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Jean Monnet Centre of Excellence in Smart Specialisation and Regional Policy

Smart and Sustainable Specialisation Strategies for Regional Development

Report of the Research and Policy Roundtable

March 2021

1 Overview

As the Jean Monnet Centre of Excellence in Smart Specialisation concludes its 2018-2021 program, this roundtable offered an opportunity to review the Centre's work, and consider new directions for regional policy research it has developed, concurrently and in collaboration with researchers in the European Union.

On the first day of this two-day event, Professor Bruce Wilson, Director of the Centre, reviewed the Centre's activities and its findings, as well as a set of questions for regional research, especially as Australia emerges from the Covid-19 pandemic, and with many regions still recovering from the 2019-2020 bushfires and others facing threats from climate change.

The Centre invited Dr Mikel Landabaso, Director of Growth and Innovation and Alessandro Rainoldi, Head of Unit, Territorial Development, both at the European Commission's Joint Research Centre, to comment on the development of Smart Specialisation in the European Union and the world, and future directions for regional innovation research and policy.

On the second day of the roundtable, participants reviewed the Centre's Discussion paper on the disintegration of the previous social contract between city and country, and the prospects for rethinking how a revitalised social contract might take shape.

There were 44 attendees at the policy roundtable over two sessions on 18 and 19 March, many of them longstanding colleagues of the Centre from universities and government, along with new participants, including representatives from State and Territory Regional Policy units.

2 Day One—Summary of the Presentations

Professor Wilson provided an overview of the Centre's work from 2018-2021, beginning with the longer-term context for RMIT University's engagement with regional development, the European Union and Smart Specialisation (S3). A series of OECD reports on Regional Development and Regional Policy, produced in and around 2010, focused on growth-oriented policies centred on

innovation, based on the assets and strengths of regions in a distinctly ‘place-based’ approach. In the European Union, this work by the OECD dovetailed with 25 years of developing interest in Regional Innovation Systems. The development of a Smart Specialisation Strategy was adopted as an ex ante conditionality for accessing regional development funds in 2014.

The Centre, funded by a European Union Jean Monnet Action in 2017, aimed to bring some of that policy expertise to Australia. It also set out to develop Australian case studies in place-based innovation policy and its implementation, that could reflect on and contribute to European experience. Its program of research and public events ran alongside the Centre’s work with policymakers in the Gippsland Smart Specialisation Project and the Regional Australia Institute’s Regional Research Connections Program.

The Centre’s key findings relate to ongoing challenges for Australian regional policy, namely a lack of institutional capability, the structure of regional governance in Australia, and the underdevelopment of the “foundational economy” which is and will be a major driver of economic development and social outcomes in many regions in Australia. These difficulties were brought into relief by both the Bushfires and the Covid-19 crisis. In answering these challenges, Professor Wilson stressed the “importance of intentionality” in regional policy, and the Centre’s role in articulating both the challenges, and opportunities, in Australia’s regions in place-based, evidence-driven research and policy.

In short, do we have a vision for the future of Australian regions, in a time of disaster recovery and a context of heightened risk to regional settlements? And how does this include both economic development, but also address the social and environmental conditions for communities to thrive?

Smart Specialisation in the European Union

The evolving agenda of Smart Specialisation in Europe may, once again, point the way. In their presentations, Dr Landabaso and Dr Rainoldi discussed parallel developments in Smart Specialisation, as theory and practice, in the years since its formal adoption by the EU in 2014. Dr Landabaso spoke about lessons learned over six years of S3 implementation, including the importance of the territorial dimensions of innovation, and the proximity of actors in the innovation system; and the government’s role in “cultivating” and “facilitating” innovation. He emphasised that smart specialisation is not a recipe, and that innovation cannot be dictated, but can be cultivated.

In his presentation, Dr Rainoldi spoke about the combination of external shock, in the form of the Covid-19 pandemic, and the developing political priorities of the European Union. These are now embodied in plans for a European Green Deal, a ‘Just Transition’ and digital transformation, now galvanising thinking about how Smart Specialisation can address sustainability goals. Smart Specialisation can offer a ‘territorial dimension’ to recovery planning in the EU, as well as a tool for the implementation of the Sustainable Development Goals and the UN Global Agenda. Yet this should not underplay the existing significance of sustainability to S3 initiatives. Dr Rainoldi pointed to the example of fully one quarter of the 120-odd Smart Specialisation Strategies already underway that address the SDGs or sustainability issues.

3 Day Two—Summary of Discussions

An earlier Roundtable had prompted the preparation of the Discussion Paper on the Social Contract, from which work had emerged four policy ‘provocations’. These provocations were designed to stimulate policy debate about how the relationship between city and country in Australia could be reshaped. At the core of this proposition was a repositioning of country Australia and its people as more than a source of commodities and a site for recreation, rather as partners in generating and sharing prosperity and nurturing the environment. The four policy provocations were:

1. Establish a Well-Being budget for country Australia

2. Development funds conditional on regions' producing coherent regional development strategies
3. Co-operative business models for country Australia's regeneration
4. Adopt the Uluru Statement.

Taken together, these propositions brought into focus ways of thinking about how to address the inequalities between living standards in city and country, how to strengthen the opportunities for value adding in country Australia, and how to strengthen institutional capability for initiating and managing place-based initiatives and systems.

The last of these issues was addressed in a second Discussion Paper, on Institutional Capability (and regional governance) that was distributed specifically for discussion at this roundtable. This work proposed that regional foundations be established to provide a focus both for building regional resources, but also for enhancing capability. Regional foundations could address both governance and capability needs, on the grounds that:

- Regions provide the most effective outcomes for their citizens when they can determine their futures for themselves, based on relevant and detailed evidence, expertise and skills.
- Regional investment support would be available from public and private sources at sufficient scale and duration for regional authorities to be able to implement strategies for their future.
- Regional foundations under representative local control would receive and disburse resources, particularly following disasters. On an ongoing basis, they would lead planning and implementation of regional development strategies.
- Regional development strategies will be created and agreed by representatives from local government, industry, education and training, and the community, as a condition of accessing investment funds.
- This would include plans for local procurement and local administration, with capabilities development planning included as part of any regional development funding package.

These suggestions were discussed at length, with a key question being whether smart specialisation provided a methodology which would assist regional foundations in addressing regional opportunities.

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