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Local Agency on the Edge: Regional Development, Human Wellbeing and Social Resilience

Markus Grillitsch^{1,2}, Francisco Cobos-Cabral² and Andrej Horvat³

Abstract:

Local agency on the edge relates to situations that are particularly harsh and difficult, places where regional development is most needed but also most difficult to achieve. We study the role and relevance of local agency in such situations, as well as enabling and hindering conditions for local agency to emerge. We do this in two peripheral municipalities in Ukraine that were attacked and temporarily occupied by Russian forces but have shown a high degree of resilience. Theoretically, we propose a broad conception of development, which includes human wellbeing and social resilience. Such a broad conception also necessitates a more comprehensive understanding of local agency underpinning development, including social and technological innovation, institutional entrepreneurship and place-based leadership.

The cases provide evidence for the potential development impact of bottom-up initiatives, which may unfold if local actors are sufficiently empowered. In the context of the study, a governance reform played an important role comprising decentralisation and municipal amalgamation in the wider context of a mindset change in favour of approximation towards the European Union. Local actors changed institutions, leading to better governance and participation from the citizens. Empowerment of local actors allowed for the successful implementation of multiple projects impacting citizens' wellbeing, improving health and education institutions, as well as cultural, sports and recreation facilities. These changes opened opportunities for increased entrepreneurial activity, contributing towards employment and tax revenue. Moreover, resilience to the Russian invasion rested on improved governance, relationships, citizen engagement, and capacities for project management developed before the war.

Keywords: local agency, regional development, human wellbeing, social resilience

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1 Introduction

Research in economic geography has increasingly shifted attention to the role of human agency to gain knowledge about change processes and transformations, multiplex governance and power relations, and varieties of place and development (Grillitsch & Sotarauta, 2024). This literature has among others investigated the role of agency in industrial transformations (e.g., Bækkelund, 2021; Beer, Barnes, & Horne, 2021; Blažek, Kadlec, & Květoň, 2023), green industry development (e.g., Chaminade & Randelli, 2020; Chlebna & Mattes, 2020; Sotarauta et al., 2020), development in rural regions (e.g., Hutchinson & Eversole, 2023; Pinzón-Camargo, Ordoñez-Matamoros, & Kuhlmann, 2022), and questions of power and governance in regional development (e.g., Döringer, 2020; Görmär et al., 2022; Nagy, Mihály, & Tagai, 2023). However, the role of agency to address social aspects of people's wellbeing has so far received limited attention despite it being increasingly called for in the regional development policy discourse (Miedzinski et al., 2022; Pontikakis et al., 2022).

Another important aspect concerns the relevance of local agency for people's wellbeing in situations and contexts that are particularly harsh and difficult, and shaped by external pressures, for which we suggest the notion of *“local agency on the edge”*. The background to this aspect is that most studies on the role of agency for regional development have been conducted in the context of high-income countries. Even though these studies tend to engage with the topic of uneven development, as they often investigate whether agency can contribute to regional development against the odds (like in peripheral regions, or in old industrial regions), few studies address this question in low- or middle-income countries (exceptions are Medina-Bueno et al., 2024; Mlilo, Bollig, & Revilla Diez, 2024) or in regions that are heavily exposed to external pressures. The wellbeing of people can be put under existential pressure in such contexts, which makes the following questions particularly relevant:

- What is the role and relevance of local agency on the edge for development broadly defined (i.e. including human wellbeing)?
- Which conditions make it possible, enable or constrain local agency in difficult circumstances?

Theoretically, this paper builds on the notions of change agency and opportunity spaces in regional development (Grillitsch & Sotarauta, 2020; Kurikka et al., 2023; Rekers & Stihl, 2021). Respective studies have frequently applied the trinity of change agency concept, which combines Schumpeterian innovative entrepreneurship, institutional entrepreneurship, and place-based leadership as interdependent but conceptually distinct forms of change agency that play a crucial role for regional development. To account for a broader perspective of regional development, and the wellbeing of people, we relate change agency to the foundational economy (Bentham et al., 2013; Hansen, 2022; Morgan, 2021). The foundational economy covers all the infrastructures and services necessary for everyday life, including access to clean water and electricity as well as child-, elderly, and health care – all being highly important to the wellbeing of people. Including the foundational economy in a broader conceptualisation of regional development also requires a more capacious view on innovation. This is achieved by extending innovation from the technological to the social realm (Marques, Morgan, & Richardson, 2018; Moulaert et al., 2013). Finally, we relate this to the notion of social resilience (Adger, 2000) to account for the external pressures and shocks that characterize situations of *“local agency on the edge”*. Together, this provides a comprehensive theoretical framework to investigate the role of local agency in difficult and exposed situations.

Empirically, the paper investigates two theoretically interesting cases (Eisenhardt & Graebner, 2007), where the involvement of local actors for people's wellbeing was important under very difficult circumstances. The two cases are municipalities in Ukraine, which were attacked and partially occupied by Russian troops. Due to the security situation, we decided not to expose the municipalities, referring to them as M1 and M2 and removing or changing details that might allow identification. We used the path-tracing methodology (Sotarauta & Grillitsch, 2023), which is a process-oriented approach that combines desktop analysis and targeted semi-structured interviews with key actors in the municipalities to explore the interplay of structural conditions, external events and local agency in bringing about development, providing causal explanations. Based on the desktop analysis, we decided to study M1 from the mid-2000s and M2 from the mid-2010s, since those years presented critical junctures for the municipalities.

We find that local agency was essential in promoting regional development and local wellbeing in the municipalities under study. Local actors in both municipalities were active in shaping the institutional environment, promoting participatory governance and transparency. Furthermore, local leaders from both municipalities placed an emphasis on capacity-building and improving communication and cooperation between actors, enabling local actors to pursue their goals and enhancing their agency. The paths and priorities in each municipality were different, and this is reflected in their outcomes. M1 strongly focused on the business sector, which led to increased foreign direct investment and new entrepreneurial activities. M2 placed more emphasis on service provision and social development, which led to the emergence of many social innovations driven by civil society organisations. Despite these differences, in both municipalities the predominant narrative observed in all interviews is that the place-based leaders work with a long-term perspective to provide local wellbeing and that they do this because they have a sense of belonging towards the place. Improvements in governance, service delivery, and this narrative have contributed to create a sense of belonging, unity, and collaboration amongst the population. These factors were essential in creating social resilience against the Russian invasion and allowing municipalities to bounce-back shortly after the Russian retreat. We argue that the governance, relationships, citizen engagement, and enhanced capacities to prepare projects and apply for funds were necessary conditions for such resilience to occur. This suggests that, even under extreme conditions, bottom-up initiatives can promote wellbeing and resilience if local actors are sufficiently empowered.

2 Local agency and regional development on the edge

The theoretical basis for local agency lies in a social science perspective that many of the structures that empower certain actors (potentially disempowering others) and promote or hinder certain actions are socially produced. This concerns knowledge and institutions as well as physical infrastructure. Furthermore, it holds that these structures require human action to be reproduced, and/or transformed. This dual relationship between structure and agency is a fundamental ontological position in social sciences (e.g. Archer, 1982; Giddens, 1984; Jessop, 2001; Sayer, 1984).

There are, however, different positions in the literature on how this dual relationship should be resolved theoretically and analytically so that knowledge about either the reproduction or transformation of societal structures can be gained. In this paper, we follow a burgeoning stream of literature that studies how the interplay between structure and agency unfolds over time (cf. Archer, 1982). Accordingly, any analysis would embark from preexisting, historically developed

structural preconditions, which make it possible, enable or hinder actors to do certain things. Against this backdrop actors engage, sometimes rather habitually following learned patterns, sometimes more prospectively with a longer-term vision to effectuate a desired change (Emirbayer & Mische, 1998; Garud & Karnøe, 2001; Steen, 2016). Human action (and interaction) is necessary to reproduce structures and will over time often change them incrementally. Sometimes, however, actions are explicitly directed to change existing structures or systems, thus the distinction between transformative (change) agency and reproductive (maintenance) agency (Bækkelund, 2021; Coe & Jordhus-Lier, 2011; Jolly, Grillitsch, & Hansen, 2020).

In the context of regional development Grillitsch and Sotarauta (2020) suggest the Trinity of Change Agency, which identifies three distinct forms of agency that are presumed to be important for regional development and links those to preexisting structures through the notion of opportunity spaces. The three types of agency are Schumpeterian innovative entrepreneurship, institutional entrepreneurship and place-based leadership. Innovative entrepreneurship picks up on one fundamental idea of Schumpeter (1911), which is that while most economic actions are rooted in expectations informed by past experiences, some actions are forward-looking attempts to realise new combinations of knowledge and resources based on a belief in the future. These actions are transformative aiming to break with past patterns (Shane & Venkataraman, 2000). Institutional entrepreneurship comes into the picture because economic actions cannot be seen in isolation as they are embedded in social life and institutions. To break with past paths and realise new ones therefore often requires institutional change (Granovetter, 1985; Nelson, 1998). The third type of agency is grounded in the realisation that affecting the development of regions typically requires the coordination and mobilisation of a variety of actors from different sectors, and the pooling of resources (Gibney, Copeland, & Murie, 2009; Sotarauta & Beer, 2021). The development outcomes will then depend on the interplay of different sets of actors with different perspectives, interests, capabilities, and frames (Garud & Karnøe, 2003).

A limitation of the existing literature is the focus on economic growth and industrial development whereas human wellbeing depends to a greater extent on mundane goods and services consumed by all citizens. This is captured with the idea of the foundational economy, which breaks with the traditional growth-oriented regional development paradigm (Coenen & Morgan, 2020; Foundational Economy Collective, 2022). The foundational economy produces and delivers the goods and services critical for human wellbeing. A distinction is made between the material and providential foundational economy. The material foundational economy comprises all physical infrastructure necessary for everyday life, including access to clean water, electricity, internet, waste disposal etc. The providential foundational economy covers for instance childcare, education, health and elderly care.

Mundane goods and services matter because they “meet basic human needs and nourish human capabilities, services that are delivered as part of collective consumption rather than individuated through market income” (Morgan, 2022, 91). The foundational economy is relevant in all regions, yet it may be relatively more important in less developed and peripheral regions with a weak private sector (Henderson, Morgan, & Delbridge, 2024). The foundational economy is a stabilising factor for the economy (Engelen et al., 2017) with the potential to address social polarization (Hansen, 2022). However, it has also been pointed out that the foundational economy should not be seen in isolation as its integration with other industries and sectors may have positive regional development implications, enhancing learning, innovation and the provision of foundational goods and services, as well as improving working and living conditions as factor for attracting and retaining people (Martynovich, Hansen, & Lundquist, 2022).

To link the foundational economy with the literature on local agency in regional development, it is necessary to extend the view on innovation from the technological and market-oriented domain to the social domain. For this, we suggest broadening the scope of the Trinity of Change Agency to include, besides market-driven Schumpeterian innovation, also inclusive and need-driven social innovation (Moulaert et al., 2013). Both types of innovation are about the application and implementation of new ideas leading to new or improved products, services or ways of organising socio-economic activities. Yet, social innovation has three specific features according to Marques, Morgan, and Richardson (2018, 500), first, to promote inclusive relationships especially for those previously neglected, second, to address human needs such as education, health or addressing social exclusion, and third, social innovation is often aimed at domains where human needs are greatest, this is the domains of the foundational economy.

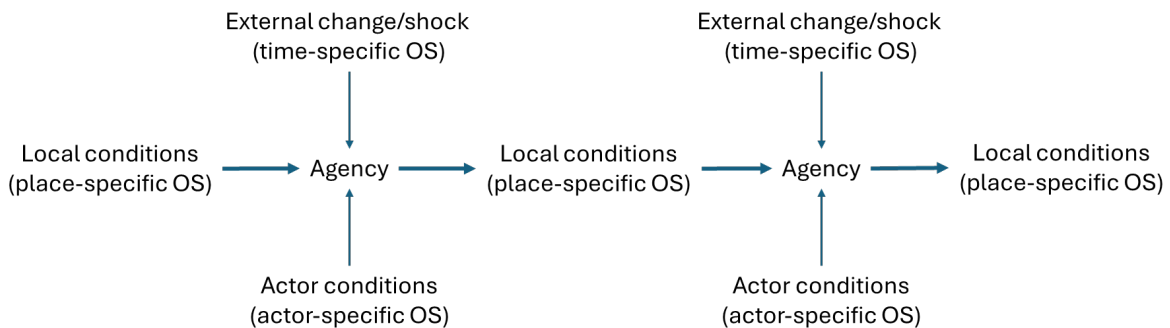
The possibilities to make a change and mobilise any form of agency for regional development and human wellbeing depends on the context, the time and space, in which actors are embedded. Grillitsch and Sotarauta (2020) capture this with the notion of opportunity spaces. Opportunity spaces are conceptualised as stratified, with actor-specific, region-specific, and time-specific layers. Accordingly, actors' ability to make a change varies by their experience, skills, networks, and personality. At the regional level, Bernard et al. (2023) suggest the notion of regional opportunity structures that refer to regional variations in economic opportunities, natural and built environment, public and private services, and opportunities for community and civic engagement. Depending on these regional structures, individual actors have different possibilities to fulfil their needs. Regional opportunity spaces also include local informal institutions, social filters, and regional imaginaries that promote or hinder change, innovation, and entrepreneurial action (Kurikka et al., 2023; Mörner, 2022; Rodríguez-Pose, 1999). The time-specific layer of opportunity spaces refers to macro-level institutions and technological change (like the advances in artificial intelligence) as well as external shocks and crises.

On the edge refers to a configuration of opportunity spaces where the local context severely limits the possibilities for people to cover their needs. This may be aggravated by external shocks and crises like natural catastrophes, pandemics, or wars, posing existential threats to human wellbeing. In such situations, agency becomes a question of social resilience defined "as the ability of groups or communities to cope with external stresses and disturbances as a result of social, political and environmental change" (Adger, 2000, p. 347). The notion of social resilience, as social innovation, places a focus on human wellbeing in local contexts responding to the call for a broader perspective of regional development beyond industrial development. In economic geography, resilience has often been applied to the narrower domain of industrial path development and regional adaptation and adaptability (Boschma, 2015; Hassink, 2010).

Social and economic resilience rests on human agency as capacity to cope with shocks, adapt to changes in the environment, and transform socio-economic structures (Bristow & Healy, 2014; Grillitsch & Asheim, 2023; Keck & Sakdapolrak, 2013). Studying social resilience, Keck and Sakdapolrak (2013) identify coping as ex-post, short-term response to a realised risk, with a low degree of change and focus on restoration of the present level of wellbeing. Adapting is an ex-ante strategy with long-term perspective, with medium, incremental changes to secure future wellbeing. Transforming is also ex-ante, with long-term orientation, and a high degree of change to enhance the present and future wellbeing. Interestingly, in a study on regional economic resilience, Grillitsch and Asheim (2023) suggest a similar differentiation and find that transformative action is strongly underpinned by the different forms of change agency discussed above while coping was more associated with maintenance agency.

We summarise these considerations in Figure 1. The main interest of the paper is to understand the role of local agency for regional development on the edge, this is under local conditions that make it difficult for individuals to satisfy basic needs (the bold arrow leading from left to right in figure 1). Regional development is understood in a broad sense of economic and social development. We also embrace a capacious perspective of agency, including market- and need-driven, technological and social innovation, institutional entrepreneurship and place-based leadership. We would also like to understand how such agency is enabled or hindered by changes in the external environment and actor-specific conditions. As regards the external environment, we focus on macro-level institutional changes, in the context of this study a public administration reform as enabling condition, and the Russian aggression as external shock putting an existential threat on regions. The flow from left to right indicates time, implying that with each iteration of embedded agency the local conditions for regional development (and preconditions for agency) change. We aim to explain these changes causally in our empirical investigation.

Figure 1: Analytical Framework



3 Empirical study

3.1 Methodology

We use the path-tracing methodology, which is a process-oriented approach to study why and how changes in regional development come into being, providing causal explanations (Sotarauta & Grillitsch, 2023). Combining an exhaustive desktop analysis with targeted semi-structured interviews with key local agents, this mixed-method approach aims to uncover the dynamics leading to a given sequence of key events and related narratives associated with these. The methodology aims to not only identify the critical junctures shaping local development, but also the role of local agency in such a process by understanding agents' actions at the time, as well as the motivations and intended or unintended outcomes of those actions. Furthermore, this approach allows to identify the conditions that hinder or enable local agents to bring about change or address challenges locally, unveiling the interplay between structural conditions, external events, and local agency. Concretely, we proceeded in four stages:

Case selection: Given our interest in local agency on the edge we selected two municipalities in the periphery of Ukraine that were attacked and partially occupied by Russian troops. We learned from expert interviews with members of the U-LEAD with Europe programme that these two municipalities dealt surprisingly well with the difficult circumstances, and that local actors played an important role in the municipalities' development. This is a theoretical selection of cases,

which are particularly suited to shed light on the processes and mechanisms we are interested in (Eisenhardt & Graebner, 2007). We refer to the two small municipalities as M1 and M2. Section 3.2 contextualises the empirical study outlining general features of the two regions. Accounting for the security situation, we removed and/or changed details so that the locations cannot be identified. Even though this compromised our possibility to fully account for all empirical evidence, the main arguments and findings are not affected by this measure.

Comprehensive document analysis: After selecting the cases, a thorough desktop analysis was made, including newspaper archives, government reports, websites from relevant organisations, local budgets, company reports, and information about local support actions in U-DATA¹. Relating to the analytical framework, this stage allowed us to identify key events affecting development in the municipalities. A timeline of key events as recognised from the document analysis was created. From it, we concluded that to fully understand the development of both municipalities, it would be necessary to start the analysis from the mid-2000s in the case of M1, and from around the mid-2010s in the case of M2, since those years presented critical junctures for the municipalities. Furthermore, the document analysis allowed to identify individuals related to the key events in both municipalities, as mentioned, for example, in newspaper articles. Similarly, this analysis allowed to identify the most important industries and service providers in the municipalities. People in leading positions in the government and key industries and service providers in the region were initially selected as relevant interviewees.

Interviews: We conducted 20 in-depth semi-structured interviews with representatives from the local government, the private sector, and service providers (See Table 1). These interviews had multiple purposes. Firstly, the interviews aimed to validate and correct the key events timeline created during the desktop analysis, as well as to complement the list of key actors and potential interviewees. Secondly, with the interviews we traced the actions which led to the key events, or which resulted from them, as well as the intended and unintended outcomes of such actions. Thirdly, relating to the analytical framework, the interviews aimed to understand how local agency may have affected the local conditions and the place-specific opportunity space for actors to exercise local agency. Finally, the interviews attempted to identify conditions enhancing or obstructing the emergence of local agency on the edge.

All interviews were conducted via videoconference. Due to the armed conflict in Ukraine and the difficulty to travel, local actors are used to videoconferences. We prepared a guide for the interviews, which included questions about the position and history of the interviewee in the region, key events in the development of the municipality, key actions leading to the events or resulting from the events, who was involved with whom and how in these events, consequences of the events, and enabling and constraining conditions. A team of three was trained for the interviews, including an interviewer, an expert in regional and local development from the U-LEAD with Europe programme, and an interpreter. The interview team was present at all interviews. The interviews were recorded and soon after each interview, the interviewer prepared an interview protocol, which was shared with the regional and local development expert, the interpreter and a senior researcher. Each protocol was validated, linking the information to the theoretical framework. Following this approach, we consider that our empirical material is of as high quality as possible given the difficult circumstances.

Analysis: The interview protocols served to triangulate the experiences of these actors, and the document analysis to identify the key events and the role of local agents during the process.

¹ This is a database hosted by the U-LEAD programme.

Importantly, as Sotarauta and Grillitsch (2023) note, one of the main challenges when using a path-tracing methodology is to move from the empirical findings to the real structures and causal mechanisms explaining development processes, since actors' narratives may not be in sync with the real processes driving local development. Yet, as they explain, by triangulating a wide variety of subjective narratives and complimentary primary and secondary data, and contextualising it carefully, it is possible to generate valid diagnostic evidence. Furthermore, a comparative analysis between the two municipalities helps to distinguish between case-specific factors and general mechanisms and processes which can generate theoretical knowledge about causal powers allowing for local agency to contribute towards development on the edge.

Table 1: Number of Interviews per type of actor and region

Type of actor	M1	M2
Firms	3	2
Local government	2	2
Public services	3	2
Civil society organisations	1	5
Total	9	11

3.2 Findings

3.2.1 Ukraine: Context for regional development

Ukraine has had a very difficult transition since its independence from the USSR in 1991. A decline in industrial production, emigration, and internal divisions, as well as military conflict and territorial loss have made these decades particularly challenging for the country (Khodunov, 2022). During the first years of independence, the division between the pro-European west and the pro-Russian east led politicians to follow ambivalent policies regarding the country's development and democratic values, where closeness with Europe coexisted with a "Soviet mentality" where paternalism, high levels of corruption, administrative management and aversion to innovation prevailed (Khodunov, 2022; Korostelina, 2013). Nonetheless, in the last 20 years, Ukraine has experienced fundamental changes to the political landscape. Electoral fraud in 2004 led to a series of protests and civil unrest referred to as the Orange Revolution (Khodunov, 2022). These events culminated in a re-run of the election under international scrutiny, and as a result, to a change in government (Khodunov, 2022). With the opposition winning, many local politicians who openly supported the previous regime also lost their positions. This opened opportunities for new actors to emerge in the political landscape and strengthened democracy and press freedom (Khodunov, 2022).

A decade later, President Yanukovych's refusal to sign an agreement with the EU while choosing closer ties with Russia in 2013 led to protests under the banner of the "Revolution of Dignity" or Euromaidan (Shevsky, 2022). The violence and repression during this period fuelled the protests, ending with the removal of Yanukovych from office and new elections (Shevsky, 2022). During the political vacuum left by the Euromaidan protests Russia occupied and annexed the Crimean Peninsula, heavily affecting the relationship between Russia and Ukraine, shifting Ukrainian public perception of their neighbour, and increasing polarisation (Kulyk, 2016). On the other hand, the Euromaidan culminated with important positive changes in the political landscape, leading to the replacement of many national and local politicians, and a restoration of the 2004 constitution

(Shevsky, 2022). Furthermore, the post-Maidan government carried out one of the most important reforms to the Ukrainian political landscape: the Decentralisation Reform.

The 2014 Concept of the Reform of Local Self-Government and Territorial Organization of Power in Ukraine, and the 2015 Law on Voluntary Amalgamation of Local Communities created the procedures allowing for communities to voluntarily merge into larger municipalities and amended the fiscal and budgetary legislation to increase local revenues and budget autonomy by providing them with 60 percent of the income tax levied in the territory, 100 percent of the levies on alcohol and tobacco, amongst other revenue sources (Horvat, Semenyshyn, & Stepanyuk, 2021; Vakulenko, Bourmistrov, & Grossi, 2023). Amalgamated communities became responsible for the provision of public services which used to be the responsibility of the regional and district administration². The territorial reform aimed to bring local self-government and power distribution in line with European standards, and to promote local agency in the development process. According to Rabinovych and her colleagues (2024), as of January 2022, 43 percent of the municipalities had produced their own development strategies. This reform has been characterised as one of the most successful reforms since Ukraine's independence (Horbliuk & Brovko, 2022), and it has been regarded as important towards strengthening the resilience of municipalities to external shocks such as the 2022 Russian invasion (Rabinovych et al., 2024).

In February 2022, Russia launched a full-scale invasion in Ukraine and the conflict remains unsolved at the time of writing. The invasion has greatly affected the country. Apart from the loss of human lives, emigration and destruction of infrastructure caused by the Russian attacks, there have been important impacts to the budgets of local self-governments since they must contribute a large fraction of their budget towards the war effort. Furthermore, many municipalities have experienced continuous shelling and a large influx of internally displaced persons, placing stress to municipalities' ability for providing services (Rabinovych et al., 2024). While this shock affected Ukrainian municipalities differently based on their proximity to the frontline, research suggests that, after controlling for distance, the experiences from municipalities has differed depending on their material and immaterial capabilities, as fostered by decentralisation. The decentralisation reform allowed some municipalities to foster their economic capabilities, social networks, and citizen participation, improving their capabilities in collaborating with one another and attracting support from international agencies (Rabinovych et al., 2024).

International support has been an essential external factor contributing to the development of Ukraine during the past decades. Official development aid increased steadily from over 400 million USD in 2005 to more than 2.2 billion USD in 2021, mostly driven by disbursements from EU institutions, according to OECD statistics on Aid disbursements. After the Russian invasion in 2022, international aid climbed to more than 28 billion USD, driven mostly by military support from the West. Since before the war, these donations have helped Ukrainian municipalities by providing funding for social development projects, guidance, and training. The following sections discuss how these external events have influenced the opportunity space for local actors to influence regional development in the two Ukrainian municipalities under study.

3.2.2 Local agency and regional development in M1

M1 is a municipality located relatively close to the Russian border with less than 50,000 inhabitants. Most of the inhabitants live in the main city, which is surrounded by a larger number

² Ukrainian levels of administrative divisions: 27 regions (24 oblasts, two cities with special status (Kyiv and Sevastopol), and one autonomous republic (The Autonomous Republic of Crimea), 136 raions (districts) and 1469 hromadas (communities or municipalities)

of villages belonging also to the same municipality. Many inhabitants work in the agriculture and forestry sector. Since soviet times, industries for the processing of agricultural products were established in M1, some of which are still operating today.

In the aftermath of the Orange Revolution, leadership in the local government changed. According to an interviewee from the government, the main priority for the new government was to foster cooperation with businesses by changing the rules of the game. One of the first steps was to offer businesses better insight into the work of the local council to increase transparency on the development priorities of the municipality. The interviewee also mentioned the creation of concessions for investment and subsidies for commercial and industrial land plots. This was done to decrease uncertainty since, in the past, businesses often had to pay unexpected fees and bribes to local politicians to get things done. Another institutional change concerned the creation of a Business Support Centre, aimed at improving communication channels between the private sector and the local government. The Centre often hosts meetings with entrepreneurs to discuss common problems, provides consultation, addresses requests, and provides training on best practices for business management and the creation of project proposals.

These new policies are examples of institutional entrepreneurship carried out by the new government which changed the place-based opportunity space for local businesses and contributed to promote innovative entrepreneurship. Only one year after the change in local government, local entrepreneurs started investing in the municipality and increased their land use. The marketplace was modernised with the help of the local government and several stores were opened on the new land plots allocated towards this end. Furthermore, also foreign direct investments into the municipality increased substantially. The local government also has used its place-based leadership to incentivise vertical coordination and cooperation between businesses. The local government actively promoted the creation of businesses with linkages to the existing industries in the municipalities to provide them with raw materials and create local value chains and worked towards building support structures for innovation and entrepreneurship in the municipality (which was disrupted because of the war).

While cooperation with businesses was the core priority at first, the municipality took advantage of the time-specific opportunity space provided by the decentralisation reform to improve the provision of public services and contribute towards citizens' well-being. An interviewee working at the hospital emphasised the changes observed since the hospital became managed by the local government. They organised study trips for the staff so that they could learn from the best practices in other European countries, they allocated more budget to the hospital, and they developed a graduate training program to attract young talent. Similarly, an interviewee working at the primary healthcare centre emphasised the increased budget for the centre, subsidies provided to cover the cost of utilities, and improved living conditions for the doctors through the provision of public housing to medical staff. An interviewee working in the education sector emphasised the improvement of the school's finances as the local government subsidised their utility costs and increased their budget.

One of the main changes identified by interviewees from M1 was an improvement in the communication channels with the local government. One local entrepreneur from M1 mentioned that, from the very beginning, members of the local council used their place-based leadership to organise meetings with entrepreneurs and ask them about their main challenges to see how the government could support them. Similar meetings with the mayor were also deemed as important by interviewees from the healthcare and education sectors after decentralisation. These forums were an initiative of the local government, and they occur regularly, greatly enhancing the place-

based opportunity space for local agents to discuss their main concerns and influence the development priorities of the local government. In addition, interviewees from the public and private sector mentioned having direct contact-persons in the government to address urgent concerns and requests over the phone. Improved communication has greatly enhanced trust and collaboration between actors in the municipality.

The local government in M1 has succeeded in taking advantage of the time-specific opportunity space provided by increasing development assistance towards Ukraine. An interviewee from a multi-donor programme operating in Ukraine suggested that the strategy of making all information public and available, thereby enhancing transparency, was a key enabler to build partnerships and attract funds. A member of the local government also mentioned how transparent and clear accounting contributes to increased trust from their partners. Currently, the municipality has many international partners and managed to attract funds for numerous projects that contribute to foundational services and infrastructure, as well as cultural and recreational facilities.

Importantly, the government has acted as a place-based leader by engaging in capacity-building. The local government provides training on project management and grant application processes to local agents from the public and private sector, contributing to build collective agency. An interviewee working at a local school explained how these capacity-building activities are provided to staff from all sectors, including kindergartens, schools, hospitals, companies, and civil society organisations. The interviewee explained that they learn how to make projects more appealing, how to write well-grounded motivations for these projects, how to estimate costs, and how to present these projects to an audience. Grant-application trainings have dramatically enhanced local agents' actor-specific opportunity-space, allowing them to obtain funding for their own initiatives. In the school where the interviewee works, they have won projects to modernise the school canteen, buy equipment for a lab, acquire computers and projectors for the school, and provide students from low-income backgrounds with laptops to attend online classes during COVID-19 and the Russian invasion.

During the full-scale invasion, M1 was severely affected. It was occupied by Russian troops, and, on their retreat, they destroyed key infrastructure and looted both businesses and public buildings. Local business owners emphasised how the war affected the availability of the labour force, disrupted logistics for trade, and damaged their facilities, forcing them to reduce their operations and requiring them to redirect their efforts towards obtaining funds for reconstruction. Foundational services and infrastructure such as roads, health care services, and educational facilities were heavily damaged.

However, the municipality was extremely resilient. Only a year after the invasion, a large share of the damaged infrastructure had been restored. The years of experience of the local government as a place-based leader were essential to foster this reconstruction. Soon after the de-occupation, the local government organised public forums to survey the damages and assess the highest priorities. With clear evaluations, transparent budgets, and appealing to international priorities on inclusivity and sustainability under the "building back better" framework, the government succeeded in obtaining funds to repair vital infrastructure of the foundational economy, and they obtained electricity generators for businesses suffering from power outages. Local agents' experience in applying for grants, and government trainings were also essential. One local entrepreneur explained that, while he largely repaired his equipment after the invasion with his own resources, he also obtained a grant to help him with this. To apply for such a grant, he obtained help from the Business Support Centre since he was unable to understand the legal terminology and he did not know how to fill some of the fields of the grant application. Another

important factor contributing to M1's resilience may have been the sense of belonging and solidarity which has been created in the municipality due to enhanced communication and citizen participation in the development process. Foundational services continued despite the damages and the difficult working conditions, and almost all the experts in these services returned to the municipality as soon as it was liberated. An interviewee mentioned that M1 has become a beautiful city, and citizens have a patriotic sentiment about it; everyone is helping out and such development and resilience would be impossible without their joint effort.

3.2.3 Local agency and regional development in M2

M2 has similar geographic and demographic characteristics as M1, being close to the Russian border and counting less than 50,000 inhabitants. It also has a main city surrounded by several villages that belong to the same municipality, even though the population is less concentrated than in M1. To this day, the main economic activity in M2 is agriculture and forestry, and food processing like in M1. In contrast to M1, M2 has not experienced a radical change in its local government but, rather, steady and incremental changes. The current mayor was elected after the Euromaidan, which took place in 2013. Yet, both the new mayor and many of the other members of the local council were already employed in the government before.

Social development has been the main priority in M2. An important motivation to develop has been to bring M2 closer to a European experience. One interviewee mentioned that, after the Russian invasion of Crimea in 2014, there was an important mindset change in M2 as people realised that they wanted to live like Europeans do, and not like Russians. Furthermore, many interviewees mentioned that M2 has had a long-lasting demographic challenge, as many peripheral regions, due to youth emigration, which has made it essential in the eyes of the government to improve the satisfaction of the population, particularly amongst the youth. The local government has therefore directed its efforts towards social innovations which improve the wellbeing of the population and encourage them to stay.

European experience has played an important role in inspiring local government in M2. In 2012, one member of the local government visited European countries and realised the importance that sustainability and energy efficiency had in European development strategies. He and his team created a plan for this project and managed to secure a European grant to install energy efficient solutions in the city. This experience with international partners was essential for the municipality to learn about project management and grant application procedures. Since then, M2 has expanded its number of partners to finance a large array of development projects. Currently, M2 has partnerships with many international organisations adding to numerous partnerships at the national level.

While these successful developments began in the aftermath of Euromaidan, the amalgamation and decentralisation of the municipality in 2017 greatly improved M2's momentum to provide services to its population. Due to decentralisation, the municipality had access to more financial resources, and it was able to engage more actively in service provision. One interviewee argued that active development started only after decentralisation, particularly for the rural settlements in the municipality. The creation of the Administrative Service Centre in collaboration with a European partner helped the local government to provide services more efficiently for the population as they have remote workplaces for some rural settlements and a vehicle that provides services to people living in remote areas. An interviewee from the private sector mentioned how the opening of the Administrative Service Centre has made it easier for businesses to obtain permits and has reduced transaction costs. As he explained, to rent a land plot in the past, they

had to appeal to land management specialists, submit documents to the council, attend a session with the executive committee, and present their case at the session. Nowadays, they only need to submit the papers to the Centre and wait for a response. This has facilitated the expansion of their business.

Additionally, decentralisation allowed for the education and health sectors to gain autonomy over their finances and improved the communication between service providers and the government authorities. A school principal mentioned how financial autonomy was challenging at first because they had to make contracts with water, electricity, and catering providers. Nonetheless, with support from the local government they managed to acquire experience in this regard and secure better contracts, allowing them to improve their budget. While communication with the authorities was lacking when the school was under the district administration, it has improved greatly since decentralisation. According to the school principal, if they have any urgent issues, they can call the education department or the mayor directly. A representative from the healthcare sector also emphasised how better communication with the government makes them feel supported since the authorities listen to their needs and take them into account.

Improved communication was also highlighted by private businesses. A local entrepreneur mentioned that he had had meetings with the mayor and that he felt supported by the government. A regional manager from an international company operating in M2 mentioned that he had direct contact with the mayor's office and could call the mayor directly if he had some urgent issues. Furthermore, an entrepreneur explained how the local government has acted as a place-based leader by encouraging communication and cooperation within entrepreneurs from the same sector. He cited an example where the local government organised a meeting with businesses to discuss and clarify the rules of the game which allowed to settle long-standing land management disputes. These examples of place-based leadership by the local government have improved the actor-specific opportunity-space for local businesses and have allowed them to increase their collective agency.

The Russian invasion in 2022 greatly affected M2. Russian troops destroyed important foundational infrastructure, and, due to substantially decreased accessibility, local entrepreneurs struggled to obtain inputs or export their end-products, leading to scarcity and inflation. Furthermore, the ongoing conflict led to emigration from residents and conscription for many adult males, reducing the labour supply. This was identified by local businesses as one of their main challenges, forcing them to decrease production. Furthermore, the war negatively affected foreign investment. According to one interviewee working for an international company operating in M2, the risks associated with the war made the board of directors decide to change their expansion plans and invest in another country instead.

In spite of all the challenges brought by the invasion, many interviewees emphasised how local agents united during these difficult times. A local government representative working in a village spoke about how the community got together to share food to both local residents and internally displaced people during the invasion. Similarly, a local entrepreneur mentioned how they distributed food products for free during these difficult times. An interviewee from a local school explained how, during the initial invasion, teachers at a school in M2 often met and shared their fears and supported each other. According to her, since then it feels like they are a "large family" where they can openly discuss their concerns and develop plans for new projects and initiatives together. While it was not explicitly mentioned by the interviewees, it is possible that the increase in participation and cooperation promoted by the local government during the past years may

have contributed to improving feelings of trust and support amongst the citizens and enabling unity and solidarity to emerge during these times.

The war also affected local agents' priorities. This process was particularly emphasised by interviewees from civil society organisations. Two of them explained how the war (and the pandemic) led to changes in the mentality of the citizens. Whereas previously they were interested in organising social and cultural events, they realised that there were more important issues to address. While the local government had started supporting civil society organisations since before, during the war the local council created a special community council. This social innovation provided capacity-building to citizens who could attend the sessions of the local council, bring their own policy initiatives, and learn about project management and grant applications. Moreover, the special community council was allowed to have its own investment department whose function is to look for funding for its development projects. This social innovation radically improved the actor-specific opportunity space of the citizens by building collective agency. In only two years, civil society organisations have managed on their own to obtain funding to implement several projects, leading to the creation of community spaces in the rural settlements of the municipality and the construction of an educational space, which provides the youth with access to new technologies.

Relatedly, an important social innovation occurred in the non-governmental sector by taking advantage of the increased availability of international development assistance to Ukraine. A local civil society organisation was established, which gathered volunteers to improve the landscape in the municipality, cleaning the river, building playgrounds, cutting grass, etc. Yet, after the Russian invasion the local government nudged the civil society organisation to apply for grants, since he realised that many of the available development assistance programmes were targeted towards civil society organisations, rather than the government. The local government provided capacity-building based on its experience in project management and grant applications. In short time, the organisation has become one of the main actors promoting local development in M2. They have successfully implemented a larger number of projects, which allowed them to build foundational infrastructure and services in the municipality contributing to the wellbeing of the population. While local actors recognise that the situation in M2 is far from ideal, interviewees mentioned how they feel more included in decision-making and more supported, contributing to their well-being and their sense of belonging.

4 Discussion

We started this investigation with a question about the role and relevance of local agency on the edge for regional development broadly defined. On the edge refers to circumstances, which are particularly difficult for local agents. Local agency in the two investigated cases turned out fundamental for regional development and the wellbeing of local people, and the resilience of local communities and economies to damages and destruction caused by the Russian aggression. The two cases provide evidence for the potential development impact of bottom-up initiatives against the odds, which may unfold if local actors are sufficiently empowered. In our cases, local agents were empowered by a governance reform comprising decentralisation and municipal amalgamation prior to the war (Arends et al., 2023), in the wider context of a discursive and mindset change in favour of approximation towards the European Union. Agency in these two cases encompassed a broader view of development providing for the goods and services of everyday life (the foundational economy) and the provision of job and income opportunities

through economic and industrial development. The combination of the efforts contributed to the wellbeing of people in the two municipalities.

Even though there are similarities in outcomes, and in the initial local conditions, the development pathways differed between the two municipalities. In the case of M1, the replacement of the mayor in the wake of the Orange Revolution led to an abrupt break. The new leadership in the municipality implemented good governance as a strategy, building a strong coalition with the local business sector. The local institutional environment was actively shaped with the aim to reduce corruption, increase accountability and transparency. The actions can be considered transformative. In contrast, the change was more incremental in nature in M2 without an abrupt break in local leadership. Yet, the Orange Revolution, the Revolution of Dignity, and the Russian annexation of Crimea all contributed to a mindset change, with a stronger orientation towards European values and a call for better governance. Coupled with the decentralisation reform, a time-specific opportunity space emerged for better and stronger governance at the local level, which local actors in M2 made use of in an adaptive manner.

Despite the differences in the emergence of place-based leadership between the two municipalities, there are important similarities. In both municipalities the narrative of the place-based leaders, which echoes the perception of all our interviews, is that they work with a long-term perspective of providing wellbeing to local people, and that they do that because they are from the community and share a sense of belonging to the place. The strong local embeddedness of the actors is foregrounded. This resonates with the temporality and embeddedness of change agency observed in other contexts (Grillitsch, Asheim, & Nielsen, 2022). Moreover, this narrative in connection with the real improvements in governance, and support structures for local people has an existential meaning. It creates a feeling of belonging, ownership, and belief in the possibility of a better future, which can make people stay, return, and invest locally.

Both municipalities benefited from this change in several ways. It made it easier for local actors to pursue their goals, thus enhancing their agency. As a result, social innovation played an important role in both communities, where foundational services (e.g. health care facilities and schools) introduced new ways of working, inspired from learnings with peers in Europe. In M2, we find the emergence of social innovation driven by civil society organizations. Without doubt, these social innovations had positive effects for the wellbeing of local people. The stronger focus on the business sector in M1 led to an increase in foreign direct investments and new firm activities. The different priorities of local actors can thus also be connected to different outcomes. Furthermore, the push for better governance made the two municipalities more attractive for international donors and firms, thereby enabled them to mobilise funding to pursue their development opportunities.

This brings us to the last point – the question of social resilience to the Russian aggression, which caused severe damage to the infrastructure in both municipalities. In this extreme situation, local actors reported an increased unity and collaboration to address the existential threat. After the retreat of the Russian troops, there was a strong will to rebuild the municipalities. The agency to do so was built in the years before, in a more transformative manner in M1 and a more adaptive manner in M2, and manifested in improved governance, trust, and relationships, the engagement and mobilisation across sectors (business, civil society, public services), and an enhanced capacity to prepare projects and attract funds. This resulted in a quick reconstruction, return of people, and a certain sentiment of confidence.

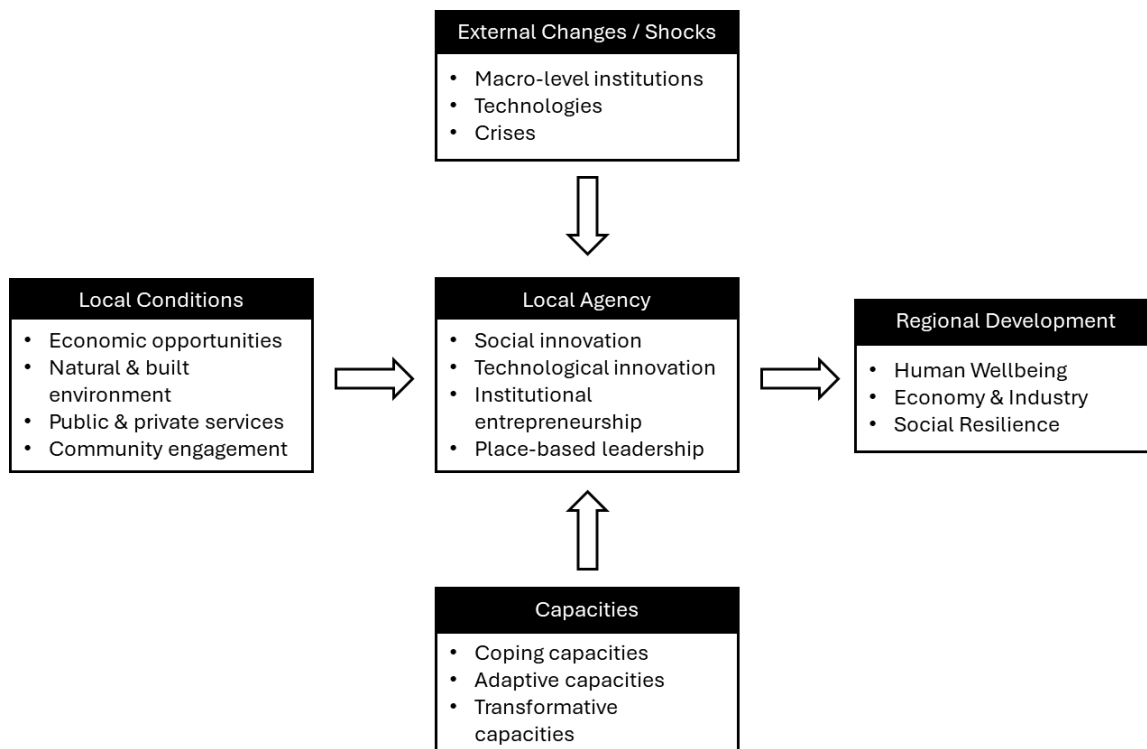
5 Conclusion

This paper investigates how local agency can contribute to regional development and human wellbeing in situations which are particularly harsh and difficult, or heavily disturbed by external pressures, for which we suggested the notion “*local agency on the edge*”. We focused our study on two municipalities in Ukraine which were partially occupied and damaged during the Russian full-scale invasion. Using the path-tracing methodology (Sotarauta & Grillitsch, 2023), we investigated the processes driving development in these municipalities over the last 15 years. This method allows us to explore how the interplay between structural conditions, external events, and local agency affects regional development.

We find that local agency was essential in improving the wellbeing of the local population in both municipalities under study. Local actors used their agency to change the institutional setting in their municipalities, leading to improved transparency and participation from the citizens. Empowerment of local agents allowed for the successful implementation of multiple projects impacting on citizens’ wellbeing, improving health and education institutions of the municipality, as well as cultural, sports and recreation facilities. Furthermore, in both municipalities, but particularly in M1, these changes have opened opportunities for increased entrepreneurial activity, contributing towards employment and tax revenue in the municipalities. In addition, we found that both municipalities were highly resilient to the Russian invasion. Our analysis suggests that this level of resilience was only possible due to the enhanced local agency resulting from years of experience improving governance, relationships, and citizen engagement and capacities for project management. Consequently, *local agency on the edge* seems to not only have improved wellbeing but also contributed to the ability of vulnerable areas to bounce back after negative external shocks.

Theoretically, our paper advances a broader conception of regional development that combines human wellbeing, economic and industrial development, and social resilience as shown in Figure 2. Effectively, these three domains of regional development have turned out to be interlinked in the investigated vulnerable local contexts. To cater for such a broader conception of regional development, we integrated social innovation in a capacious perspective of local agency. Drawing on the literature of social resilience, we suggest that local agency is underpinned by coping, adaptive, and transformative capacities. Social resilience turned out to result from long-term oriented adaptive or transformative actions directed to regional development broadly defined. Local agency was enabled by the governance reform, which combined decentralization with municipal amalgamation in the context of a mindset change in favor of approximation towards the European Union.

Figure 2: A broad conceptualization of regional development and its drivers



To further develop the insights gained from this study, several research avenues are suggested. In this paper, we adopted a comparative design with cases that had similar starting points and outcomes but different pathways of change. To consolidate the findings, it would be insightful to study cases with different outcomes. It is likely that many Ukrainian municipalities *on the edge* have worse development outcomes than observed in the two cases examined in this study. Investigating this would shed light on the question of why some vulnerable places achieve positive development outcomes against the odds while others do not. The hypothesis would be that local actors in places with negative outcomes did not engage in similar ways in improving local governance, citizen engagement, collaborative cultures, etc. By doing so, there is potential to shed light on one of the most important development questions: Why do some actors choose good governance as a strategy? And consequently, how could such strategies be triggered and supported? Considering the very slow progress in good governance in many parts of the world, including in the European Union, this is fundamental for regional development. Building on the rich qualitative insights, we also see potential to develop more structured questionnaires that would allow for a survey, with the aim to capture regional development outcomes more broadly, as well as underlying drivers and capacities. Furthermore, the study was conducted in a very specific context, and it would be necessary to conduct similar studies in other contexts relevant for local agency on the edge with the aim to unveiling similarities and differences of pathways of change, thus enhancing understanding on how regional development, human wellbeing and social resilience can be promoted under different conditions.

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