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Multilevel Governance and Smart Specialisation Strategy: The case of the Swifts Creek district in Gippsland

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Abstract
In November 2019, the Victorian Government announced the Victorian Forestry Plan. It set out the gradual transition away from native forest harvesting to a plantation-based timber supply by 2030. A revised timeline was communicated in May 2023, bringing forward the cessation of native timber harvesting to 1 January 2024. To support businesses, workers and communities during the transition, 11 towns were identified for the preparation and implementation of so-called local development strategies (LDSs) as they were considered to be most impacted by the Forestry Plan. The objective of an LDS is to assist local communities to undertake diversification planning to secure long-term sustainable industries. A key part of the local development strategy is to promote collaborative ways of working within a community, and to provide capability training that will support communities to pursue regional innovation opportunities beyond the lifespan of the LDS project.

The LDS drew on the Smart Specialisation (S3) methodology, a place-based, evidence driven, inclusive process for identifying and developing regional strengths and assets and opportunities for innovation. This paper will examine how this has played out in one of the 11 communities, Swifts Creek. Based on 79 individual interviews and community-based workshops conducted between March and December 2023 with a diverse range of regional stakeholders, as well as on the analysis of secondary data sources, we provide insights into the ways of working in the region, perceived strengths, and possible innovation activities. We also discuss the challenges in generating a wider involvement in the implementation of this project, including a lack of understanding about the timber transition or the S3 approach for many participants. There is currently little or no research regarding the implementation of S3 specifically in regional settings. This qualitative study is thus timely in identifying multilevel governance (MLG) issues in support of implementing S3 in regional planning and the challenges faced by small regional communities engaged in industry transition.

Keywords: multilevel governance (MLG), Smart Specialisation Strategy (S3), Gippsland, transition, regional development

Introduction

Over the last twenty years in Australia, the availability of native timber for harvesting has decreased by policy or wildfire, resulting in economic loss of $6.6 billion and 5,500 jobs, most in regional Victoria (Cameron, 2020). At the same time, consumer and retailer demand has grown for plantation timber products (Swifts Creek Future, 2023).

In 2019, Victoria became the first state in Australia to announce moving away from harvesting native timber and developing and implementing the *Victorian Forestry Transition Program* to assist the timber industry as it manages its transition to a plantation-based timber supply (Department of Energy, Environment and Climate Action [DEECA], 2023). The Victorian Government had initially proposed to close the native timber forestry industry by 2030. An announcement was made on 23 May 2023 regarding a revised timeline for this transition. Native timber harvesting in Victoria's state forests ended on 1 January 2024 with Government supports being brought forward and scaled up (Premier of Victoria, 2023). As part of the transition process, 11 communities were identified as being significantly impacted by the forestry transition. A Local Development Strategy (LDS) grant program was developed by DEECA (2022), with the main objective to promote collaborative ways of working within these impacted communities (which became 14 by August 2022; Bakonyi, 2023), and to support their economies' transition and create jobs in new, sustainable industries.

Drawing on experience with energy transition (i.e. Hazelwood; Goedegebuure et al., 2020) in the Latrobe Valley, the Smart Specialisation (S3) methodology was adopted by DEECA, with the support of an academic team from RMIT University and the University of Melbourne (the Research Team). By bringing together government, business, research and education, and the wider local community (known as the 'quadruple helix'), the S3 methodology involves co-design of its defining elements (i.e. regional assets and competitive advantage) to provide a framework for understanding a place's unique knowledge-based assets, expertise and strengths, while connecting the local context with evolving national and international economic activities and value chains (European Commission, 2018). The S3 concept has been pioneered in the EU and applied successfully to multiple regions across the Union, enabling them to increase their capacity to drive economic growth through innovation in the long-term (Wibisono, 2022). In 2016, the Hunter Region in New South Wales, under Prime Minister Turnbull, was the first to launch a Smart Specialisation Strategy in Australia (Regional Development Australia Hunter, 2016). A year later in 2017, the Latrobe Valley Authority (LVA) chose to focus its longer-term renewal of the Gippsland regional economy based on an S3 approach (Goedegebuure et al., 2020). By establishing the Gippsland Smart Specialisation Strategy approach (GS3), Gippsland became the first region outside Europe to fully go the 'S3 way' and the first (and only) Australian region to be registered on the EU Joint Research Centre's Smart Specialisation Platform (European Commission, 2018).

Swifts Creek (SC) is one of the Gippsland districts supported through the LDS grant program. Figure 1 below provides a more detailed overview of the SC district.[1] As it is our case study, we believe some background information may be helpful to better understand the local context.

[1] Swifts Creek district includes the following 12 towns: Swifts Creek (232), Tongio (50), Bindi (49), Nunniong (n.a.), Wentworth (n.a.), Brookville (16), Ensay North (29), Ensay (155), Doctors Flat (13), Reedy Flat (n.a.), Cassilis (21), Tambo Crossing (25). Within brackets is the population size for each of the geographical area within the district (data from 2021 Census).

Figure 1: Swifts Creek district

Source: Remplan data 2023 (personal communication).

Located approximately 400 km north-east of Victoria's capital, the SC district is a part of the wider East Gippsland Shire Council (EGSC). The 2021 ABS Census reveals that the district is home to 590 people, with agriculture, forestry, and fishing representing the primary drivers of the local economy, contributing nearly 40 percent of all employment opportunities within the district (Swifts Creek Future, 2023). Throughout its history, the district has been affected by a number of natural disasters (droughts, floods, fires). Significant fires have been remembered and recorded in 1939, 1952, 1965, 2003, 2006 and 2019 with significant losses felt across the district. Floods created a challenge for the area in 1950, 1970, 1998, 2007, 2012 and 2021. The most significant drought hit the area in 1997 and persisted until 2009, leading to many farming businesses closing down or relocating in search of better economic prospects (ibid., p. 7). Swifts Creek thus has experienced its fair share of challenges. Challenges that are a key part of the local context, which is crucially important in the place-based approach that is integral to S3 and the concept of multilevel governance (MLG).

As evidenced by a number of studies (see for instance Aranguren et al., 2019; Ghinoi et al., 2021), there is limited empirical evidence from peripheral regions on how capacities and practices of governance associated with S3 implementation relate to the development of regional stakeholder networks to support diversified specialization. Also, as Grillitsch and Sotarauta (2019) recently pointed out, "there is a dearth of knowledge about what actors do to create and exploit opportunities in given contexts, why they do so in some places and not in others, and why the effects of such efforts

differ between apparently similar places". While contributing to the limited literature on multi-level governance in support of the S3 policy approach (Wibisono, 2022), this paper will provide an insightful account on the implementation and adaptation of S3 and MLG to a small peripheral timber region in Victoria. We draw on an autoethnographic analysis on the way in which S3 afforded a different perspective and practice to the development and implementation of LDSs compared to conventional regional policy in Australia. Although the implementation of the S3 approach in the SC District is still in its early stage, the case study informs change processes emerging through experimentation and activity-based learning. This is in line with the experimentalist model in governance, as aptly described by Morgan (2018), with new localisms (such as the SC district) embodying more and more a new reality of power/agency.

MLG and S3

The first milestone on the road to MLG can be found in 1980 with the *European Outline Convention on Transfrontier Co-operation between Territorial Communities or Authorities (ETS No. 106)*. The term was developed by the political scientist Gary Marks in 1993 to capture and understand political processes related to the emergence of supranational institutions (such as the EU) and to facilitate decentralized decision-making processes involving numerous state and non-state actors located at different levels (Saito-Jensen, 2015). As a policy concept, it made its first appearance almost 30 years later in the Council of Europe's *Recommendation 278 (*2009*) "Regions with legislative powers"* (Council of Europe, 2023). This document introduced a new way to understand EU governance, which involved a third regional tier alongside member states and EU institutions (Schakel, 2020). It can be explained in simple terms as "the dispersion of authority to jurisdictions within and beyond national states" (Hooghe, Marks, & Schakel, 2020), involving the "participation of many different types of actors (public/private) in the development and implementation of policies through both formal and informal means" (Larrea, Estensoro, & Pertoldi, 2019, p.7). Learning how to manage multilevel governance relationships became a key approach to promoting European integration. This concept emerged as the best way to address the fact that individual governments or government departments now rarely have all the power, resources and governance structures that are required to adequately respond to public policy challenges under their responsibility and effectively govern their constituencies (Daniell & Kay, 2017).

A smooth MLG, however, can be quite difficult to achieve with numerous actors representing different interests. The diversity of positions multiplies when we consider not only regional and national governments, but also sub-regional governments (Larrea, Estensoro, & Pertoldi, 2019). On top of that, due to the increasing complexity of government and the ambiguity of boundaries, there continue to be significant issues of legitimacy and effectiveness of existing democratic arrangements. For this reason, establishing inclusive, collaborative governance arrangements, supported by multiple levels of government and various portfolios within them, is a necessary aspect which can enhance the successful pursuit of societal transitions within constrained time frames (Ansell & Gash, 2008). Within the MLG context, the S3 approach emerged as a vehicle for governing regional sustainability transitions, overcoming the difficulties of multi-level and complex governance (Veldhuizen et al., 2018) MLG and S3 are thus not presented as two separate and mutually excluding conceptual approaches, On the contrary, they coexist and overlap as they both require a vertical and horizontal

integration of different types of actors (Larrea, Estensoro, Pertoldi, 2019). The S3 concept was launched between 2007 and 2008 by a team of economists that provided high-level advice regarding the reinvigoration of the Lisbon Strategy (Sandu, 2012). This was a ten-year strategy that had been introduced in 2000, to make the EU the most competitive and dynamic knowledge-based economy in the world by creating growth on an ecologically, economically and socially sustainable basis (Ivan-Ungureanu & Marcu, 2006). The S3 went through transformation from a sectoral concept to a place-based one and then was integrated into a reformed cohesion policy for 2014–2020. The idea of smart specialisation is thus only little more than a decade old and in this short time span it has become the cornerstone of regional innovation policy in Europe (Uyarra, 2019).

Australia (like Europe) has a 3-tier governance structure but there is a growing awareness of the need of a fourth informal role of regions within the state boundaries (RMIT University, 2023). This is a trend that has been observed from the mid-1990s, with international arguments showing how the development of regional identity, agency and autonomy has a direct relationship with regional economic 'success' in an age of 'glocalisation' (Brown & Bellamy, 2007). At the same time, as Gray (2004) has argued, true regionalism has a stronger democratic element because it involves giving people greater control over what happens in their regions. Despite the potential advantages of having a fourth level of government, with regions having powers over resource allocation, revenue-raising, and a more directly accountable and responsive approach to the needs of each region's community (Twomey, 2008, p. 473), regionalism in Australia is still surrounded by significant confusion. Various attempts to reform Australian federalism were made over the years, but with no specific form, detail or substance. Smith (2017) provides a clear summary:

> There are calls for the abolition of states and a move to a two-tier system of government, but no consensus on what replaces them at the sub-national level (e.g. how many regional governments, with what boundaries, which current state government expenditure responsibilities and taxing powers would divert to the Commonwealth and which would be assigned to the new regional governments, and the system to be put in place to ensure horizontal and vertical fiscal equalisation). Similarly, there are calls for new states, but no consensus on how many or where they would be located (p. 205).

Not surprisingly, as Kay (2017) recently argued, the concept of MLG "has yet to gain wide currency in either public or academic discussion of policymaking in Australia" (p. 33). This is in opposition to the European experience, where the interaction between EU, national and city/regional governments has led to a much more sophisticated view of learning about multilevel governance (Wilson, 2020). In 2008, Regional Development Australia (RDA), a national program which brings together support from federal, state and local governments, was launched with the aim of coordinating intergovernmental programs in support of regional planning. Despite this declared commitment (and significant investment) towards the creation of a distinct framework for regional development, "an independent review of the RDA program in 2016 found that the vision for collaborative intergovernmental engagement with regions was 'never fully realised'" (ibid., p. 54). Therefore, the implementation of the S3 approach in Gippsland represents the perfect testing ground for the development of regional policies. The specific case under investigation, a small rural setting in regional Australia, will illustrate the possibilities for constructive collaboration amongst

regional stakeholders that is necessary for a regional innovation ecosystem to work effectively. S3 in its original EU conception targeted regional development at larger scale and was packaged with considerable funding opportunities due to EU conditionality principles (European Commission, 2014). This does not apply to Australia and many of the main principles of the original S3 framework raise expectations that are difficult, if not impossible, to achieve in the context of the SC District (notably regarding competitiveness and competitive advantage), Nevertheless, the case study we present provides valuable implementation and adaptation insights and lessons from a 'lived experience' of bringing a new policy concept from theory to practice.

Conceptual approaches: S3 and MLG

'Smart Specialisation Strategy' (S3) has achieved significant outcomes in the European Union (European Commission, 2022). S3 brings together government, business, research and education and the wider local community to co-design a shared vision for the region's future prosperity, environmental sustainability, and social wellbeing. The S3 is an inclusive process of 'entrepreneurial discovery' which involves in-depth analysis to identify the potential for connections within and between industry sectors that can drive competitive advantages and foster activities which add sustainable value, productivity, and employment (Estensoro & Larrea, 2022). The approach draws on extensive experience, and proven success, in Europe which demonstrates that regions with dynamic, place-based innovation systems are more resilient in the face of economic, social and environmental disruption and transition (Interreg Europe, 2020). It thus provides a framework for understanding a place's unique knowledge-based assets, expertise and strengths, while connecting the local context with evolving national and international economic activities and value chains (European Commission, 2018).

Smart specialisation can be summarised as 'a regional and place-based growth policy framework … [that] aims to improve the allocation of public investment in Research and Development (R&D) and innovation related investments, in order to stimulate competitiveness, productivity and economic growth through entrepreneurial activities' (OECD, 2013, p.22). It is focused on leveraging either existing or new regional activity (the 'assets', not particular industries), and has a bottom-up approach as it works with the stakeholders in place, to produce social and economic benefits to the region. Three distinct aspects are: 'i) the underlying role of scientific, technological and economic specialisation for the development of comparative advantage and more broadly in driving economic growth; ii) policy intelligence for identifying domains of present or future comparative advantage; and iii) governance arrangements that give a pivotal role to regions, private stakeholders and entrepreneurs in the process of translating specialisation strategies' (OECD, 2013, p. 11). The process is iterative and allows for changes in direction and focus, with local actors being in the driving seat. As such it is a significant divergence from vertically-aligned policy interventions which often seek to have all the available knowledge and resources known before any decision-making or activity can occur.

There are six main principles in the smart specialisation framework:

1. Concentration of public investments in R&D and knowledge on particular activities is crucial for regions/countries that are not leaders in any of the major

science or technology domains. This concentration works to counter the effect of past policy where 'knowledge investment' (higher education and vocational training, public and private R&D) was spread thinly.
2. Smart specialisation relies on an entrepreneurial process of discovery that can reveal domains of economic activity where a country or region excels or has the potential to excel in the future. This principle means that local actors lead the process and those actors may be those creating new organisations or leaders in academia or the public sector.
3. Specialised diversification with a view to obtaining a competitive advantage for the region.
4. General purpose technologies are important, although the region does not need to be the leader in this field. This principle implies the importance of building capability and thus education and training policy is in focus.
5. Multilevel-governance and inter-regional policy co-ordination requiring common goals and alignment within regions through existing arrangements such as innovation, research, and industrial strategies.
6. Patterns for structural change, as distinct from increasing capital, drive growth, and smart specialisation seeks to accelerate this change (OECD, 2013, pp. 12–13).

Selecting smart specialisation focal areas requires an iterative process informed by the entrepreneurial discovery process (EDP) – what are our unique strengths and assets? - and is facilitated by government policy and action. The selection should emerge following analysis through the discovery process, as it is this process, not a top-down 'picking winners' approach, that has the best chance of bringing into view the opportunities within a region (RCA, first stage). Once a number of key assets have been identified and considered a viable opportunity for potential innovation (EDP, second stage), these are further explored through Innovation Working Groups (IWGs, third stage) to either produce a sustainable business case and associated operational plans, or the decision to abandon this opportunity because the business proposition cannot be established.

Underlying these relatively straightforward stages is the concept of the regional innovation system (RIS), with the emphasis on 'system'. The RIS notion has provided essential foundations for what has become an indisputable element in current discussions: the superiority of place-based, customized and broad-based innovation system policies over spatially blind and narrow R&D policies (Isaksen, Martin, & Trippl, 2018, p. 2). Central to the concept of (regional) innovation systems are three elements: actors, networks, and institutions. This could be linked to the "trinity of change" as theorised by Grillitsch and Sotarauta (2019), namely Schumpeterian innovative entrepreneurship, institutional entrepreneurship, and place-based leadership whose combination leads to more holistic regional growth paths. A central argument in the RIS approach is that innovation does not take place in isolation, it includes interactive learning in localised innovation networks that are embedded in specific socio-cultural settings' (ibid.).

S3 as implemented in the EU is a dynamic process, with changes and additions based on "learning by doing" and the aforementioned continuous "monitoring and evaluation" component. The latest example of this is the Partnerships for Regional Innovation (PRI), building on the positive experiences with S3 (Pontikakis et al., 2022). PRI is intended to support and supplement the EU's Green Deal, Horizon

Europe, Cohesion policy and NextGenerationEU. As such its scope is well-outside the Australian innovation policy context. Yet, it also touches upon two issues pertinent for Australia: the existence of remote and relatively underprivileged regions and the actual implementation of S3 'in practice'. Starting with the latter, the monitoring and evaluation of S3 has identified some of its inherent problems: the concepts, the theoretical underpinnings and the rationales are sound and clear; but the devil is not only in the details, but particularly also in the implementation. As Foray (2023) puts it: 'Anecdotal evidence about S3 shows that once a priority area has been established (which classically associates a sector (or a group of sectors) with a transformational goal) and then problems, gaps and opportunities have been properly identified through the entrepreneurial discovery process (EDP), the process stops often because of a lack of knowledge and command of the policy toolbox' (p. 6). In particular, Foray raises the issue of 'the capacity of the policy makers and stakeholders to translate any priority area into a concrete roadmap including policy solutions which will deliver directionality in practice.' (ibid). If that capacity is not there, we will end up with grand ideas but nothing much to show for. We will return to this in our case study analysis.

The second point is about remote areas and their challenges in going down the innovation and diversification route. As Rodriguez-Pose (2023) so aptly puts it: 'Policymakers need to design targeted strategies that promote collaboration and knowledge exchange, enabling firms in remote regions to overcome the tyranny of geographical distance and thrive, while, simultaneously, improving local conditions for the absorption of new knowledge and its transformation into economic activity' (p. 2). The author's main argument is that 'connectivity' - the capacity to establish knowledge linkages with the outside world – is key to successful implementation of innovation, and that this connectivity is largely lacking in remote regions. This is not to say that these remote regions are doomed. On the contrary: As Rodrigues-Pose demonstrates, there are many examples of regions performing well-above 'expectations' when it comes to innovation. According to the author, 'exposure to outside firms, higher education institutions, research centres, or consultants —located often in distant places— can help develop new ideas, break routines, and push economic actors to move out of their comfort zones. Raising external connectivity is, first and foremost, a fundamental source of new knowledge. Exposure to external sources also raises the capacity to absorb new ideas and transform them into knowledge and innovation. This is particularly relevant in remote and/or rural contexts that are less capable of generating new knowledge by themselves' (Ibid, p. 7). But, of course, this raises the issue of 'grand ideas versus actual results' as identified by Foray (2023). Rodriguez-Pose does not step away from this, acknowledging the issue and the difficulties in dealing with them. Whether his answer of developing the necessary human resources and institutional capacity is the answer, remains to be seen. Conceptually, it makes perfect sense. But whether it is feasible in the context of remote regions is another question altogether. One we will address in our case study.

Research methodology

Conducting qualitative data analysis is one of the most important stages of the smart specialisation strategy (Radovanovic & Bole, 2023). For this project (called "Swifts Creek Future") [2] we used a case study, place-based, research design which is

[2] For more details you can visit the project's website https://www.swiftscreekfuture.com.au/

particularly "useful to employ when there is a need to obtain an in-depth appreciation of an issue, event or phenomenon of interest, in its natural real-life context" (Sarah et al., 2011, p.1). The S3 methodology, a participatory action research approach involving the co-design of its defining elements (i.e. assets and competitive advantage), provided a framework for understanding Swifts Creek unique knowledge-based assets, expertise and strengths, while connecting its local context with evolving national and international economic activities and value chains (European Commission, 2018). Drawing on Veldhuizen and Coenen's (2022) analysis of the S3 implementation in Australia, our methodological approach is not concerned with ex-post assessments of outcomes as a way to evaluate the effectiveness of the policy. Rather, we were interested in the learning process that has evolved as part of the implementation of S3. Entrepreneurial actors have to play the leading role in discovering promising areas of future specialisation. This is because the needed adaptations to local skills, materials, environmental conditions, and market access conditions entail gathering localised information and the formation of social capital assets.

The S3 methodology aims to empower entrepreneurs who are able to combine the necessary knowledge about science, technology and engineering with knowledge of market growth and potential in order to identify the most promising activities (OECD, 2013). One implication for policymakers is that this requires policy tools to collect the "entrepreneurial knowledge" embedded in the region to transform it into policy priorities. In this context, entrepreneurial actors are not only the people creating new companies but also innovators in established companies, in academia or in the public sector (ibid. p. 13). Smart Specialisation seeks to ensure that proposed actions are based upon sound evidence that properly reflects the comparative advantages of the physical and human assets of particular places in the global economy (UK Government, 2015). It emphasises the need to ensure that activities are fully integrated in the local economy and its supply and value chains. It helps to build connections of ideas, finance and trade with similar activities elsewhere (ibid., p. 4). It promotes also the use of enabling technologies that can transfer and add value between related sectors. Smart specialisation does not seek comparative advantages of the past but is aimed at competitive positioning in the economy of the future (Friends of Smart Specialisation, 2020).

In order to have a better understanding of the local ecosystem (i.e. how people work together in recognizing and pursuing an innovative opportunity, the dynamic relationship between all stakeholders) we conducted semi-structured interviews with a diverse range of regional stakeholders. This qualitative data was supplemented by desk research of existing literature (books, journal articles, reports, government documents, conference proceedings and web resources) relevant to this study. Between March and December 2023, 78 representatives from the quadruple helix were interviewed which can be subdivided as follows: 22% from Local Government and State Government, 31% from Businesses, 36% from Community Organisations, and 11% from Research and Education. Around half of the interview participants were from Swifts Creek and Ensay. Participants were initially recommended by the Swifts Creek community reference group (CRG). This group was established prior to the commencement of the LDS in response to the announcement of the Forestry Transition policy. The CRG is a volunteer group of people originally involved in planning and discussion around the future of the town after Forestry Transition Policy was implemented. The role of the CRG is to create a link between government and the community by supporting the project manager in promoting and implementing the S3

project. Word-of-mouth and snowballing were also methods that were used to recruit more interview participants throughout the consultation stage as well as holding community workshops and engagement events. The interviews had a duration of 45-60 mins and were around the following four main research questions:

What assets and expertise sit in the district?
What capabilities people have and how they keep developing them?
How different stakeholders work together in the area (quadruple helix)?
How can we build on this (creating relational density, synergies and complementarities between projects and activities)?

With the goal of situating and addressing these research questions, in the next section we will present the insights captured helping to assess if the S3 structures and instruments designed for promoting a successful cooperation among different stakeholders were successful. Together with more formal (government led) mechanisms of territorial development employed by the research team, the work conducted on the ground by the Local Development Strategy Project Manager (LDSPM), a local with experience in agriculture and community engagement, was used to support cooperation and trust building, engaging stakeholders with preparatory actions making them aware of the S3 and of new governance structures. As theorised by Reimeris (2016, as cited in Lepore & Spigarelli, 2018), in fact, the use of "soft" mechanisms, by being less institutionalized, have the ability of creating unique synergies, ensuring constant communication and openness to raise understanding of S3.While trying to understand what the main assets were, we were also involved in creating a more agile and alert infrastructure for the Swifts Creek's district, that may help to capture new future opportunities autonomously.

MLG in the Swifts Creek district: The "insider-outsider" role of the project manager

In Swifts Creek, the forestry transition project is auspiced by the East Gippsland Shire Council, in close collaboration with the Swifts Creek Community Reference Group (CRG). Being a community led project, the involvement of the CRG gives greater ownership to the community, ensuring their participation and greater chances to be successful. In fact, as emerged from previous studies (see for instance Ansell & Gash, 2008, Agranoff & McGuire, 2003; Emerson et al., 2012), collaborative governance relies on the involvement of both public and private actors together with the creation of a sense of ownership and shared responsibility for the process. Regarding the S3 approach, there is evidence in the literature showing how the interaction between different stakeholders becomes relevant in regional innovation eco-systems (Lepore & Spigarelli, 2018). Yet, there are also problems and challenges with multilevel governance in the context of S3 (Guzzo & Gianelle, 2021). In particular, these relate to an unclear distribution of power and competencies between the different levels of government, the sometimes weak infrastructure of the coordination bodies, ineffective communication, a lack of trust between participants, and overlap of responsibilities and initiatives (ibid. p. 27). Aspects of both the positives and negatives can be found in in the Swifts Creek case study.

Initially, there was a notable degree of confusion among the different levels of governance in Swifts Creek (State-Local Council-CRG), likely stemming from multiple factors. Given that DEECA funded the project and set the objectives, with the local

government (East Gippsland Shire) auspicing the project, each level of government felt a certain sense of ownership. The question of ownership also was an issue deeply felt by the local community. Over time, the interactions between different stakeholders somehow led to 'power struggles' or rather confusion around roles and responsibilities. This was quite evident during the monthly roundtables which saw all parties gathered to discuss the project's progress, challenges and potential solutions. Some community members seemed more inclined to pursuing personal gains or advocating for items that were outside the scope of the project, thus going against the aim of building collaborative, inclusive, sustainable, and democratically controlled local economies. In addition, a degree of unfamiliarity with the S3 methodology, particularly among community members, contributed to generating uncertainty about the ultimate outcomes of the project and the different stages to achieve them. In line with Grillitsch and Sotarauta (2019), our focus was on the emergence of regional growth paths and how different actors work together to find a common ground for a collective development effort.

During the initial stages of the regional context analysis, the consultation process highlighted a silo approach between different levels of government (DEECA and East Gippsland Shire Council), with limited interaction and/or sharing of knowledge and information. At the same time, a similar isolationist approach could be observed among local businesses and the district community. On the one hand, several small businesses that were doing well in the district did not show an interest in expanding their business further. The prevailing attitude among them focused more around a "smaller is better" approach. On the other hand, several community members seemed caught between the preservation of their treasured natural environment, its quietness and remoteness, and the need to attract more tourists and potential investors, with the implied risk of interfering with local dynamics. This situation posed significant obstacles in fostering a unified and cohesive approach to the implementation of the transition program in the district. Much of this appears to be in line with the issues identified by Foray (2023) and Guzzo and Gianelle (2021). However, as the project unfolded, with the S3 methodology gradually cementing into the day-to-day operations, a shift slowly occurred. Collaboration between different levels of government began to flourish, gradually evolving into a distinctive strength embedded within the project's structure. Collaborations were established and reinforced through regular meetings and open communication between all levels involved. In contrast to a more traditional project implementation paradigm, predominant in Australia and mainly focused on outputs and "one-size-fits-all" (Daniell, Hogan, & Cleary, 2017), the introduction of the S3 methodology marked a profound departure, impacting both governance and community engagement, prompting a fundamentally different process to developing strategies (Wilson, 2020).

This deliberate bottom-up collaborative approach, coupled with its intentional long-term trajectory, as theorised by the S3 methodology (Lepore & Spigarelli, 2018), demanded extensive investments in education, community engagement, information sharing, and the gradual building of trustful relationships (particularly important with community members). This trust-building process involved individual interviews with key stakeholders, community meetings and engagement workshops, participation in local events, as well as a continuous commitment to transparency and accountability. As highlighted by Gianelle, Guzzo, and Mieszkowski (2020), there is evidence about the importance of creating dynamic social contexts, characterized by trust, reciprocity, and strategic cooperation among public and private actors, in nurturing regional and

local economic development processes (see also: Guzzo & Gianelle, 2021, in particular pp. 30-33). Strengthening the ties between the government and the community emerged as a pivotal factor not only in fostering trust around the use of the S3 methodology, but also in empowering the community to own the project and its objectives. As pointed out by several participants, gaining participation and trust from the community had been an issue in previous government interventions in the district. Pivotal for the Swifts Creek Future project has been the key role played by the project manager. Being a community member, and having extensive knowledge of the district, was essential for re-building trust within the local community. The initial appointment of an external manager at the start of the project, in fact, had proven to be a failure. This is in line with previous research showing how locals often question the social legitimacy of newcomers or outsiders (Ham, 2023).

One of the major challenges that the project manager had to face was making sure the project information was readily accessible for community members, particularly the elderly ones living in the district. The role of the project manager was crucial in translating the scientific and bureaucratic jargon into a plain and simple, but also more tailored, language that could reach different cohorts of the local population. The project manager also supported the research team to develop reporting materials that were easy to read and tailored to the specific needs of local communities. In fact, before the entrepreneurial discovery process kicks in, "what is needed is a simpler participatory process" (Foray, Eichler, and Keller (2021, p. 97). In practical terms, conducting an inclusive consultation process helped to ensure that all stakeholders, new and old, felt ownership of the strategy and recognised a small number of priority areas important for the region and their work. In turn, this helped those stakeholders new to Smart Specialisation and innovation policy, to get to know how the process worked and the jargon used in the research and innovation policy (Miedzinski et al., 2022). Nevertheless, involving every stakeholder in the decisional process to achieve shared goals and ownership was a challenge for the program manager. As was the case for aligning policies and priorities of each level of government while addressing power imbalances, without compromising the delivery of necessary activities within the given timeframe.

The multilevel governance approach offered the opportunity to centralize the project manager as the primary point of contact and communication. This structure, with the program manager playing an "insider-outsider" role, facilitated streamlined access to crucial information and contacts necessary for project design and delivery. At the same time, it fostered collaborative efforts toward long-term outcomes. However, this was not all smooth sailing. Working across different towns with their unique challenges and needs, trying to mediate between them, while defining collaborative and shared goals, proved to be difficult. A significant barrier was the historical competitiveness between individual communities within the district. For instance, what is locally known as "above the gap, below the gap" is a long-standing rivalry between Omeo and Swifts Creek, two towns only 20 minutes apart and separated by a significant change in elevation, that is "the gap". This rivalry stems from the early 1900s, strongly based on sporting competitiveness, but also on some political decisions, like the creation in 1978 of a secondary college campus to be located in Swifts Creek rather than Omeo. The membership of the CRG was only open to residents or landholders within the designated project area. According to many participants, this decision was around having access to funding opportunities that they felt were less needed in larger neighbouring business and tourism centres (such as Omeo for instance).

It is important to note that district's residents do not live in isolation from their neighbours. Many CRG members, for instance, are involved in other committees and projects that are based in Omeo. Over time, their connections led to the sharing of information across other towns (including Omeo), which opened up new opportunities, allowing for a more cohesive and structured exchange between them. Thanks to the S3 methodology, some community members from the SC district are starting to recognise the benefits that can come from collaboration and moving beyond traditional boundaries. For instance, the Omeo Mountain Bike Project, which was initially seen with jealously, was later acknowledged as an opportunity on which the SC district could capitalise as well (e.g. increasing tourist traffic, mountain bike trail development, and accommodation). By focusing on collaboration and community engagement (within and beyond the district boundaries), the S3 approach has played a pivotal role in bridging the invisible "gap" that exists between communities.

There has been significant discussion among the community during project interviews and meetings that more collaboration between communities and committees can lead to better outcomes for the greater region. This was a clear sign of a growing trust among the local community more and more convinced about the benefits of setting up a shared leadership process, in which the government agencies (DEECA together with East Gippsland Shire Council) have been acting as "coordinator" of the strategy, in coordination with the CRG. Other strong agents in the region, such as universities, should probably be more involved in the process. Nevertheless, the fact itself that a diverse range of stakeholders have been working together towards a common goal represents an outcome that may have not been achieved without this project and the S3 process. The engagement of some industry sectors proved to be more difficult than others, particularly the education and academic sector, which might be due to their limited presence (and maybe interest) in the region. This clearly points to the connectivity issue identified by Rodriguez-Pose (2023). However, valuable connections with this sector were made and hopefully these will be valuable in exploring future opportunities through the next stages of entrepreneurial discovery and innovation workgroups. As far as the first stage of the project has played out in the Swifts Creek district, our findings confirm much of the current literature on the effectiveness and challenges of the S3 approach in a multilevel government setting.

Conclusion

Similar to what has been the case for European regions, Gippsland has embarked on the design and implementation of its own version of S3, which signals a clear departure from business-as-usual in regional policy making in Australia. According to Foray, Eichler, and Keller (2021), in the EU context the results of this regional innovation policy are "still only partial and imperfect and it is in any case too soon to attempt a final assessment of them" (p.83). In similar vein, as stressed by Veldhuizen and Coenen (2022), the Gippsland S3 project should be seen as a "work in progress", whose outcomes are likely to be difficult to evaluate and definitively measure, given the wide range of co-evolutionary economic, social and policy-related factors. Yet, based on our findings of the Swifts Creek case study, some preliminary conclusions can be drawn.

First, the S3 process, while requiring adaptations for each geographical area, shows the power of collaboration and connection with each of the key actors involved. It also shows that old silo types of approaches, developed among different communities as well as different levels of government, can be overcome. And it highlights the

importance of transparent governance structures to reach optimal outcomes. Different stakeholders are starting to see the benefits of using multilevel governance tools. These allow all levels of government to function more effectively and efficiently and manage relationships in a shared responsibility environment. All of this very much is in line with the findings in Europe. As Guzzo & Gianelle (2021: 30) conclude: "Smart Specialisation has contributed to strengthen the networks of actors and to make the decision-making process and the governance of innovation policy more inclusive." Although it still is early days, the Swifts Creek experience so far underscores this conclusion.

Their second conclusion that "Institutional changes promoted by Smart Specialisation are reshaping and strengthening networks of engagement and modalities of cooperation between public and private actors" (ibid.) appears to be carefully supported by our case study findings. Progress has been made in this respect, but the process leading to this has not been without its own problems and challenges, primarily because of local circumstances and history. Our findings are somewhat more ambivalent when it comes to policy (re)design, commonly agreed roadmaps, the reorganisation of intermediary bodies, and the generation of a wide range of local collective competition goods (ibid. 30-31). This most likely is because of the phase in which the SC project currently is. It is still at the beginning and the actual institutionalisation of the S3 approach, to which the latter outcomes refer, is in the future. But it would be fair to conclude that a solid foundation has been laid.

Second, there are some specifics to the SC project that to date have played out less in Europe. The scale of the project is significantly smaller than common in the EU regions, and size does matter. In a not insignificant way, the small-scale acts as a magnifying glass for the project. Everyone knows everyone, and everyone has a history. This requires a particular way of project management, that best can be described as 'individually and group based'. It is not for nothing that the case study prominently features the local program manager, who clearly is seen as 'one of us'. The scale also points to the challenges of capacity building in the absence of an established training infrastructure. What Rodrigues-Pose (2023) calls the lack of 'necessary agglomeration economies' definitely plays out in the SC case. And whilst reaching out to partners outside the district for the required knowledge and skills building may sound logical (as suggested in recent studies, see e.g. Sörvik et al., 2019), it is far from easy in thin regions such as Swifts Creek. For many it comes down to dealing with the unknown, which is difficult and sometimes scary. As such, it requires further tailoring of the S3 approach, creating bridges to the outside world and the skills to cross them. This aspect, looking at it from outside-in, has been underdeveloped in our version of S3.

Finally, although it very much is a platitude, innovation is difficult. This is especially true in a context of magnifying glasses. It puts strong pressure on the local project manager, who essentially is living and breathing the project. Given that many innovations fail - failure is a part of the innovation process -, the personal risk for the local project manager is high, much higher than would be the case for more 'distant' project managers that can be found in the European equivalents. This aspect cannot be underestimated and requires the creation of buffers and safety nets. This can take various forms such as institutional support and buffering, individual support, professional support, or the existence of a higher authority that can take the blame. Again, this has been underdeveloped in the current project. However, given that S3, also in the Australian version, is characterised by 'learning by doing', recognizing that

this is a real live issue puts it on the 'to do' list. As such this hopefully is another contribution the Australian S3 experience can make to our growing understanding of the design and implementation of smart specialisation.

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