

# The governance of place-based policies now and in the future?

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This paper examines the governance of place-based policies in advanced economies and argues they are a form of government intervention in the economy and society with broad-scale application. The paper sets out to address six broad questions, including the ways in which appropriate institutional and regulatory frameworks are developed; strategies to minimise transaction costs and rent seeking; how to develop better incentives and accountabilities amongst stakeholders and participants; approaches to enhancing co-ordination, the most appropriate forms of multi-level governance framework and the capacity of place-based policies to address complex policy trade-offs. The paper addresses these matters through a review of previous research and through the examination of two case studies, the La Trobe Valley of Victoria, Australia and Moravia in the Czech Republic. The paper concludes that place-based policies are a potentially invaluable tool for governments as they seek to address apparently intractable problems in specific locations. Place-based policies are complex, and this complexity is key to their pathway to success in addressing apparently 'locked in' social, economic and environmental problems. Overall, their prospects for success are largely determined by their governance settings.

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## ABSTRACT

This paper examines the governance of place-based policies in advanced economies and argues they are a form of government intervention in the economy and society with broad-scale application, including in the protection of the environment, the promotion of economic growth in places affected by adverse conditions, the building of social capital, addressing the challenges of inter-generational policy and in improving the amenity of urban areas. Place-based policies are commonly implemented when there is a perception that more conventional policy measures have failed to deliver the solutions sought by governments. The paper sets out to address six broad questions, including the ways in which appropriate institutional and regulatory frameworks are developed; strategies to minimise transaction costs and rent seeking; how to develop better incentives and accountabilities amongst stakeholders and participants; approaches to enhancing co-ordination, the most appropriate forms of multi-level governance framework and the capacity of place-based policies to address complex policy trade-offs. The paper addresses these matters through a review of previous research and through the examination of two case studies, the La Trobe Valley of Victoria, Australia and Moravia in the Czech Republic. Each provides important insights into the opportunities and challenges associated with place-based policies.

The paper concludes that place-based policies are a potentially invaluable tool for governments as they seek to address apparently intractable problems in specific locations. They do not sit in opposition to spatially blind policy but represent one end of a continuum with respect to the geographical focus and impact of government decision making and investment. Place-based policies have a number of distinctive characteristics innate to this form of policy intervention, including a focus on integration; the need to work with multiple actors from across sectors and government agencies; the crucial role of local leaders who may not hold positions of authority but can be highly influential; acute resourcing challenges; the need for place-based policies to be supported by financial and non-financial resources; and, the varied roles played by the multiple actors involved in place-based initiatives. It has illustrated how place-based policy can be driven by central governments but may also be developed in response to the actions of communities or third sector entities. Working in partnership is a critical feature of place-based policy, and these partnerships find expression in many and varied ways. It is clear that place-based policies are complex, and this complexity is key to their pathway to success in addressing apparently 'locked in' social, economic and environmental problems. Overall, their prospects for success are largely determined by their governance settings.

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The outputs of the workshops are a series of papers and a summary report that outlines future directions for place-based policies. This work will ultimately be relevant for policymakers at all levels of government who are interested in improving the design and implementation of place-based policies to contribute to equitable and sustainable economic futures.

The workshops support the work of the OECD Regional Development Policy Committee and its mandate to promote the design and implementation of policies that are adapted to the relevant territorial scales or geographies. The seminars also support the work of the Directorate-General for Regional and Urban Policy (DG REGIO) of the European Commission. The financial contributions and support from DG REGIO are gratefully acknowledged.

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# Executive summary

This Background Paper explores the governance of place-based policy across multiple contexts and in a number of areas of governmental interest and action. It has argued that place-based policies are a potentially invaluable tool for governments as they seek to address apparently intractable problems in specific locations. It concludes that place-based policies:

- are complex, and this complexity is key to their pathway to success in addressing apparently unreconcilable social, economic and environmental problems. They are also dependent on good governance being in place from inception in order to achieve their objectives;
- can have governance arrangements that take many forms, and the most impactful forms of governance include multiple stakeholders from across society and the economy, are:
  - able to address the aspirations that led to the inception of this policy or program of action;
  - have a strategy for managing the political as well as policy challenges that will arise; and,
  - are able to endure over a considerable period of time;
- can be driven by central governments, but may also be developed in response to the actions of communities or third sector organisations;
- do not sit in opposition to spatially-blind policy settings, but represent one end of a continuum with respect to the geographical focus and impact of government decision making and investment;
- are often applied to addressing apparently intractable challenges evident in specific localities or clusters of locations;
- can be applied at a number of spatial scales, including at the level of neighbourhoods, communities, cities and regions;
- raise distinctive governance challenges that stem from the implicit, and/or explicit focus on working in partnership with others;
  - place-based policies seek to mobilise resources from a number of sources – financial resources, networks of influence, tacit knowledge, codified knowledge and political influence - that are not controlled by one source of authority within society or the economy;
  - working in partnership requires the sharing of power and influence;
  - in many instances a long-term horizon is needed for the successful delivery of place-based policies as there is a need to first strengthen networks and build local capacity for working together;
- needs to acknowledge that in the context of place-based policy, leadership potentially sits from diverse locations within the economy and society, including the public sector, the private sector and the local community;
  - each type of leader offers a distinctive set of assets and potential outcomes in enacting their leadership;
  - leaders are not necessarily authority holders, though the mobilisation of financial and other support may be facilitated by such roles;

- the assets of a region – both physical and intangible – are important in the successful implementation of place-based policy and effective governance structures;
- are one example of an integration framework, and this co-ordination task requires significant ongoing resources if the policy is to be successful;
- in the future there is a need for greater attention to questions of implementation;
  - too little attention has been paid within academic and policy-maker circles to the challenges of how place-based policies are brought to life. There needs to be a sharing of experience across nations and policy domains in order to better equip those leading the governance of these initiatives;
- is currently not well served by evaluation practices. There is a tension between the short, medium- and long-term goals that lead to the establishment of these programs of work on the one hand, and the need to focus first on ‘soft infrastructure’ questions around community building and network establishment on the other; and,
- there is a need to develop, and share broadly, new governance models that encourage the distribution of power and influence in place-based policy and its application. Without further advances in this area too many place-based policies and their associated actions will not achieve all that is possible.

This Background Paper set out to shed light on six key questions, each of which has been addressed in full or in part:

- What are the governance requirements, including institutional and regulatory frameworks, to support the effective design and implementation of place-based policies at the right scale and the right place?
  - it is clear from the analysis that the governance requirements for effective place-based policy, including questions of scale and the targeting of the most appropriate sites, vary considerably;
  - a one-size fits all approach is not appropriate. There is a need to tailor governance to best address the challenges at hand, while also mobilising the stakeholders working to find solutions;
  - governance and action needs to be at a geographic scale that matches community sensibilities, as well as commonalities of interest.
- How can we minimise transaction costs, rent-seeking activities and political interests associated with multi-level governance?
  - transaction costs, rent seeking and political interference can be managed by emphasising openness and transparency in all areas of operation and decision making.
    - this insight applies across all areas of public policy, but is especially relevant in place-based policy where lines of reporting and accountability may be complex;
- What approaches can be deployed to improve the incentives and accountability of different actors?
  - the incentives and accountability of different actors can be effectively managed through the establishment of expectations and agreements around processes early in the life of the initiative;
  - These understandings may be formalised as written documents, but they will be most impactful when effort is directed to the on-going review of achievements against milestones, and when the effectiveness of working relationships is examined regularly;
- When and how to co-ordinate among levels of government and across stakeholder groups (private sector, civil society), and what are the costs of not doing so?

- the co-ordination of government action vertically and horizontally is central to the successful application of place-based policy, and the absence of co-ordination brings with it a high likelihood of failure.
- What types of multi-level governance frameworks can contribute to ensuring that subnational governments are adequately equipped in terms of their public finances to fulfil their responsibilities?
  - place-based policies shed light on the resourcing of local tiers of government and the capacity of communities to bring their ambitions to life;
  - effective place-based policies must consider how best to provide resources – including intangible assets - at the scale of the locality or community, and this may be difficult for central government agencies;
- To what extent do place-based policies provide the possibility to address complex policy trade-offs?
  - place-based policies generate the opportunity to address complex policy questions, but they do not eliminate the need to make difficult decisions as competing policy priorities are traded off.
  - their advantage is in providing better, community-valued, solutions to these trade-offs as cities, regions and localities and their representatives make decisions informed by local knowledge and values.

Overall, the paper concludes that place-based policies are likely to be applied more frequently over coming decades as large-scale shifts in the climate, the economy, the technological landscape and the age structure of our populations drive change across nations and in specific localities. It is therefore more important than ever to develop appropriate, robust governance arrangements for place-based policies.



# 1 Introduction

Place-based policy is an important feature of the way governments seek to advance their economies and promote the wellbeing of their citizens. Place-based policies are evident at the national (Suedekum 2023), sub-national (Pugalis & Bentley 2014) and supra-national scales (Barca 2009), and they have been applied to innovation policies (McCann 2019), community wellbeing (Geatches et al 2023), resilience in the face of climate change (Cutter et al 2008; Bulkeley & Betsill 2005) and industrial development (Bailey et al 2018; Bailey et al 2023a), as well as to issues of environmental management (Edge & McAllister 2009), energy and industrial transition (Beer et al 2020; OECD 2019a) and labour market adjustment (Rainnie et al 2018). They have been promoted as a solution to the challenge of more efficient use of resources (Stead 2014); and as a way of achieving more society-centric governance (Clarke 2017). On occasion place-based policies have been presented as a reflection of the policy settings evident in one political context – for example, Cohesion Policy within the EU (Suedekum 2023) – but these programs are to be found globally, including amongst the members of the OECD and developing economies (Beer et al 2020). At times, place-based policies have been challenged (see Barca et al 2012) but have remained an acknowledged and relevant policy response, albeit one partially marginalised within economic theory and policy in the recent past (McCann 2023; Suedekum 2023). Recently, place-based policies have become more diverse, stepping away from a focus solely on assisting localities marked by profound disadvantage and being applied to regions undergoing substantial change, including the decarbonisation of the economy. Place-based policies have emerged as an important component of actions to achieve a ‘Just Transition’ in the coal and other industries (Healy & Barry 2017), while also being acknowledged as critical in advancing the wellbeing of First Nations persons in jurisdictions that include Japan, Australia, Canada, Sweden and the USA (OECD 2020).

More than a decade ago the OECD (2009a) argued place-based policies represented a key component of government action in the face of national and global economic change, an observation that remains relevant with recent research into the twin transitions of ‘green’ and ‘digital’ economic transformation noting that these emerging disruptors are likely to further retard the evolution of already disadvantaged regions, resulting in greater regional disparities (Maucorps et al 2022 p 21). Further, Bachtröglger-Unger et al (2023) argued inter-regional collaborations at the European scale – a form of place-based policy – offered the brightest prospects for reducing differences between regions under the dual influence of ‘digital’ and ‘green’ economic transformation. Place-based policies have expanded over recent years as a response to populism and the adverse impacts of economic policies that focus solely on agglomeration advantages, leaving some localities confronted by significant disadvantage. At the same time, they have also transformed to become more proactive, and targeted to a wider population of regions, a shift that may generate benefits for national economies as they transition, while simultaneously encouraging ongoing political support and adherence to regulations (Suedekum 2023).

Place-based policies and programs present distinctive challenges for governments and those agencies charged with their implementation. Territorial organisation is an integral feature of the modern nation state (Jessop 1990; 2002), finding expression in its structure as a unitary or federal system of government, as well as in the distribution of powers and resources across those tiers. The successful implementation of place-based policies may be contingent upon the ability to span boundaries between governments, while also calling for individual agencies to collaborate with their peers and, potentially, the community. This represents a significant hurdle for some governmental systems. Several authors have noted the national

system of government is critical to the number and size of the hurdles to be overcome in the implementation of place-based policy, with Bentley et al (2017) arguing there is a spectrum within systems of governance ranging from localism to centralism, and that position on that scale is impactful. In addition, cities, regions, towns and communities are the venues within which we all live our lives and in consequence there is a strong affective element – place attachment – that may add a potentially intense local political dimension to efforts to improve the circumstances and capacities of places. Second, place-based policies inevitably prioritise some locations over others, resulting in a perception of perceived advantage at the expense of others. Third, place-based policies run counter to universalist approaches to public policy that seek to provide equal access to services, infrastructure or financial assistance to all those in need (Winnick 1966). Modern nations have robust and well-developed systems for the allocation and acquittal of public sector resources for specified purposes. Place-based policies, with an emphasis on meeting local needs and flexibility in funding priorities, run counter to the conventional practices of governments. And this issue is more acute in some nations than others (Niklasson 2007).

In many instances place-based policies are implemented where more conventional – thematic or sectoral – policy mechanisms have not been successful. They may also be perceived to be more effective, efficient and democracy-promoting than the alternative. For example, Bynner (2016) discussed the reasoning underpinning the adoption of place-based policies in Scotland. She linked their implementation to multiple, society-wide agendas, including the desire to find more efficient ways of supporting those in need in the wake of UK Government imposed austerity measures; a drive to promote innovation in the economy with a consequent boost to productivity; the imperative to improve the co-ordination of government services, and a political priority to devolve power and decision making to communities and front-line staff. Barca (2009) also proposed place-based policies as an effective solution to perceived democratic deficits. These policies he suggested, had the capacity to empower localities while ensuring governments had a visible role in improving the lives of individuals and communities. Similarly, Raco and Flint (2001 p 586) argued local authority decision making in the UK was poorly situated to accommodate active citizen participation in the politics of local service delivery.

Place-based policies invariably sit within a wider governmental framework that applies nation-wide solutions in ways that pay little overt attention to issues of location, and do so in order to deliver both efficiency and equity at the national scale. McCann (2023) argued that too often we draw a false distinction between place-based policies and sectorally or thematically-aligned policies and programs, as most government interventions have a spatial dimension. Place-based policies are commonly implemented in circumstances where space-neutral settings have not been successful because of the local or regional context, such as entrenched social disadvantage, de-industrialisation, population decline or the failure of co-ordination arrangements. They may also be applied to address a particular policy focus, such as governmental concern with education achievement. Place-based policies represent a strategic commitment by governments to addressing apparent failings, a form of policy-experimentation that steps beyond normal processes. Recently, place-based policies have been a solution to the complex set of issues confronting the ‘places left behind’ and the sense of alienation and embitterment associated with those localities (Hanneman et al 2023; Pike et al 2023).

## Defining place-based policy

The definition of place-based policy is an important starting point in any discussion of its governance, current state and future. To a degree, place-based policy has been defined by what it is not: it is not spatially-blind policy which has, on occasion, been proffered as an alternative, superior, approach to questions of public policy, especially the promotion of economic growth (World Bank 2009; Daley & Lancy 2011). Place-based policies do not simply focus on identifying the most efficient or impactful strategy for achieving national economic growth, but instead

.....have a focus on specific cities, localities or regions, but they represent far more than just a label for already established programs of government activity, or the concentration of public sector resources in specific locations. Place-based policies embody an ethos about, and an approach to, the development of economies and society that acknowledges that the context of each and every city, region, and rural district offers opportunities for wellbeing. It advocates for a development approach that is tailored to the needs of each. Importantly, place-based policy explicitly seeks the development of all parts of the landscape, with no settlement too small or too remote to plan for progress (Beer et al 2020 p12).

Others have emphasised different qualities when defining place-based policy: Barca (2009) argued they are a policy setting grounded on local knowledge able to address inefficiencies in the economy as well as entrenched social (and, presumably, environmental) challenges. Subsequently Barca et al (2012 p 130) proposed ‘two fundamental aspects’ to place-based approaches, a recognition that ‘geographical context really matters’ and acknowledgement of the critical role of ‘knowledge in policy intervention. Who knows what to do where and when?’. Importantly, place-based policies are not equivalent to decentralisation (OECD 2019b) as they are more specific in their focus (spatially and with respect to the range of governmental powers) and must inevitably draw on central government powers in order to achieve their objectives.

Place-based policies have a wide remit with respect to their geography, but also with reference to the range of policy domains to which they may be applied. Commonly economists and regional researchers focus on place-based policy as an economic intervention, but the ‘soft infrastructure’ of these policy settings are equally applicable – and commonly found – in many other domains, including health, welfare provision, climate change mitigation, education and infrastructure provision. This enormous span of influence means that it is misleading to associate place-based policy with a particular or common policy setting, such as the EU’s Cohesion policy broadly, or smart specialisation more specifically. In addition, place-based policies acknowledge both the materiality of local or regional circumstances, but also the affective or emotional connection between individuals or groups, and the localities in which they live (McCann 2023). Their design and implementation acknowledges and respects this sense of connection: the inclusion of community and stakeholders draws on their commitment to that locality as a way of enhancing the impact of government investment and action. It is important to recognise that place-based policy may be seen to be a solution when conventional policy interventions have failed. However, place-based policies are often the most appropriate first response under many circumstances, such as when regions are confronted by a major economic shock.

Core elements of place-based policy include a focus on one, or a specified cohort, of places; the participation of multiple parties in identifying and delivering solutions; a concern for the welfare or wellbeing of these places and their residents; acknowledgement of the attachment of individuals and communities to the places in which they reside; a recognition of the potential to achieve better outcomes by spanning policy silos and implementing flexible responses; and, the need to accept a longer term perspective as a way of effectively solving intractable challenges.

It is clear that place-based policies must inevitably involve a relationship between a central authority – a senior tier of government, a philanthropic funder et cetera – and those active locally. This relationship inevitably generates questions about its management, the expectations embedded within it, and the ways in which those involved will seek to achieve an impact. These are questions of governance and, more explicitly, meta governance, which is the subject of the next section of this Background Paper.

## Place: Local, urban, rural or regional

The successful application of place-based policies is not limited to one spatial scale: they can be applied to city regions, small urban or rural localities, the communities in which First Nations people live, small townships dependent on agriculture, or regions that encompass very substantial territories and populations. Stead (2014 p1469) discussed how the spatial scale of governance can be thought of as a 'nested hierarchy' and a site of potential conflict, marked by contestation around which scale an issue needs to be addressed. In addition, there is ongoing movement within the networks and institutional structures affecting each locality.

Place-based policies should not be conflated with horizontal equalisation measures which provide a general subsidy to a territory or community affected by less favourable fiscal conditions (Dafflon 2005; Productivity Commission 2018). Place-based policies are differentiated from general governmental support in the way resources are provided to address the specific challenges of individual localities – regardless of scale. The nature of the assistance provided implies a longer-term engagement with that set of issues – a formal or informal partnership – in which senior tiers of government acknowledge the need for fit-for-purpose interventions based on local knowledge, as well as appropriate funding and the application of political capital.

Place-based solutions may be advocated in some settings more frequently than others because these are areas more likely to fare poorly under conventional policy settings, and they may also face additional pressures as they are marginal to leading-edge drivers of economic growth. For example, place-based policies are often advocated in rural settings (Winterton et al 2014; Wellbrook et al 2013; McDonald et al 2013) because they are seen to be sensitive to local context, able to draw on the strong interpersonal connections between individuals, groups and entire communities; are more flexible in their funding practices and are better able to manage the complexities evident in smaller settlements. Other forms of place-based policies are most commonly associated with major urban areas, for example, urban regeneration initiatives such as the London Docklands redevelopment (Brownill & O'Hara 2015; Church 1988), or the revitalisation of Barcelona (Degen & Garcia 2012). The mining industry commonly gives rise to a call for place-based policy as governments and communities seek to manage the consequence of mine closures, and associated economic disruption (OECD 2019a; 2021a; 2021b).

This Background Paper examines the governance of place-based policies and programs in developed economies with the intention of providing a better evidence base for decision makers now and into the future. It recognises that governance is essential to the successful implementation of these policies, and that too often they do not achieve their goals because of governance shortcomings. The Background Paper seeks to answer six key questions, each of which represents a critical challenge for the implementation of place-based interventions:

- What are the governance requirements, including institutional and regulatory frameworks, to support the effective design and implementation of place-based policies at the right scale and the right place?
- How can we minimise transaction costs, rent-seeking activities and political interests associated with multi-level governance?
- What approaches can be deployed to improve the incentives and accountability of different actors?
- When and how to co-ordinate among levels of government and across stakeholder groups (private sector, civil society), and what are the costs of not doing so?
- What types of multi-level governance frameworks can contribute to ensuring that subnational governments are adequately equipped in terms of their public finances to fulfil their responsibilities?
- To what extent do place-based policies provide the possibility to address complex policy trade-offs?

The remainder of this paper considers questions of meta-governance and the insights this body of literature offers to the examination of place-based policy. It then considers those factors that represent risks for place-based policy, as well as enablers, before examining two case studies – the Latrobe Valley in Australia and Moravia in Czechia. The two are broadly comparable with respect to their need to transition their economies away from a reliance on brown coal, but with different processes and outcomes. The final section of the paper looks to the future of place-based policy, and how it can best be developed to deliver on its potential for coming generations.

# 2 Multi-level Governance and Place-Based Policy

Effective governance is central to the successful implementation of place-based policy. It can take many forms and be delivered through formal or informal mechanisms by a range of partners. It inevitably calls for participation by many stakeholders and a shared vision to guide efforts. Collaborations that span government agencies, the private sector, the community and the not-for-profit or ‘third’ sector are inevitably complex, and over the past three decades scholarship has increasingly focussed on questions of governance at a variety of scales and in numerous political systems. This increased focus on governance amongst researchers has in part been a response to the pressing needs of government agencies and policy makers more broadly. For example, Schout and Jordan (2007) observed the greater attention paid to this topic in the EU reflected increased dis-satisfaction with the deployment of regional and regional development funds (p 836). The OECD (2018) has also drawn attention to the need for better governance to inform regional policies, seeking to find ways to balance out aspirations for providing flexibility, stability, accountability, performance, compliance and administrative costs.

This section considers the conceptual foundations of the governance of place-based policies, focussing on multi-level governance and its implementation. It sets out the core concepts, as well as the major critiques made of place-based policy and its implementation over time. It identifies possible challenges to the effectiveness of governance, such as partnerships marked by unequal relationships, questions of co-ordination and institutional capacity, the role of regulatory frameworks, the social licence to pursue place-based policy and deploy multi-level governance, the allocation of, and appetite for, risk and the impact of political culture. The section also considers how multi-level governance can be structured to support the effective design and implementation of place-based policy, while also minimising transaction costs, reducing rent seeking behaviours and managing political interests.

## Multi-level governance

Multi-level governance as a concept provides an important theoretical foundation for the analysis of the governance of place-based policy because as McCann (2023) noted, contemporary approaches to place-based policy explicitly draw on models of multi-level governance and delivery. Scholarship into multi-level governance can be traced back to the early work of Marks (1992), with this initial contribution further developed over the following two decades (Marks 1993, 1996; Marks & Hooghe 2000, 2004). Marks (1992) observed that while theories frequently applied to questions of policy suggested government decisions and strategy emerged from an orderly set of processes dictated by the nation-states of the EU, empirical observation suggested policy formation was somewhat fractured, and influenced by a broad spectrum of actors. Researchers noted policymaking in Brussels – the centre of EU administration and deliberations – was not restricted to the staff of the European Commission and the representatives of nations included in the European Council and European Parliament. Instead, non-government organisations, provincial governments, and industries worked to shape the outcomes of policy deliberations, and did so on an ongoing basis. The concept of multi-level governance – with a constellation of government and non-government agents shaping agendas and determining outcomes through their interactions – was seen to

better explain how policies emerged and governments made decisions. It acknowledged the pluralistic nature of decision-making in an environment marked by complexity, fluidity and opaque institutional structures.

Multi-level governance has been widely accepted by academics as a lens through which the decision making of governments can be understood. It has been seen to be especially invaluable in understanding the processes and outcomes of public sector decision making in complex policy environments. Stephenson (2013) argued this theoretical framing has achieved widespread acceptance in policy-making and research circles, and that the rate and pace of take-up of this portfolio of ideas has been without precedent in Europe. Potluka and Liddle (2014), however, contended multi-level governance remains a contested concept despite broad appeal in a number of contexts given the increasing intricacy associated with government decision-making.

Explanations based on multi-level governance differ from the broader literature on governance on a number of key dimensions. Critically, multi-level governance postulates that changes in the relationship between government, on the one hand, and society and the economy, on the other, occur as a result of shifts in policy domains, and this change can emerge as a consequence of both internal and external processes. To illustrate this point, it can be argued that political movements – such as land rights for disadvantaged peoples – and strategic positioning by subnational governments are as likely to find expression in the international domain as domestically. Marks's (1993) original conception highlighted the role of subnational governments in shaping decisions, and the fact that multi-level governance could be thought of as “a system of continuous negotiation amongst nested governments at several territorial tiers” (p 392).

Hooghe and Marks (2003) suggested multi-level governance could be divided into two forms. Type I multi-level governance typified by general-purpose jurisdictions, with memberships without overlap, a limited number of levels, and a system-wide architecture or remit. They commented that, under Type I governance “every citizen is located in a Russian Doll set of nested jurisdictions, where there is one and only one relevant jurisdiction at any particular scale” (Hooghe & Marks 2003 p 236). Type II multi-level governance, by contrast, is to be found through a focus on task-specific jurisdictions, intersecting memberships, the absence of a limit on the number of jurisdictional levels, and flexible design. Instances of the latter could include a particular resource problem, such as the management of a catchment or the negotiation of trade treaties. Type I and Type II forms of multi-level governance were presented as substantially different to the processes attached to the centralising state, but in varying ways and with sharply differing outcomes. Inevitably, multi-level governance has been presented as carrying with it both costs and benefits. On the positive side, it is a system that can be considered flexible with respect to the scale of action – with higher-level agencies responding to nationwide challenges or difficulties, while lower-level institutions respond to questions evident at the local scale. Such flexibility, however, may on occasion result in potential – and realised – coordination costs that stem from the need to consult, deliberate, and potentially negotiate before acting.

Marks and Hooghe (2004) conceptualised multi-level governance as differentiated according to the processes embodied in their realisation as well as their resultant form. Type I processes were seen to be focussed on the negotiation of powers and responsibilities at different levels of government, whereas Type II were most likely an outcome of a focus on how best to build interconnections between agencies and governments within the same administrative tier. These horizontal linkages were accepted as important in delivering coordination, building political consensus, and establishing a discourse for a particular course of action. Further work has broadened the original conception of multi-level governance to include a more expansive range of agencies and actors. For example, campaigns for greater environmental or labour market protections are often argued in world forums. Multi-level governance can be differentiated from comparable work on networks because, while the latter are intrinsically ephemeral, research on multi-level governance acknowledges the enduring nature of institutions and their arrangements. Some researchers have suggested that economic – especially in federal systems – should be considered part of a single

multi-level governance system (Stephenson 2013). To a degree, this idea is intuitively attractive, as economic policies inevitably involve multiple stakeholders, international negotiation and arrangements, and near-permanent processes of interaction and engagement. Similar observations could be made about environmental policies, especially in the context of global efforts to manage, and deal with, the consequences of climate change.

More generally, the OECD (2009b) recognised seven important gaps in the multi-level governance of public policy, each with implications for the effective management of their economies (Allain-Dupré 2011 p 21). These were: an information gap associated with inevitable information asymmetries as subnational governments are not, and cannot be, party to all information available to national governments; an administrative gap resulting from a mismatch between the functional areas associated with an issue – for example, a labour market or a catchment – and administrative boundaries; a policy gap arising from the fragmentation of responsibilities across ministries; a capacity gap associated with insufficient technical or other expertise at the local level to meet needs; a funding gap that emerges from unstable or insufficient revenues at the subnational level; an objective gap as competing priorities direct national and subnational governments in contrary directions; and, an accountability gap resulting from inadequate transparency. Often it is not clear which tier of government or government agency (if any) has brought about adverse outcomes or reduced opportunities for growth. Commonly one of the objectives of multi-level governance is to reduce or close these gaps wherever feasible, but such action may be complex and highly political in its nature.

Piattoni (2010) argued multi-level governance generates, and then maintains, fluid relations between a host of actors – nation-states, subnational governments, private sector representatives, and nongovernmental agencies – that remain in a condition of flux. Policy debates emerge, gather strength, and are then replaced by other discourses as new priorities arise and new arguments for intervention garner support. Along the way, this process of policy formulation has real-world impacts, as programs of regulation (trade protocols and tariffs), pricing (emissions trading schemes to control the release of fossil carbon), and regional development (EU territorial development programs) are introduced, reshaped, or abolished.

Multi-level governance is not simply a conflating influence. Potluka and Liddle (2014), working in the Czech Republic, highlighted the benefits associated with the delivery of EU programs within a multi-level governance framework. They noted the interactions that characterise multi-level governance resulted in better-tailored programs, were able to achieve locally policy objectives established by distant central authorities. They also generated an environment that was more open to participation in program delivery by a wide array of actors, including community-based organisations. Other researchers working in very different circumstances have also identified benefits arising from multi-level governance. Homsy and Warner (2014), for example, used quantitative analysis to examine the take-up of sustainability actions by municipalities across the United States. They found municipalities and cities that embraced multi-level governance had a significantly greater probability of supporting sustainability initiatives. State governments across the United States played a clear role in promoting discussion of environmental protection, resulting in a “broad and co-ordinated discussion, which is important because most environmental issues cross local political boundaries” (Homsy & Warner 2014 p 19). State governments served as a source of professional knowledge and capacity, thereby adding to the stock of local social and political capital embedded within local governments. Active engagement with environmental sustainability was not simply a product of government actions; civil society institutions were also important for creating an environment supportive of environmental protection.

The discussion of multi-level governance above provides a conceptual foundation for examining place-based policy, its implementation, impacts and potential. It also draws attention to the fact that while place-based policy appears to adhere to ‘Type II’ forms of governance, many governmental structures are organised as ‘Type I’ entities, including land-use planning (Stead 2014). The sections below consider some of the key issues confronting policy makers, including the capacity of governance partners, unequal



relationships in managing place-based policy, questions of co-ordination and institutional capacity, the role of regulatory frameworks, the social licence to adopt place-based policy and deploy multi-level governance, conventional and place-based leadership, question of legitimacy, the allocation of, and appetite for risk and the impact of politics and political culture.

## Constructing and managing the meta-governance of place-based policy

As noted by McCann (2023), many contemporary approaches to place-based policy have drawn on the work of the Barca Report (2009), which explicitly posited a meta-governance framework for the successful delivery of place-based interventions. This positioning of place-based policy located central governments as a principal funding source for such policy interventions, while at the same time tailoring policies to the needs of individual regions and sharing decision-making with local authorities and leaders. Suedekum (2023) argued strongly that future place-based policies need to deliver benefits for both regional economies and the nation as whole, noting that the investment in former lignite mining areas of Germany was both substantial – equal to €2 million per affected job or €100,000 per job per year for the life of the program – and was justified given the potential for such regions to experience decades of disadvantage (Celli et al 2023). Writing from the perspective of community services, Geatches et al (2023 p 9) suggested place-based policies need to be community-led rather than driven by central government agencies or agendas; delivered in a flexible way; embrace a theory of change; and develop mechanisms for the delivery of place-based approaches that provide both stability and a community-facing dimension. From their perspective, place-based policies were seen to be fundamental to addressing the circumstances of Aboriginal Australians, addressing the increasing disadvantage evident in some regions; resetting trust within communities and affirming interpersonal relationships.

Governance practices are often multi-faceted (Crowther et al 2023), where ‘soft governance refers to building networks and sharing views, whereas hard governance involves implementing targets and reforming institutions’ (p 3). The development of a strategic vision or mission can also be considered a form of soft governance, but overall it is important to first acknowledge the need to construct appropriate governance arrangements, and embrace all elements of governance practice. Approaches that ignore the need for institutional reform and the development of targets, are as unlikely to be successful as ones that does not seek the perspectives of others and establish strong networks.

### **Risk**

Inevitably a significant number of risks accompany the implementation of place-based policy. Suedekum (2023) considered a number of risks, including those associated with extending government intervention to relatively well-off regions undergoing an economic transition. He noted a shift in focus away from helping the most disadvantaged regions could result in the dilution of resources available to those in greatest need. As a counter-balance, he observed the extension of place-based policy to a wider cohort of regions could help build political and community support for the continuation of such measures as more localities would recognise the assistance received, as well as the impact of those actions. Suedekum (2023) acknowledged that place-based policy – as a horizontal equalisation measure – is more exposed to the mis-use or misallocation of resources: expenditures are not tightly targeted, and the selected programs and actions may not generate positive impacts. One way of managing this latter risk is the development of evidence-based measures that go beyond a simple assessment of outputs and expenditures to fully encompass the outcomes sought in establishing the place-based intervention. However, as Geatches et al (2023) have noted, much needs to be done to advance this agenda with the European Union as a critical focus for Cohesion Policy (Info regio 2023).

Beer et al (2020) discussed the impact of ‘faltering expectations’ that may arise when governments and their partners embark on place-based policies that initially generate public support that may then turn to

disappointment and disillusionment when progress fails to materialise. More recent work by Beer et al (2023) reported on the outcomes of a survey of the communities most affected by the shut down of Australia's automotive industry in 2017 (Beer, Barnes & Horne 2021; Irving et al 2022; Dinmore & Beer 2022). When residents were asked to rate the performance of those charged with leading this process of economic and industrial change, they rated the car manufacturers and central governments (the Australian Government and the state governments of Victoria and South Australia) most poorly, and gave the most favourable evaluations to leaders from the social services sector who played a visible role in delivering support to those in need of assistance.

Unmet expectations may also emerge between the stakeholders involved in the delivery of place-based interventions. These participants may include central governments, local or municipal governments, 'third sector' or not-for-profit organisations, the private sector and the community – which may include 'at risk' groups such as immigrants, First Nations peoples and other vulnerable populations. Sources of disagreement may include 'mission drift' as other priorities emerge and resources are repurposed; the failure of central governments to sufficiently empower and share decision making with those working locally or regionally; emphasising national or system-wide priorities which results in a mismatch between local needs and support provided; the politicisation of delivery and outcomes; and inadequate resourcing that results in a disconnect between ambition and achievable reality. Some systems of government may carry greater inherent 'risk' than others. For example, Clarke (2017) observed that the establishment of place-based collaboration to achieve societal goals was very difficult in the highly fragmented political system of the USA. She argued the need to involve many relatively small local governments, as well as a substantial number of philanthropic and civil-society organisations, tested the ability to sustain these initiatives over a longer period.

Critically, risk does not sit with governments alone, as the cities, regions, localities and communities subject to place-based policies are also confronted by risk. Eversole (2011) examined the impact of engagement with place-based policies for communities. She argued that too often the processes of implementation brought forward the sharp differences between the functioning of communities and the mechanisms of government. She noted that while communities often expect networked horizontal solutions, governments are challenged to step beyond conventional hierarchical ways of working. Often the processes that should lead to inclusion do not eventuate and their experience of collaboration, participation and community engagement 'fails to meet their real needs' (p 54). To a degree this disconnection is a product of an enduring tension between community-building processes that need to focus on long-term capacity building (OECD 2018) and other soft assets, while working within an environment distinguished by an absolute imperative to deliver short term objectives. In addition, governments and communities operate in contrasting ways, and the experience of co-working with government can be difficult for those living and working locally. Collaboration is almost always on government terms; it can be costly to communities; and, too often it exacerbates social disadvantage as its those best resourced who can engage, while those in distress are excluded. These differences between governments and communities are cultural and institutional in their nature, not spatial, and as communities participate, they are forced to act in ways that are more akin to bureaucracies.

All forms of government intervention – including vertical transfers and highly-targeted assistance measures – have risk embedded into their design and delivery. Too often they fail to achieve their ends, may have their purpose subverted in other ways or may be constitutionally unsound (Carney 2019). The risks with place-based policy may be no greater than conventional programmatic frameworks, and as McCann (2023) has noted, more than half of all systematic evaluations of Cohesion Policy and its impacts have concluded they produce net positive outcomes, with a further quarter unable to draw either a positive or negative assessment.

Poor implementation of place-based policy represents a considerable risk for this policy framework. Howlett and Newman (2010) highlighted the limited experience of many policy makers in the development of complex programs. Their research found policy analysts working at the provincial level were

characterised by 'a short-term orientation, relative inexperience, higher levels of job mobility, lack of private sector experience, and lack of formal training in formal policy analytical techniques' (p 133). These characteristics would limit their likelihood of recommending sophisticated, time-extensive solutions such as place-based policy, and restrict their capacity to deliver such programs once implemented. More generally, Barca et al (2012 p 35) commented that 'despite this phenomenal recent transformation in theory and empirical analysis, there was one area where little progress has taken place: that of policy implementation'. The processes for analysing, sharing and enacting best practice in place-based policy appear weakly developed, and too often limited to one sector, such as economic development or health. Finally, Avdikos and Chardas (2016) drew attention to the fact that not all localities will be well placed to develop the 'soft' factors that are so critical to the success of many place-based initiatives. They are not equally equipped to develop knowledge, establish a consensus or build trust, and disadvantaged places are likely to fall further behind unless external influences are applied.

A number of authors have argued that too often policy makers have implemented place-based policies in a manner that has been blind to the considerable variation in interests and ambitions at the local or regional scale (Raco & Flint 2001; Wellbrock et al 2013; Eversole 2011). They have argued the spatial manifestation of inequality may be as evident locally as nationally, and policies intended to address place-based needs must be implemented in ways that gives voice to a range of sectors, population groups and interests. Such mechanisms must be fit-for-purpose, as not all potential stakeholders will be equally well-informed or relevant when consulted on specific issues. However, place-based policies are at risk of generating adverse outcomes if they do not develop mechanisms for including diverse stakeholders in conversations about the future of that locality and the steps that need to be taken to achieve those ambitions.

Unequivocally place-based policy brings with it risk, including an existential threat to the perceived role of the state as a shaper of the economy and society. There are also more pragmatic concerns focussed on the misallocation of scarce public sector resources to those not in greatest need and the possibility of corrupt appropriations. We need to acknowledge, however, that more established economic policy settings including growth policies aimed at facilitating labour and capital mobility to the most productive localities – most commonly large-scale urban economies – may also call into question the role of governments in the life of citizens and communities (Hodge 2019). There is a profound concern about a loss of trust in governments amongst disadvantaged localities and groups, a reduced quality of life in the largest cities and ever-increasing demands for high-cost infrastructure. Importantly, risk can never be entirely removed, rather it must be managed, and the following section provides insights into how place-based initiatives have been arranged to accommodate those risks.

# 3

## The structures and enablers of success in place-based policy

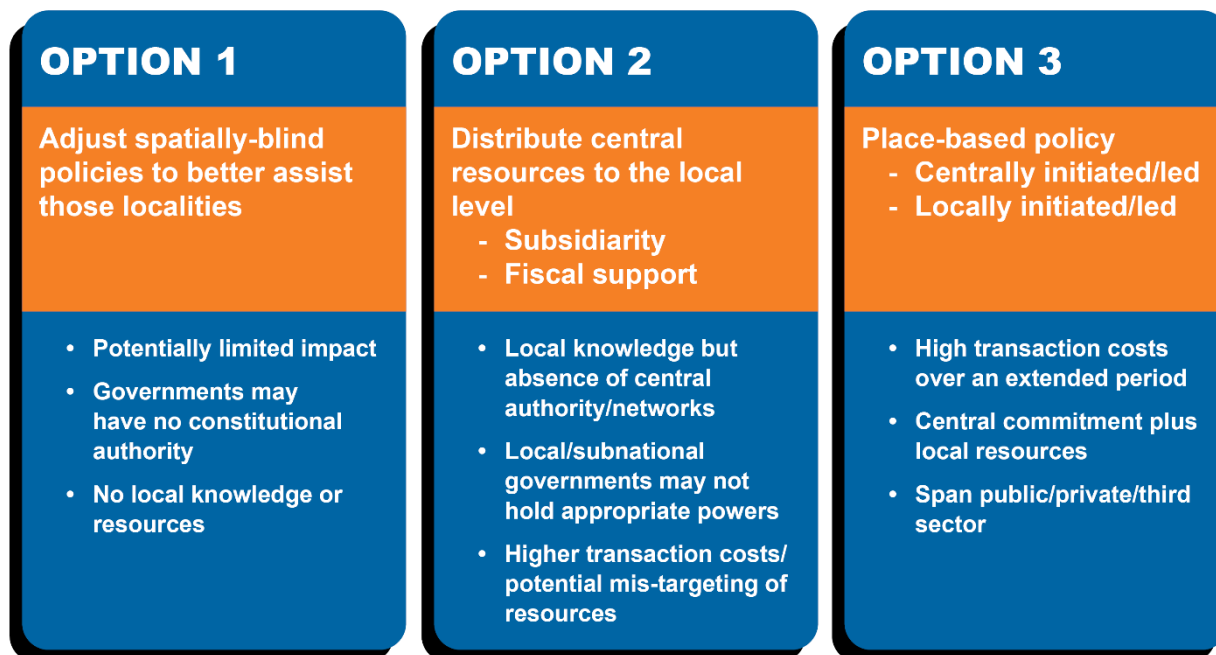
### Place-based policy as an integrating force

How best to deliver better outcomes for cities and regions has been considered by a wide array of authors from diverse perspectives (Schout & Jordan 2007; Pollit 2003; CEC 2001). Niklasson (2007) focussed on the question of regional co-ordination of government interventions and concluded there were five broad strategies:

- Centralising control within a single public sector agency, effectively internalising conflict and frictions in the expectation that a single agency will address these challenges effectively;
- Launch centrally-designed and funded integration projects where agencies are expected to adhere to defined expectations and performance targets. The implementation of smart specialisation with the European Union could be considered an example;
- Devolve power to elected officials at the local scale (OECD 2019b). This approach is perhaps most evident in some parts of the United States where individual local governments retain considerable fiscal and other powers within the overarching federal structure (Clower 2003);
- Delegate decision making to central government public servants based in the regions; and,
- Encourage networking by subordinate agencies.

Niklasson (2007) concluded that none of the solutions identified guaranteed success, but all had the potential to contribute to greater integration. The pathway to integration, he argued, was to identify and implement the most appropriate solution for each nation and locality. Place-based policies represent a subset of integration initiatives, and it is possible to identify three ways central governments typically address locality-bound challenges, each carrying with them a different set of costs and benefits (Figure 1).

Figure 1. Central governments addressing place-specific challenges



CEMAT (2006) argued integration was best achieved by mobilising eight ‘vectors of action’: joint developed strategies; decentralisation of spatial development functions; vertical institutional co-operation; horizontal institutional co-operation; trans-national and cross border co-operation; public-private sector co-operation, civic and NGO involvement to achieve greater engagement and a sharing of responsibilities. In a similar vein, Froy and Giguere (2010) argued governments can break out of ‘policy silos’ to provide better integrated and more effective government for regions while achieving their own goals and their analysis. However, based on their empirical research they argued

...in most cases policy integration at the local level was ad hoc and could not be judged as ‘business as usual’. *Where policy integration was effective, however, it had the effect of capitalising on local opportunities and effectively diffusing local threats* Froy and Giguere (2010 p14).

## Structural Arrangements

The challenges of meta-governance and risk discussed in the previous section can, to a degree, be managed through the creation of appropriate structural arrangements that embed relationships, ensure a wide range of voices are heard, and sustain a focus on overarching objectives. Barca et al (2012 p148) argued

For the successful implementation of place-based developments in highly heterogenous contexts, it is important to ensure that the incentives for behaviour for all partners and collaborators are correctly aligned. This requires three key elements; first, the implementation of what are known as ‘conditionalities’, which are binding agreements that govern...the relationships between the different partners; second, a clear *ex ante* definition of the aims and intended outcomes in terms of wellbeing and socio economic progress...and a clear selection of the appropriate outcome indicators....third, a system which promotes a space for public debate for all actors open to dissent and alternative views, and co-ordination and collaboration between different levels of governance.

This comment highlights the critical role of structural arrangements in creating the conditions under which place-based policy can be successful, as well as the importance of appropriate monitoring systems and public debate. Other researchers have emphasised the need to create structures that enable governments to build the capacity of local actors and build their agency. Keller and Virág (2022) noted that while much policy development and academic research has focussed on the right balance of institutional arrangements (Rodriguez-Pose 2013), too little attention has been paid to the regulatory role of governments and the impact of national politics. They argued place-based policy is founded on the assumption of a ‘benevolent state’, thereby paying too little attention to the processes that reinforce bureaucratisation, political allegiance and the centralisation of power. Their work reinforced the vulnerability of place-based policy to shifts in the political landscape, arguing that the challenge is to accept this reality, and create structures that can effectively manage these tensions. Moreover, if this is not achieved, ‘place-based policies just remain a ‘drop in the sea’ with no real impact’ (Keller & Virág 2022 p 862). What is needed is a

virtuous relationship between various scales of government...one that empowers communities, provides institutional arrangements for dialogue and encourages collective action, but restrains attitudes towards collective action and collusion (Keller & Virág 2022 p 875).

Place-based policy appears as only one of a number of potential solutions to the challenges of delivering ‘joined up’ policies and programs. It has the advantage of explicitly deploying the skills and abilities of a range of stakeholders, including those who live locally, in providing solutions in the face of apparently intractable problems. In some instances, place-based policies are underpinned by formal ‘contracts’ between central governments, local governments and other stakeholders. The OECD (2007) examined this practice and identified two types of formal agreement;

- The first type was classified as *transactional*, a relatively simple agreement where both parties identified their respective commitments and delivered against that undertaking; and,
- The second category was a *relational* contract where the various parties committed to cooperate into the future after specifying a governance mechanism for that purpose (OECD 2007 p11). This scenario results in a strong expectation of co-operation and bilateral enforcement of the spirit of the agreement.

Such agreements could be used to ensure a specified level of provision or investment in a region (a transactional contract); or tie central governments and its agencies to a continuing engagement with a prescribed suite of issues in a region (a relational contract). The OECD (2007) concluded that creation and delivery of regional contracts was most effective when used to deliver ongoing engagement between central governments and the regions.

The OECD (2007) noted several examples of contracts between regions and central governments, including regional planning in France, regional policy in Italy, contracts applied alongside ‘joint tasks’ in Germany, and the establishment of the Vancouver Urban Development Agreement in Canada (Box 1). Not all such arrangements have achieved unequivocally positive outcomes: since the 1990s UK Governments have introduced measures to encourage place-based and enabled solutions to local challenges and public calls for greater local powers. The Cameron Government elected in 2010 introduced City Deals as a policy aimed to empower the growth of major English cities – the eight largest urban settlements outside London. They were developed as a customised approach to the requirements of each urban region as a way to give cities the tools and powers they need to drive local economic growth; unlock the projects or initiatives that will boost their economies; and strengthen the governance of each city (Her Majesty’s Government 2012). They were an explicit acknowledgement of the highly concentrated nature of political and fiscal power within England where local governments receive 90 per cent of their funding from Westminster. Key features included the ‘Earn Back’ system of taxation, which rewarded cities that invested in growth through a greater share of national taxation revenues, the use of tax increment financing for critical infrastructure, and the pooling of funding streams into a single investment fund to leverage private sector capital and invest in local priorities (Beer & Clower 2019).

City Deals have evolved into ‘devolution deals’ (Blunkett et al 2016) with Sandford (2023) identifying 14 proposed arrangements of which three either collapsed or did not come to fruition. Importantly, devolution deals have not been constituted as partnerships between central government agencies and local authorities, instead they were constructed as the devolution, or passing over, of powers in areas such as housing, skills, land use planning, transport and health care to a subordinate tier of government. Sandford (2017) has suggested that devolution deals have been driven by a desire to advance central government agendas, rather than promote wellbeing locally, a sentiment reinforced by Ayres et al (2018) who noted a significant gap between the rhetoric of devolution associated with these arrangements and the reality. Additionally, the Public Administration and Constitutional Affairs Committee of the House of Commons (2022) concluded such arrangements were adding to the complexity and opacity of government.

### Box 1. The Vancouver Urban Development Agreement, 2000-2010

<!!Voir page 20 le guide de style de l'OCDE, pour lire les meilleures pratiques sur la gestion des encadrés. N'oubliez pas à remplacer ou supprimer cette ligne!!>

[Downtown Eastside](#) (DTES) was Vancouver’s first settlement and was once a vibrant section of the city with head offices, banks, theatres, hotels, department stores, a library and housing for people of low and moderate incomes. The gradual loss of low-income housing in other parts of the city and the de-institutionalisation of thousands of psychiatric patients drove more people to the DTES for affordable housing. In the early 1990s, greater numbers of people with addictions entered the community, making it a center for drug dealing and related crimes. This affected the entire community with a significant impact on local businesses.

In 1998, the City of Vancouver approved *A Program of Strategic Actions for the Downtown Eastside* to address crime, safety, poverty, substance abuse, homelessness, health and economic revitalisation. A five-year comprehensive DTES Revitalisation Program was launched, with the goal to “create a safe and healthy community”.

The Vancouver Agreement (VA), was signed in 2000 as one of the mechanisms to implement the City’s *Program of Strategic Actions for the Downtown Eastside* and address public health issues.

The strategic initiatives for actions to achieve this vision were:

- Economic Revitalisation
- Safety and Security
- Housing
- Health and Quality of Life

During the VA’s first years, activities were intensely focussed on bringing together all relevant parties to address particular issues. Task teams composed of government agencies worked together to identify and implement community-based actions such as a Four Pillars Drug Strategy, Enhanced Enforcement and the Homelessness Action Plan. Although coordinated by the VA, these areas remained the responsibility of the respective government agency.

With an infusion of federal and provincial funding in 2003, the VA assumed the additional role of providing grants to community agencies to support action on the four strategic initiatives. Most of these grants complemented funding provided by governments, foundations and non-profit organizations. During the VA’s lifespan, more than 70 projects were funded through almost 50 different organizations.



In 2009/10, the final year of the VA, many of the activities were integrated into other government programs.

Source : Beer & Clower 2019 p178 and adapted from <http://www.vancouveragreement.ca/history/>

Previous work has made clear that structural arrangements need to provide clarity on roles, responsibility, resourcing and objectives, as well as the boundary conditions within which local or regional actors act. Bentley et al (2017) drew attention to the importance of both acceptability – which actions or strategies are both acceptable and expected by central government in the application of a place-based approach – and permissibility, steps taken that fall outside central expectations, but are consistent with the implicit freedoms available to those acting locally. To a degree, governments engaged in this policy domain need to establish expectations and develop both enabling and constraining mechanisms to guide further progress.

## The enabling elements

### *Local agency*

Local agency is a key enabling element of the governance of place-based policy, where the agency of communities is ‘the ability to act and be the agents of their own development’ (Eversole 2011 p 51). In a much-cited paper on agency, Grillitsch and Sotarauta (2019) argued localities, regions and communities are able to carve out a new development trajectory when new opportunities arise out of technological, social or economic change. These opportunities need to be acted upon by leaders based in that place. This argument is critical in considering the governance and future of place-based policy as these instruments – applied to one domain or another – seek to establish new pathways for their target localities. Importantly, Grillitsch and Sotarauta (2019) showed that the necessary transformational leadership could be found in three places – in the private sector as entrepreneurial leadership; in the public sector where it would find expression as institutional leadership; and, within the community where it would emerge as place-based leadership (Horlings et al 2018). Good governance, therefore, should seek to encourage agency and leadership in all three settings.

Effective governance in place-based policy sees government agencies assisting and encouraging the emergence of this agency, and effectively helping localities give life to the development trajectory they aspire to. Eversole (2011) has argued that local agency is best realised when communities are participants in the governance of initiatives, where they are able to use their diverse knowledge sets to ‘collectively tackle complex policy problems’ (p 53). A number of authors have argued place-based policies can only be successful if there is an institutional structure in place that enables collective local agency to emerge, drive change processes and shape outcomes (Barca et al 2012). Whether this occurs may be dependent on the local economy, demography, national and local political dynamics and structures, as well as ‘a shared sense of place’ (Wellbrock et al 2013 p 420). Wellbrock et al (2013) argued some governmental settings were seen to hamper the reform and repositioning of institutions, thereby retarding the roll out of transformational, place-based processes. Importantly, the development of local agency is best supported where leaders and potential leaders can see a clear pathway to impact, that is, they have a clear sense of how their decisions and actions will lead to change. This, of course, requires access to power, which goes beyond the simple establishment of consultation mechanisms or stakeholder engagement.

McDonald et al (2013) expressed similar reservations around the capacity to achieve local change through collective action around a shared vision, but concluded from their work in north-west Tasmania that these measures were effective because of their capacity to build political capital within the region and more



broadly. In this analysis, the implementation of place-based policies resulted in interactions between those based locally and those based outside the region, as well as between regional actors. In turn, these processes created effective networks of influence which enabled the flow of further resources and decision-making opportunities. Moreover, they concluded that dense networks – that is, those comprised of many, relatively intense interactions – were most likely to be impactful. This in turn suggests that frequent, deeper, and sustained engagements are of greater value in the implementation of place-based policies. In part this arises through the development of shared norms, making possible greater levels of trust, reciprocity, and an openness to change. In a similar vein, Raco and Flint (2001 p 591) argued for the need for ‘democratic governance’ of efforts to improve locality-specific wellbeing, and that such arrangements were dependent on the willing participation of individuals in pursuit of a set of objectives. This argument broadly echoes Sotarauta’s (2015) work on power relations in the leadership of cities and regions, and his argument that civic leadership needs to rely on the power of persuasion, rather than compulsion, incentive systems or other mechanisms to achieve its ends.

### ***Place-based leadership***

Over recent years academic research into regional issues has focussed a great deal of attention on better understanding how regions change over time: how they grow, transform and reconfigure in the face of both long-term trends and in response to short-term shocks. This agency of change literature (Rekers & Stihl 2021; Grillitsch et al 2022) was both built on, and developed in response to, the literature on Evolutionary Economic Geography (EEG). Whereas work undertaken in the EEG tradition seeks to understand the development and potential future of a region through reference to its long-standing structural arrangements, including industry composition, workforce skills, access to market and knowledge and other assets, the agency of change literature focusses instead on the processes that allow regions to break away from established pathways and forge new futures.

There is now a considerable body of published research on place-based leadership (see Sotarauta & Beer 2021) and increasingly it is being considered within wider debates on the drivers of economic and social change at the scale of cities, regions and communities. Within this literature place-based leadership is seen to be a property of groups rather than individuals, it is undertaken by those of the region rather than within the region – that is, conventionally defined leaders living within a region may not be place leaders if their authority extends from their position rather than their relationship with others. Place-based leadership is deeply dependant on the power to persuade others and enunciate a narrative of change; and, it may find expression in opposition to more formal sources of authority, such as central government agencies.

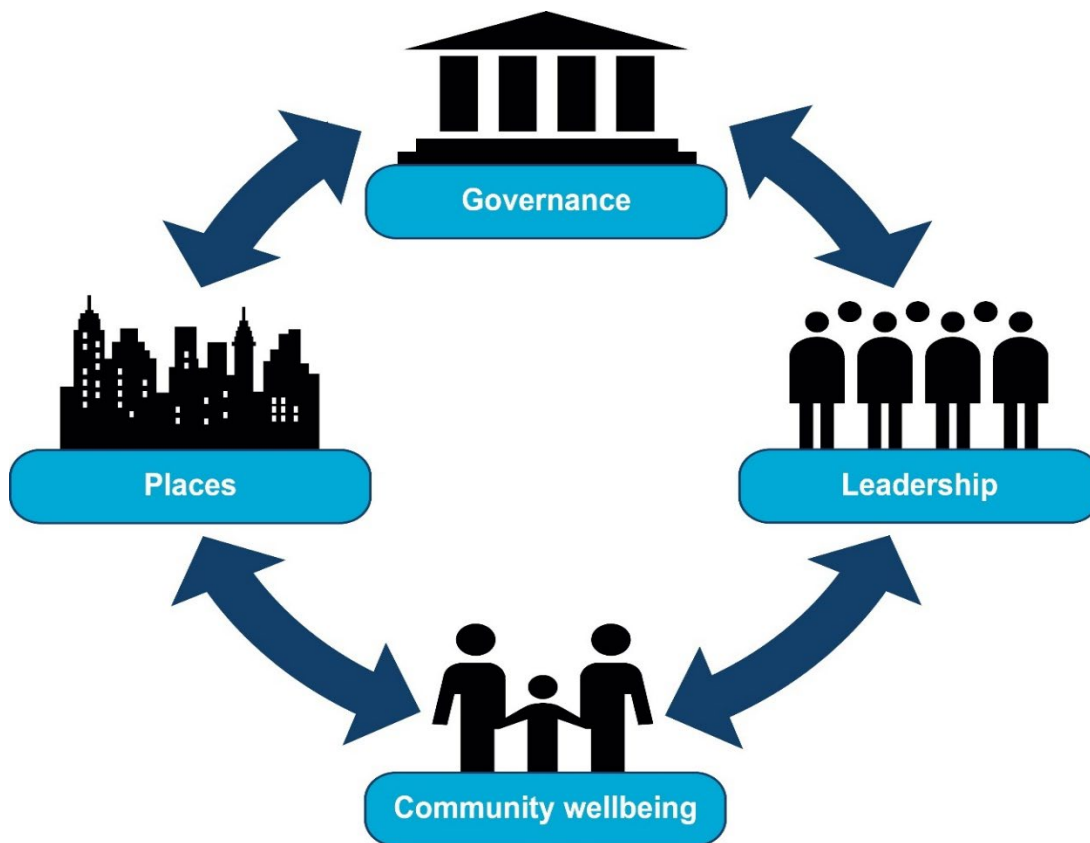
Beer et al (2020) argued leadership, and specifically place-based leadership, was one of the core elements essential for successful place-based policies (Figure 2). Government interventions that seek to advance the welfare of a locality at the scale of a region, city or locality, must both engage the community and empower it in order to maximise positive impacts. Place-based leaders bring with them assets often unavailable to those in either the corporate or government sectors, including:

- Legitimacy and authenticity in the eyes of the community;
- Strong social networks, including bridging and bonding social capital;
- Knowledge of both opportunities and risks;
- The ability to remain engaged in advancing wellbeing in a locality over a long period; and,
- The capacity to envision a process of change that meets the needs and capacities of the region.

Later discussion of the case studies will illustrate the profound differences between place-based policy that includes and gives agency to local leaders, and policy settings that do not. Importantly, place-based leadership is not necessarily restricted to one gender, class or set of interests, and the ability to form leadership networks that embrace diversity can assist in the productive transformation of a region (Figure 3).

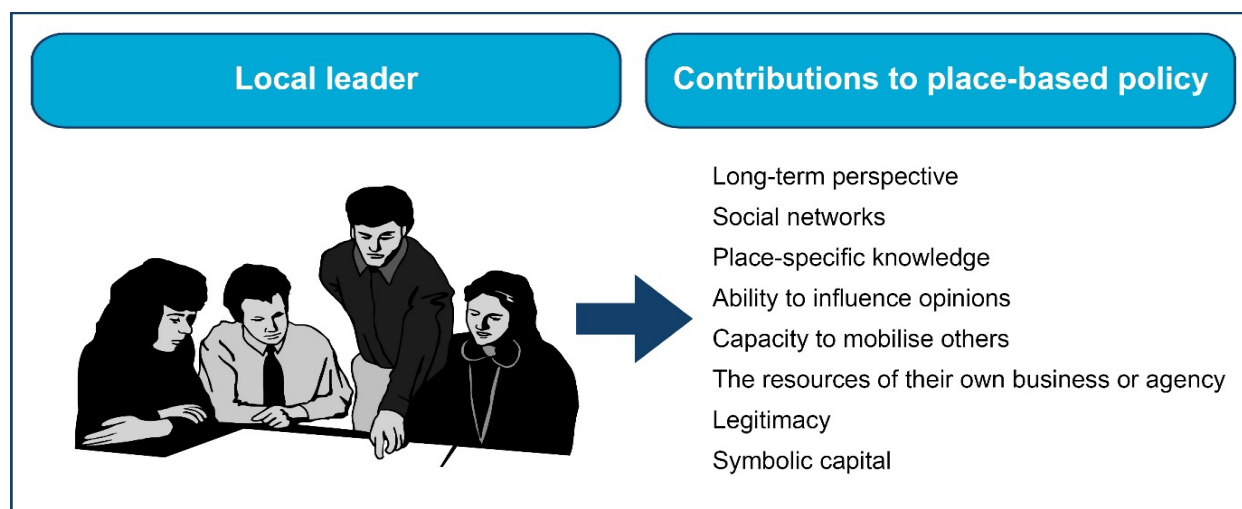
On occasion place-based leadership emerges to fill gaps resulting from fragmented governmental responsibilities, with Clarke (2017) attributing much of the success in delivering an integrated transit strategy and system in Boulder, Colorado, to the work of local business and civic groups. They were able to straddle the challenges of mandates split across the state government and a number of local governments, while also mobilising a number of public agencies within each tier of administration. The challenges of leadership are not limited to place-based policy and can be found elsewhere in horizontal networks in the public, private and community sectors where organisations and individuals seek to work together (Schout & Jordan 2007 p 843).

Figure 2. Place-based policy: core elements.



Source: Beer et al 2020 p18

Figure 3. Local leaders and place-based policy.



Source: Beer et al 2020 p 47

### Assets

Place-based interventions build on the capacity of individuals and groups based locally to identify and recruit local assets to achieve their aspirations. Assets can be tangible features of the local economy such as a university, research institute or a stock of university spin-outs, as well as infrastructure (Bailey et al 2023a). They may also be intangible and include sources of power, networks, capabilities and financial and other resources (Sotarauta et al 2022) that enable positive change to emerge. Sotarauta et al (2022) examined the transition of the economy of Salo, Finland following the closure of the Microsoft facility in that urban centre in 2015. In Salo, positive change was driven locally with the support of the Finnish Government. Local leaders, including the municipal government, were able to capitalise on Microsoft's support for workers who were made redundant and sought to establish their own business. They worked to leverage the financial assistance the company gave to those who left the company voluntarily. These two mechanisms resulted in the establishment of 80 new businesses, half of which were still in operation in 2022. These former employees established their own 'Smartsalo' association to access networks and generate novel business activities, which worked alongside a start-up hub organised to assist newly established firms. Economic and employment growth was further boosted by the purchase of the former Microsoft facility and its re-purposing into an IoT Campus, with that facility almost completely occupied in 2022 by start-up companies, universities and global enterprises.

### Resourcing place-based policy

All public policies need appropriate resources to achieve their objectives, and this need is especially acute when efforts are focussed on policy integration. Established funding mechanisms may not be able to be repurposed towards this goal. In addition, policy integration requires administrative capacity on the ground, with Schout and Jordan (2007 p 842) noting that "integration" in day-to-day policy processes is actually much more labour intensive than is commonly supposed'. Central governments need to commit both in-kind resources – access to information and networks – as well as make a financial investment. Place-based policy is not an exception to this need for appropriate resourcing, as place-based leadership generated from within the community is a necessary, but not sufficient, condition for success.

It is important to acknowledge that resources may stem from multiple origins, including central governments and their programs, local governments, third sector organisations, as well as the private

sector. Many localities, and especially those marked by disadvantage, are unable to address their economic, social and other challenges because they lack the resources to do so. This includes financial resources, but also tacit and codified knowledge, as well as connections or networks that can assist them in taking advantage of global markets. Winterton et al (2014) argued the implementation of place-based policies needs to make the most of a community's relationship with external actors, including governments, if they are to convert their local solutions to positive change. Other authors have noted that place-based policies have a tendency to overly emphasise the endogenous drivers of change (Avdikos & Chardas 2016), which further highlights the importance of external connectivity. The resources provided by partners in place-based initiatives may sit outside conventional expectations of what is important for local development. For example, Collinge and Gibney (2010) discussed the central role universities played in the Øresund in acting as a neutral mediator between large pharmaceutical companies and governments as they sought to grow that industry. Other examples could include partners who bring to a coalition of partners a sense of authenticity, or a brand reputation that is valuable in enacting change.

On occasion places can achieve their development objectives by creating 'cocktails' of funding from a number of sources – national governments, state/provincial governments, philanthropic organisations, community groups and industries – to support initiatives. Such composite funding is common in Europe, with European Union funding for territorial development – the development of places – commonly dependent upon co-investment by partners. For example, the Berlin and Brandenburg regions of Germany jointly formed innovation clusters, with the European Union providing €15.7 million of the total budget of €33.7 million, with the remainder coming from national or regional funding mechanisms. Other examples include a new financial mechanism for delivering energy in upper Austria, investment in sewerage in Hungary and encouraging business ecosystems in Galicia, Spain.

Too often place-based initiatives have failed to achieve their objectives because resourcing is inadequate, too short term, or withdrawn unexpectedly. For example, Clarke (2017) noted that an initiative to address disadvantaged children in inner-city Denver did not achieve its ambitions because of uncertainties in funding. This project and its implementation were dependent on a charitable organisation – the Piton Foundation - for support. In the early stages of the project, the Foundation worked with other not-for-profit organisations, the Mayor's office, as well as over 200 practitioners to map out a vision of a better future for children in disadvantaged neighbourhoods. The Piton Foundation was active as the 'backbone' organisation in co-ordinating efforts, and offered cross-sectoral and cross-organisational funding. When the philanthropist supporting the Foundation redirected his investment to a new entity, priorities shifted to a much wider scale, bringing core-elements of the project to an end. As this example demonstrates, resources need to be both adequate and sustained over time.

### ***Targets and evaluation***

Finally, policy makers and communities alike need to recognise target-setting and the evaluation of outcomes may serve as an important resource for place-based initiatives. Barca et al (2019) discussed the critical role of setting appropriate goals prior to the implementation of place-based solutions and noted the key role of fit-for-purpose indicators of progress towards these objectives over time. Such aspirations, however, are not easily realised because, as Magro and Wilson (2019) observed, the evaluation of any place-based policy that involves a mix of policy measures can be difficult. Most of these challenges arise from co-ordination and governance issues, and it is therefore necessary to look beyond optimum policy configurations to consider the appropriateness for each context of the strategies put into effect.

The focus on target setting and evaluation inevitably results in questioning how strategy is developed and directed. Under this scenario, evaluations shift from being an operational to a strategic issue, where 'it becomes a collective intelligence process that is central for avoiding co-ordination failures among different policy levels' (Magro & Wilson 2019 p 4) and this in turn calls for a process of social learning. This could include processes of stakeholder evaluation rather than conventional evaluation processes. Critically,

under this line of argument the objective of evaluation shifts from being an assessment of outcomes – positive, neutral or negative – to serving as a feedback loop that informs continuous improvement. However, targets and their achievement need to remain as a core element of the design of place-based policy, as their absence calls into question the value of such initiatives. In the past some academic evaluations of place-based policies have noted the failure to deliver targets but have argued the ‘soft infrastructure’ – stronger networks, a greater sense of community cohesion – resulting from the intervention constitutes success in and of itself. Such arguments are difficult to sustain in an era of scarce public sector resources.

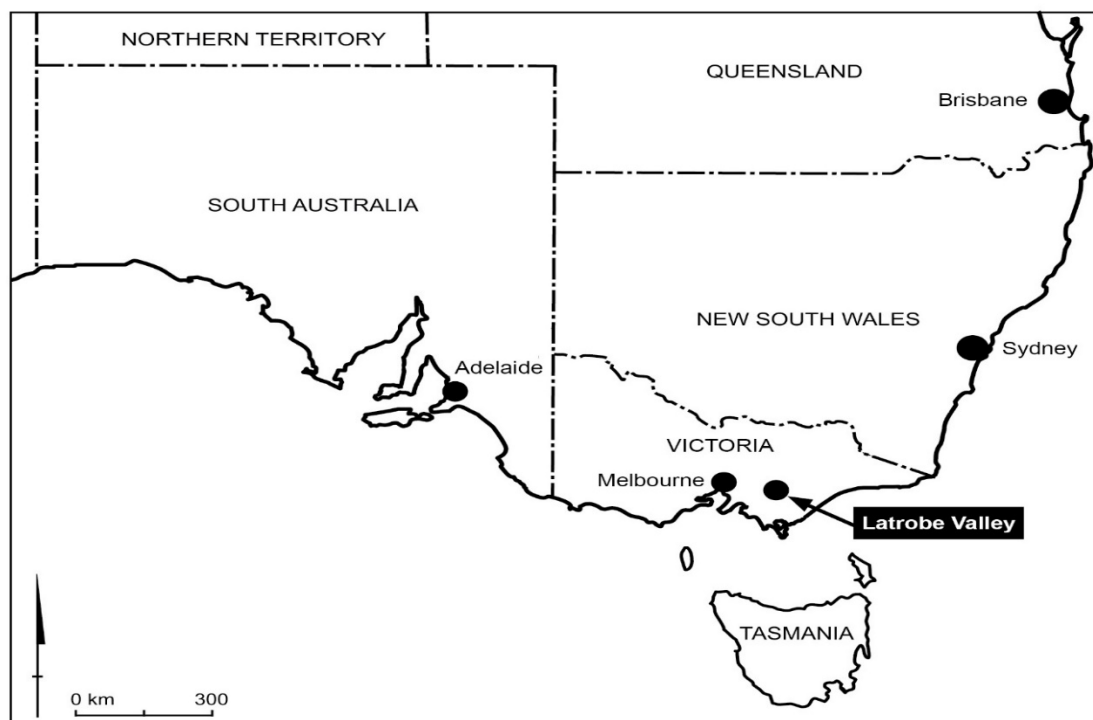
# 4 Learning from practice

Place-based policies are intrinsically focussed on specific localities and their circumstances. Well-designed place-based policy is also shaped to meet the needs and opportunities of that region, community or city. This section seeks to give life to the issues discussed above through the examination of two case studies where place-based policies, or versions thereof, have been applied. The two case studies are both former coal-mining regions: the Latrobe Valley in Victoria, Australia and Moravia, Czechia. These regions were selected because they have sought to establish a future that is no longer reliant on fossil-fuels and carbon-dependent industries, with two very different sets of processes and outcomes emerging. In South Moravia transformation has been accompanied by the transition to democracy and accession to the European Union.

## Case study: The Latrobe Valley

The Latrobe Valley in the Gippsland region of Victoria sits on the traditional lands of the Gunaikurnai and Bunurong and has been the target of government policy intervention for more than 40 years (Figure 4). In the latter part of the 20th Century its economy was heavily industrial, largely focussed on (brown) coal mining, power generation; the textile clothing and footwear industries and a small but important forestry and agriculture sector. In the 1990s electricity generation was privatised, with significant impacts on the total volume and nature of employment. In 2017 the Hazelwood coal-fired power plant shut down, with consequences for local economic activity and employment. Importantly the closure of the remaining power stations appears inevitable as that infrastructure ages and Australia moves to carbon-neutral power generation. Many strategies have been developed for the Latrobe Valley, and numerous initiatives announced over the decades, but few have exerted a positive impact on the prospects of this region. This has included an attempt to transpose smart specialisation strategies into the valley (Ward et al 2021; Coenen 2017).

Figure 4. The Latrobe Valley, Australia.



The Latrobe Valley has three larger urban centres – Moe, Morwell and Traralgon – and until 1994 each was administered by their own local government which resulted in a high degree of competition between these smaller cities. Moreover, a strong union representation and influence gave an additional dimension to the politics of the valley (Pape et al 2016). Planning for the future has been made more complex by the need to acknowledge the traditional owners of the land, the Kurnai and the Boonwurrung. Earlier government responses to the challenges confronting the Valley have relied on long-established policy instruments including structural adjustment packages (Beer 2015), as well as government investment in infrastructure, including rail transport, the provision of sports and community facilities, plus the creation of new public sector employment through the establishment of a major hub for government services.

In 2016 the Latrobe Valley Authority (LVA) was created within the Victorian Government in anticipation of the shutdown of the Hazelwood power station. It was made accountable to the Victorian Premier directly and the new Authority was given responsibilities in four domains: managing a community facility fund; allocating a business incentive program; managing the transition of the Hazelwood workforce to new employment; and encouraging longer term regional development (Weller & Rainnie 2020). Its intent was to bring together the interests and insights of those from government, business, research, education and civil society. Its goal was to develop a vision for the Valley that embraced prosperity, environmental sustainability and social wellbeing, and was seen to represent a disjuncture from previous policy interventions that relied on top-down assistance from the Victorian and Australian governments. The Authority was established within the Valley as an enduring entity in order to deliver collaboration amongst local stakeholders, while providing a framework for identifying and better comprehending the region's assets, expertise and strengths. It was created as an avowedly place-based policy intervention, with its website noting that it is 'taking a place-based approach to economic transition in the Latrobe Valley and Gippsland. We are leading the transition plan for the region' (LVA 2023). Critically, the LVA was asked to plan for the Valley itself, as well as the broader Gippsland region, and has applied co-design principles to 'build on community strengths and capability for the future; lead collaboration and innovation; draw on and

use the best ideas for what works, both locally and from outside the region; and support opportunity for all' (Latrobe Valley Authority 2019 p 2; Beer et al 2020).

The LVA has used the concepts and techniques of smart specialisation to inform planning for its future. It used 'entrepreneurial discovery' to achieve a shared vision for the future and an agreed set of priorities with the potential for growth and innovation potential, as well as the capacity to build critical mass and competitiveness (Beer et al 2020). These foci were food and fibre (all of Gippsland); new energy; health and wellbeing; and tourism. Critically, the electricity generation sector was not selected, despite the region's considerable capabilities with respect to infrastructure, skills and associated services (Weller & Rainnie 2020).

The transition of the Latrobe Valley's economy has been both slow and complex, and in part this has been made more difficult by the inability to resolve significant issues related to the Valley's landscape into the future, as well as the failure to resolve competing interests. The nature of these challenges is reflected in experiences at Hazelwood. Electricity generation at that site was supported by its own coal mine, and in 2014 the mine caught fire and remained burning for 45 days (Beer et al 2022). The nearby City of Morwell was partially evacuated. This incident underscores the need for a permanent solution to the voids created by decades of open cut mining. However, the solution favoured by power generators and mine owners – flooding – has not been approved by regulators over concerns about the impact on local river flows, especially in a drying climate. In 2019 a concept plan for site rehabilitation was released by the operators of the Hazelwood plant, but by 2022 it had not been approved, despite the commencement of the removal of some segments of the plant. Another source of tension within the Valley and planning for its future has been the conflict between the desire to move to renewable energy sources, while also retaining the security of low-cost, reliable electricity supply from brown coal. Thermal power generation will end before the resource is exhausted, and some see this as a devaluation of both privately held assets and the broader security of power generation in south-east Australia.

The challenges of implementing change have found expression more broadly, as governments – especially the state government – continued to seek solutions without necessarily moving to full implementation. Weller and Rainnie (2020) noted that more than 120 research reports into this question had been produced in the 20 years to 2018. These authors also noted that the implementation of a smart specialisation has not met local needs because the focus was placed on Gippsland as a region, rather than the Latrobe Valley alone, and the geographic scale of the former rules out key dynamics within that policy framework, including the formation of regional networks based on shared interests and challenges. Weller and Rainnie (2022) also posited that the smart specialisation framework was blind to the fact that larger businesses in the region were externally owned, and within-firm dynamics may result in innovation and new investment taking place elsewhere. Finally, they argued there was a strong political dimension to the limited impact of smart specialisation in the Latrobe Valley. They observed that:

The Gippsland experiment in smart specialisation has focussed on designing new administrative and regulatory spaces, building supportive conversations and discourses, and side-lining vested interests. This strategy has neglected the crucial issue of government in a democratic register.... The Latrobe Valley's uneasy and subordinate relationship to the centre of power in Melbourne has fuelled local resentments for many years (Weller 2017). The Melbourne-aided LVA and GS3 project has reproduced and rekindled this umbrage even while aspiring to promote bottom-up forms of organisation (Weller & Rainnie 2020 p 309).

As Weller (2017 p 382) has argued, the most recent innovations intended to drive growth in the Latrobe Valley have replaced decision making by elected representatives with a focus on the 'leadership, vision and local coalitions of elite stakeholders'. This outcome would appear to be at odds with Barca's (2009) vision of place-focussed policies being informed by meta-governance approaches that share power across a number of stakeholders.



Assessment of recent achievements in transitioning the Latrobe Valley economy have varied considerably: Beer et al (2020 p 60) concluded that

While the smart specialisation approach is relatively new within the Latrobe Valley, its initial work in the face of industry closure seems to have been successful – three quarters of former Hazelwood employees have found new jobs since the closure.

Weller and Rainnie (2020) also agree with this positive assessment of the LVA's performance in finding new employment for workers made redundant by shutdowns. They are, however, much more critical of the Authority's capacity to deliver against its wider ambitions, especially the promotion of long-term regional development. This they largely attribute to a central government unwilling to share power, with flow-on effects for the range of strategies that may be pursued and their impact. More generally, Weller (2012) has argued central governments have understood the need to transition away from fossil fuels, but have failed to understand the complexity of that challenge at the regional level, as well as the need to hear from a wider range of voices across the affected communities.

### Case study: Moravia

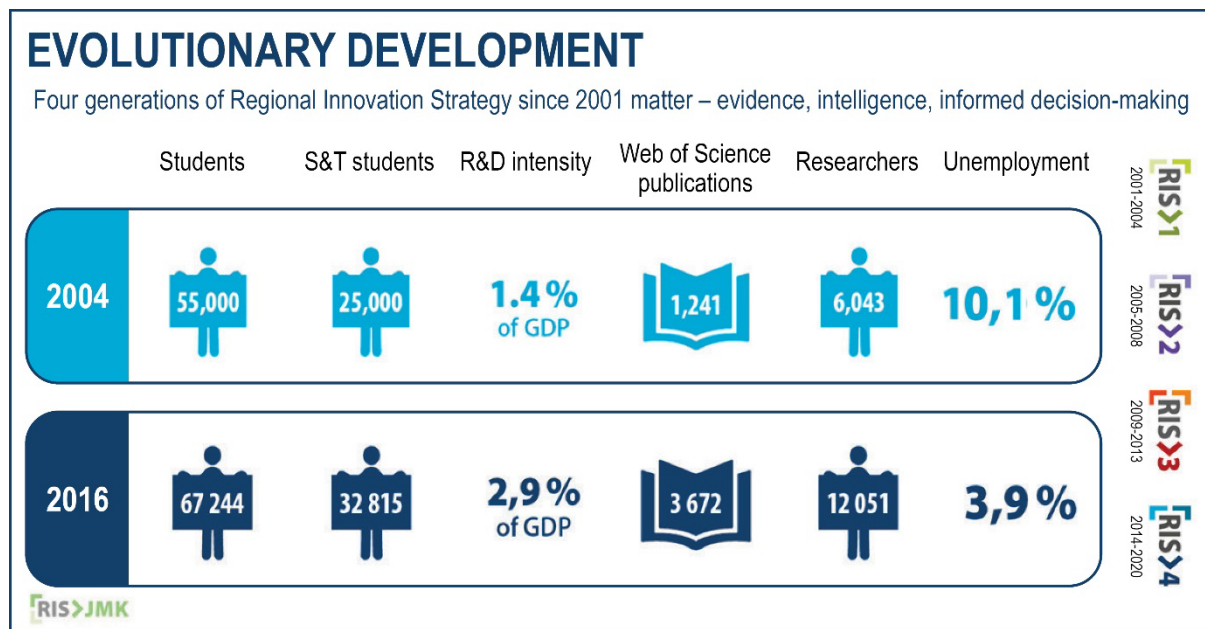
As Blažek and Květoň (2021) have argued, Moravia and its cross-border partner Silesia, have witnessed substantial economic and institutional change since the collapse of state socialism in the 1980s (Figure 5). These former brown coal mining regions have experienced a decline in low and medium value-added manufacturing and a rise in employment in services. As cross-border communities, both are remote from the core of their national economies and capitals. In Moravia an important component has been institutional change, and this has included both the very formal structures of government as well as those that are more inclusive and reliant on collaboration between partners. Czechia abolished state socialism in 1991, and this included the local system of administration – the Regional, District and Local Committees of the Communist Party – in order to move away from the symbolism and reality of the past (Blažek & Květoň 2021). New forms of self-government were not established until 2001, resulting in a decade-long hiatus in regional self-determination. The absence of a formal government structure, however, allowed space for other entities to emerge, including a union of the leaders of heavy industry in the region (focused on North Moravia) and a regional development agency (covering both Moravia and Silesia) financially supported by the EU in 1993 through pre-accession funding (Blažek & Květoň 2021).

Figure 5: Moravia, Czech Republic.



Within this broader region some parts – notably South Moravia – have achieved notable success in moving away from low value to high value industries and employment, as illustrated in Figure 6 below.

Figure 6: Measuring progress with place-based approaches in South Moravia.



Source: Beer et al 2020 p 64

The region's pathway to this level of achievement started in 2003 when the three universities in the region joined with the Regional Office and the City Office of Brno to establish The South Moravian Innovation Centre – JIC (Beer et al 2020). Drawing on contemporary conceptualisations around regional innovation systems (Cooke et al 2011), this newly established body set out to oversee the development of a leading-edge innovation system in the region. As documented by Beer et al (2020)

its mission was to provide a set of support services targeting firms, especially start-ups and later also mature companies. It set out to develop a range of support measures for start-ups and SMEs, as well as networking initiatives. The JIC sought to develop and steer the Regional Innovation Strategy while also running four business incubators. Over time the portfolio of activities of the JIC broadened and it became subject to a regular policy learning cycle. The working groups originally used during the elaboration of strategic documents were gradually engaged in a permanent process whereby the stakeholders (both from public and private sector) oversaw the implementation of approved projects, and proposed new projects and activities (Beer et al 2020 pp 63–64).

The realisation of these goals was to be delivered by working with key stakeholders and leaders, and by establishing and supporting networks both within the region, and with other regions. In addition, 'a special effort was devoted to the development of a favourable institutional framework for innovation, including the promotion of trust and an overall 'atmosphere' in the region' (Beer et al 2020 p 64). Critically, the JIC chose to concentrate on a limited number of high-value, knowledge intensive sectors, including:

- advanced manufacturing and engineering technologies;
- precision instruments;
- the development of software and hardware;
- pharmaceuticals;
- medical care and diagnostics; and,
- technologies for the aircraft industry (Beer et al 2020 p 64).

The foundation of the JIC in regional innovation systems was combined with a focus on smart specialisation strategies, especially through a focus on encouraging research and development activity and collaborative working amongst entrepreneurs.

Beer et al (2020) drew attention to the three major achievements by the JIC and its work in creating a regional innovation system appropriate to South Moravia. First, it created an environment in which local entrepreneurs and local companies have been able to grow, and this resulted in a rapid rise in the number of start-ups and emerging technology firms. Second, the JIC has served as an avenue to focus public sector resources on research into new technologies – including ICT – and the development of appropriate skills within the workforce. This has encouraged inward investment with Honeywell establishing its largest Research and Development centre in Europe in Brno in premises vacated by an exiting foreign investor. The attraction of this anchor tenant (Bailey et al 2023b) has generated new opportunities for local firms to access global markets and encouraged other major firms to collaborate regionally. Finally, the JIC and the relationships it has built, alongside the knowledge it has developed around the capacity of the region, has ensured the effective use of EU structural funds, which were pivotal in the restructuring of the region. Blažek and Boeckhout (2019) observed more than €700 million was invested in the construction of research centres and related infrastructure, including four centres of excellence and 11 regional centres of applied research over a three-year period, adding 1,500 researchers to the region's knowledge assets.

It can be argued that two factors contributed to the success of South Moravia in contributing to the transition to a knowledge-focussed economy. As Beer et al (2020 p 65) commented, the 'South Moravia case shows the key role of trust among the regional stakeholders, but...this trust took a considerable effort and time to develop.' Long-term success stemmed from modest initial expectations, the acceptance of failure on occasion, a results orientation tempered by a focus on learning and experimentation, and close

collaboration between funders and implementation agencies to ensure lessons are learnt, and practice improved. Trust took a decade to build as ‘such place-based approaches do not offer quick solutions, but as the South Moravia example illustrates, the benefits occur only after a period of intensive and coordinated effort by key regional actors’ (Beer et al 2020 p 65). Secondly, the JIC and its success was enabled by the support of key stakeholders, including the Regional Government Office. Leaders of the JIC were careful to ensure government support across electoral cycles by briefing all political parties and building a consensus around its value.

While the discussion above has focussed on South Moravia, the pattern of positive change is evident across Moravia as a whole. The Regional Innovation Scoreboard produced by the European Commission (EC 2023) shows that the broader Moravia region (CZ07) is a ‘moderate innovator’ region that has improved its position by almost 20 per cent over time. Relative to the EU as a whole it is seen to be strong in non-R&D innovation expenditures; product innovation; business process innovation; public/private co-publications; innovative SME collaboration; employment in innovative enterprises; and employment in knowledge intensive industries. This is a remarkable set of metrics for a region that until relatively recently was dependent on unsophisticated industrial manufacturing and coal. Drawing on their interviews with key informants in the region, Blažek and Květoň (2022) attributed this success to the quality of leadership available from the public, community and private sectors, as well as an enduring commitment to change. They noted that

leaders had ambitious visions, and exerted a significant and multifaceted effort to cultivate the business and innovation environment, ranging from setting up various platforms to streamlining administrative procedures.... the interviewees in Moravia-Silesia repeatedly emphasized the importance of a proactive and enthusiastic leadership with vision, supported by a political stability. All this resulted in noticeable and widely acknowledged improvement of the institutional framework over the last five to six years in this region (Blažek & Květoň 2022 p 11).

The attraction of Hyundai into the region was seen to be a key marker of the success of both the institutional framework and the strategies pursued. Other contributing factors included the important role of universities as active participants driving the process of a change towards a knowledge economy, and, potentially, the relative peripherality of these places. Distance from the capital may have enabled both a sense of self sufficiency and a freedom of action that may not be available to more central regions.

### ***The lessons of practice***

The two case studies present starkly different examples of the application of place-based approaches to meeting the challenges affecting regions facing complex and profound change. To a degree they provide a contrast, with the Latrobe Valley continuing to be ‘locked in’ to a development pathway largely determined by its history of power generation and coal mining, while Moravia appears well advanced in establishing a new pathway towards economic prosperity. The degree to which local leaders/agencies have been empowered to shape their own future appears to be one of the critical differences between the two case studies. The future of the Latrobe Valley appears to remain in the hands of a state government with a desire to implement change but managing many competing interests. At the same time, the need to sustain coal-fired power generation, and manage the concerns of the firms involved, limits development decisions and the formation of new pathways. Moravia appears to be relatively unencumbered by such limitations, largely because the key agents of change have been locally constituted and have managed political expectations. To a degree, the dominant position of the Victorian Government is understandable from both the perspective of political imperatives (Weller 2021) and a desire to achieve change in the face of a 30-year history of deadlock. However, such a unidimensional perspective to transformation appears misplaced. It is also notable that both case studies have drawn on contemporary research and policy around the development of regions, drawing on the literatures around smart specialisation and regional innovation systems to shape their strategies. Critically, Moravia appears to have used that process to focus

on knowledge intensive industries that complement its industrial base, whereas the Latrobe Valley has been embedded within the broader Gippsland region, with which it shares few commonalities, and there has been a concentration on sectors that are less knowledge intensive, and less oriented to global market opportunities (Weller 2021).

# Conclusions: Towards better governance of place-based policy

This Background Paper sets out to explore the governance of place-based policy across multiple contexts and in a number of areas of governmental interest and action. The paper has argued that place-based policies are a potentially invaluable tool for governments as they seek to address apparently intractable problems in specific locations. Place-based policies do not sit in opposition to spatially-blind policy, but represent one end of a continuum with respect to the geographical focus and impact of government decision making and investment. The Background Paper has also highlighted some of the distinctive characteristics innate to place-based policy, including its focus on integration; the need to work with multiple actors from across sectors and government agencies; the role of local leaders who may not hold positions of authority but can be highly influential; the challenges of resourcing; and, the need for such policy to be supported by financial and non-financial sources; and, the varied roles played by the multiple actors involved in place-based initiatives. The paper has also shown that place-based policy can be driven by central governments, but may also be developed in response to the actions of communities or third sector entities. Working in partnership is a critical feature of place-based policy, and these partnerships find expression in many and varied ways. It is clear that place-based policies are complex, and this complexity is key to their pathway to success in addressing apparently 'locked in' social, economic and environmental problems. It also means that their prospects for success are largely determined by their governance settings.

The OECD (2018) considered pathways to better regional development policies, and while there is a danger of falsely conflating regional policy with place-based policy, the conclusions from that report resonate broadly. The OECD (2018) argued that better governance was needed to face the new challenges of cities and regions. Nine key lessons from their analysis emphasise the need to: tailor responses to individual locations; develop capacities firstly at all levels of government before addressing substantive challenges; simplify procedures; build high-quality relationships; address the biases in a region; adjust incentives to achieve the desired aims; experiment and continue to innovate; and 'begin with the goal in mind' (OECD 2018 p 11). These conclusions provide an important framing for the governance of place-based policies.

This Background Paper sets out to shed light on six key questions:

- What are the governance requirements, including institutional and regulatory frameworks, to support the effective design and implementation of place-based policies at the right scale and the right place?
- How can we minimise transaction costs, rent-seeking activities and political interests associated with multi-level governance?

- What approaches can be deployed to improve the incentives and accountability of different actors?
- When and how to co-ordinate among levels of government and across stakeholder groups (private sector, civil society), and what are the costs of not doing so?
- What types of multi-level governance frameworks can contribute to ensuring that subnational governments are adequately equipped in terms of their public finances to fulfil their responsibilities?
- To what extent do place-based policies provide the possibility to address complex policy trade-offs?

Each of these questions have been addressed in full or in part: it is clear from the analysis that the governance requirements for effective place-based policy, including questions of scale and the targeting of the most appropriate sites, vary considerably. A one-size fits all approach is not appropriate. There is a need to tailor governance to best address the challenges at hand, while also mobilising the stakeholders working to find solutions. Governance and action needs to be at a geographic scale that matches community sensibilities, as well as commonalities of interest. At the same time, transaction costs, rent seeking and political interference can be managed by emphasising openness and transparency in all areas of operation and decision making. This insight applies across all areas of public policy, but is especially relevant in place-based policy where lines of reporting and accountability are commonly complex.

As the discussion above has shown, the incentives and accountability of different actors can be effectively managed through the establishment of expectations and agreements around processes early in the life of the initiative. These understandings may be formalised as written documents or not, but they will be most impactful when effort is directed to the on-going review of achievements against milestones, and when the effectiveness of working relationships is examined regularly. The co-ordination of government action vertically and horizontally is central to the successful application of place-based policy, and the absence of co-ordination brings with it a high likelihood of failure. At the same time, place-based policies shed light on the resourcing of sub-national tiers of government and the capacity of communities to bring their ambitions to life. Effective place-based policies must consider how best to provide resources – including intangible assets – at the scale of the locality or community, and this may be difficult for central government agencies. Finally, we can conclude that place-based policies generate the opportunity to address complex policy questions, but they do not eliminate the need to make difficult decisions as competing policy priorities are traded off. Their advantage is in providing better, community-valued, solutions to these trade-offs as communities and their representatives make decisions based on local knowledge and values.

What then are the prospects for the future governance of place-based policies? McCann (2023 p 31) has argued that under contemporary settings there are three key arguments for the application of place-based policy, namely to:

- Enhance the efficacy of democratic, market-based systems of resource allocation and growth especially in nations with marked inter-regional inequality;
- Provide a demonstrable track record of achievement and effectiveness, assisting locality escape 'development traps' and allowing regions to establish new, more productive development trajectories; and,
- Constitute government interventions of high integrity and longevity that can help counter the impact of economic transformation on the 'places left behind' (Tomaney et al 2023).

Of these three key points, the last may be the most relevant as economic shock commonly materialises as a short-term phenomenon, while the process of adjustment at the local level is a medium to long term proposition – if positive change occurs at all. Ongoing change in national and global economies driven by rising atmospheric CO<sub>2</sub>, Artificial Intelligence, and demographic processes will result in further disruption in many localities, with the consequent demand for place-based interventions likely to increase rather than decline.

There is scope to increase the range of policy domains in which place-based policy is applied. Geatches et al (2023) argued that place-based policies have the potential to make greater contributions across a number of policy domains if reform is undertaken to allow them to achieve greater impact. Some of the changes they identified as necessary included: a greater commitment to strategic investment in places with acute needs, and this should be undertaken in part as a way to enhance partnerships with local stakeholders; further strengthen practice and networks nationally to ensure 'good practice' is embedded in all settings; and reform finance and program structures to make possible greater flexibility in the application of funds locally. Geatches et al (2023) also argued for further effort in developing an evidence base around place-based policies and their impacts, ideally allowing analysis to move beyond limited case studies. Overall, they argued for fundamental reform amongst government leaders that would prioritise place-based policies as a solution of first, not last, resort for questions of disadvantage and economic development. As they noted 'the goal is to develop systems that can more easily integrate local place-based work and large-scale policy development and service design' (p 25). This would involve government partners being more willing to work in partnership, effectively empowering others to achieve success. There is much to consider in these observations as to date there have been limited efforts to share experiences in the implementation of place-based policies. There is a pressing need for the development of communities of practice and for the establishment of other resources that can assist both government officials charged with the implementation of place-based policy, while also helping communities take the first steps to shaping a more positive destiny.

Avdikos and Chardas (2016) observed that 25 years of Cohesion Policy in the EU failed to reduce disparities between regions, though differences between nations were reduced. This conclusion draws attention to a critical issue in the governance of place-based policy - the potential for political imperatives to overwhelm policy needs and thereby the outcomes from place-based policy. Government officers, communities and other stakeholders need to be cognisant of the potential impact of politics when establishing and implementing place-based policy. Political and financial support needs to be sustained over a considerable period. Reflecting upon the two case studies considered in the previous section, Moravia was able to deliver on its ambition to transform its economy because local leaders worked to ensure ongoing, bipartisan political support. In the Latrobe Valley, transition has been hampered by strategies overly influenced by a central government seeking to balance many competing interests, most of which lie outside the region.

More analysis and practice development is needed around the implementation of place-based policy, but there is also a pressing requirement to articulate and disseminate a more coherent vision for the evaluation of place-based policy. As has been argued above, there is an inherent tension between the short-term goal setting commonly imposed on place-based policies on the one hand, and the need for long term developmental and community engagement on the other. Both are valid imperatives and too little attention has been paid to working towards better evaluation frameworks for place-based policy. Denver's child wellbeing initiative has shown that place-based initiatives need to be evaluated against their 'soft' infrastructure development – such as the strengthening of local networks – but also 'hard', measurable elements that speak to the achievement of goals. Overall, it is clear that evaluation needs to be a central component of the governance of all place-based policies, and it should have both a formative dimension with respect to informing continuous improvement, and a summative element in that it documents achievements, gaps and lessons for future developments. This summative component is important in communicating outcomes to both internal and external stakeholders, including the nation at large.

The application of place-based policy has commonly raised concerns that have centred on questions of accountability, the incentives in place for all parties to collaborate, the risk of corrupt behaviour or the misallocation of scarce public sector resources, and the prospect of limited progress towards goals. In large measure such concerns are mis-placed: place-based policies carry no greater risk of corruption than conventional public sector processes as, in large measure, they make use of those mechanisms when purchasing services, contracting specialists or



arranging major forums. They are markedly less likely to result in a misallocation of resources because decisions are by design open and transparent to relevant stakeholders, and ideally the public at large. It is the community and its representatives, in partnership with central government actors, making the decisions. As discussed above, Barca (2009) has noted the three conditionalities that need to be enacted as a centre piece of the governance of place-based policies, and at its heart it is these conditionalities, and the governance that it supports, that serves to ensure all parties adhere to the objectives and processes of collaboration. The establishment of *a priori* expectations and an agreement on how operations will take place, alongside ongoing discussions, ensures all parties are held to their commitments by their collaborators. This can be a powerful influence. Ironically, perhaps, the greatest risk is that central governments and their agencies will put aside this implicit and explicit commitments in order to deliver fluid political ambitions.

Finally, it is critical to consider the governance of place-based policy into the future and the tension that appears to lie at the centre of many of its challenges. Place-based policy seeks to achieve its goals by mobilising local resources and knowledge and that leads to the sharing of power in the form of resources, knowledge and influence. Too often that would appear to be a significant hurdle for governments and their agencies who seek to maintain control, thereby limiting the benefits for target communities. It also implies that there is a distinction between governments and their citizenry, and as Eversole 2011 has argued

Articulating government and community as somehow separate entities (who need to work together) may seem odd in the context of a representative democracy, where government is intended to represent communities (p 57).

Further research and attention is needed to address this central governance challenge. Without further advances in this area too many place-based policies and their associated actions will not achieve all that is possible.

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