

Final, In-Depth Assessment Report

Summary

First page of the Report should include a one paragraph description of the key points of the Report, notably the key findings, conclusions and recommendations.

The Central Transdanubia Region is one the most competitive regions in Hungary, with a large number of multinational companies setting up business here. In the heart of the region, the city of Székesfehérvár is the former capital of Hungary, and still acts as one of the most important poles of Hungarian cultural heritage. Even though the region lacks strong universities – thus losing young talent that migrate towards other EU regions for studies – it makes up with it's high purchase power compared to the other Hungarian regions) and it's high life standard. Although it currently isn't the go-to destination for CCI in Hungary, the city has the ambition of becoming a European Capital of Culture in 2023. This is the main project that could boost the development of the CCIs in the region in the years to come.

Section 0: Introduction

(a) Short introduction of the CRE:HUB project

The project “Policies for cultural CREative industries: the HUB for innovative regional development” (CRE:HUB) started on April 2016 and it will continue until the end of September 2020. The CRE:HUB overall objective is to improve 8 programmes for Investment for Growth and Employment (TO3), to support creation and development of new SMEs in CC sector at regional and national level through fruitful cooperation among regions with different level of capacities and experiences in CCIs supporting policies.

With this objective, eight project partners, representing 8 EU regions, will exchange policies and instruments for identifying and supporting the main regional economic actors that improve policies for CCI and innovative regional development.

In the project context CCIs represent highly innovative SMEs and their promotion can effectively increase regional competitiveness and job creation capacity. For participating regions CCIs represent a strategic sector of development as underlined in many of their RIS3 documents. Despite the dynamic and innovative field of action, CCIs encounter difficulties in access to credit and lack resources to enhance their competitiveness on the global market, building effective partnerships, extending their activity to other countries.

(b) Short introduction to the Peer Review methodology

The CRE:HUB Peer Review Methodology helps regions to improve their policies for promoting CCI development.

The CRE:HUB Peer Review Methodology is developed directly to use it during the CRE:HUB project, when assessing different regions' CCI policies. The methodology standardizes the relevant aspects that need to be measured, in order to enable experts with different background, to assess the regional situation in an objective way. By this, they will be able to give appropriate recommendations for CCI development in the host region. The other important advantage of peer reviews is the selection of experts, who are practitioners in the field of the assessment, which means that the recommendations given by them after the review will be practical and realistic.

Section 1: Overview

(a) Short description of the Host Region, general overview, economic profile.

The Central Transdanubia Region includes three counties: Fejér, Komárom-Esztergom and Veszprém. The total area of the region is 11112 square kilometres and the total population was 1,063 million people in 2015. The geographical characteristic of the region is mostly defined by the Transdanubian mountains. The northwestern parts of Veszprém and Komárom- Esztergom county belong to the Little Hungarian Plain and the southern parts of Fejér county belongs to the Great Hungarian Plain. The most important surface waters are the Balaton, the Danube and the Velencei-lake.

The region is directly connected to the Mediterranean sunbelt with the Venice-Trieste- Ljubljana-Budapest development axis and to the Southern Bavarian development axis with the Prague-Vienna-Bratislava-Budapest axis (RIS Strategy of Central Transdanubia, 2013). The Eastern European boomerang, which encompasses the gateway cities in Eastern Europe also touches the region (Figure 1.). In the 1990s the growing size of the foreign direct investment was most important economic process, due to that the region integrated into the European Union economic space. Nevertheless the region does not play a central role in the EU, the economic development and the innovation capacity is under the EU average.

Central Transdanubia is on the third place in the GDP/capita ranking examining the Hungarian regions (Figure 2.). Central Hungary is much better than the average and Western Transdanubia performs better than Central Transdanubia as well. There is also a gap between Central Transdanubia and the other parts of Hungary.

To sum up Central Transdanubia is the third most developed region in Hungary, with strong industrial characteristic. The favourable location and the large size of FDI result that the region is well-integrated to the European economic space. The functional metropolitan tetrahedron built up by the main cities is the most important in the region's social and economic processes.

The Peer review visit focused more mostly on the the alternative (non traditional, non public financed, small members, start-ups) CCI sectors in the city of Székesfehérvár, one of the main cities in the Region. The development of these sectors is seen as very important for the applicant process for the European Capital of Cultural 2023, in which the city is enrolled.

Székesfehérvár is one of the oldest and largest Hungarian cities. As a former coronation city and the centre of cultural and spiritual life, it is the historical capital of Hungary. Forty-three kings were crowned and fifteen kings were buried there. However, not only the historical past but also Székesfehérvár's present grade and

its key role in economy and logistics distinguish Székesfehérvár from other areas in Hungary. Now the city is the regional capital of Central Transdanubia, the centre of Fejér county and Székesfehérvár District.

Due to its geographical location, to the role it plays in traffic, and to its economic capabilities, the city has long before become one of the most dynamically developing area of the region. Székesfehérvár has a heterogeneous industrial and economic potential, from small and medium businesses to large multinational companies. The central industrial development programs, investments (computer technology, entertainment electronics, aluminum industry, road vehicle manufacturing), which had been realized before the 1990's, established the city's current conditions, which play a significant role in attracting operating capital.

Székesfehérvár is one of the most important target areas of foreign operating capital attraction. Established foreign capital has surpassed 200 billion HUF by 2011. Operating foreign capital is mostly concentrated in processing industry: vehicle manufacturing, aluminum production, and electronic goods manufacturing play the leading role. Four out of Hungary's ten largest foreign companies based on foreign capital, net revenue, and the number of employees operate in Székesfehérvár. Business-friendly environment is provided by well-developed infrastructure, qualified workforce, state-of-the-art industrial parks, permanent development of the school system, creation of research bases, and banks that offer investment facilitating guarantees. Now the former Alba Regia is an international centre of industry, a major town of education and a tourists' centre visited by several hundreds of thousands guests.

(b) Description of Peer Review focus (why it was chosen, specific questions and expected outputs of the Host Region)

The main topic of the Peer Review is on the methods that city of the City of Székesfehérvár is designing and implementing in order to **organize calls and select SMEs start-up projects, with focus on developing the alternative CCI sectors** (non traditional, non public financed, small members, start-ups) in the city, in the context of the application process for the European Capital of Culture 2023 programme. This would support the development of the Creative and Cultural Industry (CCI) of the region, a goal shared with the other 7 EU's Region Governments, partners of Navarre Region in the CRE-HUB Project.

Section 2: Regional Strategy

(a) Key Findings

- CCI sectors and definition appearing in strategy;

The sector is well described ("State of Art of CCI Sector Central Transdanubia Hungary" document) but most of the statistical data and indicators analysed is for the whole of Hungary, and not for the region (or city, as relevant for specific scope the peer review). The presented data covers contribution to GDP, employment, population of active enterprises, turnover, contribution to exports, investment, joint ventures, patents. The sector, according to mentioned document, is defined via the National Development and Territorial

Development Concept as covering the following activities: electronic and printed press, advertising and promotion industry, film and video, software development and digital game development, construction, book publishing, music, performing arts, fine arts, industrial arts, popular arts, design and fashion design, artistic and antique market and craftsmanship.

The missing indicators could have helped in better understanding the status of the CCI sector in the participating region and in the city of Székesfehérvár, However, it seems that the general planning framework in Hungary is very much centralized, although the Central Transdanubia Region has developed via the project partner - Central Transdanubian Regional Innovation Agency - it's own RIS3 strategy, but only the qualitative aspects from this strategy are available, as well as information from the county territorial development concepts.

- CCI support instruments appearing in strategy;

The main instruments appearing in the strategy definition are the following:

1. State-of-art of CCI Sector
2. Roadmap Central Transdanubian Regional Innovation Agency
3. „Székesfehérvár Development Programmes 2014-2020”

- Main actors responsible for CCI development;

- City administration of Székesfehérvár (in the specific case of the PR)
- Central Transdanubian Regional Innovation Agency
- Ministry of State for the Utilisation of EU Funding
- Ministry of Economics
- Ministry of Culture
- Chambers of Commerce and Industry in the region (3)
- Clusters (2 relevant):
- Enterprise Agencies in the region (3)
- Various local and regional cultural and industry associations relevant to the CCI sector

(b) Recommendations

Some suggestions may be addressed with regard to the framework of supporting the CCI sectors, especially in the context of Székesfehérvár running for European Capital of Culture 2023:

1. **State-of-art of CCI Sector** - This analysis looks at the CCI sectors from a bird's eye view point, with most of the available data covering private enterprises, at a national level, for the years 2011 and respectively 2013, using Eurostat and national statistical data. In order to have a clearer basis to build upon a strategy for the CCI sectors in the Transdanubian Region and in Székesfehérvár, even in the case of missing local statistical data, an assessment of unique, distinctive and not replicable local CCI assets could be performed. For example, the assets related to either cultural heritage or manufacturing industry could put in the forefront, even if only with qualitative analysis. Also, in the context of the European Capital of

Culture 2023 programme, it could be useful to include an analysis on the cultural actors both public and private.

2. **Roadmap Central Transdanubian Regional Innovation Agency** – The roadmap looks at influencing the Priority: Development of SMEs’ competitiveness from the Economic Development and Innovation Operative Program (GINOP), a policy which is managed by the Ministry of State for the Utilisation of EU Funding, and has the goals of (1) implementing new projects and (2) changing the strategic focus of the policy instrument, with activities including the drafting of a proper definition for the CCIs within the region. Since the scope of the PR visit was closer to the European Capital of Culture 2023 ad an “anchor” for development of CCIs in the Region, the first goal (implementing new projects) could be closer aligned with the ECoC target, especially since the preparation phase for the ECoC candidacy is based on similar steps as the ones drafted for this objective. With regards to the second goal, a closer analysis of the policy instrument and it’s mechanism, either in the roadmap or in the State-of-art document would prove useful in understanding the impact and relevance of the proposed activities and allocated resources.
3. **„Székesfehérvár Development Programmes 2014-2020”** is a roadmap of the major public investment projects, with direct impact on the CCI, or with relevant socio-economic influence on the development of these sectors. A closer linkeage with the roadmap and the state-of-art would have proved useful. Nevertheless, the idea of a cultural district – briefly mentioned in the document - could prove as a good strategy or tactic to be included in an updated version of the roadmap or the future strategy for the ECoC programme.

Section 3: Education. Skills and Capacity Building

(a) Key Findings

The main issue of the labor market is related to the lack of universities or other higher education institutions in Székesfehérvár. Only small branches of some Universities from Budapest are present in Székesfehérvár, and this discourages good high school graduates to stay in town/region after finishing their studies. From the CCI sectors, only the IT sciences have a strong academic background in the region, via the Pannon University (Veszprém), the University of Dunaújváros and the Alba Regia Technical Faculty (branch of the Óbuda University from Budapest) in Székesfehérvár. This contributes to a talent drain, which is compensated only later in the age tree, with mature workers migrating towards the region due to the high living standard of the region.

(b) Recommendations

Some recommendations are addressed here with regard to “Education. Skills and Capacity Building”. They are:

1. In order to compensate the talent drain effect, vocational education programmes focused on the skills relevant for the priority CCI sectors could be established by local government or their social partners – chambers of commerce, associations, etc.

2. A regional training and support programme could be established for example by the Central Transdanubian Regional Innovation Agency. This could follow such methodologies as the Flanders Districts of Creativity methodology (targeted at making creative Flanders more entrepreneurial and entrepreneurial Flanders more creative), which is still available here: <http://www.thinkkit.eu/en-gb>. Such a programme could cover both SMEs from the region that can transform their businesses by developing the level of creativity within their organisations, and cultural initiatives that could boost their entrepreneurial skills.

Section 4: Favourable Business Environment

(a) Key Findings

The business environment of the Central Transdanubian Region and especially of Székesfehérvár seems to be among the most competitive in the country, with above average living standard and nationally very sought after jobs. As mentioned in the RIS3 strategy, the most important subsector from the CCI sector within the region are software development, IT and computer services. Other industries that build on creative competencies are medical and therapeutic product development, smart vehicle technology, renewable energy.

- Business support organizations: incubators and accelerators

The business support organisations in the region are generally aligned with each of the three counties that make up the region (Chambers of Commerce and Industry of **Enterprise Agencies** of Fejér county, Komárom-Esztergom county and Veszprém county), but industry clusters have also emerged - System Science Innovation Cluster (IT), Innoskart (IT), Ecopolis cluster (environmental science) and Pharmagora cluster (health and pharmaceuticals) – together with innovation drivers such as the Central Transdanubian Regional Innovation Agency or the Albacomp Innovation Centre.

- Intermediary organisations

No particular Intermediary Organizations have been detected.

-Other support instruments

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(b) Recommendations

In order to achieve the goal related to the PR, the business environment needs to:

1. First of all closer connect the planning process of the Ministry of State for the Utilisation of EU Funding related to calls for SMEs start-up projects to the strategies of the local industries
2. Second, increase the level of co-creation of projects, involving actors from traditional industry sectors and CCI.

Section 5: Partnerships and Networking

(a) Key Findings

- Role of regional authority

The Central Transdanubian Regional Innovation Agency acts less as a regional authority, but rather as a think tank and project vehicle for the Region. They are the main driver of international cooperation projects (INTERREG, H2020), and contribute to the development of regional and local public policy instruments.

- Partners of the value chain

No industry value chain analysis has been carried out. The value chain within the CCI sector is mostly dominated by public authorities and institutions, delivering projects, culture, art or education, while a small number of private actors are interlinked along the value chain, delivering timid independent cultural and creative content.

- Clusters and networking organizations

The System Science Innovation Cluster (IT), Innoskart (IT), are active in the region, with obvious focus on IT, with clustering initiatives covering other parts of the CCI (especially the cultural part) being discussed during the PR visit.

(b) Recommendations

1. To encourage and guide the emergence of smaller scale clustering/networking projects, like for example a creative district/quarter initiative in the old city of Székesfehérvár, or maker communities and spaces on the outskirts of the city.
2. In order to do this, but also in order to improve implementation of the policy instruments, it would be relevant to set up a complete listing of all the companies and NGOs acting in the CCIs as defined in the regional and national framework.

Section 6: Access to Finance

(a) Key Findings

- Financial support for CCI companies

Financial support for SMEs in general, including CCI companies is managed by central government, with no local funding available under de minimis schemes, or equivalent. The regional and local funding is directed towards public infrastructures, some of them aligned with the ECoC 2023 programme.

No information on specific financing instruments available from commercial banks has been provided.

(b) Recommendations

1. In order to insure a development of new CCI entrepreneurial initiatives within the region, especially due to the proximity with the main pole of CCI in the country, fiscal/financial incentives or specific support

services for emerging creative or cultural entrepreneurial initiatives are highly recommended. Since the participation of the city of Székesfehérvár's participation in the ECoC 2013 programme seems to be the landmark initiatives in the region, fiscal/financial incentives, as well support services should be concentrated in the city and around the strategy for the European Capital of Culture programme.

Section 7: Administrative and Technical Issues

(a) Key Findings

- Administrative and technical barriers/support

An important administrative barrier within the region is the lack of “authority” of the region – since most of the public policies, projects and initiatives of the regions are driven by a non governmental organisation, while most of the financial resources are concentrated at the national level, respective at a local level.

(b) Recommendations

1. Since the roadmap already focuses on influencing the national policy instruments – a further step to be pursued could be the creation of local grant schemes for CCI startups and initiatives, based on the de minimis funding rules and run by, for example, the city of Székesfehérvár in order to boost cultural and creative entrepreneurship in the region
2. Besides specific measures and policy tools, the general planning framework that is in the process of being set up in the region and in Székesfehérvár needs a clearer definition of landmarks, KPIs and monitoring systems. It is yet unclear how progress will be measured, evaluated and reported to the stakeholders.

Section 8: Awareness Rising and Motivation

(a) Key Findings

- Awareness level of CCI and existing opportunities

Awareness about CCIs seems to be generally low, with only few expert people being aware of the size and structure of the industry, and the interlinked opportunities.

Since the city of Székesfehérvár is working on the candidacy for the ECoC2023 programme, this might prove to be the main pillar of awareness for CCIs in the region and the city. The city has established a group of 10 experts to prepare the art conception of the programmes and events in 2023. These experts represent all significant area of cultural life: literature, visual art, music, dramatics, architecture, gastronomy, tourism, event management. The year of 2022 is the celebration of the city. In this year we celebrate the 800th anniversary of the so-called Golden Bull and the 1050th anniversary of the foundation of Székesfehérvár. The events and programmes of this year will prepare and make a solid foundation for the year of 2023.

- Awareness rising activities

The multi-arts festival Valley of Arts seems to be the best example of an event promoting local and regional CCI - the self-organized summer festival exists since 1989 and offers various cultural, musical, theatrical and literary programs, and is organized by the local Művészetek Völgye Nonprofit Ltd.. It is based on local culture, built and natural environment from the region of the Kapolcs village. The incomes of the festival are divided between the participating villages and they can use it for rural development aims. Beside the economic results the Valley of Arts, catalyzes and promotes the folklore activities and creates identity. The festival also gave importance to the local handmade products which bring revenue for the local people and extend the festival's impacts during the whole year.

Another important event rising awareness about CCI is the FEZEN Festival, happening in Székesfehérvár – one of the largest music festivals in Hungary. Although this festival brings in mostly artists from other regions and countries, it is key meeting place for people from the CCI in Hungary.

- Motivation and incentives for CCI development

No specific motivation and incentive system for CCI seems to be in place.

(b) Recommendations

1. Since the existing pillars for awareness and motivation are a couple of existing arts/music festivals, the local government can focus on supporting these and expanding their impact. The model of large scale festivals in Hungary (e.g. Sziget) can be emulated, but with a rather niched strategy in order to avoid direct competition .

2. The preparation process for the ECoC 2023 requires a series of debates, consultation and co-creation processes, that could help raise awareness about CCI and put the ideas of the CRE:Hub project on the table of the decision makers in the region.

Section 9: Internationalization

(a) Key Findings

The main link for internationalisation of CCI seems to be the Central Transdanubian Regional Innovation Agency Nonprofit, with its cooperation projects (H2020, Interreg) that bring actors from the Central Transdanubian Region together with partners from other European regions, or simply boost export/import of CCI products.

- Support for internationalisation and exports

- Education, training and consulting

- Financial incentives. i.e. export credit guarantees etc.

- ...

(b) Recommendations

1. Main recommendation would be to seek know-how transfer from cooperating regions where cities will have had the title of ECoC, like Sibiu from Centru Region was in 2007 or Matera from Basilicata Region will be in 2019. This would not only improve the chances of Székesfehérvár gaining the title, but it would boost the overall level of international exchanges.

Section 10: Conclusions

Based on the previous sections, the main conclusions to be integrated in the regional development plans for the development of the CCIs, are the following:

1. Determine unique, distinctive and not replicable local CCI assets
2. Perform a detailed analysis of cultural actors, both public and private.
3. Plan for vocational education programmes focused on the skills relevant for the priority CCI sectors
4. Establish regional training and support programme via the Central Transdanubian Regional Innovation Agency, using methodology from previous successful regions (Flanders)
5. Increase the level of co-creation of projects, involving actors from traditional industry sectors and CCI.
6. Encourage and guide the emergence of smaller scale clustering/networking projects, like creative districts/quarters, maker communities and spaces
7. Set up complete listing of all companies and NGOs acting in the CCIs
8. Plan for fiscal/financial incentives or specific support services for emerging creative or cultural entrepreneurial initiatives.
9. Emulate similar experiences from Hungary/the region, and use the ECoC 2013 as key driver
10. Set up local grant schemes for CCI startups, based on the de minimis funding rules and run by the city of Székesfehérvár in order to boost cultural and creative entrepreneurship in the region
11. Improve definition of landmarks, KPIs and monitoring systems for policy instruments
12. Use the preparation process for the ECoC 2023 to raise awareness about CCIs
13. Cooperate with cities that will have had the title of ECoC, (Sibiu, Matera) to improve the chances for the title and boost overall level of international CCI exchanges.

Section 11: Attachments

Please list which documents were studied by the peer review team prior, during or after the review visit (e.g. Operational Programme, State of Art Report, Roadmap, local development programs, etc.).

1. State-of-art of CCI Sector
2. Roadmap Central Transdanubian Regional Innovation Agency
3. „Székesfehérvár Development Programmes 2014-2020” powerpoint presentation
4. A brief description of the city’s economy
5. Power Point presentation (slides) CRE:HUB project PEER Review in Hungary

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6. Others

Please, add completed CRE:HUB Checklist (Annex 2) and CRE:HUB Peer Review Key Details (Annex 3) templates to this report.

