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Centre of Excellence in Smart Specialisation and Regional Policy

Frameworks for regional innovation in transition regions

Report on the Policy Dialogue and Provocation

October 2019

1 Introduction

The Centre of Excellence in Smart Specialisation and Regional Policy (the Centre) aims to:


- facilitate international cooperation between researchers and policy-makers working on initiatives to support innovative economic and social development in regions
- broaden understanding of the role of EU regional policy, and
- support the implementation of smart specialisation initiatives and the development of regional innovation systems in countries beyond the EU.

With this in mind, the Centre hosted a policy dialogue at RMIT University on 28 August 2019 focusing on frameworks for regional innovation in transition regions. The roundtable was cosponsored by the Melbourne Sustainable Society Institute.

The Policy Dialogue had just over 30 attendees from RMIT, University of Melbourne, DELWP, the Latrobe Valley Authority, the Regional Australia Institute, Regional Development Victoria and Infrastructure Victoria. Key note speakers Professors Bjørn Asheim and Ron Boschma presented on the theory and practice of regional innovation. Additionally, Karen Cain (CEO, Latrobe Valley Authority) and Robyn Henderson (Manager, Sectors and Just Transitions Unit, MBIE (NZ)) presented on the challenges of place-based policy making in regions transitioning away from fossil fuel dependent economies.

2 Summary of Key Note Presentations

The policy dialogue began with two key note presentations from visiting scholars: Professor Bjørn T. Asheim and Professor Ron Boschma. Professor Bjørn T. Asheim is full professor of economic geography and innovation theory at the Business School at the University of Stavanger (Norway). He is one of the internationally most well-known researchers within economic geography and regional innovation studies. Professor Ron Boschma is Professor in Regional Economics at Utrecht University (Netherlands) and a key advisor on S3 to numerous governments and international organisations.



Professor Asheim presented a history of regional innovation systems analysis in the EU and why it has evolved into a powerful part of the EU policy framework. He outlined the changing theoretical framing of innovation, discussed the application of this theory to EU policy-making, and pointed to the potential adaptations of RIS to societal challenges.

Professor Boschma reported on the theoretical framework and methodology he has developed for analysing detailed industry and innovation data. This framework is aimed at understanding where regions have capacity to build on existing strengths and to develop new products and processes with potentially unique competitive advantage. Ultimately the appropriate approach will be region-specific, and the success of S3 will depend on the institutional context.

The slides for both keynote presentations are provided in the appendices.

3 Summary of Policy Presentations

3.1 Karen Cain, CEO of the LVA

Karen Cain, CEO of the Latrobe Valley Authority (LVA), discussed the trial of a new way of working towards regional development in the Latrobe Valley and Gippsland. The LVA is trying to promote a culture of learning within the region. While infrastructure and industry are enablers, they are not necessarily the whole answer. The LVA is finding that regions need a place-based agency that can work collaboratively with communities and industries to support strong relational leadership that drives actions and results rather than just plans.

3.2 Robyn Henderson, Sectors and Just Transitions Unit NZ

Robyn Henderson gave a contemporary example and demonstration of place-based policy in practice. Her work in New Plymouth in the Taranaki region New Zealand involves transitioning a largely oil dependent economy to more a more diversified economy. Her team is using regional leadership groups to identify local knowledge and opportunities, including opportunities arising from the transition to low emissions technology¹.


4 Policy Provocation Discussion

These presentations provided the basis for attendees to discuss a policy provocation presented by Dr Bruce Wilson of the RMIT EU Centre.

While the broad direction of the paper was well received, participants focused on areas for improvement. Issues raised by participants included;

- The need for Federal recognition of a strategy and structure for change
- An improvement in government processes
- Need for entrepreneurial mindset (awareness and capacity) within government
- The need for strong regional actors
- Questioning what is meant by meaningful engagement with communities

¹ More information on the Just Transitions Unit can be found here <https://www.mbie.govt.nz/business-and-employment/economic-development/just-transition/>

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- Questioning the efficacy of demand-driven skills training in delivering the kind of education that is needed for innovation
 - Embedding non-local actors in local economies
 - The role of tertiary education and research centres in regions.
 - The need for programs that transcend policy cycles and avoid short-termism
 - Understanding regions as distinctive entities
 - Dealing with the current fragmentation that comes from Federal system and multiple agencies
 - Need for data driven policy making: asking what data do we need to make these decisions
 - Building in the time to establish trust, to understand and explore ideas with communities

The provocation was revised based on the feedback and suggestions of the attendees.

5 Conclusion

The Centre thanks all participants for their contribution to this policy dialogue. It is our hope that we will continue this dialogue—between disciplines, between research and policy, and between the EU, New Zealand and Australia.



REGIONS IN TRANSITION: A POLICY PROVOCATION


Contemporary Regional Policy in Australia is thought of as redistribution, infrastructure investment, transport, grants programs and some trade facilitation. Attention to and understanding of the pivotal role of innovation capacity and capabilities, now central in European Union policy, is still fairly limited. Where innovation does feature, policy is focused on high-tech start-ups and research commercialisation of the linear kind. It is also segmented from ‘primary areas’ of government policy, such as health and education, and even agriculture and energy, although these areas are sometimes linked at state level. Allocation of resources across these ‘primary’ domains is often spatially blind or politically-driven, or shaped by population-related formulae.

Regions in transition face particular disruption as their industrial mix changes, jobs are lost and skill requirements diverge. Evidence from the European Union indicates that regional transition is enhanced where regional innovation systems are strong, and able to support the emergence of new initiatives that build on competitive advantage. Is this a relevant policy approach for Australia? How might it be implemented?

In an Australian context it is important to consider the history and heritage of regional towns and areas. It is crucial to move past towns as colonial hubs by acknowledging their foundations, their history of resource and brain drain to the big cities, and the history of exclusion of Indigenous people, knowledge and culture from decision-making processes.

Axioms to Inform Regional Policy

1. Regions are diverse. Universal state-wide prescriptions are hit and miss.
2. Regional employment is best addressed by encouraging a broad-based diverse regional economy with strong emphasis on local value-adding.
3. The changing character of the global economy puts a premium on innovation. Innovation can take many different forms. The key to realizing its potential for regional socioeconomic strength lies in collaboration—drawing on diverse perspectives and expertise across sectors.
4. Skills enhancement must be demand-side driven, but in its current form this hasn’t worked. There needs to be a change in the way skills are prioritised and how industries communicate with knowledge institutions and skills centres. Training needs to support people to be dynamic and adaptable to change. Innovation involves uncertainty and teaching people how to deal with this is crucial. Skills training needs to respond to future needs to support long-term employability and could be enhanced by a broad-based education.
5. Investors from outside of a region make decisions related to national and global rates of return, rather than local priorities or viability. Non-local actors can have a great influence in the implementation of regional policy tools such as smart specialisation. Large firms in particular can be great assets as they bring more radical change and greater possibilities for related and unrelated-diversification. Managing this dynamic is crucial.
6. Government’s role in export development is complex, and needs to focus on understanding global value chains and emerging markets.
7. Businesses learn from each other; they can both collaborate and compete according to sectors and circumstances. The real competition is global, rather than local. Those who succeed can inspire those who aspire to succeed.


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8. As the global economy becomes increasingly knowledge-based, tertiary education and research centres, university and technical schools, must become strong regional development partners. Discovering the incentive for universities and other knowledge-based institutions is crucial to this. This change needs to happen at a Federal level, and encourage knowledge-based institutions to work with industries to innovate in regional areas
 9. Public investment resources are limited. Hard choices need to be made about those opportunities which have serious competitive advantage, that will bring willing private co-investment, and ensure that plans become reality.

Major Economic, Social and Demographic Issues

1. Labour markets are in and of regional economies. That is, regional economies produce certain kinds of labour markets, while local labour markets enable specific patterns of development in regional economies. Any change in path requires change in both the structure of regional economies, and in their labour markets.
2. Identify key local assets, as the basis for future growth:
 - a. Economic success is built around existing resources and industries, be these people skills or commodities, such as resources.
 - b. Embed resources and industries, such that where an economy comprises commodities (resources) within a region, then manufacturing and construction should leverage the resource base and not external investment
 - c. External resources and industries usually do not provide the basis for long term sustainable regional futures, unless they are bound to the region in some way.
3. European Union policy sees the public sector as fundamental to driving innovation for growth in city-regions, especially as the global economy is increasingly knowledge-based. Evidence from Europe suggests that innovation and entrepreneurial discovery depend on engagement by entrepreneurially-aware public sector officials together with business, academic and community participants. The aim is to help regional economies to diversify and build on knowledge assets. In Australia, policy making and plans need to transcend election cycles to encourage long term planning development. This would be aided by policy alignment across all three tiers of government and an entrepreneurially-minded public sector that can develop an appropriate policy mix to support innovation.
4. Much of Australian regional strategic planning has been introverted. It has focused on strengths and weaknesses, opportunities and threats with a priority on seeing the region as a distinct entity. Restructuring of global and national economies mean that there is much to be learned from understanding emerging trends in global value chains, focusing on customer preferences, identifying new opportunities for regional assets to compete and, recognising the potential for interregional partnership.

Structural, Governance and Strategic Issues for Public Regional Intervention

1. The current grants-based approach to regional development has become too comfortable for both conservative and Labor governments. Regional policy has become a 'chase the grants' scheme where regions compete within a hierarchy. Policy must support regions in putting strategy first, and then determining where public sector investment is most likely to facilitate and enhance work to support strategy implementation. In the EU, this has been implemented by requiring each region to develop a Smart Specialisation plan as a precondition of funding. This still allows for individual differences in the types of funding allocated as regions specify



their strengths and what they plan to do, but also provides a recognised and agreed process for strategy development.

2. If Government is to make a difference across regional communities it needs to be more engaged with people in these places. The current approach for managing grant applications is selling very competent officials short. They need to be more involved. This is possible if governments and their members build connections with businesses, the community and knowledge-based institutions (the quadruple helix) and promote innovation in regions, not just cities. This takes time. Time needs to be put in to build trust in regional communities so the right kind of data can be gathered. Governments are the actors to stimulate and drive change in conjunction with industry, community and universities.
3. Governments at all levels are critical to success. Nonetheless, the evidence demonstrates that government action and involvement is often uneven and sporadic. To improve this there needs to be Federal acknowledgment of regions to identify strategies of possible government involvement. Currently there is fragmentation at the policy level with different agencies at different levels having different priorities and motives. There needs to be a collective strategy to all governments and agencies at all levels are working together effectively.

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