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Revamping Local and Regional Development through Place-based Strategies

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1. Introduction

In a world in which subnational tiers of government have been acquiring greater powers, local and regional governments are increasingly regarded as makers or breakers of the economic dynamism and welfare of territories (e.g. Storper, 1995, 1997; Scott, 1998; Pike et al., 2006). This ascendancy of subnational tiers of government for development has become more prominent in the last decades as a consequence of how globalization has accentuated and galvanized the role of localities in economic activity (Smoke, 2003; Pike et al., 2006: 3; Rodríguez-Pose, 2011; Barca et al., 2012). On the one hand, the emergence of an increasingly competitive, knowledge-intensive global economy and, on the other, the territorial scale at which processes of growth, development, and change operate, means that “globalisation is progressively increasing the importance of regional processes and the role of local actors in shaping development trajectories” (Ascani et al., 2012: 4).

Although there are considerable differences across the world in the capacity and resources at the disposal of local and regional governments, the so-called “global trend towards devolution” has provided subnational governments with a mix of powers that include from a minimal level of planning decisions to the design and implementation of fully fledged development strategies, covering, among other factors, issues such as national economic policies, the attraction of foreign direct investment, control over education and health, infrastructure development, and a range of welfare issues. This implies that the responsibility for generating economic growth and dynamism as well as for improving the wellbeing of local citizens lies today more squarely than ever in the hands of subnational governments. This represents a radical change of paradigm relative to how policymakers pursued socioeconomic development just a couple of decades ago.

The empowerment of subnational governments represents an opportunity for localities to assume a greater control over their development trajectories via the tailoring of expenditure, policies, and strategic approaches to local contextual conditions, in a substantially different way from the top-down policies that which have dominated until recently. This process has effectively opened the door for the implementation of place-based territorial approaches to development, granting localities and communities considerable latitude to mobilize their unparalleled knowledge of local characteristics and preferences and tailor expenditure, the provision of public goods and services, and strategic decision-making accordingly.

However, while this process represents an important opportunity to design more efficient development strategies and to achieve sustainable and inclusive economic growth, it is not without risks. Questions arise about whether place-based development interventions really work, about the necessary steps needed in order to ensure that the potential of each territory is fulfilled, as well as about the mechanisms to achieve this potential.

In this paper we will argue that, despite mixed evidence, place-based development strategies are off to a promising start and that maximizing the returns of place-based territorial development at the local level can be achieved via both (i) capacity building to ensure that localities and communities are technically capable of assuming the responsibilities associated with greater powers and developing territorially-oriented approaches and interventions, and (ii) the promotion of multilevel governance to enhance vertical and horizontal coordination, guaranteeing a sufficient degree of coherence between the resources allocated to, and responsibilities assumed at the local level and also minimal overlap between the actions taken by various tiers of government.

In order to reach these conclusions, this paper adopts the following structure. After this introduction, the second section goes over how local empowerment has facilitated the diffusion of place-based approaches to development. Section 3 looks at the structure of place-based approaches, while section 4 asks whether these

approaches really work. How to overcome the barriers to place-based development is discussed in section 5. The concluding remarks appear in the final section.

2. Local Empowerment and Place-based Approaches to Local Development

Until the latter part of the 20th century, “the world was dominated by strong national governments, and regional governments tended to be either weak or non-existent” (Rodríguez-Pose and Gill, 2003: 336). The number of truly devolved countries in 1970 could be almost counted with the fingers of one hand. Since then, local empowerment, mainly through devolution, has evolved swiftly all over the world, reinforcing the centrality of subnational tiers of government in the process of development (Smoke, 2001; Rodríguez-Pose and Gill, 2003). In this context, subnational governments have increasingly become entrusted with a mix of powers, placing the responsibility for economic growth and dynamism, for more holistic socioeconomic development and, ultimately, for the wellbeing of local citizens (more) squarely in the hands of localities and their decision-makers. This represents a radical change of paradigm relative to how socioeconomic development was pursued just a couple of decades ago. Centrally-driven approaches to economic development are increasingly being replaced by place-based strategies that reflect the preferences and needs of local agents and that leverage local characteristics.

There is little question that this new capacity of subnational authorities to devise and implement territorially-oriented approaches to development represents an important opportunity for regions and localities to mobilize their full economic potential. That said, the realization of this opportunity is by no means guaranteed and is, in practice, often fraught with challenges. There are, first, questions about the appropriate scale for the implementation of place-based policies. In the case of the United States, it is clear that the federal level is too distant and too remote to be able to effectively address local development problems. The potential advantages of federal intervention, linked fundamentally to economies of scale, are weighed down by the capacity of local administrations to better tailor public intervention to local needs, by the greater possibility to experiment and innovate with local policies, and by the greater involvement and empowerment of local stakeholders (Rodríguez-Pose and Gill, 2005). But, below the federal level, the best level of intervention is far from clear. States in the United States, such as regions in Germany or Spain or districts in Indonesia, have considerable powers at their disposal but are at times too large and/or heterogeneous to effectively address the diverse needs of different localities. While place-based intervention can possibly work for Delaware, Rhode Island, or even Connecticut and Maryland, California and Texas may be too complex and diverse for place-based interventions to really take hold. Chinese provinces, outside the city-regions, and most Indian states are possibly in a similar situation. Metropolitan areas—as almost perfect functional economic areas—are an obvious candidate, but often lack the degree of coordination among their constituent local authorities to carry out viable strategies. Finally, local authorities, such as counties or municipalities, may be too small and weak—both financially and in terms of capacity—to carry out the task. Second, while some subnational authorities are in an ideal position to design and implement sound development strategies, smaller, more remote, and often poorer areas face far greater capacity constraints. And, lack of or inadequate interaction among tiers of government and jurisdictions leads to a third important issue, that of policy coordination problems. Failures in vertical coordination among tiers of government can result in an over- or under-supply of public goods and services, while horizontal coordination failures may end up in beggar-thy-neighbor policies (Bartik, 2016) or bidding wars (Rodríguez-Pose and Arbix, 2001).

The empirical evidence so far has not always been conclusive about whether this approach works. There is some skepticism surrounding the utility and effectiveness of territorially-oriented strategic intervention founded, for example, on the American experience (e.g. Holzer, 2016). Recognizing this, it is perhaps best then

to assert that while place-based policies *can* catalyze socioeconomic development—as they in fact have in certain parts of the world—and may be the most viable way of mobilizing local resources to impel and embed socioeconomically sustainable growth in heterogeneous territorial contexts, their success will ultimately be shaped by how they are implemented. That is, for territorial approaches to development to succeed it is vitally important that policymakers are not only aware of the advantages and challenges with which they are associated, but also that they take concrete steps to exploit the advantages of empowered subnational authorities while simultaneously putting in place the necessary mechanisms to minimize and mitigate the risks and challenges inherent in these approaches.

2.1. WHY PURSUE PLACE-BASED POLICIES?

Proponents of place-based policies generally consider the empowerment of local governments an opportunity to enhance the development prospects of localities. First, it allows subnational authorities of all types to formulate and implement policies and make decisions that are more reflective of local realities and contextual conditions than those afforded to traditional top-down policies. In doing so, these authorities assume greater control over and influence on local development trajectories (Ascani et al., 2012:13). It is often expected that local decision-makers are sufficiently proximate to the territories for which they are responsible to accurately identify and assess relevant local contextual conditions and characteristics. Local empowerment effectively grants these authorities the autonomy, powers, and resources not previously at their disposal to mobilize and act upon this knowledge. Policymakers can employ their awareness of local realities to designing and implementing the types of contextually tailored policies that likely would not materialize otherwise, and make the decisions that would *not* be expected to be made within a centralized system, yet seem wholly necessary given the understood uniqueness of every territory. This tailoring of public policies to local needs is the greatest advantage of local empowerment.

However, regions and localities will oftentimes find themselves in something of a predicament. On the one hand, they stand to benefit from the very empowerment awarded to them and, more precisely, from the opportunity to adopt strategies that, in principle, reflect local realities that may have been neglected in a top-down framework. On the other hand, they also frequently match the profile of the typologies of territories that are most likely to be “swept away” by the potential risks associated with the acquisition of greater powers without often the means and/or capacity to make the most of them. This may be less of a risk in more developed countries, whose local authorities tend to be well-capacitated, both financially and technically, and are actively engaged in political processes at all levels of governance. Canada’s largest city, Toronto, has, for example, resorted to place-based approaches to development to promote more holistic socioeconomic development and to, more specifically, boost the city’s competitiveness and position it as a “knowledge city” and a viable host for the high technology services, science and technology, and cultural sectors. Similar development strategies have also been implemented in Glasgow (United Kingdom) as part of a concerted effort to cope with industrial decline and re-position the city in both the United Kingdom’s economy and the global economy more broadly. Such areas are, despite notable exceptions, well-positioned to capitalize upon the advantages of place-based development approaches.

Unfortunately, not all localities and regions possess the capabilities, resources, and influence to make the most of territorial strategies. In many parts of the world, including many areas in the developing world, localities lack adequate capacities to realize the economic and social opportunities associated with local empowerment. Smaller, under-capacitated, and financially constrained local authorities tend to be unable to design and implement sound development strategies on their own. Moreover, they are often isolated—both geographically and otherwise—from more centralized decision-making processes, rendering them incapable of exacting any influence over political processes that inevitably affect them (Rodríguez-Pose and Gill, 2005).

In addition, just as different regions in different parts in the world are characterized by radically different capacities and capabilities, different levels of government—even within the same country—may display different facilities for the mobilization of devolved powers, resources, and responsibilities. That is to say, higher-order territorial units, like regions or perhaps larger cities/metropolises, are often presumed to be better positioned to capitalize upon the prerogatives afforded to them by self-government and, in turn, pursue place-based development policies. On the other hand, lower-order territorial units, including, for example, municipalities or smaller cities and towns, are frequently less well-endowed with the capabilities—in terms of authority, capacities, finance, or otherwise—needed to mobilize powers and resources and implement place-based strategies and initiatives.

The consequence of these issues is that development strategies conducted by lower tiers of government do not always work. On top of the already-mentioned problems of local development policies in the United States, as highlighted by Holzer (2016), there are numerous examples of limited returns of place-based interventions across the world. Such has been the case in parts of India, where the opportunities offered by greater local empowerment have resulted in problems of transparency and jeopardized the clarity of what various tiers of government are responsible for (Steytler, 2005). This has led, at best, to an inefficient duplication of expenditure, goods, and services and, at worst, to a complete failure to provide basic goods and services. In the state of West Bengal, Véron et al. (2006) have documented how the local implementation of an Employment Assurance Scheme in rural areas of the state has undermined political, bureaucratic, and community accountability, reducing overall transparency, leading to an inefficient provision of services and, worst of all, generating local networks of corruption in which irregularities, abuses to beneficiaries, and other creative ways to steal funds became the norm rather than the exception. Moreover, imbalances in the powers of states and municipalities are contributing to the rise of what are already dangerous levels of socioeconomic polarization. Economically dynamic states such as Maharashtra, Karnataka, Haryana, Punjab, or Gujarat have managed to extract considerable resources from the Indian government, leading to a highly territorially regressive transfer system. Awarding the stronger and more economically resilient states more resources to implement their own specific policies has come at the expense of the capacity of poorer states and Panchayats, mainly located in the eastern part of the country, to put in place effective development strategies. Similarly regressive—albeit less extreme—systems of transfers can be found in places as different from India and from each other as China and the United States.

Lower-order territorial units, even when lacking capacity, can assist in their socioeconomic development when they are entrusted with increased control. There are also examples where, despite rather inauspicious circumstances, local authorities have managed to generate sound development strategies. Faguet (2004) explored the extent to which subnational governments in Bolivia tailored their expenditure decisions to local preferences and needs when granted the resources and autonomy to do so. He found evidence to prove that local investment in education, water and sanitation, water management, agriculture, and urban development after devolution was done more in accordance with the socioeconomic characteristics of each municipality than previously. He concluded that “[changes in expenditure patterns] were driven by the actions of Bolivia’s 250 smallest, poorest, municipalities investing newly devolved public funds in their highest priority projects” (p. 887).

Hence, policymakers must acknowledge the heterogeneity of subnational authorities and of their capabilities in particular. Efforts must be undertaken first to identify, and then to tailor processes of devolution to their respective strengths (and, perhaps also, weaknesses). Second, there is also a need to foster vertical coordination between the different levels of government not only to prevent overlaps and inefficiencies but also to reveal and capitalize on synergies that might arise between them. Simply stated, responsibilities, resources, and powers should be allocated in a more nuanced way and in accordance with the specific strengths, capabilities, resources, and endowments of different authorities rather than in a way that reflects and is

founded on the presumptions that higher-order territorial units will cope better with, and will make more of, the opportunity that is devolution than their lower-order counterparts.

3. Towards Equitable and Sustainable Development at the Local Level

Big cities in the developed and developing world alike have long been awarded privileged positions in national economic growth and development strategies. The perception that cities are the drivers of—and home to the greatest potential for—economic growth (e.g. Duranton, 2000; Fujita and Thisse, 2002; Glaeser, 2011), has often led policymakers to concoct and implement spatially blind policies that promote the concentration of people, economic actors, and economic activity in a limited number of large urban agglomerations (e.g. World Bank, 2009). The role of other localities and communities has, by contrast, often been overlooked.

There are, however, some signs that this policy-paradigm and, thus, the neglect of other types of territories is changing. As stated by Barca et al. (2012: 140) “all [typologies of territories] have the potential to make substantial contributions to [national] economic growth.” The potential for economic growth cannot, however be conflated with the achievement of economic growth. It is often the case that opportunities for growth can, for any number of reasons, go unrealized. The role for policymakers in localities is therefore to find ways to harness this potential and translate it into meaningful economic growth and more holistic social development. Territorially-oriented, place-based economic development approaches would seem a particularly viable avenue for doing so.

In this section, we first present the advantages and drawbacks of territorially-specific, place-based economic development approaches as a means to achieve endogenous, sustainable, and equitable social and economic growth. Second, we contemplate the operationalization of these approaches and their advantages for specific localities.

3.1. THE JUSTIFICATION FOR PLACE-BASED DEVELOPMENT APPROACHES

Place-based approaches have come to be employed across the territorial spectrum in the developed and developing world alike. Their case relies on three principles:

1. Place-based economic development approaches are anticipated to deliver socioeconomic benefits;
2. Place-based economic development approaches are suitable for the pursuit of more equitable and inclusive economic growth; and
3. Place-based economic development approaches can be implemented in, and can be objectively anticipated to succeed in, environments of all sizes and types.

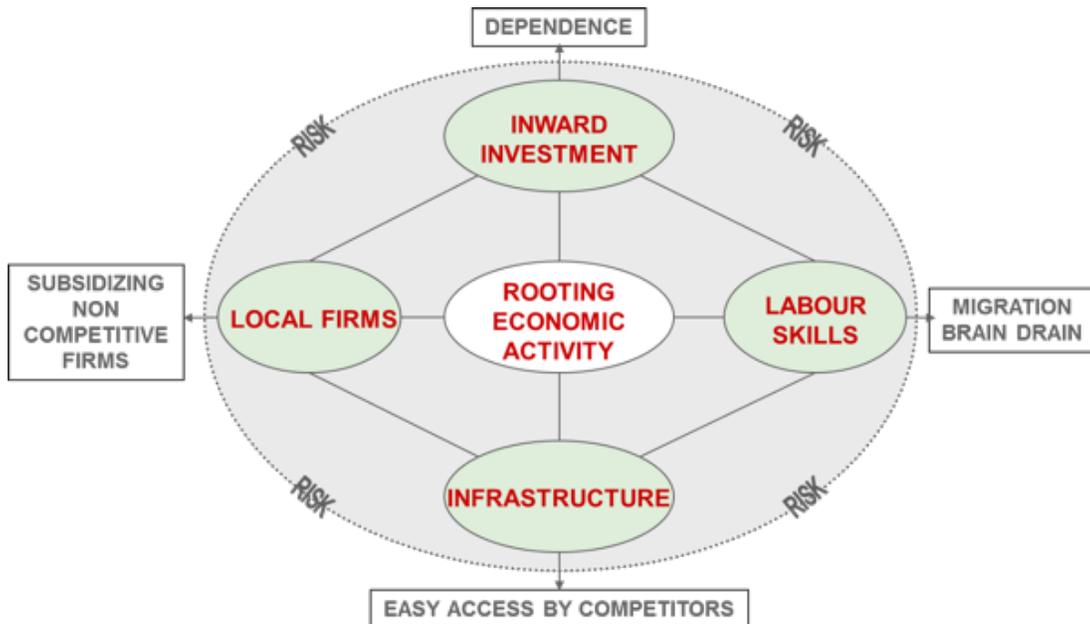
However, place-based development strategies are highly context-dependent and vary widely from one place to another. There are, nevertheless, certain common denominators, which generally involve interventions in one or more of the following four basic development axes (Rodríguez-Pose, 2002: 9):

- ➔ Strategies aimed at boosting the competitiveness of local firms;
- ➔ Strategies targeting the attraction of inward investment;

- ➔ Strategies aimed at improving the local human capital and skill-pool;
- ➔ Strategies targeting infrastructural bottlenecks and the development of new infrastructure.

These factors represent the fundamental pillars determining the development potential of a territory. How much intervention takes place in each of these axes depends, in turn, on two factors: a) the power and authority endowed to each regional and local authority; and b) the starting situation in each locality. As the different development axes are all highly integrated, choices regarding the type of intervention—and, especially, preferences for a particular axis (or axes)—have serious implications for future development prospects, as intervention in any of the axes will only have the expected result if local capabilities in the other three are sufficient enough for the intervention to dynamite the whole local economic fabric.

Figure 1. *The Foundations and Risks of Place-based Approaches*



Source: (Rodríguez-Pose, 2002)

As can be seen in Figure 1, the focus on a particular development axis has implications for the overall development of a territory. Hence, traditional preferences for inward investment or infrastructure, in the absence of solid foundations in local skills and innovative and competitive local firms, may backfire. Too much attention to inward investment may only lead to an enhanced risk of greater dependence on external and/or foreign stakeholders in the absence of adequately skilled labor or of firms that could simultaneously act as suppliers and as recipients of the knowledge spillovers generated by the incoming firms. Improvements in local infrastructure may similarly facilitate the exposure of weak economies to external competition and facilitate migration and brain drain (Figure 1).

Hence, the failure of more traditional, top-down regional subnational development policies is, at least in part, attributable to what Pike et al. (2006: 14) refer to as “internal imbalances” in the strategies themselves. That is, dominant top-down policies tended to adopt a singular focus on one particular deficiency or challenge that was deemed to be the most prominent impediment to development. It was anticipated that the mitigation of that deficiency would be sufficient in and of itself to impel economic growth. In practice, however, the neglect of other relevant factors and considerations compromised the effectiveness of approaches oriented around a singular focus. Place-based economic development approaches, because of their participatory nature and

also the proximity between those tasked with designing the policy and the territory in which the policy is to be applied, are less prone to such “internal imbalances.” They are not, however, immune to them.

Concerted efforts have to be made to ensure that territorially-specific economic development approaches feature an appropriate balance of structurally-, socioeconomically- and institutionally-oriented policies and reforms. It is not sufficient, for example, to simply target local firms or industries and implement policies designed to increase their competitiveness. The viability and competitiveness of firms and industries is a product of the quality of local human capital, physical infrastructure, and a multitude of other contextual conditions. Deficiencies in the socioeconomic context compromise the viability of local firms and derail the effectiveness of any policy actions designed to target them. Similarly, returns from initiatives to upgrade the quality of local human capital will go unrealized if efforts are not made to ensure that jobs for newly skilled individuals are made available. Moreover, the institutional context is increasingly understood to be a prominent influence on and determinant of the effectiveness of economic growth and development strategies. Hence, “development strategies need to understand and be specifically tailored to the potential of place-bounded institutions in order to make the most of interventions in human capital, infrastructure or innovation” (Rodríguez-Pose, 2013: 1042).

Consequently, place-based policies work more when intervention targets areas of development where deficiencies exist, provided that the remaining factors behind growth and employment generation are at a level that facilitates the formation of integrated and balanced development strategies.

3.2. THE ADVANTAGES OF TERRITORIALLY-SPECIFIC ECONOMIC DEVELOPMENT APPROACHES

In the most basic sense, place-based economic development entails the identification, mobilization, and exploitation of “local potential” (Vázquez-Barquero, 1999). Place-based approaches are very much founded in the perception that the potential for economic growth exists across all types of territories (OECD, 2009; Barca et al., 2012). A territory’s “local potential” is shaped by, among other factors, the economic activities it specializes and excels in, its stock of physical, human, or other types of capital, its institutional context, and the resources with which it is endowed. The objective of place-based economic development strategies then is to leverage this potential and cultivate economic activity that is reflective of and “dependent on [a locality’s] specific economic conditions and comparative advantages” (Pike et al., 2006: 19). Territories also, however, face constraints that are, once again, a product of local contextual conditions. This implies that the objectives of place-based economic development are two-fold as, in addition to capitalizing on local strengths, territorially-specific economic development approaches also aim to mitigate a territory’s weaknesses and overcome its limitations. A localized development approach implemented in one context may therefore be composed of a completely different set of programs and initiatives and may ultimately look radically different to that which is designed for another environment. As mentioned, basic education and skills and training programs, capacity building initiatives, efforts to support and connect local firms, inward investment and infrastructure schemes, and institutional reforms, among other types of policies, may all feature in localized approaches and strategies. That said, the way in which individual initiatives and policies are integrated into, and the extent to which they are prioritized in a localized development approach will vary from one context to the next in accordance with the more specific objectives of the broader strategy and the context within which it is to be pursued.

Place-based approaches have come to be associated with both economic and social advantages (Pike et al., 2006). The first advantage relates to the ability of place-based development strategies to improve a territory’s capacity to manage and compete in an increasingly dynamic global economy. Prioritizing economic activities based on the specific characteristics and strengths of a territory to the detriment of building new activities from scratch are likely to “[improve] the [local] productive context” (Vázquez-Barquero, 1999: 84).

The second advantage is of a more socioeconomic nature. The participation of decision-makers in the design, implementation, and monitoring of development strategies leads to a closer connection between local needs and priorities and the implemented strategy. This closer connection between needs and policy is usually reflected in a greater embeddedness of the supported economic activities and to the creation of more stable and high-quality jobs. One specific example of this has been Ghana's Decent Work Program. The Decent Work Program executed in partnership with the International Labor Organization, was aimed (1) "to contribute to the reduction of poverty in Ghana by addressing Decent Work deficits in micro and small enterprises in the informal economy and by enhancing the employability of low-income women and men, the young in particular; and (2) to mainstream employment-focused strategies for decent work in national and district policies in Ghana" (ILO, 2012: 6). The specific program was piloted in eight districts where it was specifically tailored to the needs of local industries and economic activities. This program has resulted not only in improvements in employment and growth, but also in a series of additional economic benefits. These include increases in National Health Insurance registration in employers' associations and informal economy organizations and participation in training programs (ILO, 2012: 9). The success of the overall program was attributable to (ILO, 2012: vii):

1. Focusing on capacity building and deliberately limiting direct funding of programs;
2. Empowering local stakeholders to shape the local economic development approaches in accordance with local norms and values;
3. Embedding local economic development initiatives within local government structures.

The third advantage of place-based approaches lays in their applicability across territories of all types, sizes, and levels of socioeconomic development. Place-based economic development approaches are unique in that they work within the limitations imposed and opportunities afforded by local contextual conditions and characteristics. Localized approaches can, as a result, be implemented in territories of various levels of *ex-ante* favorability and with different economic structures and specializations, resource endowments, and capabilities. This is critically important, especially for different and hugely heterogeneous national contexts.

One example of adapting place-based strategies to different national conditions is South Africa (Rogerson and Rogerson, 2010). Territorially-specific strategies have enjoyed a growing popularity in the country since the mid-1990s. South Africa's local authorities, from the largest—including, among others, Durban (e.g. Robbins, 2010); and Johannesburg (e.g. Rogerson, 2005)—to much smaller and more remote rural areas have devised and executed a number of place-based strategies with varying degrees of success. Success, in any case, has not been confined to larger territorial units, as a number of localities have thrived and created jobs following the implementation of these strategies (Nel and Rogerson, 2007). Such is the case of Alicedale, which according to Nel and Rogerson (2007: 7), represents the "most dramatic case of small town transformation" that is attributable to a well-designed and executed place-based economic development approach. Alicedale (population: ~4,000) put in place a territorially-specific economic development strategy to address the town's pronounced economic challenges (Gibb and Nel, 2007). The initiative, which centered on the development of a resort and sought to generate employment, stimulate entrepreneurship, and foster local firm growth and development, has had a not-insignificant socioeconomic impact. The local economic development strategy "created more than 500 full- and part-time jobs for local people" in areas related to tourism and led to the formation of several additional small businesses that provide local employment and income generating opportunities (Gibb and Nel, 2007: 82).

3.3. OPERATIONALIZING PLACE-BASED DEVELOPMENT

Place-based economic development is most fundamentally concerned with the implementation of policies that are uniquely tailored to the contexts within which they are enacted. However, the viability and success of place-

based economic development approaches are contingent on the employment of a robust strategic planning process. The strategic planning process serves as the foundation for the eventual implementation of any localized approach. The planning process may be thought of as being composed of four distinct elements: (i) an assessment of local conditions or “situation analysis” (UN-HABITAT, 2005: 9); (ii) local stakeholder engagement and participation; (iii) delineation of the strategy’s aims and objectives; and (iv) the identification of suitable policies and initiatives.

The most appropriate point of departure for the design of a territorially-specific economic development approach is an evaluation of local conditions. The development of a feasible, effective, and implementable localized approach requires above all else a robust understanding of the “characteristics of the local economy” (Swinburn et al., 2006) and of its “economic base and how [it] functions” (UN-HABITAT, 2005: 9). A well-conducted “local economy assessment” (Swinburn et al., 2006: 18) will expose *inter alia*: the financial, technical, and other resources that the strategy can draw upon; local strengths and viable economic activities as well as growth opportunities to leverage; and weaknesses and threats—including those of an institutional or technical-capacity nature—that need to be mitigated, and challenges and pitfalls that may be encountered. It does also condition the type of strategies that need to be adopted. This was the case of the Chocó Department in Colombia. Chocó is one of the poorest departments in the country with poverty levels that in 2012 affected 68 percent of the population. Its percentage of population with unsatisfied basic needs was the highest in Colombia with this situation disproportionately affecting children in what is a very young demographic structure. Given this diagnosis, the departmental government in its 2012-15 development plan focused on the urgent issue of income generation in the short term. The plan therefore included urgent measures such as conditional cash transfers, food sovereignty initiatives, financial support for local SMEs, and the promotion of the most successful locally based agricultural sectors (Gobernación del Chocó, 2012). The municipality of Krakow (750,000 inhabitants) in Poland started from a very different position to that of Chocó. While poverty was not a major concern, declining firms in traditional sectors and the loss of talent to migration suggested a different target for its local development strategy. The main aim of the strategy was the attraction of inward investment that would be linked to existing industries in the city. The objective was to encourage forward and backward linkages and facilitate offshoring, but the diagnosis led decision-makers in the city to implement training and skilling strategies aimed at improving the pool of local human capital with medium and high skills. This facilitated the rapid assimilation of knowledge and innovation and led to the attraction of inward investment (Oshri, 2011). Offshoring now provides about 30,000 jobs for mainly young people in the city and its rural hinterland.

The assessment of local conditions can be usefully supplemented by consultations and dialogue with local actors and stakeholders. The engagement of local stakeholders serves three related purposes. First, and most broadly, it empowers local economic actors and individuals by actively involving them in the planning process and, in doing so, granting them increased influence over their socioeconomic fortunes. Second, it provides first-hand insights into both the local capabilities and resources upon which a strategy may draw and the constraints the strategy will inevitably face. These insights are directly complimentary to the inferences drawn from and conclusions reached in the local assessment. Third, it encourages the articulation of the “views, concerns, and issues” (UN-HABITAT, 2005: 8) that ultimately guide and lie at the heart of local approaches.

Together, the local assessment and the engagement of local stakeholders cultivate the base of knowledge that informs the design of territorially-specific economic development approaches. In that respect, these two processes feed directly into the third, and perhaps most critical, element of the planning process: the establishment of a vision and, in turn, narrow, more concretely defined priorities and objectives.

The *vision* is the broadest articulation of what a territorially-specific economic development approach seeks to achieve (UN-HABITAT, 2005). A vision requires the consideration of both the present socioeconomic situation as revealed in the local assessment as well as the priorities highlighted by local stakeholders (Swinburn et

al., 2006: 28). Its function is two-fold. First, it provides a “continuous point of reference” that serves to unify and align the priorities and actions of the various actors involved in the strategy. Second, it informs the establishment of more exact priorities and objectives.

Unlike the vision, *priorities and objectives* are specific and correspond directly to and target identified strengths, opportunities, constraints, and limitations as well as the priorities of local stakeholders (Swinburn et al., 2006: 29). They are ultimately what inform the policies and initiatives to be implemented as part of the broader strategy.

The final element of the strategic planning process is the selection of policies, projects, and initiatives that compose the territorially-specific economic development approach. The actions taken should reflect and respond to the aforementioned priorities and objectives as well as “existing limitations of time, budgets, administrative capacity and political resources” (UN-HABITAT, 2005: 18).

Well-executed strategic planning processes are a prerequisite for a successful and efficient territorially-specific economic development approach. An effective planning process will yield a strategy that is an accurate reflection of local economic realities, opportunities, and strengths; institutionally imposed constraints; and the priorities of the stakeholders that will ultimately be affected by it. This helps to ensure not only that the strategy represents a truly efficient deployment of scarce resources but also that it may actually be operationalized within the socioeconomic and institutional context for which it is designed. Conversely, a poorly executed or insufficiently robust planning process could lead to the misidentification of opportunities and priorities, inappropriate policy actions or interventions, and ultimately the misallocation of resources. It could also yield an overambitious or simply and plainly inadequate strategy that is not actionable due to financial, technical, or any other type of constraints. Ensuring, first, that resources are allocated and deployed as efficiently as possible and, second, that any strategic actions to be taken match local capabilities is especially important for regions, small towns, and rural municipalities where financial and/or technical capacity constraints may be more pronounced or debilitating.

One case of success in developing balanced, integrated place-based development approaches has been the Austrian region of Styria. Styria is the second largest Land in Austria, with a population of 1.2 million inhabitants and an economy that was heavily dependent on industry and, more specifically, on traditional industries often linked to agriculture and raw materials. The fall of the Iron Curtain represented a huge challenge for the region, as competition from former communist countries put Styria’s traditional sectors in jeopardy. An industrial crisis ensued in which the region’s large state-owned, highly vertically integrated firms were exposed and Styria suffered as a result of its unbalanced labor market, insufficient firm creation, and low rate of innovation of local firms. Yet, a very solid institutional environment characterized by multiple links between the public and private sectors and a heavy involvement of civic, social, and political leaders in development matters led to a bottom-up strategy articulated by the regional government and structured along three key axes. The first one—increased cooperation—focused on the development of clusters, the vertical cooperation between different tiers of government (local, regional, national), and the strengthening of regional infrastructures. Another axis had the goal of increasing the innovation capacities of firms and overall innovativeness. This implied providing incentives for firms’ networking and cooperation in research and development (R&D), the creation of universities, a focus on niche products, and coaching programs and funding for new entrepreneurs. Finally, the strategy also sought to internationalize the economy of the region by means of the support to exports by the local government and the development of cross-border value chains, especially involving neighboring Slovenia and Hungary (Kaufmann and Tödtling, 2000). Today Styria has overcome its structural problems and boasts a solid, mid- to high-tech internationally competitive industry, providing skilled and stable jobs that have been particularly resilient to the current economic crisis (Kaufmann and Tödtling, 2015). The Styrian case shows that a good diagnosis in combination with sound local institutions can lead to sustainable and effective territorial development policies.

4. Do Place-based Approaches Work?

Despite their growing prominence, the question remains, as we have mentioned, whether place-based approaches really work or, at least, if they work better than previous top-down development strategies. The focus so far of many analyses on a limited number of successful case studies has raised doubts about the possibility of generalizing these results. The problem is that systematic analyses of the economic growth and development outcomes of place-based approaches are, unfortunately, few and far between. One exception has been provided by Rodríguez-Pose and Palavicini-Corona (2013) for the case of Mexico. They considered the success or failure of development strategies implemented in 898 Mexican municipalities in 21 different Mexican states, representing 40 percent of all Mexican local authorities. The sample included a majority of small local authorities in rural areas covering all geographical areas of the country—North, Centre, and South—between 1990 and 2005. The analysis focused on the effectiveness of seven different dimensions of development “features and policy actions” associated with place-based development (p. 304).

The empirical analysis revealed that “municipalities engaging in local economic development during the last two decades have witnessed significant improvements in human development, relative to those which have overlooked local economic development strategies,” suggesting that, on a relatively large sample, place-based approaches can yield significant economic and social development outcomes (p. 303).

The results also reveal two more nuanced points of note:

First, simply contemplating implementing localized approaches may be linked with favorable economic development outcomes. This would imply that there are returns from merely reflecting on local socioeconomic conditions and exploring how a territory’s strengths can be mobilized to enhance the wellbeing and livelihoods of its residents.

Second, a) capacity building; b) the formulation of development links and networks composed of actors from the public, private, and third spheres; and c) strategic planning processes are the features of local economic development that are most readily linked to socioeconomic development in the Mexican context. Institutional conditions, local capacity constraints, and policy coordination failures remain, however, important barriers to the success of place-based development strategies.

5. Overcoming the Barriers to Place-based Development

If place-based strategies do not always deliver on their promise, this is, as highlighted above, because a number of local level barriers limit the local potential to realize the purported benefits of these development approaches. We will highlight two particular barriers that are a recurrent feature in limiting the returns of place-based strategies.

The first barrier is local capacity constraints. These constraints can give rise to scenarios in which the territories to which power and resources are transferred lack the knowledge, skills, training, or adequate institutions to design and implement policies, make decisions, or ensure transparency and accountability. In these contexts, greater local authority may become a burden rather than an opportunity and the wellbeing of local citizens may become compromised. The second barrier relates to vertical coordination failures that adversely affect the effectiveness of place-based development strategies.

5.1. CAPACITY BUILDING AS A MEANS TO OVERCOME LOCAL TECHNICAL CONSTRAINTS

Local administrations are often plagued by a host of technical capacity-related constraints. These constraints can be the product of absolute shortages in technical knowledge, skills, or experience. More often, they are attributable to mismatches between the capacities available and the capacities needed. That is, situations will arise where policy- and decision-makers in a given territory may be “capable” in the general sense, but the experience, skills, technical knowledge, and/or institutional settings in which they operate may not be what is required to perform a given set of tasks (e.g. Akudugu and Laube, 2013).

The consequences of local capacity constraints are manifested in a number of ways. Technical capacity deficits at the local level may, for example, preclude the design and subsequent monitoring of efficient fiscal systems at the local level. An inability of localities and regions to raise revenue via taxation could threaten their capacity to put in place viable development strategies. Similarly, technical capacity constraints may impede the policy innovations linked to place-based strategies and could also conceivably inhibit the design and implementation of policies; the provision of public goods, services and expenditure; and effective decision-making more generally. Additionally, capacity constraints may adversely affect their ability to communicate with, and articulate needs and demands to central governments, undermining their capacity to influence centrally made decisions.

Inadequate (or shortages of) skills, technical knowledge, and experience often constrain the capacities of localities to mobilize the resources and powers and, in turn, to fulfill development objectives. Capacity building exercises and initiatives are therefore essential to ensure that localities are able to translate greater empowerment into economic growth and development and into enhancements in the wellbeing of the individuals that occupy them.

The severity and nature of the capacity constraints faced by subnational authorities varies enormously depending on context. Capacity constraints may be less pronounced, for example, in larger regions than in smaller or lower-order territorial units. In contexts where there is a considerable discrepancy between the capacities of subnational authorities, there may be scope to supplement explicit capacity building activities with the promotion of structures of multilevel governance and efforts to foster vertical (and perhaps also horizontal) cooperation and collaboration to encourage and allow better-capacitated authorities to assist the less well-capacitated, weaker ones. Local capacity constraints are particularly pervasive in the African context. Dickovick and Riedl (2010) have observed that capacity deficits of various kinds serve as “fundamental constraints” (p. 7) for the effectiveness of public policies. Moreover, they find considerable within-country heterogeneity in terms of local technical capacities. Generally, the smaller, poorer or more remote localities typically face the greatest capacity challenges (e.g. Ames et al., 2010; Tidemand et al., 2010). Dickovick and Riedl (2010: 44) however note, citing the cases of Tanzania and Nigeria, that capacity constraints are not insurmountable obstacles and that they can be mitigated via suitable capacity building initiatives and exercises.

Efforts to upgrade local technical capacities can assume any number of specific forms. In the most basic sense capacity development is simply “the process by which individuals, organizations, institutions and societies develop abilities to perform functions, solve problems, and set and achieve objectives” (UN, 2006: 7). Following the UNDP’s (2009) conceptualization of capacity building as a multi-scalar process, capacity building for localities should entail a mix of both individual as well as institutional-level efforts. This would include the up-skilling, training, and dissemination of knowledge, as well as the learning from other experiences. They should also include institutional, organizational, and managerial reforms aimed at enhancing the efficiency and effectiveness of local policymaking and governance structures more generally.

Individual and institutional capacity building initiatives are essential for addressing the capacity shortages they so frequently encounter. Ultimately, they will contribute to the establishment and conditioning of a policy and decision-making context within which the benefits of place-based approaches may be realized and the autonomy, flexibility, and resources afforded by them can be transformed into economic change and socioeconomic development.

5.2. MULTILEVEL GOVERNANCE

The potential to make the most of local empowerment may also be compromised if there are inadequate levels of coordination and cooperation between regions and localities, on the one hand, and national-level decision-makers, on the other. Insufficient coordination between centralized decision-makers and decision-makers on the ground can give rise to a mismatch between the resources and powers transferred downwards and the responsibilities that lower-order territorial units assume. This may leave localities overburdened by responsibilities relative to the powers and resources with which they are entrusted. This overburden is only compounded by the capacity constraints examined in the previous section.

Addressing vertical coordination failures would therefore seem of paramount importance to ensuring that localities actually reap the benefits associated with greater decision-making capacity at the local level. The promotion of multilevel governance, understood as a “decision-making system to define and implement public policies produced by a collaborative relation either vertical (between different levels of government, including national, federal, regional, or local) or horizontal (within the same level, e.g. between ministries or between local governments) or both” (Stephenson, 2013), is one avenue for addressing vertical coordination failures. Multilevel governance structures and territorial networks in particular constitute means to promote the dialogue and interactions between parties that lie at the heart of the achievement of cross-territorial coordination and, ultimately, more efficient devolutionary processes (e.g. OECD, 2013).

Enhancing coordination and dialogue between the different actors involved in development can have the effect of changing how local empowerment processes actually unfold to the benefit of all parties involved. Economic development processes in devolutionary settings are influenced and shaped in equal measure by subnational- and national-level actors, both of which have different preferences, aims, and priorities (Rodríguez-Pose and Gill, 2005). The economic outcomes are therefore likely to reflect the extent to which the interests of relevant actors can be balanced and reconciled. Hence, if one actor—i.e. level of government—is “dominant” (Rodríguez-Pose and Gill, 2005: 416) or the interests of other actors are not taken into account, development strategies are anticipated to yield suboptimal outcomes for *all* parties involved.

Smaller and medium-sized localities are, in general, at a disadvantage in this respect. First, in large part due to their size, they are generally less able to exercise influence over the decisions of higher-order authorities and, second, they are often regarded as of secondary importance to higher-order government tiers. One case in which local constraints demanded significant intervention by higher tiers of government is the territorial development initiative in Central Ghana. Here the aim by local stakeholders of designing and implementing a strategy that targeted economic sectors with high growth potential, linked job quality to firms’ competitiveness, and built capacity of local stakeholders, while involving employers’ and workers’ organizations faced the serious constraints of lack of technical and financial capacity at the local level. This capacity problem was to a large extent addressed by the implementation by the central government of a National Legal Framework—Local Government Act 462. This Act envisaged the support and supervision of local initiatives by a National Steering Committee comprising government, employers, organized labor, and territorial development consultants. Local stakeholders were thus capable of tapping into considerable expertise and resources in a multilevel governance framework that, while maintaining the locally owned and managed nature of the strategy, provided the necessary support for it to take hold (Fosu, 2013).

Larger regions and cities may be more actively engaged in political processes at all levels of governance and may be more than able to effectively articulate their interest to, and lobby central governments. One could therefore assert that these issues of influence may therefore be more acute for—but are by no means limited to—smaller localities and communities.

While vertical coordination failures are those that pose the greatest risk and challenge to economic development, horizontal coordination failures—i.e. those between subnational authorities—do exist and cannot be overlooked. These horizontal coordination failures inevitably have implications for the capacity of territories to effectively design and implement sustainable development strategies, the most prominent of which relate to inter-territorial competition, which, in the worst case scenarios can derive into beggar-thy-neighbor policies (Bartik, 2016). Again, the promotion of interconnectivity, dialogue, and territorial networks—this time however amongst subnational actors—will contribute to the mitigation of these horizontal coordination failures.

The enhancement of horizontal cooperation can improve dialogue and cooperation between subnational authorities, which can impel the cross-territorial alignment of both objectives of individual subnational authorities and of the territorially-oriented policies they pursue to achieve them. This could, among other things, reduce the pervasiveness of inefficient inter-territorial competition of investment and economic activity. Horizontal coordination could also reveal and permit the realization of synergies that exist between smaller subnational authorities, lead to the sharing of resources (including knowledge resources), and contribute to a greater coherence between planning processes and the objectives of collectives of subnational territories. The overall effect would be to increase their influence on decisions made by higher levels of government, all of which facilitate the mitigation of the capacity and other constraints that these territories frequently encounter (McGranahan et al., 2009).

6. Concluding Remarks

The importance of subnational territories to economic dynamism and social development has not been always well understood. However, it is at this territorial scale that the processes that drive growth, and the factors that condition and shape them, transpire and exist (Ascani et al., 2012). Moreover, it is becoming increasingly clear that it is not just a small handful of subnational territories that contribute to economic growth at a more aggregate level—all subnational territories, be they small or large, urban or rural, have the capacity to achieve some level of meaningful economic dynamism (Barca et al., 2012).

The empowerment of regional and local authorities is increasing the capacity to address and respond to local—albeit in a wildly heterogeneous way, depending on the competencies of different territories—conditions, characteristics, opportunities and challenges. Simply stated, more localities the world over are better positioned now than ever before to achieve meaningful economic growth and socioeconomic development. Place-based approaches to development are the mechanism through which they intend to do so.

It would therefore seem that the question that needs to be asked is not *if* different localities have the potential to achieve sustainable and inclusive economic growth via territorial approaches to development, but rather, *what* must be done to ensure that they do, and *how* do they do it. In this respect policymakers must carefully consider the necessary steps to ensure that those territorial strategies yield meaningful economic growth and social development.

The key to the former lies in maximizing the efficiency of place-based strategies via both (i) capacity building at the local level to ensure that localities are technically capable of assuming the responsibilities associated with greater subnational empowerment, and (ii) the promotion of multilevel governance to enhance vertical and horizontal coordination to ensure that there is a sufficient degree of coherence between the resources

allocated to, and responsibilities assumed by, regions and localities and also minimal overlap between the actions taken by various subnational authorities.

In the case of the latter, the efficacy of territorial approaches to generate economic and social development is contingent on the soundness of the approach in terms of both its coherence with local priorities and opportunities as well as the extent to which it balances economic, social, and institutional factors and considerations. The employment, first, of a robust, participatory strategic planning process and, second, a concerted effort to develop a balanced and integrated effort are therefore essential for the realization of returns from territorial approaches to development.

Place-based strategies represent a new and interesting opportunity to revamp development strategies the world over. They are pushing individuals in localities to seriously think about their futures, rather than wait for solutions to fall like manna from heaven. As such they have a lot to offer, but their efficiency may be put at risk by local capacity constraints, coordination problems, and inadequate local institutions. Hence, in order to make the most of the development potential of localities all over the world as much effort should be put on dealing with capacity and institutional bottlenecks as on designing sound development strategies.

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