2.2%) is above the EU average (less than 1%) but below the Spanish average (2.4%) – suggesting the region has relied more on greenfield land for projects and investments than the redevelopment of brownfield sites. The share of built-up areas (5%) is slightly lower than the EU (6%) and Spanish averages (8.24%). While a low score may indeed illustrate an unexplored economic opportunity and/or a high-quality natural environment, this dimension requires further statistical and qualitative analysis to be understood in its local context.

**Resident Well-being:** The Region performs relatively well on the issue of resident well-being. People in Valencia are more satisfied with their lives than those in other European regions. Homicide rates are also very low by EU standards. On the education dimension, scores are far above the EU and Spanish averages. In fact, in 4 out of 5 measures of education (from access to primary schools to share of the population with tertiary education), Valencia outpaces the EU average. Reliable access to cardiology and maternity services and the number of doctors per capita (over 3 per 1,000 inhabitants) is indicative of the higher score on the health dimension.

**Natural Environment:** Concerning the natural environment, the Valencian Community generally performs on par with or above other Spanish and European regions. This year, the city of Valencia was awarded the European Green Capital for 2024 (a distinction awarded in advance with which the European Commission recognises and rewards cities over 100 000 inhabitants), highlighting its achievements in the field of sustainable tourism, climate neutrality and inclusive green transition. In the city of Valencia, 97% of residents live within 300 metres of green urban areas, and efforts to restore unique ecosystems, such as the Devesa dune and other unique wetland ecosystems (European Commission, 2022). At the regional level, the amount of greenhouse gas emissions produced by the transport industry in Valencia region is low, and the share of protected areas (40%) – which outpaces the EU average (28%) – indicates that measures have been put in place to guarantee the preservation and sustainable use of the region's vulnerable ecosystems.

## From recovery to resilience

As illustrated in the attractiveness profile above, the Valencia region is one of the leading tourist destinations in Europe, receiving roughly 10 million international visitors in 2019 (Impactur, 2019). While the regional economy primarily focuses on the service sector, the Valencian Community also hosts a dynamic manufacturing sector

(e.g., automotive, ceramic, and toys), which employs 8.5% of the population. **The Valencia port is the largest Western Mediterranean port and Spain's second largest in terms of traffic** (Council of Europe, 2022). At the same time, the region ranks third in terms of agri-food produce (mainly fruits), exporting 13% of the Spanish total. Certain inland areas are more affected by demographic change than others, generating inequalities among the population. The innermost territories present unfavourable conditions in comparison to those located at the coast, with many lacking services and infrastructure. Despite the presence of a large migrant population and a highly qualified talent pool, the Valencian Community faces two main challenges when attracting and retaining talent: i) professional opportunities remain limited, particularly amongst youth, driving them outside the region and internationally in search of labour market opportunities; ii) mismatch in skills and local job opportunities, leading to a high youth unemployment rate. As is the case of tourism-dependant economies in several regions in Spain, businesses are facing challenges attracting and retaining staff due to long-standing issues, including unsociable working hours, job insecurity, salary levels, and career prospects, which are leading to ongoing workforce shortages in the sector.

As a response to the COVID-19 crisis and in order to tackle the asymmetries between coastal and inland areas, the regional government launched in 2020 a *Proposal Strategy for the Recovery of Valencia (Propuesta de Estrategia Valenciana para la Recuperación)*. The proposal is divided into five core areas for recovery: i) employment, knowledge and research; ii) economic resilience and digital transformation; iii) ecological transition and territorial cohesion; iv) caring for people and social inclusion; v) regional governance and efficient administration. The Valencian Community is focusing on levers that can boost productivity and competitiveness and that tackle social, territorial, and environmental challenges.

These challenges have been exacerbated by the consequences of Russia's war of aggression against Ukraine, which has caused the largest refugee surge to European countries since World War II (OECD, 2021). The Valencian Community has taken significant measures to welcome Ukrainian refugees. Around 21 000 Ukrainians currently reside in the Valencia region, of which more than half live in Alicante (N.S., 2022). The province holds one of the three refugee reception centres in Spain, providing access to free legal assistance, Spanish language courses, workforce readiness tools and access to health care and school for children. Under The *2021-2026 Valencian Migration Strategy (Estrategia Valencia de Migraciones 2021-2026)* the regional government has identified eleven strategies to facilitate access to employment for migrants, including the establishment of a working group on the presence of migrants in the public administration and proposals to encourage migrants to apply to civil service careers.

According to 2021 national data, the foreign-born population constitutes 14% of total population in the Valencia Region. As such, the Valencian Community is the third most attractive region for migrants in Spain. The OECD recognises the migrant population not only as a vital source of labour, especially in key sectors with significant shortages, but also as a major contributor to a region's internationalisation and innovation, bringing new ideas and fostering local innovation (OECD, 2022).

In terms of **investment**, Valencia has identified, through the *2020 Proposal Strategy for the Recovery of Valencia (Propuesta de Estrategia Valenciana para la Recuperación)*, a total of fourteen innovative projects based on four lines of action: i) digitalisation and resilience; ii) ecological transition, iii) knowledge; and v) social and territorial cohesion. These projects will be financed both by the regional government and the private sector to maximise funding and investment to the region. While the strategy shows great promise, establishing a regional investment agency with a broader remit could unite the vision of the multiple provinces and municipalities, with potential economies of scale enhancing the effectiveness of FDI attractiveness. A robust investment attraction strategy at regional level, such as Ireland's *South East Region FDI Strategy*, explained in (Box 1), which is based on regional specialisations and sets targets and means of attracting investment in the South East region, could help identify the appropriate tools and co-ordinate regional investment strategies amongst relevant stakeholders.

**Focusing on new and emerging market niches and opportunities, while encouraging innovation, can bolster the evolution of entrepreneurial ecosystems and help enterprises adapt to and benefit from those opportunities.** Identifying and seizing export potential and focusing on emerging sectors such as renewable energy, biotechnology, and nanotechnology, as stated in Valencia's [Smart Specialisation \(S3\) Strategy \(Estrategia de Especialización Inteligente para la Investigación e Innovación en la Comunitat Valenciana\)](#), could offer innovative solutions to adapt to changes triggered by the pandemic. In parallel, the Regional government's [2030 Valencian Green Hydrogen Strategy \(Estrategia del Hidrógeno Renovable de la Comunitat de Valencia\)](#), will invest in decarbonisation strategies for the industrial and transport sectors. The strategy aims to generate 75,000 tons of hydrogen per year and will collaborate with 18 enterprises and business associations, generating



opportunities for employment and business development. The Valencian Community is endowed with high renewable energy resources and robust infrastructure connections, which facilitate the creation of an international market for green hydrogen and contributes to the decarbonisation of the region's industrial corridor.

Regarding talent attractiveness, the regional government will triple investment in knowledge and innovation by allocating a total of EUR 1.1 billion between 2021 and 2024 to update its Smart Specialisation (S3) Strategy. One of the highlights of this strategy is to foster knowledge transfer by supporting the development of joint research laboratories through public-private partnerships, allowing universities and research centres to share resources and engage in collaborative activities that generate spillovers for regional enterprises. The region is taking advantage of the Paterna Tech Park, a centre to aggregate skills and competencies, focusing on consolidated and emerging sectors, such as biotech R&D and renewable energy, that can generate positive regional impacts. However, the main challenge remains to retain talent and effectively transfer the knowledge created and the technology produced by such institutions in order to contribute to the region's development.

### Box 1. Ireland's South East Region FDI Strategy

For the second year in a row, the Ireland South East region has been awarded as the #1 Small Region in Europe for FDI Strategy. Currently, over 10 000 people work in high value Life Sciences manufacturing across the region. In addition, there are significant regional clusters in Technology, Engineering and Industrial Technologies, and International Financial Services - complemented by research centres that assist new business and provide support to existing client companies with transformation. Among the attractive assets that the regions promotes to prospective investors are the growing tertiary student population and the skilled talent pool, as well as the cost competitiveness when compared to areas like Dublin – while still being within a one to two-hour distance from the capital city giving investors a gateway to the world. Moreover, they frequently survey and feature testimonials of movers who have come to the region from Ireland and abroad, citing for example that 95% of movers have indicated a quality of life improvement since calling the region home. With talent increasingly prioritising well-being in their location decisions, firms are nudged to follow suit – and this is precisely what the South East of Ireland has recognized in their investment attraction approach.

In response to the Covid-19 pandemic, the Ireland South East Development Office implemented a three-pronged approach to attract foreign investment. The office, formed in 2018, widened its focus by increasing its digital marketing incentives. It created content related to remote working, seeking to take advantage of this new trend, and the future of industries, to highlight the benefits of investing in the region. As part of Ireland's recovery strategy, the office identified, and linked activities being carried out by regional companies and higher education research groups to combat issues related to the pandemic. It also established a regional network of industry leaders and senior entrepreneurs to exchange their priorities and share best practices.

Source: fDI Intelligence, European Cities and Regions of the Future 2022/23: The best and the brightest amongst Europe's investment destinations, (2022), February/March 2022, <https://irelandsoutheast.com/2022/02/18/ireland-south-east-is-1-small-region-in-europe-for-fdi-strategy/#:~:text=Download%20a%20PDF%20of%20the%20FDI%20Intelligence%20Awards%20rankings%20here> (accessed 5 December 2022).

In the Valencian Community, the effects of brain drain and population decline is widening territorial disparities and driving highly skilled workers out of the region. Through the Plan GenT (*Programa para el apoyo a personas investigadoras con talento*), the regional government has put in place a well-developed initiative conducive to attracting and retaining the scientific diaspora (Box 2). At the same time, the region is facing significant labour shortages, particularly in the hospitality sector. A large share of seasonal and part-time contracts combined with irregular working hours and low salaries are certain factors making it difficult to attract and retain talent in this sector. Thus, the effects of tourism seasonality combined with the labour model constitute an obstacle to improving job stability, developing training programmes and offering competitive salaries, in particular for those with higher education.

## Box 2. Attracting and retaining talent: Valencia's Plan GenT and its impact on the diaspora

In the context of growing competition for talent and the increased mobility of high-skilled workers the Plan GenT, launched in 2017, aims to attract, retain and consolidate the careers of top-level researchers in the Valencian Community. The plan offers researchers the opportunity to develop their R&D projects in public universities and research centres Valencia, in addition to their wage. To date, the regional government has invested more than EUR 31 million and has successfully attracted and retained 214 researchers. The aim is to attract and retain the Valencian diaspora abroad, although all nationalities are welcome.

More specifically, the programme is mandated to:

1. Raise the level of excellence of Valencian R&D activities;
2. Increase the international presence of Valencian research activity and attract European funds to support research;
3. Retain young Valencian researchers and support the development of their research projects.

The plan also considers three possible candidates:

	CIDEGENT (Researchers and Doctorates)	CDEIGENT (Doctorates with international experience)	SEJIGENT (Junior researchers in the Valencian system)
Number of Grants	20	9	9
Number of years + (contract extension)	4+2	4+2	4+2
Annual gross income	EUR 70 000	EUR 55 000	EUR 80 000
Annual research allowance	EUR 100 000	EUR 30 000	

Source: Generalitat Valenciana (2022), "¿Qué es el Plan GenT" [What is the Plan GenT?], <https://gentalent.gva.es/es/que-es> (accessed 4 August 2022).

**In the current global context, the Valencian Community has significant opportunities to attract visitors, both domestic and international.** The COVID-19 outbreak impacted travel and tourism activities but also gave an opportunity for stakeholders to rethink tourism attractiveness policies and diversify its tourism activity beyond the traditional 'sun-and-sea' offering. To maximise the potential positive impacts of tourism, regions can leverage aspects of national strategies to enhance their attractiveness to international visitors. For instance, the sustainable development and digital transformation of the sector are key priorities for the central as well as regional governments, as envisioned in the 2020-2025 Strategic Tourism Plan (*Plan Estratégico de Turismo de la Comunitat Valenciana 2020-2025*). This year, the city of Valencia was awarded European Capital of Smart Tourism thanks to pioneering initiatives that focus on smart and sustainable tourism practices to enhance the city's attractiveness. Certain smart practices include measuring the carbon footprint of tourism activities, launching interactive InfoTourist platforms and digital resources to explore the city's historical sites and traditions. The presence of a regional tourism brand "Comunitat Valenciana", enhances local products and the value of cultural routes, aiming to maximise the benefits of the visitor economy for the Valencia region.

Regional governments can more efficiently utilise infrastructure to influence destination development in the area of tourist routes, seeking to spread the economic benefits more widely and manage visitor impacts over time. Developing tourist routes is a relatively low-cost approach, with four main steps: i) identify routes with high levels of natural or cultural attraction; ii) develop branding and identity; iii) implement a way-finding strategy and signage; iv) implement a marketing and communications strategy. Depending on their length, tourist routes can be further tailored by the development of rest areas or points of interest, or sub-route experiences (OECD, 2016). The Valencian Community could take advantage of existing hiking routes (e.g. *Ruta de los Puentes Colgantes de Chuililla*, *Ruta del Agua de Chelva* hiking trails) as an opportunity to boost economic development, in rural areas, by exploiting the synergies between existing road and hiking trail networks, the natural landscape, and tourism

development. Such initiatives can particularly benefit isolated areas with smaller populations and lower levels of travel demand.

## Enhancing multi-level governance and coordination mechanisms

A co-ordinated and integrated approach across all levels of government is key to attracting international target groups – investors, talent and visitors. That said, it also calls for engagement between public and private stakeholders to develop policies and initiatives that address the challenges that arise in the region and contribute to enhancing its attractiveness and internationalisation profiles. Due to the high degree of decentralisation in Spain, the importance of regional governments, the “Autonomous Communities” (ACs), and the local lens of Spanish municipalities, taking a multi-level governance approach is fundamental to developing effective attractiveness policies and long-term resilience for the regional economy.

Spain has a three-tier system made up of central, regional and local governments. The Valencia Region is an AC comprised of three provinces and 542 municipalities. The distribution of competences between different levels of government is complex. Under the 1978 Spanish Constitution, certain functions, such as foreign policy, defence, fiscal and monetary policy as well as criminal law, are considered an exclusive competence of the central government. At the regional level, the Government Delegate (*Delegado del Gobierno*), appointed by the Prime Minister, is the permanent representative of central government in the ACs, in charge of directing and co-ordinating the State administration in the region in certain areas (e.g. unemployment and social security benefits, police and armed forces). The 1978 Spanish Constitution also enumerates the powers that may be adopted by ACs, granting them a large level of autonomy, including the power to decide on the organisation of municipalities and provinces within the territory. In the case of the Valencian Community, the *Generalitat Valenciana* is the regional governing body. The implementation capacity is then granted to the regions or municipalities, as stated in their regional law, known as Statute of Autonomy (*Estatuto de Autonomía*). Municipalities and provinces are considered local territorial entities. The governing body of each province is the Provincial Council (*Diputación Provincial*), although most functions are assumed by local and/or regional governments. Municipalities are bound by national and/or regional law to provide public service delivery (e.g. land use, local police, fire services, among others), according to their population size. For instance, larger municipalities participate in the delivery of education and/or health services.

Decentralisation is a cornerstone of the Spanish constitutional democracy (based on the 1978 Constitution), however, opportunities remain to enhance cross-sectoral and vertical co-ordination and implementation of policies and service delivery. The Law n° 27/2013, aims to address this issue by establishing precise mechanisms for local governments to exercise powers under the principles of budgetary stability and financial sustainability. In the last few decades a number of vertical cooperation mechanisms have also been introduced to enhance cooperation and collaboration between different levels of government (e.g. “Bilateral Cooperation Commissions”, “Sectorial Conferences” (*Conferencias sectoriales*), “Conference of Presidents” (*Conferencia de Presidentes*), and “Collaboration contracts” (*Convenios de colaboración*) (OECD, 2014), (Charbit & Romano, 2017). However, despite this evolution, duplication of competences that can affect the ability to provide effective public services remain (OECD/European Union, 2021). Multi-level governance and coordination challenges are experienced in many OECD countries and addressing them often requires more frequent and committed dialogue between practitioners at national and regional levels. .

With the support of the European Structural Funds, strategies to develop a more inclusive, sustainable and resilient region present a wide array of opportunities to enhance attractiveness policies by focusing on emerging sectors (e.g., renewable energy, biotech). Under the 2021-2027 European Regional Development Fund (ERDF) and European Social Fund (ESF), a total of EUR 34.7 billion will be distributed by the Ministry of Finance amongst the 17 autonomous communities and the two autonomous cities in Spain. These funds are divided into i) the multi-regional programmes coordinated and implemented at the national level and ii) the regional programmes according to autonomous communities' allocations, responding to the level of development, which is managed by each territory. The Valencian Community will be allocated EUR 2.5 billion (ERDF and ESF+). Transition Regions had received an allocation for 2021-2027 period which means, an 8.1% increase from the 2014-2020 programming period. Autonomous Communities manage these regional programmes while the central government monitors their performance to ensure coherence with the national plan.

An additional challenge shared between several Spanish regions is the high level of local government fragmentation. Access to good public services (including health and education) is a key driver to well-being and, thus, to regional attractiveness, in particular for talent (OECD, 2022). Enhancing cooperation among municipalities and local public service providers, particularly in less populated areas, can create synergies between policy fields and upscale public service delivery. In 2012, the regional government presented the 2030 Territorial Governance

Strategy (*Estrategia de Gobernanza Territorial 2010-2030*), which aims to develop innovative formulas of territorial governance and facilitate coordination among the three Valencian provinces. The strategy focuses on four strategic pillars: (i) public-private partnerships; (ii) evaluation of policies and projects; (iii) effective management and decision-making systems, and; (iv) accountability. It also provides measurable targets, a synopsis of the required governance mechanisms for effective multi-level governance, and considerations for rural-urban cooperation. It also establishes a *Strategic Committee on Territorial Policy*, comprising regional authorities, civil society members, and the private sector, which can help align the vision and priorities among the public and the private sectors. While this means working effectively among multiple stakeholders, the challenge – and opportunity – in the Valencia region is coordinating local and regional authorities to advance projects of mutual gain – as outlined above, challenges like renewable energy production, housing, and road and transport infrastructure are prime examples of where this needs to take place. Without access to adequate and timely data, setting region-wide targets on these issues and evaluating progress to address them can be difficult.

## Policy Considerations

The following policy considerations are intended to help policymakers to enhance the impact of attractiveness strategies of the Valencia Region vis-à-vis investors, talent, and visitors and provide guidance to improve multi-level governance frameworks and coordination mechanisms.:

- **Leverage areas of emerging potential for sustainable development, such as renewable energy and bioscience, to attract international investments.** This could benefit from the establishment of an investment agency and/or investment strategy at regional level to develop a unified vision and enhance effectiveness of efforts to attract FDI. A robust investment attraction strategy, which is based on regional specialisations and sets targets and means of attracting investment in the regions, could help identify the appropriate tools and co-ordinate activities amongst relevant stakeholders (public and private sector actors, local investment agencies, business associations, NGOs, etc). The strategy could also consider making use of attractiveness indicators, such as those shared by the OECD, to identify key priorities, monitor policy implementation, and evaluate results. In addition, such a transparent approach could be well perceived by potential investors.
- **Establish effective partnerships between key stakeholders to enable the region to take advantage of emerging opportunities in the knowledge economy.** A successful insertion of the Valencia Region in the knowledge economy, underlined as a top priority for the region, and the achievement of integrated regional development make it necessary to establish solid and effective partnerships between key stakeholders, (e.g. universities, tech parts, private sector actors), building consensus among them in identifying strengths and weaknesses.
- **Diversify the tourism offer, particularly in inland territories, to spread the benefits of the tourism economy in the region.** Better co-ordination between regional, provincial and local tourism agencies would help align policy objectives and initiatives to tourism attraction in a coordinated manner, which can strengthen the delivery of the objectives outlined in 2020-2025 Strategic Tourism Plan. Regional strategies could develop an integrated routes strategy (hiking, bike, golf, cultural etc.), developed in close cooperation with industry and local communities. Valencia could learn from the Switzerland Mobility initiative, an interactive platform that includes interactive maps, selected hikes and general information hiking trails in the country. Enhance engagement with the central government's leadership initiatives, such as the Inter-territorial Council for Internationalisation. Such governance mechanisms help to stimulate a closer relationship and co-operation between the central government and the region and ensure that the internationalisation initiatives are monitored for their effectiveness. Including an attractiveness perspective, can lead to more coordinated policy measures towards investors, international visitors, and talent. Such governance mechanisms could benefit from close monitoring, as well as ex-ante an ex-post evaluation tools, made accessible to the general public.
- **Improving communication and co-ordination across subnational entities could strengthen the governance of regional development,** on key issues such as economic diversification and labour shortage strategies, to attract key target groups, while creating economies of scale for public service delivery. The regional government could evaluate existing multiple governance mechanisms to assess which are conducive to positive results in terms of effective regional coordination.

## Notes

The data on which these graphs are based comes from several different sources. Most of it is extracted from the OECD database and EUROSTAT ensuring the same source is used for as many countries and regions as possible. Where and when data is missing, it is extracted from databases available through national statistical offices. For some dimensions, the data comes from specific databases, such as the Ookla database for indicators linked to digitalisation. The data are selected using the most robust, available, and frequently collected data at the adequate geographic level (TL2 or TL3). With certain indicators, calculations are done in order to present the indicator at the most relevant and comparable unit of analysis.

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