

### 3.3 BARAKALDO, THE BASQUE COUNTRY

#### 3.3.1 Introduction

Barakaldo with a population of 98,000 people is located in northern Spain, in the Autonomous Community of the Basque Country (see figure 3.3.1), which is divided in three provinces (Álava, Bizkaia and Gipuzkoa). Barakaldo is situated in Bizkaia.

Barakaldo has undergone significant industrial transformation and economic regeneration. Historically the town was a central part of the region's economy linked in particular to the mining and processing of iron leading to a significant increase in the population of the town. With the eventual decline of the iron industry, restructuring left an economic situation and urban environment with high levels of unemployment, in excess of 32% a decline in investment and a legacy of contaminated industrial land. In the last ten years Barakaldo has seen large-scale improvements in terms of urban planning, environment and society. This new economic resurgence has been driven through the location of new industries, supported by the development of the Port and the Airport, and economic activities that are compatible with a residential environment and located on former industrial land.

**Figure 3.3.1: The Basque Country**



While Barakaldo has undergone significant economic transformation and economic regeneration to date this has not included the development of knowledge based economy activities and this is the core problem for Barakaldo as outlined in URBACT II RUnUP declaration of interest. In particular Barakaldo has only a small campus location of the University of the Basque Country with no direct engagement with the technology transfer and spin-out activities of the university.

Within the URBACT II network RUnUP the Municipality of Barakaldo through its economic development agency Inguralde as the principle actor in economic development needs to develop a strategy that supports the creation of new economic sectors linked to the research activities of its university and technology centres and support existing sectors of the economy namely business services and construction. In this context, for example, Inguralde has got some business infrastructures which could be used to deliver new activities linking research into the generation of spin-out companies and entrepreneurial activity and linkages with local economy. The RUnUP network will enable new opportunities for collaborative working to be explored to address specific problems (e.g. creation of new models of integrated education, knowledge transfer and entrepreneurship models) or the

creation of a new identity linked to the marketing of Barakaldo and the offer of its university partners.

### **3.3.2 Barakaldo Profile**

#### **3.3.2.1 Municipality of Barakaldo**

Barakaldo is located in the autonomous community of the Basque Country. The Community enjoys a high level of self-government in health, education, security, housing and taxation. The autonomy to decide its own organisation stems from the Statute of Gernika, approved by referendum on 25 October 1979, which recognises the existence of a Government with executive powers and a Parliament with general legislative capacity. The Basque Country also has two bodies inherited from the traditional Basque codes of rights in each territory or province - the General Assembly, with regulatory and operational capacities similar to parliament, and the Provincial Councils, their executive institutions. Their existence gives the Autonomous Community a decentralised organisational structure, making it almost a confederation.

The Provincial Councils (Bizkaia, Gipuzkoa and Alava) are one of the principal institutions of the Autonomous Community of the Basque Country. The government of each province is the "Diputación" (Provincial Council). It is headed by the Diputado General (Chief Councillor), who is supported by a team of councillors who take responsibility for the various areas of government.

They have a broad range of powers covering issues such as town planning, roads and public works, the environment, cultural heritage and social welfare. The three Basque historical territories are entirely equal within the political and administrative structure of the Basque Autonomous Community. The association between the institutions mentioned above and the Basque Government gives the Autonomous Community a confederal organisational structure. The development of Barakaldo and provision of public services is the responsibility of the Municipal government shared with the regional government in matters of health and education. Both the central and the regional governments may delegate additional powers to municipalities. Because of the degree of authority that has been devolved to the autonomous communities from the central government, local institutions are politically dependent on these communities; however, they remain to a large extent financially dependent on Madrid.

#### **Figure 3.3.2 Images of Barakaldo**



Government at the municipal level is administered by a Municipal Council, the members of which are directly elected. Each Municipal Council is headed by a mayor, who is elected following local elections, from among the council members, and who, in most instances, serves as the leader of the majority party in the council. In addition to being chairman of the council, directing municipal administration, heading the municipal police force, and exercising extensive powers of appointment, the mayor plays a major public relations role and enjoys a great deal of prestige.

Specifically related to the work of the URBACT II Network RUnUP the municipality has established Inguralde (the partner in the RUnUP network) a municipal service company for training, employment and the economic promotion of Barakaldo. It was founded in 1992 in order to promote policies of employment and local development.

Inguralde works on three main fields:

- Creation of new enterprises
- Creation of Employment
- Promotion and Support of Enterprises

Regarding the ‘Creation of new enterprises’, Inguralde provides everyone who wants to create an enterprise with the necessary information and tools; offers advising, guiding and training services; and has also some incubator centres in the city. Within the “Creation of Employment”, Inguralde provides information services, an employment centre, workshops on new technologies, information on job vacancies and support in undertaking professional qualifications. In the “Promotion and support of enterprises”, Inguralde offers information and guidance on economic incentives and existing funds for helping enterprises and support for management improvement activities.

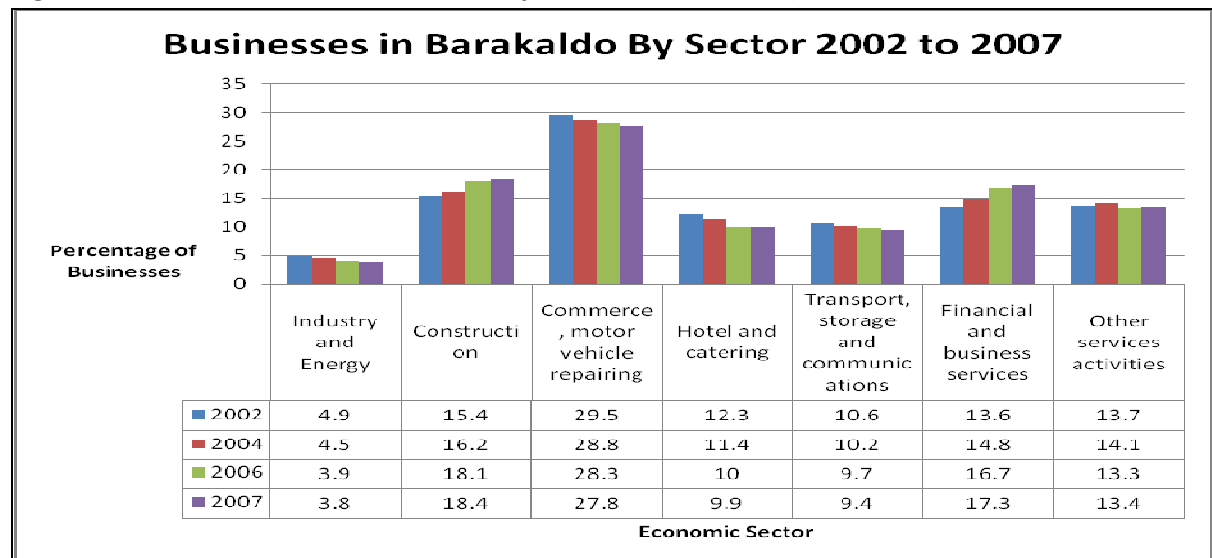
In line with this strategy, Inguralde has carried out several European projects, in the context of initiatives like URBAN, ADAPT and EQUAL.

### **3.3.2.2 Barakaldo Economic Structure**

For over 100 years, the Basque Country has been one of the most important industrial areas in the Spanish State and represents one of the most significant financial centres in the European Atlantic axis. In 2007, 10.7% of the industrial turnover of the Spanish State was generated in the Basque Country, which is a much higher percentage compared to the figures that would result if the situation were based on criteria of population (4.7%) or geography (1.5%). In addition, employment in the Basque Country has grown by over 30% in the last ten years; and employment has fallen from 21.7% in 1995 to 4.1% in 2006, while the average in the Spanish State fell from 18.4% in 1995 to 8.5% in 2006. Thus, together with Madrid and Catalonia, the Basque Country leads the way in terms of employment growth in Europe between 1995 and 2005.

As stated in the introduction to the profile Barakaldo has undergone significant industrial transformation and economic regeneration. Historically the town was a central part of the region's economy linked in particular to the mining and processing of iron leading to a significant increase in the population of the town. Economic and industrial restructuring in the 1960s and 1970s impacted greatly all the towns, including Barakaldo, located on the left Bank of the Nervión River in Greater Bilbao with the eventual decline of the iron industry upon which the economy of these municipalities was totally based. This industrial restructuring left an economic situation and urban environment with high levels of unemployment, in excess of 32% in some municipalities, a decline in investment and a legacy of contaminated industrial land.

**Figure 3.3.2.2a: Businesses in Barakaldo by Sector (2002 to 2007)**



In the last ten years Barakaldo has seen large-scale improvements in terms of urban planning, environment and society. The city has undergone a remarkable transformation, towards a new economic and productive model, a new urban environment and a better way of living for its inhabitants. This new economic resurgence has been driven through the location of new industries, supported by the development of the Port and the Airport, and economic activities that are compatible with a residential environment and located on former industrial land. In particular this has included the choice of Barakaldo as the site of

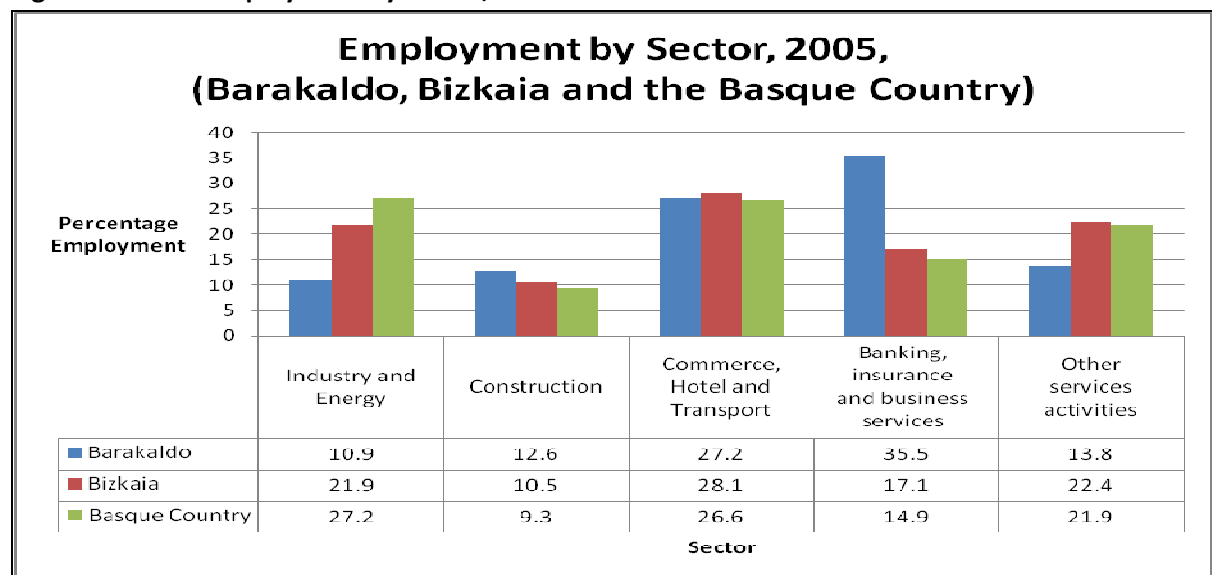
the Bilbao Exhibition Centre and the opening of large shopping centres (Megapark) and other amenities, and the subsequent transformation of the areas around them.

In delivering this economic and urban regeneration public institutions have contributed to the development, commitment and promotion of economic activity; including the development of new sectors and service industries; employment; and the adoption of new technologies by companies in non-iron based sectors to support the modernisation of production processes in order to adapt them to the new market economy and maintain high optimum levels of competitiveness.

As a result of this transformation Barakaldo has seen a growth in new businesses of 5.7% between 2000 and 2005 and an increase in employment of 11.1% in the same period with significant growth in the construction (34%) and financial and business services (31%) sector companies.

In Barakaldo the biggest proportional growth in business according to sectors (Figure 3.3.2.a) appears in financial and business services (13.6% out of the total number of businesses in the city in 2002; 17.3% in 2007). Alongside this construction has also increased. In comparison, 4 sectors have suffered a slight reduction: Industry and Energy; Commerce and motor vehicle Repairing; Transport, Storage and Communications; and Hotel and Catering.

**Figure 3.3.2.2b: Employment by Sector, 2005**



Barakaldo cannot be considered an industrial city, although it is still regarded as so locally. Industry only generates 1 out of 10 jobs in Barakaldo (figure 3.3.2.2b) with 10.9% of total employment generated by Industry and Energy, while Commerce, Hotel and Transport supporting 27.2% and Banking, insurance and business services 35.5%. These two sectors and other services accounting for 3 out of 4 jobs in Barakaldo.

In this new environment Barakaldo is one of the most important business, services and industrial location in the Basque Country. It is an area with an important industrial tradition but with new facilities that will attract service sector based companies. Its location near the port, the airport, the A8 highway and the city of Bilbao provides a strategic location for the development of logistics industry and significant potential for the development of high-growth sectors including energy.

### **3.3.3 The role of Universities and Knowledge Transfer Partners in Barakaldo.**

While Barakaldo has undergone significant economic transformation and economic regeneration to date this has not included the development of knowledge based economy activities and this is the core problem for Barakaldo as outlined in URBACT II RUnUP declaration of interest. In particular Barakaldo has only a small campus location of the University of the Basque Country with no direct engagement with the technology transfer and spin-out activities of the university.

The 2007-2010 plan for the University system in the Basque Country<sup>1</sup> identifies clear challenges and objectives regarding relationships between Basque Universities and business. In particular the number of active researchers working in business related areas or in delivering projects for business has remained at the same level between the period 2004 to 2007. In response the 2007-2010 plan recognises that economic growth needs “fluent” relationships between university and enterprise. In this context the plan articulates the following actions to integrate the work of Basque Universities into their social, natural, economic and cultural environment:

- The development of programmes of collaboration with companies.
- The improvement of the communication and information between universities and the society.
- The promotion of the entrepreneurship and setting up projects that promote the entrepreneurial spirit and support new business ideas.
- The development of innovative technologies, use of new technologies by the companies and offer of solutions for the social demands in general, and for the enterprises’ in particular.
- The strengthening and consolidation of permanent adult education programmes.

In line with principles of the RUnUP network the plan takes as its point of reference the “innovation spiral” driven by the triple-helix integration of university, enterprise and government.

The Basque Country has four universities divided into 28 faculties or schools, 3 higher technical schools and 11 university schools, in which over 4,000 professors provide instruction for the more than 91,000 students.

The University of the Basque Country (EHU-UPV) is a public institution educating 48,000 students. It has campuses over the three provinces of the autonomous community; in Leioa,

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<sup>1</sup> University Plan 2007-2010 For the University Basque System, Department of Education, Universities and Research, Basque Government

Bilbao, Portugalete and Barakaldo, in Biscay, Donostia-San Sebastián and Eibar in Guipuscoa, and in Vitoria-Gasteiz, in Alava.

The University offers a broad range of studies including Medicine, the Sciences, Fine Arts, Law, Economics, Business Studies and Industrial Engineering. The university offers 78 different degrees in more than 1,300 subjects of study, with 43% of courses delivered in the Basque language. The university is now recognised as one of the foremost in Spain, both in terms of the number of degrees offered and the quality of the typical degree awarded.

Alongside its delivery of educational programmes the University of the Basque Country operates support activities to facilitate the creation of spin-out companies through the exploitation of the research results in particular offering space for company development at all of its 3 campuses, economic resources, expert consultancy, support for company start-up and training of entrepreneurs. The promotion of entrepreneurial activity is supported by workshops, conferences, seminars and competitions.

In support of knowledge transfer the University's Office for the Transfer of the Research Results (OTRI) is responsible for the management of contracts and patents and relationships between the university and industry in particular the promotion and generation of new ideas and the management and development of industrial projects.

In addition to this the University of the Basque Country is a founding partner in the University Company Research Foundation (Jakintza Lanezko Ikerkuntza) EUSKOIKER<sup>2</sup>, which was established in

1979 with the three Regional Governments and the three Chambers of Commerce in the Basque Country. Directly aimed at fostering university-business relationships the foundation is a member of the Basque Technology Network and is a founder member of the Spanish Network of University-Company Foundations. At an operational level the foundation provides a “meeting point” and serves as a link to promote mutual awareness of the different collaboration options between companies/institutions and the University of the Basque Country facilitating the establishment of relationships with researchers and university professors.

In addition to the public university, the University of Deusto has two campuses, in Bilbao and in San Sebastián. The Basque Country hosts also the University of Mondragón. This institution, created under the auspices of the industrial group of the same name, is the first "cooperative university" in Europe.

Operating alongside the Universities, the Basque Country has pioneered the setting up of Technology Parks in Spain. Currently four parks form part of an integrated Network combining the location of high-profile companies, Universities, and Research and Technology Transfer Centres with environmentally high standard, sustainable environment.

The philosophy of the Basque Country Technology Park Network<sup>3</sup> is to coordinate the four Parks, with a strategy of orientation towards complementary technological areas, and with a telecommunications Intranet setup that links all of the companies operating in the Parks.

The Basque Country has an innovation policy that sets the foundations for the integration of the Science-Technology-Company System, which is market demand oriented. The Technology Parks have prompted a substantial increase in R+D in the Basque Country that has placed the autonomous region on the path to convergence with the European Union in that field. As a result, the R+D activities carried out by the companies, technology centres, and universities located in the Parks account for 30 percent of the autonomous region's total expenditure in R+D and 50 percent of company expenditure in R+D.

### **3.3.4 Moving Forward**

The creation of new knowledge based industrial sectors in Barakaldo can only move forward through relationships with key regional Partners. The ULSG for Barakaldo will include the following organisations.

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<sup>2</sup> Further Information: [EUSKOIKER](#)

<sup>3</sup> Further Information: [Basque Country Technology Park Network](#)

- Municipality of Barakaldo
- Ingalde – Municipal Autonomous Organism for Local Development
- University of the Basque Country:
  - School of Advanced Industrial Engineering (Bilbao)
  - School of Technical Engineering of Mining and Public Works (Barakaldo)
  - Multidisciplinary University Group (Bilbao)
- Chamber of Commerce and Industry of Bilbao
- Private companies located in Barakaldo:
  - Leroy Merlin
  - Xupera

The opportunities and challenges identified in the final section of the baseline, section 3.3.5, link well into the ERDF Competitiveness Programme. On 28 November 2007, the European Commission approved an operational programme for the Autonomous Community of Basque Country covering the period 2007-2013. This operational programme comes under the "Regional competitiveness and employment" objective and has a total budget of around €500 million. The funding provided by the European Community via the European Regional Development Fund (ERDF) amounts to some €241 million, which represents about 0.7% of the EU's total investment in Spain under the cohesion policy 2007-2013.

The development strategy is based on the accumulation of assets which are part of the region's strengths, particularly its science and technology network and its substantial investment outlay on research and development (R&D). The programme has particularly strong synergies with the Run-UP network with substantial support for the knowledge economy, innovation and business development (more than 77% of resources).

In particular the challenges and opportunities for Barakaldo articulated within its URBACT Local Action Plan can be delivered through actions related to Priority 1: Knowledge economy, innovation and business development, where emphasis will be placed on boosting the potential of the Basque system of innovation, support for businesses' investment in R&D&I and the spread of new information and communication technologies. The work of the RUnUP network particularly aligns to the proposed actions to stimulate research and innovation, technology transfer, cooperation between enterprises and their diversification and the development of entrepreneurship.

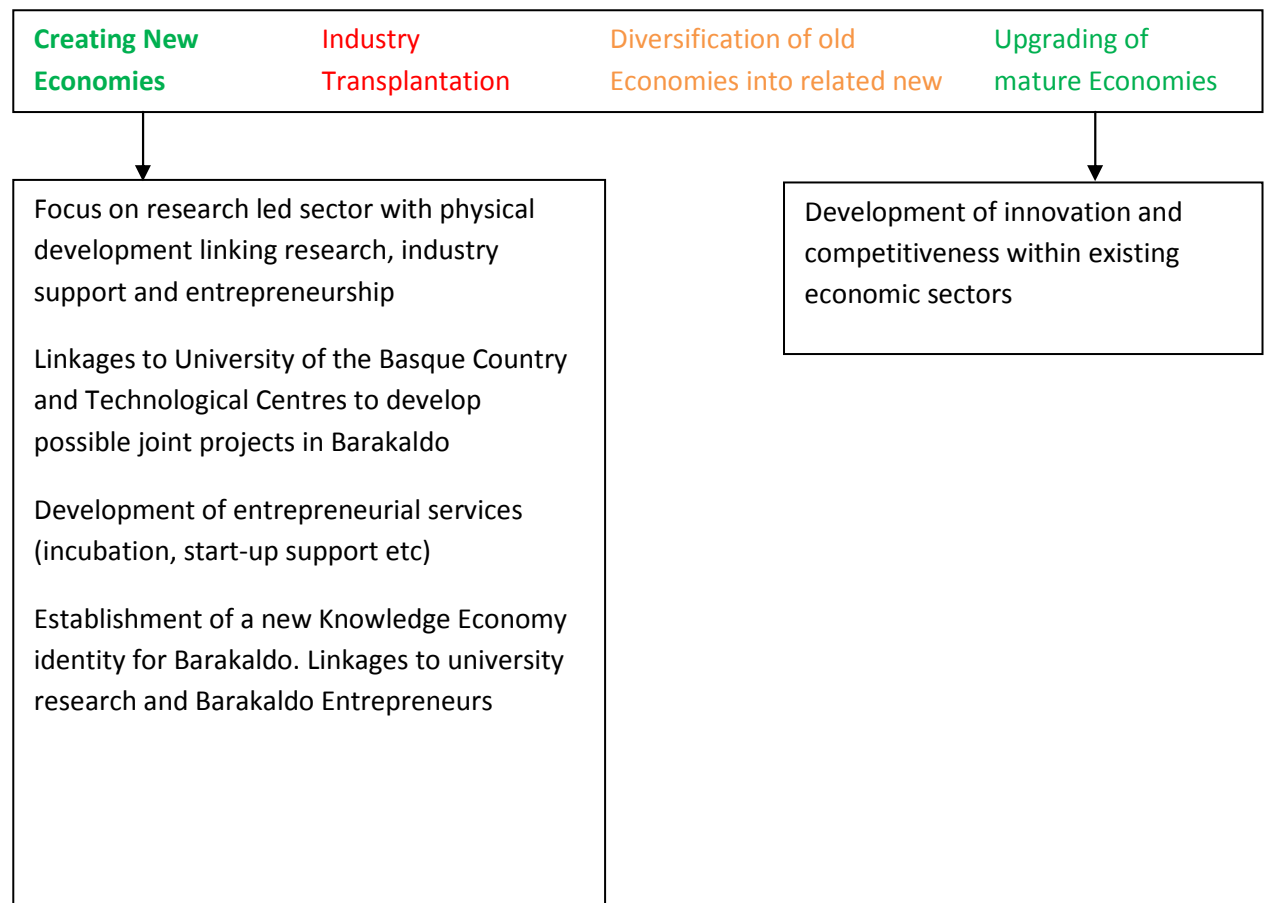
### **3.3.5 Key Challenges for Barakaldo**

The RUnUP thematic network seeks to maximise the economic, innovation and entrepreneurship potential of medium-sized urban poles. The challenge facing Barakaldo within this context is that it has only one campus of the university of the Basque Country located within the municipality and its economic structure has changed significantly in particular around the service sector and to date partnership working in projects between the municipality and universities has been limited so this will represent a key challenge in driving forward the Local Action Plan for the RUnUP network.

As has been outlined in state of the art review there is no one-size-fits-all approach to the role of universities in economic development. In the case of Barakaldo due to the lack of a 'Barakaldo University' it is the role of the municipality through its economic development organisation Inguralde to identify how new knowledge based economic sectors can be developed within the economy while supporting the developing of its existing business service sectors and the role of the universities and technology centres of the Basque country in this context.

In delivering innovation led growth for Barakaldo the relationship between Inguralde and the universities and technology centres of the Basque Country needs to be defined. The state of the art report has identified how European policy has taken the University as its point of reference for the knowledge economy, at a local level in Barakaldo it is the municipality and its focus on creating a new knowledge driven sector of the economy that should be the point of reference (figure 3.3.5b) rather than the traditional approach of universities in technology transfer and spin-out activity. In this context the municipality is the only actor with a fully exclusive focus on the needs of Barakaldo and the motivation to mobilise universities and technology centres to support its economic development.

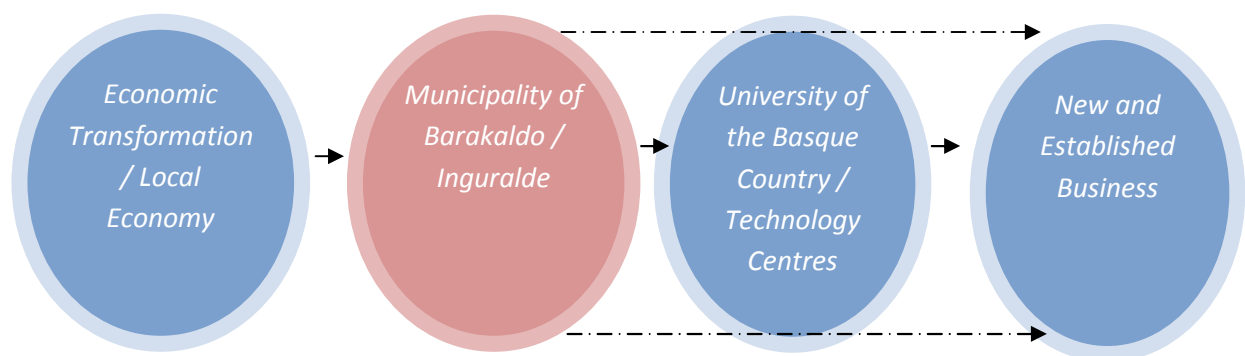
**Figure 3.3.5a University / Knowledge Based Partners role in innovation-led growth for Barakaldo**



Within the RUnUP Thematic network Barakaldo needs to address the following challenges to take full advantage of the knowledge economy:

- **Fully articulate the state of transformation in its local economy.** Barakaldo has undergone a significant physical and economic regeneration moving from heavy industry into a service sector driven economy. In seeking to develop new knowledge driven areas of the economy consideration needs to be given to the exact sector in which the municipality would like to develop further. This must be led by the municipality through Inguralde in partnership with local actors as highlighted in figure 3.3.5a.
- **Fully understand how its knowledge based partners deliver activity in support of new economic activity creation.** In line with a new role in supporting the development of new economic activities in the knowledge economy Inguralde acting with the support of the municipality needs to establish a deeper, targeted relationship with the Universities and Technology Centres in its region. In particular identifying those activities and expertise that align most appropriately to their new economic objectives. This will maximise the benefits of relationships as clear opportunities for joint working emerge.

**Figure 3.3.5b Economic Transformation relationships in Barakaldo**



**Deliver new knowledge-based collaboration activity in line with the Creation of new economic sectors.** Possible joint projects could focus on linking research into the generation of spin-out companies and entrepreneurial activity and linkages with local industry. The RUnUP network will enable new opportunities for collaborative working to be explored to address specific problems (e.g. creation of new models of integrated education, knowledge transfer and entrepreneurship models) or the creation of a new identity linked to the marketing of Barakaldo and the offer of its university partners.