



Rethinking Regional Attractiveness in the **Balearic Islands Region** of Spain



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2023

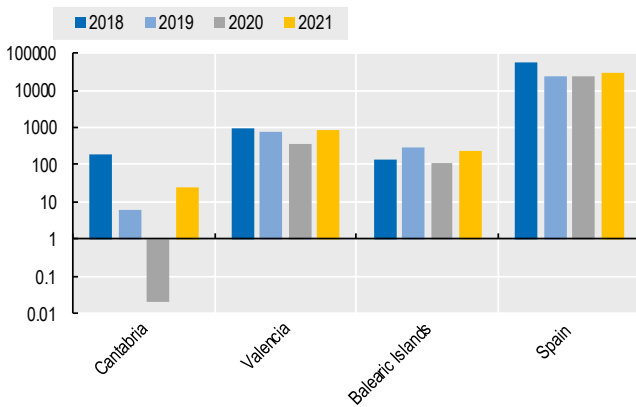


The impact of the COVID-19 crisis, compounded by the consequences of Russia's war of aggression against Ukraine and existing megatrends (e.g. climate change, globalisation, digitalisation and demographic change), continue to produce asymmetric effects within and between countries and regions, with the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

A snapshot of the Balearic Islands in the world

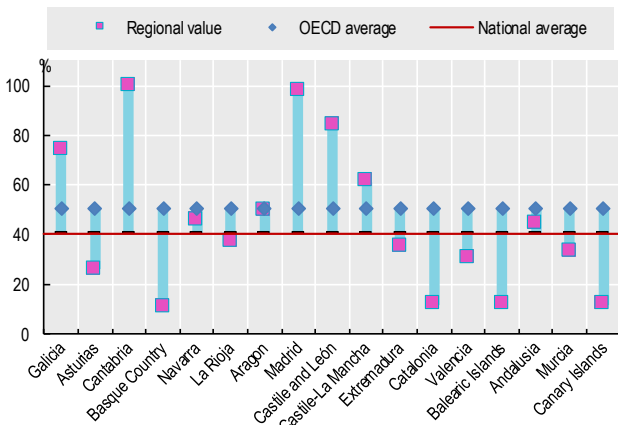
FDI Inwards by region, expenditure in EUR millions (log scale)



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

Following real estate investments of over EUR 183 million in 2018, gross investment flows increased from EUR 139 million in 2018 to EUR 288 million in 2019. Despite the impact of the COVID-19 crisis, when inward FDI flows fell by 60% (OECD, 2020), the Balearic Islands have made a strong recovery in the past two years. In 2021, FDI inflows rose to EUR 234.8 million, due to large investments in the agri-food (EUR 62.4 million), renewable energy (EUR 61.99 million) and hotel construction sectors (EUR 63.4 million) – indicating that the Region is steadily recovering from the effects of the pandemic. This is a slightly better showing than the EU (Greenfield) FDI inflows, which were broadly consistent between 2018 and 2019 before dropping off by more than 70% in EU countries in 2020.

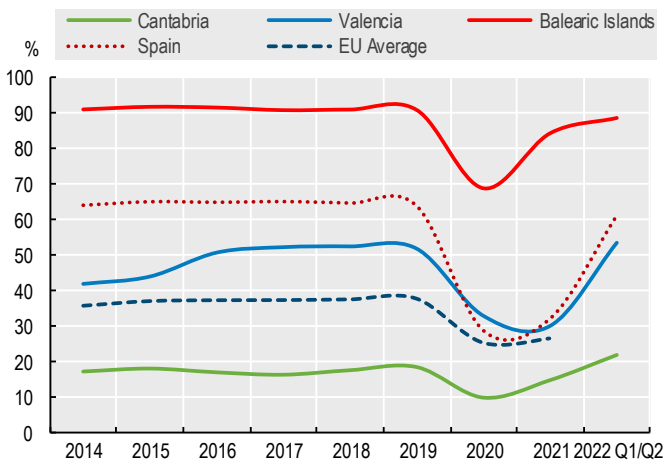
Share of renewables in electricity generation (2019)



Note: Ceuta and Melilla regions have been excluded because of a lack of reliable data
Source: OECD Environmental database (2022); OECD regions (TL2).

The Balearic Island’s Mediterranean climate and coastal position presents major opportunities for renewable energy production, including solar, wind, and wave energy. Despite the region’s potential, only 12% of its electricity is produced using renewable resources, a figure far below the OECD (50.2%), EU (49.5%) national averages (40.2%), suggesting opportunities to improve the sustainability of energy production. The Balears aim to increase the share of energy coming from renewable sources to 35% by 2030, and to 100% by 2050. As the world strives to transition towards cleaner energy systems and fossil fuel prices prove unstable, this is a unique pull factor for international firms looking to invest in clean energy initiatives in the Archipelago.

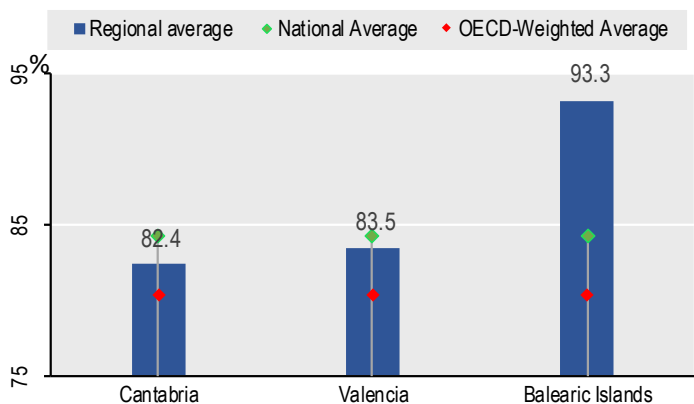
Share of nights spent by foreign tourists in accommodation establishments



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 remained relatively stable (at around 90%), and well above the Spanish average. The sudden halt in global travel and tourism due to the COVID-19 crisis led to a 20p.p. drop in the share of nights spent by foreign tourists, to 69% – a figure that still far surpassed the EU (25.3%) and national averages (down 35p.p to 28.5%). Following the pandemic, the Balearic Islands have experienced a promising rebound, reaching pre-pandemic levels and maintaining its attractiveness as a destination for overseas tourists. In the first half of 2022, around 89% were foreign tourists, very close to 2019 levels (91.1%).

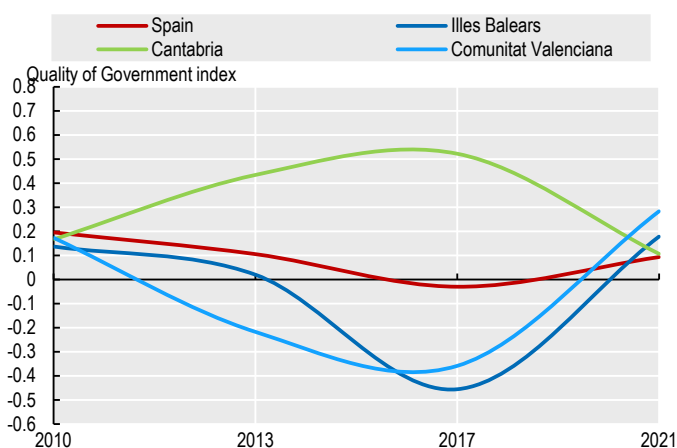
Share of population satisfied with opportunities to meet people and make friends (2016-2020)



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

Indicators that capture participation in social activities can help to measure regional social capital and can illustrate an important relationship between higher levels of social well-being and regional economic growth. In the Balearic Islands 93.3% of the population indicated they are satisfied with opportunities to meet people and make friends, a figure that is over the national average (82.8%) and the OECD-weighted average (81.6%). 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

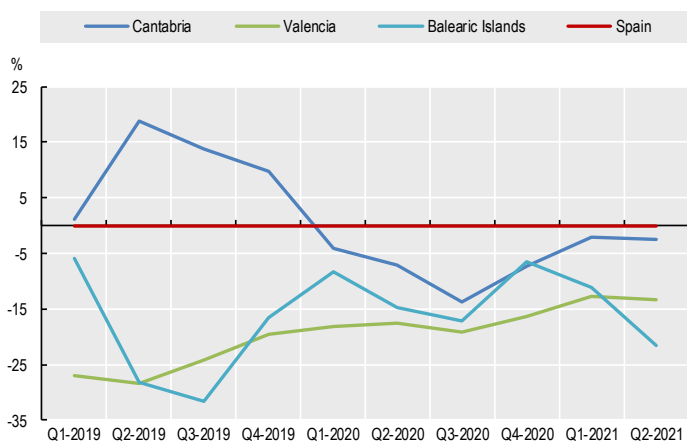


Note : The EU average is represented by the horizontal axis (zero line).
Source: University of Gothenburg

Perceived quality of government can have serious implications for trust in government, as well as the attractiveness of territories. The European Quality of Government Index (EQI) captures, at the regional level, citizens’ perceptions, and experiences in relation to corruption, quality, and impartiality of three essential public services – health, education, and policing. Between 2010 and 2017, the EQI in the Balearic Islands declined considerably, from initially being in line with the Spanish average to eventually falling noticeably below. Data from 2021 indicates that the EQI in the Region is now on an upward trajectory (0.3) and has surpassed both EU and national averages. This improvement could help to influence the decisions of potential investors and talent when choosing a preferred destination to set up a business or raise a family.

Download speed at the regional level

% deviation from national average



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

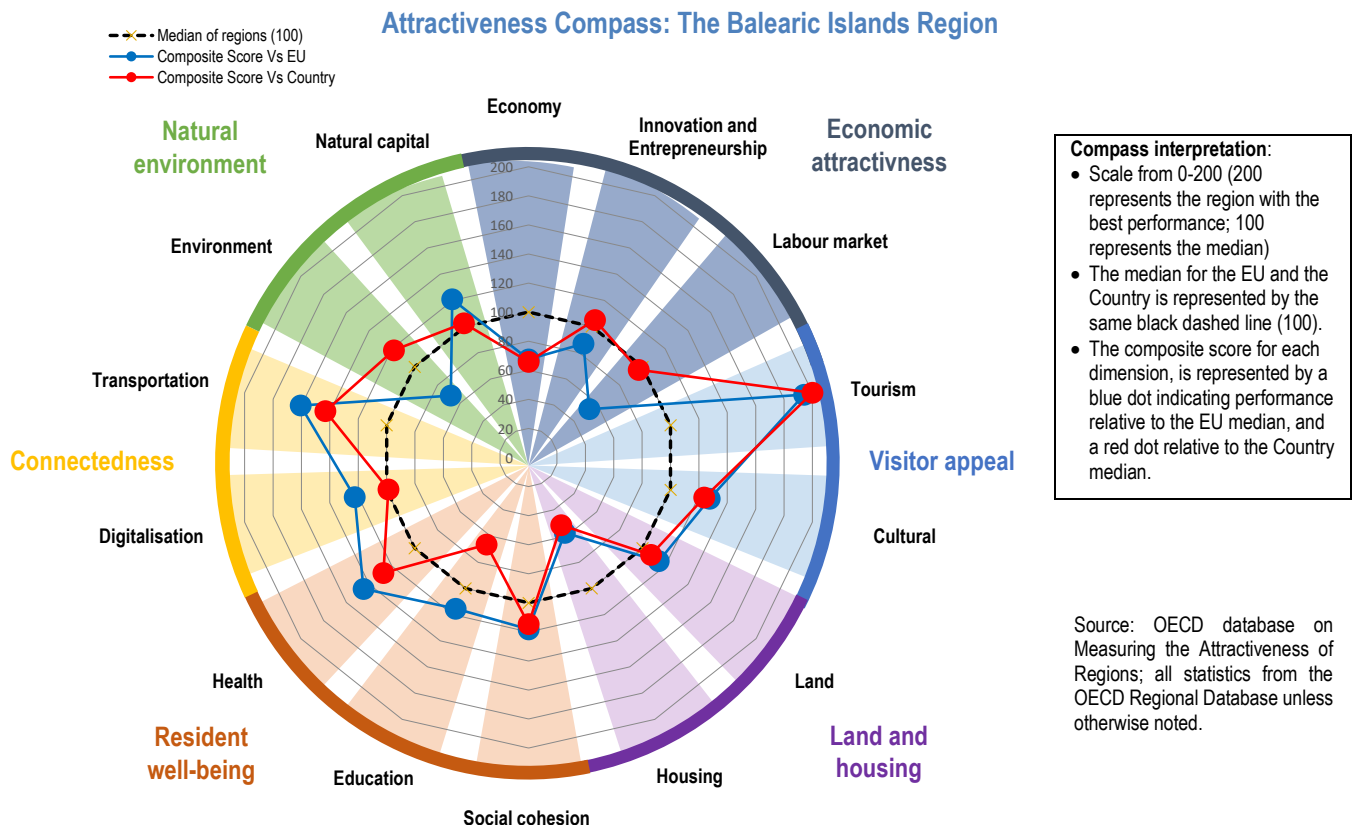
Access to fast and reliable internet connections are a key factor in attracting talent, investors, and visitors. It is particularly important for regions wishing to leverage the potential benefits associated with the accelerated digital transformation resulting from the COVID-19 pandemic, such as the growth in popularity for remote working. Although over 95% of households have broadband high-speed access in the Balearic Islands, download speeds have performed consistently below the national average in recent years, peaking at only -6.5% in Q4 2020. Since then, relative performance has slipped with the average download speed now around 21.5% slower than the national average.

Attractiveness profile: The Balearic Islands Region

The Balearic Islands region stands out for several assets including its strong passenger transport infrastructure and human connections, highlighting its potential attractiveness to visitors and other international target groups. A well-developed tourism sector and reliable airports and digital infrastructure are significant pull factors for investors, talent, and visitors, offering a window of opportunity to shape the future of the region’s growth. Despite those strengths, high transport costs, as well as the need to diversify the economy and improve the quality of employment opportunities, remain challenges. These, as well as greater vulnerability to the impacts of climate change, are typical issues for island economies.

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 Balearic Islands, on the **Business** front, the share of **regional gross value added (GVA) from tradable sectors** is the third lowest in Spain (18.3%), scoring far below the EU (34.7%) and national (30.8%) averages – 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 Region stands out with strong **air transport performance**; on average, people in the region can access over 419 unique passenger daily flights within 90 minutes by car, outpacing the EU (354 daily flights) and national averages (233 daily flights). When it comes to **Human** connections, and in particular visitor presence, the Region recorded the highest number of visitor nights spent per sq. km (over 1,540) out of all Spanish regions. Finally, in terms of **Knowledge** connections, the number of **international scientific co-publications** (781) is lower than the average of EU (1,531) and Spanish regions (1,145) in 2021. Despite this number, the Universitat de les Illes Balears (UIB) has a growing internationally orientation since the share of international publications out of all publications is around 60% against 50% on average in Spain (CYD, 2021).

The OECD’s innovative and multidimensional approach to assessing regional attractiveness considers global engagement beyond international connections and financial drivers alone. In total, 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, Land-use, and Housing).



Economic Attractiveness: The economic performance of the Islas Baleares – as measured by GDP per capita and GVA per worker – is in line with scores across Spain and slightly lower than the EU average suggesting room for improvement remains. The Region scores very low on economic diversification. In fact, tourism accounts for over 44% of GDP in the Islas Baleares (Balearic Islands Tourism Board, 2017), indicating that there are opportunities to diversify the regional economy and be less dependent on the visitor economy.

In the labour market dimension, the Region scores far below the EU average and slightly over the national average. Indeed, young people in the labour market (67.1%) are slightly higher than national average (64.5%) yet well below the EU average (80%). At the same time, the relatively low number of patent applications per capita (15 per 1 million inhabitants) and the small share of employment in R&D (0.78%) are indicative of the lower score on the innovation and entrepreneurship dimension.

Visitor Appeal: The tourism sector is one of the cornerstones of the regional economy. The Islas Baleares benefit from the highest number of tourist accommodation beds per capita in Spain (380 per 1000 inhabitants) – far above the EU (89 beds) and Spanish averages (84 beds) – as well as the highest number of overnight stays per capita in the country (over 57 per inhabitant, far outpacing the EU regional average (8.7 per inhabitant)). In terms of cultural capital, the Region is home to two UNESCO cultural world heritage sites and could take further advantage of other cultural sites (e.g. “Bronze Age Trepucó village in Menorca), to increase the share of employment in culture and creative industries (1.18%) which is slightly over the EU (1.14%) and national averages (1.03%).

Connectedness: When it comes to the digital transformation, over 95% of households have broadband high-speed access in the Islas Baleares – surpassing other EU regions (85%) – yet download speeds are slower than the national average. In terms of transportation, the number of people who can be reached by roads within 90 minutes is over 95 per 100 nearby inhabitants (within 120km radius), outperforming EU (77) and Spanish regions (92). Although, roads on islands does not ease access to major cities, around 70% of the population is satisfied with the quality of public transportation (outperforming other EU and Spanish regions), indicating that despite challenges due to its isolated and complex topography, the Region has introduced adequate transport links throughout the archipelago and mainland cities to meet the perceived public transport needs of residents.

Land and Housing: The share of land converted to artificial surfaces between 2004-2019 (1.25%) is above the EU average (less than 1%) yet still below the Spanish average (2.35%) – suggesting that due to the limited land available, the region has focused on repurposing existing infrastructure or relied more on brownfield sites for projects and investments. The share of built-up areas (4%) is also lower than the EU (6%) and Spanish averages (over 8%). 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.

Access to good-quality affordable housing has become a regional challenge. A consistent shortage of housing supply and the rapid growth of online accommodation platforms has negatively affected the local housing market, particularly in the islands of Ibiza and Mallorca. Residents in the Islas Baleares spend 32% of their disposable income on housing and only 33% of the population is satisfied with housing affordability – second lowest score in Spain. Improving the matching of supply and demand for dwellings is necessary to respond to the difficulties residents are facing when seeking affordable accommodation.

Resident Well-being: People in the Islas Baleares tend to be more satisfied with their lives than other regions of Spain. Homicide rates are also very low by EU standards. In terms of education, the region performs below the Spanish average and just over the EU average. Roughly 36% of the population has completed tertiary education – a score that exceeds the EU average (32%) but is still below the national average (39.6%). The Region has the lowest share of international students (0.7%) in Spain – which could in part be explained by the lack of affordable housing options in the archipelago. Reliable access to cardiology and maternity services and the high percentage of people satisfied with healthcare services (67%) is indicative of the higher score on the health dimension.

Natural Environment: On the environmental front, the amount of greenhouse gas emissions produced by the transport industry in the Islas Baleares (2.22 tons of CO₂ per capita) is slightly below the Spanish average (2.3), and while less than 50% of the population are satisfied with environmental preservation efforts, this outperforms the national average (38%). The Region has a coordinated network of 27 protected areas, taking measures to guarantee the preservation and sustainable use of the local vulnerable ecosystems. In 2022 the regional government updated its tourism law with urgent policies to enhance the circularity and sustainability of tourism. Ensuring effective conservation and sustainable use of biodiversity is imperative as failure to halt and reverse biodiversity loss can have negative consequences for the economy, businesses, the financial sector, and society as a whole (OECD, 2021).

From recovery to resilience

As illustrated in the attractiveness profile above, the Balearic Islands have become one of the leading tourist destinations in Europe, attracting millions of visitors every year. As a result, the regional economy shows low levels of economic diversification. Opportunities for qualified professionals remain limited, particularly amongst youth, who leave the archipelago in search of better job prospects. The working conditions of tourism workers and lack of affordable housing options has also caused labour shortages in this sector. These circumstances have led the regional government to focus on alternative markets that increase tourism flows in the off-season and attract higher spending visitors. As an archipelago, the Region faces a range of specific issues, including increased pressures on its marine and coastal ecosystems, which provide protection from climate change and natural disasters (e.g. floods, pollution). Moreover, the Archipelago remains dependent on the mainland for supplies and energy provision, although measures have been introduced to increase the share of energy coming from renewable sources. Freshwater is scarce and the high influx of tourists has made water and waste management a challenge. Finally, due to high cost of transport, limited resources, and small and discontinuous territory, it is more difficult for the Region to develop economies of scale as is the case in other mainland territories. (OECD, 2022) To tackle these challenges, policy measures will need to be implemented throughout the region, while building on participatory multi-level governance approaches.

Despite being a highly tourism-dependent region, the Balearic Islands region is benefitting from a swift economic recovery following a broad array of policy responses and an effective vaccination rollout. The impact of the COVID-19 pandemic on tourism and travel, while strongly negative in short-term, offered an opportunity to reconsider policy objectives and tackle the challenges present prior to the pandemic. These include taking steps towards a more diversified economy, addressing the consequences of climate change, establishing a more resilient and greener tourism economy, supporting skills development, and training, and responding to labour market-needs. These measures can help address increased vulnerability to external shocks that may compromise prospects for longer-term economic development.

Moreover, to mitigate the effects of the Covid-19 pandemic on the Archipelago, the regional government has adopted 70 measures within the Pact for Economic and Social reactivation and diversification of the Balearic Islands signed in July 2020. Certain measures include providing access to healthcare, employment, housing, and education to refugee families. After Russia's war of aggression against Ukraine in February 2022, a set of budgetary measures have been proposed to stabilise electricity and fuel prices, as well as tax deductions for families who are willing to host or donate to Ukraine relief efforts.

Enhancing business connections is essential to shift towards a more diversified economy. Under the Islas Baleares Investment Strategy 2030 (*Estrategia de Inversiones Islas Baleares 2030*) and the Pact for Economic and Social reactivation and diversification, the regional government has identified a number of policy actions to increase investment in the region. The latter underscores the creation of a one-stop business advisory service which provides information, training, mentoring and consultancy services for local business and potential foreign investors. The former highlights 12 strategies, including the promotion of the Balearic Islands Audiovisual Hub, a pilot digital content cluster which can contribute to economic diversification and the steps to address seasonality of the regions' economic activity. In fact, knowledge-based activities could potentially acquire greater importance within the economic fabric of the region while pursuing sustainability and greater diversification of the tourism sector. Investing on the creative industries via the Balearic Islands Audiovisual Hub and value-added industrial sectors (e.g. maritime, real-estate, film, and the fashion industry) provides a strong starting point despite the Region's heavy dependence on air and/or sea freight and the high market price of land. This will require a strategic and coordinated approach amongst all stakeholders involved. Moreover, university-industry collaboration is limited, which hinders the development of more innovative and competitive sectors of activity. Regional policy objectives are focused on supporting economic diversification through investments in technology and knowledge-based industries. To achieve this, the region has initiated a plan for research excellence to foster cooperation between various stakeholders (e.g. universities, tech parks) and to facilitate access to both infrastructure and scientific equipment.

Attracting and retaining talent is essential to enhancing the region's overall attractiveness and boosting its performance in the knowledge connections domain. The economic structure of the Balearic Islands is focused on low-skilled labour, with tourism activities generating nearly a third (31%) of total direct employment, respectively (Balearic Islands Tourism Board, 2017) ¹. At the same time, the region is facing significant labour shortages, particularly relating to tourism and other public sector services (health, police, and the judiciary). The high share of seasonal and part-time employment contracts, as well as irregular working hours and low salaries are additional factors making it difficult to attract and retain talent in the tourism sector.

These circumstances tend to encourage the migration of young adults, many of whom are highly qualified, and actively seeking employment opportunities in other regions or abroad.

Furthermore, the lack of affordable housing has discouraged civil servants and other public sector employees from accepting employment opportunities in the region, particularly in the island of Mallorca and Ibiza, where affordable housing options are limited. In response to this issue, the regional government has made efforts to improve access to affordable housing and alleviate the negative impacts of online accommodation platforms. A new regulation requires homeowners who wish to rent their homes through online platforms to apply for licences, issued for a limited period, at their corresponding Island Council. Another initiative is also pushing to further regulate the purchase of secondary homes by foreigners or those who have been living in the Region for less than five years, although accordance with EU regulation is still to be confirmed. The objectives of these strategies are not only to constrain the rise of living costs in the Islands but also to favour the needs of local employees and address social divides that threaten social cohesion. Although laws that control the registration of rental properties can help mitigate housing supply shortages, further housing policies could be considered to address these challenges such as in the case of France. (see Box 1 below as an example of international good practice).

Box 1. France has responded to the development of digital platforms

In an effort to avoid obstructing the development of a dynamic new economy in furnished tourist rentals, while preserving housing market equilibrium, France has opted to take a regulatory approach, in particular through the adoption of the 2018 Law on Changes in Housing, Land Management and Digital Technology, or ELAN Law. Under this Law, in areas severely affected by rising housing prices, municipalities will be able to impose restrictions on second-home rentals and limit the length of time for which a primary residence can be rented to 120 days per year (this 120-day limit is also imposed on platforms).

Additionally, the Elan law strengthens the control of seasonal rentals, providing for the imposition of criminal and financial penalties against developers who do not comply with the regulations in force and the mandatory registration of their tourist accommodation according to the community.

Source: OECD (2020), *OECD Tourism Trends and Policies 2020*, OECD Publishing, Paris, <https://doi.org/10.1787/6b47b985-en>.

In the Balearic Islands, the tourism sector benefits from a comparative advantage due to the mild climate and availability of cultural and natural assets. Through the Integral Tourism Plan for the Islas Baleares 2015-2025 (*Plan Integral de Turismo de las Illes Balears 2015-2025*), a set of policy responses have been implemented to improve the competitiveness of the sector, combat climate change, reduce seasonality, promote high quality tourism offerings and encourage innovation, all of which will positively impact the attractiveness of the region to visitors. Although the plan was published in 2015, the COVID-19 crisis has further accentuated the need to tackle these issues. One means of addressing tourism seasonality is through the “*Better in Winter*” campaign, which promotes tourism activities (e.g. gastronomy, sport, cultural tourism) during the off-season. The initiative, launched by the *Balearic Islands Tourism Agency*, is a great example of how to increase the region’s attractiveness during the off-peak season and support local economies.

Nevertheless, tourism congestion is putting pressure on natural and cultural amenities in the region. Examples of regional initiatives to finance sustainable and quality tourism include the establishment of an ecotax of EUR 2 per night on all overnight stays. Another recent response has limited the number of cruise ships in Mallorca to mitigate the impact of cruise ships on the community and the environment (Box 2). And the regional government committed to invest more than 30 million euros in circularity projects in the tourism private sector, as well as to elaborate its own Regional Circular Strategy.

Box 2. A pioneering initiative to combat overtourism in the Balearic Islands

Cruise tourism in the Balearic Islands has experienced steady growth in the decade up to 2019, when it welcomed an estimated 1.2 million passengers. The outbreak of the Covid-19 pandemic caused a halt in travel and led to significant decline in the number of passengers. This represented an opportunity for the regional government to rethink and provide solutions to the challenges associated with overtourism (e.g. damage to the ecosystem, discontent of local residents, degraded tourist experience) to build a more resilient and sustainable tourism sector in the long run.

In December 2021, the regional government signed a five-year agreement with *Cruise Lines International Association (CLIA)*, approved by the national authorities, limiting the number of cruise ships calling at the Port of Mallorca, becoming the first and only region in Spain to do so. In 2023, the number of visitors will be limited to 8,500 passengers and three cruise ships per day (which includes one mega-cruise and two other smaller ships).

Limiting the volume of passengers that generally disembark for short periods of time, will provide an opportunity to ameliorate the tourist experience, relieve pressure in the city's historic centre and benefit local residents previously impacted by high levels of congestion. Also, ensuring that the visitor flows are more in line with the island's carrying capacity will also contribute to mitigating environmental impacts (e.g. deterioration of local flora and fauna, GHG emissions) and better address long-term sustainability on the island.

Source: Government of the Islas Baleares (2022), "[El Govern y las navieras firman en Palma el acuerdo que permite regular la llegada de cruceros](#)" [The Government and the shipping companies sign the agreement in Palma to regulate the arrival of cruise ships], (accessed 21 July 2022).

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 develop effective attractiveness policies and long-term resilience.

The Balearic Islands Region is a uni-provincial autonomous community comprised of four islands (Mallorca, Ibiza, Formentera and Menorca) and 67 municipalities. At the regional level, the *Government Delegate (Delegado del Gobierno)*, appointed by the Prime Minister, is the permanent representative of central government in the AC, 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). In the Balearic Islands, the regional government is organised differently from other ACs in Spain. Due to the geographical separation that exists within the island chains, each island has its own administration or Island Council (*Consejos Insulares*), which are directly elected and are responsible for regional transport, urban planning, culture, and many other competences. Consensus building among the regional government in Mallorca and the Island Councils, at times challenging, may deserve specific attention. Municipalities share responsibilities with the regional government in matters of health and education, although these vary in proportion to the population size.

One of the main challenges shared between several Spanish regions is the high level of local government fragmentation that can translate into difficulties for the adequate provision of public services for all citizens. Access to sound public services (including health and education) is a key driver to well-being and thus, to regional attractiveness, in particular for talent. (OECD, 2022) For instance, access to certain health care services (e.g. maternity care) can be limited in some of the islands, forcing people to travel to other islands to access these services. Enhancing cooperation among municipalities and local public service providers can create synergies

between policy fields and upscaling of public service delivery. Since 2008, horizontal co-ordination is carried out through the inter-island technical commission (*Comisión técnica interinsular*), the body responsible for the transfer of powers to the corresponding island councils.

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. Such dialogue would also benefit from shared monitoring and evaluation of performance with benefits accruing to all levels of government as well as of the beneficiaries of public policies. In particular, where there are contracts cutting across levels of government to enhance regional attractiveness, appropriate monitoring and evaluation could generate policy learning about which initiatives work for specific target groups.

Strategies to develop a more sustainable and resilient region, with the support of the European Structural Funds, present a wide array of opportunities to enhance attractiveness policies by focusing on emerging sectors (e.g. renewable energy, agri-food). 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, corresponding to the level of development, which are managed by each territory. Under the 2021-2027 European Regional Development Fund (ERDF) and European Social Fund (ESF), a total of EUR 34.693 billion will be distributed by the Ministry of Finance amongst the 17 autonomous communities and the 2 autonomous cities in Spain. During the current programming period, the Balearic Islands will be allocated EUR 485.4 million (ERDF and ESF+). Transition Regions, the regions whose GDP per capita falls between 75 and 90 percent of the EU average, have received an allocation for 2021-2027 period which means an 8,1% increase from the 2014-2020 programming period. In July 2020, the European Council also agreed on an exceptional temporary recovery instrument known as Next Generation EU. As part of it the execution of the Recovery, Transformation and Resilience Plan (PRTR) is largely based on the subnational administrations. In 2021 the Balearic Islands were allocated EUR 311.4 million of this plan (Gobierno de España, 2022). These regional programmes are managed by ACs while the central government monitors their performance to ensure coherence with the national plan.

Policy Considerations

The OECD case study suggests several policy considerations to enhance the impact of the internationalisation and attractiveness strategies of the Balearic Islands Regional development:

- **Enhance the region's attractiveness to investors, leveraging emerging industries** such as maritime and film. For instance, the Balearic Islands Audiovisual Hub set out by the regional government offers significant potential to further diversify the employment mix, while providing capital and technology with potential multiplier effects on the local industrial system.
- **Develop and implement a strategy that ensures affordable, quality, and accessible housing while considering the region's protected areas, geographic limitations, and other environmental impacts.** In addition to meeting the needs of locals, the strategy should also be tailored to attract workers, and foreign students, enhancing the region's attractiveness profile. For instance, through investing in student accommodation, the region can attract foreign students who wish to pursue their studies in the region and further be integrated in the local innovation system and job market.
- **Launch a regional branding strategy that will leverage and accentuate the unique characteristics of the region and its islands.** This branding strategy will need to bring together key players such as public and private actors, academia and civil society member to promote tourism products and local attributes such as crafts, culture and cuisine and serve the different islands of the Archipelago.

- **Further strengthening the tourism-related policies with the use of data and technology** to mitigate the negative environmental impacts, manage visitor flows and monitor attractiveness policies. For instance, the monitoring undertaken by the Mallorca Tourism Observatory could serve as a good example for other islands of the Archipelago to follow. At the same time, tourism strategies such as the Integral Tourism Plan for the Balearic Islands 2015-2025, could consider including indicators and measurable targets that will allow to monitor the progress of attractiveness policies for sustainable development.
- **Support the implementation of dialogue sessions among Island Councils, beyond the inter-island technical commission.** Improving communication and co-ordination across these bodies 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. At a larger scale, the regional government, active in this international dialogue, should continue to interact with other island regions, in particular EU island regions, which face similar challenges (e.g. limited economic activity, vulnerability to climate change, access to clean water and sustainable energy, brain drain due to limited job opportunities, tourism specialisation, etc.) often due to their territorial characteristics. Strengthening the relationship amongst islands regions could give a greater voice to these territories on the international stage, addressing the vulnerability of their fragile ecosystems to the impact climate change. This will also support the attractiveness of the territories to all target groups – investors, talent, and visitors

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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