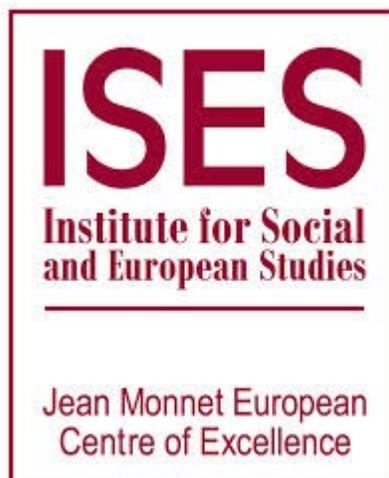


WORKING PAPERS IN SOCIAL AND EUROPEAN STUDIES



2014/ 2

Piloting the KRAFT Index. A Case Study of the Kőszeg-Szombathely Region.

Eszter Márkus



KÖZIGAZGATÁSI ÉS IGAZSÁGÜGYI HIVATAL



Nemzeti
Kiválóság
Program



Piloting the *KRAFT* Index. A Case Study of the Kőszeg-Szombathely Region

Eszter Márkus:¹

Practical application of the *KRAFT* Index

After the *KRAFT* Index was developed and published in 2013, an increasingly urgent need emerged to develop a practical tool which could efficiently support developmental policy. The pilot analysis of the index with regard to the region determined by the urban unit of Kőszeg and Szombathely took place as a first step in that process. One of the key hypotheses concerning development based on 'KRAFT' potentials states that if a city and its region have a *KRAFT* Index which is higher than average, this may result in more sustainable and better exploited developments, while resources are also utilised more efficiently. This is why the new methodology of the research is based on regional comparative analyses. Since developmental trends indicate how far a region's potential is utilised, we analysed sequentially timed secondary data. If one of the *KRAFT* indices is lower than average in a region, it is important for development to concentrate on the areas which are able to increase and strengthen the region's *KRAFT* potential.

The *KRAFT*-based regional examination of the Kőszeg-Szombathely is part of this pilot research. The aim of the research, carried out between January and April 2014, was partly to develop a methodology and partly to assess how regional development based on creativity, innovation, network capital and network potential and sustainability potentials can help a more productive and efficient utilisation of EU resources between 2014-2020.

Methodology of regional statistical assessment

In the next step, indicators defined on the basis of *KRAFT*-potentials were linked with statistical analyses and secondary data available on the level of the urban unit of Kőszeg, Szombathely and their agglomeration. Next, these were evaluated in space and time. Data of the territory, wherever available, were compared with the county, regional or national levels, in order to assess whether the social and economic data of the territorial unit under examination had over-the-average qualities as regards potentials. This enabled us to define the *KRAFT* Index of the region based on the data in question. In developing the indicators, we considered the data available on the local level (usually the social and economic statistics of KSH - the Central Statistics Bureau - and of TEIR) and as a result we re-formulated the previously described elements of *KRAFT* potentials. Time-line analysis was able to capture the changes and the trend of the indicators provided there was detailed data-collection.

Due to previous research, data were available describing the context and connectivity of businesses. These were created through primary data collection

¹ This research was supported by the **European Union** and the **State of Hungary, co-financed by the European Social Fund** in the framework of TÁMOP 4.2.4. A/1-11-1-2012-0001 'National Excellence Program'.

(questionnaire surveys), but, regrettably, not in a standardised form, and so the picture they presented was only valid for earlier years, and often only presented the county or regional, rather than the town level. The image which emerged from these results was crucial to the *KRAFT* methodological system. At the same time, there are still a number of crucial factors (such as general trust, extent of corruption, level of civil activities) which have so far only been measured on the national level, mostly based on an international methodology. Some of the data available within this type were incorporated in the present study for the reasons stated above.

The chief indicators associated with the three *KRAFT* potentials (creativity-innovation; connectivity and network, sustainability) were then correlated with the relevant statistical data. Territorial units examined for the case study were the following: • Kőszeg as a town; • Szombathely as a town; • the micro-region of Kőszeg and Szombathely; • Vas County and/or the Western Trans-Danubian Region (based on available data); • Hungary.

As regards time-line analyses, we examined tendencies from 2007-2012 for indicators where there had been regular data collection. The following table presents the summary of indicators available from secondary statistical data sources and examined in the case study (see Figure 1).

| Figure 1. Data on economic and social statistics | |
|---|--|
| Creativity and innovative potential | |
| Characteristics of social creativity | Number of registered self-employed entrepreneurs |
| | Number of registered business organisations |
| | Number of regional businesses |
| | Newly registered businesses |
| | Business loans |
| Creative work force | Ratio of employees with academic degrees (data by the Hungarian Academy of Sciences) |
| | data by FEOR |
| Creative industry | Number of active businesses functioning in the information and communication branch of the economy |
| | Number of active businesses functioning in the professional, academic and technical activities branch of the economy |
| | Number of active businesses in education |
| | Number of active businesses in the welfare, health and social support |

| | |
|---|---|
| | sector |
| | Number of active businesses in the field of the arts, entertainment and leisure |
| Training and education | Secondary school - availability and statistics |
| | Local library - availability and other library data |
| | Number of regular cultural events |
| | Number of people participating in regular cultural events |
| Future University potential | Data on higher education |
| | Number of lecturers employed in higher education |
| | Number of research and development centres |
| | Number of research and development experts at the R&D centres |
| | Spending of R&D centres in the private and the public sphere separately |
| | Extent of R&D spending in the private and public sphere separately |
| | Patents and brands registered |
| Management of the cultural, built and natural heritage | Number of public cultural institutions |
| | Museums - availability and data |
| | Number of people attending cultural events |
| | Number of creative cultural communities |
| | Number of members of creative cultural communities |
| | UNESCO heritage - availability, closeness, accessibility |
| Quality of life | Number of places of accommodation |
| | Number of cultural institutions (museums, libraries, theatres, cinemas) |
| | Number of hotels |
| | Number of wellness and medical hotels |
| | Number of guests and guest nights in wellness and medical hotels |

| Relationship capital, network potential (extent, intensity, character and quality) | |
|---|--|
| ICT potential | Number of computers at nursery schools |
| | Number/ratio of general education service locations |
| | Number of service locations with internet access in institutions of public education |
| | Number of institutions of public education with computer access |
| | Ratio of internet subscriptions |
| | Ratio of households with broadband internet |
| | Ratio of persons using internet shopping for private purposes, aged 16-74 years |
| Physical infrastructure, access | Access to major transport routes (motorways, railways) |
| | Airport access (time) |
| Institutions | Cluster data |
| | Number of R&D research spots |
| Connectedness | PPP projects |
| Connectivity and external relations | Export data |
| Civil society potential | Number/ratio of registered not-for-profit organisations |
| | KSH civil data |
| | Election turnout |
| Public trust | Public trust surveys |
| Sustainability potential | |
| Environment protection | Number of homes served by regular waste collection |
| | Number of homes served by selective waste collection, compared to the total |
| | Total green area |
| | Protected nature reserve |
| | Forestation |
| Demography | Resident population |
| | Permanent population |
| | Ratio men/women |
| | Breakdown according to age-group |
| | Number of emigrants |
| | Number of immigrants |

| | |
|---|---|
| | Natural population increase /decrease |
| | Migration balance |
| Economic policy | Registered businesses according to type of enterprise Ratio of young unemployed Ratio of people with high and low incomes |
| Bureaucracy and administration | Amount of time required for registering a new company Amount of time required for registering a new NGO |
| Attractiveness and radiation of the region | Ratio of tourist tax within tax revenue of local governments Number of places of accommodation Number of foreign visitors Number of guest nights Per capita tourist tax |

Development strategies and analysis Hungary's EU resources allocated to the region

The study also offers a brief description of the planning processes between 2007-2014 and 2014-2020; the various development plans, their evaluations and the most important development policy instruments. We applied the *KRAFT* potentials to analyse the recent development policy documents of the area (region, county, city); the currently valid developmental plans and those for the 2014-2020 period, as well as the methodology of the developmental concepts employed in the plans.

Using the application 'Map Space' (*Térképtér*) of the National Development Agency the level of funding applications were analysed which provided a detailed picture of the amount of resources available for development over the past years and their distribution according to area and topic. During the analysis per capita resources for development and support were surveyed.

The methodology of primary data collection

During the research project primary data collection took place in three ways: 1) analysis of best practices in regional development through questionnaire surveys; 2) in-depth interviews and, 3) focus groups.

Analysis of best practices

We identified altogether fifteen Hungarian, cross-border and trans-national initiatives which contribute or may contribute, to varying extents, to the creative and sustainable network-based development of the Kőszeg-Szombathely urban unit. Next a table was constructed to evaluate initiatives according to *KRAFT* criteria (see Figure 2.) which was filled out by project managers. If one of the factors was relevant to the project it was marked by the figure 1, if not, it was rated 0. Whenever respondents judged that a factor within the results was outstandingly powerful, they marked it with an *.

| Figure 2. Table for evaluating best practices | | |
|---|---------------|---|
| Self-appraisal of project hosts and executives | | |
| <i>Did this project contribute to the development of the following factors (regardless whether it was originally among its goals or not)?</i> | | |
| Creative and innovative potential | Direct RESULT | * |
| Characteristics of social creativity (openness, entrepreneurial spirit; risk-taking) | | |
| Creative work-force (number, growth rate; integration with the local economy of the region) | | |
| 1.3. Creative industry (ratio; tendencies in the sector) | | |
| 1.4. General education - education and training (quality; accessibility; talent management) | | |
| 1.5. 'Future University' potential - (quality development in higher education , R+D+I contacts with businesses) | | |
| 1.6. Cultural, built and natural heritage (economic and social utilisation, number of visitors) | | |
| 1.7. quality of life (well-being) <i>(recreation opportunities, tourism, cultural events)</i> | | |
| 1.8. employment creativity potential (working conditions; | | |

| | | |
|---|---------------|---|
| flexible working hours; working from home; working part time) | | |
| 2. Relationship capital, network potential (extent, intensity, character and quality) | Direct RESULT | * |
| 2.1. ICT potential (ICT-coverage; ICT culture, saturation, time and quality of use), degree of digitalisation in institutions; e-government) | | |
| 2.2. Physical infrastructure, accessibility (roads, motorways; railway; airports) | | |
| 2.3. R+D+I institutions (emergence, involvement) | | |
| 2.4. Connectedness (networking factor within the region, e.g. the number of co-operations between businesses and research institutions) | | |
| 2.5. Connectivity, the density of external relationships (<i>external network development</i>) | | |
| 2.6. Value system, habits (attempt to find consensus, win-win strategy, decreasing corruption) | | |
| 2.7. Civil society potential (participation in NGOs, pro-activity, public activity; extent of private donations,) | | |

| | | |
|---|---------------|---|
| number of NGOs) | | |
| 2.8. Public trust (in relation to governments, political parties, institutions, in business relations, trust within the civil society, trust toward NGOs; prejudice or otherwise regarding immigrants, 'perceiving foreigners', admission or exclusion, tolerance) | | |
| 3. Sustainability potential | Direct RESULT | * |
| 3.1. Environment protection (CO ₂ reduction strategy; renewable energy strategy; green transport promotion; traffic reduction efforts; water management policies; waste policy; green area and expansion policy; air pollution policies; green action policy; green management; social participation) | | |
| 3.2. Demography (migration, tackling demographic challenges, strategy for retaining young population, aging society...) | | |
| 3.3. Community development - supporting civil initiatives (local government and corporations), | | |

| | | |
|--|--|--|
| partnerships between governments and the non-governmental sphere, co-operation between companies and the civil society - CSR) | | |
| 3.4. Economic policy (diversification within the industry; appearance of strategic branch of industry) | | |
| 3.5. Decrease in bureaucracy and administration (flexible, open, citizen-friendly offices) | | |
| 3.6. Attractiveness and radiation of the region (image of the towns and the region, marketing of the region - level of costs) | | |

Based on the methodology, every project listed was assigned a three-digit indicator and a certain number of stars depending on its model value. Through these indicators it became possible to compare the results of the projects presented from a *KRAFT* point of view. Based on the results we were able to identify the projects worth building on in the future and which could become model projects from a *KRAFT* point of view. It is important to note that the numeric results of the data sheets do not connect with the *KRAFT Index*; they merely indicate the points at which the potentials appear in the opinion of those involved in the execution.

Interviews

An important consideration in selecting the interview subjects was that we wanted to address representatives of institutions and organisations which play a considerable role in the development of the region. We recorded sixteen in-depth interviews for the pilot research; with interviewees who mainly came from the ranks of professionals working in regional development (innovation, research, regional development, rural development, administrative level); the business sphere (IT) and the higher education sphere (University of Western Hungary; Pannon University).

These structured interviews primarily stressed innovative initiatives; best practices (which initiatives are truly innovative; who are the key actors; how could the creativity of the region be further improved); on key actors and functional

networks of the region (quality of co-operations in the region; identifying networks and key actors, assessing their own range of partners), as well as on the region's future vision and possible directions of development (formulating a regional developmental vision, particularly as regards *KRAFT* potentials). In the course of the research, we analysed the interviews with professionals involved in local development, with actors of higher education and with the entrepreneurs representing the business world, all of which yielded a considerable amount of information about innovative initiatives; successful network-based co-operation, creativity and future vision in the region.

Focus group

Three focus group sessions were organized during the research project, with altogether more than fifty participants, who were all associated with one of the relevant theme areas, such as HR development; key actors of regional development or the local creative business sphere. During structured focus group sessions, information was gained about the quality of network co-operation in the region and about the creativity of human resources. In the subsequent step, focus group participants together formulated a future vision for the region.

Creativity and innovation factors include the quality of education and human resources. Therefore, during the focus group discussions the participants were asked to place HR values on the region in an everyday context, about the intellectuals, the existing 'human capital', the different forms of education and their quality and achievement. Subsequent discussions explored what the participants believed to be 'creative' and what conditions need to be met to encourage creative initiatives. In the context of relationship capital participants were asked about co-operation networks and their perception about the *KRAFT*-potential of these networks. The last major subject area of the discussion was to map trends and developmental needs with an eye to the future, in the context of possible directions of further development policy.

Results of the pilot project: strengths, weaknesses and opportunities

In the summary a brief review the findings of the research is provided as well as the *KRAFT* potential of the area. Based on this, proposals are formulated proposals for further development.

Based on analyses of the statistical data about the region, and on the results of primary data collection we have identified a number of factors considering *KRAFT* potentials. At the same time, numerous weaknesses were identified, as well as plans and initiatives already underway which await the type of development that will increase their *KRAFT* potential.

Creativity and innovative potential

Education, R&D

The ratio of secondary school students in this region exceeds the county and national average by almost 50%, but if we look at the number of teachers per every hundred students, the ratio is worse than the national or the county average. According to KSH data, in the area of higher education Vas County is far behind the national average in terms of the number of college students compared

to the size of the population. At the same time, the number of lecturers per number of students is higher than average here. Szombathely is distinguished in terms of innovation mostly due to its functions in higher education. The human resource background to higher education is readily available, and social and economic conditions are also favourable. The problem is, however, that higher education available in the region is not at the moment able to meet the changing needs of the economy and the society.

The number of R&D sites (compared to population numbers) is only about half as much in Vas County as in the rest of the country. Even compared to the regional average in Western Trans-Danubian area, this disparity has continually increased since 2008. The Hungarian Academy of Sciences records 4,000 people with doctorates, out of whom only five have institutional affiliations in Vas County.

It seems inevitable that companies involved in corporate social responsibility should engage in deeper, more intense and longer term cooperation in the fields of vocational training, higher education and R&D. This could express a new spirit of partnership. Through a new higher education centres, practical and theoretical knowledge, strengthen problem-solving thinking and accelerate the integration of different disciplines, could be connected. This would be particularly significant in consciously connecting the natural sciences, technical sciences, social sciences and the humanities, since sustainability and social creativity demand that research and training/education be placed upon new foundations. Based on international standards, the Centre for Advanced Study (CAS) could provide the institutional framework for regular dialogue and co-operation between the larger domains of scholarly thought (technical sciences, arts, social and natural sciences). This projected knowledge hub facilitates the opportunity to ask practical and theoretical questions, offering complex solutions and improving innovative thinking. In order to take advantage of the synergies between the academic, public, business and civil society spheres, it would be ideal to establish a training and research centre based on co-operation between universities which is close to the practice of business and public politics. This would take advantage of interdisciplinary approaches, possibly also including an interdisciplinary doctoral school with English as the language of instruction. Courses would be offered for doctoral and post-doctoral training with the participation of outstanding national and international lecturers and researchers.

Creative Businesses

The density of businesses in Vas County has always been lower than the national average. In this region the ratio has been steadily better than the county average, due to the weight of the county centre Szombathely, even though it still remains beneath the national average. Within registered businesses, the ratio of creative businesses, educational and welfare organisations is higher than the national average. Interviewees and focus groups mentioned a number of examples of innovative initiatives, showing the region to be highly developed in this respect. In the field of the creative industries there is a need for integrated cooperation among art studios, design centres, video studios, architectural studios and similar entities which presently function in isolation. New developments and constructions could create the frames for such cooperation. Engaging the various

actors sphere would help the emergence of a creative industry cluster, which would significantly contribute to improving the image of the urban ensemble and the region and to presenting its achievement on international platforms.

Cultural Heritage

Owing to Kőszeg, the region is of particular significance from a heritage point of view, since the number of protected buildings in this town (per thousand inhabitants) is more than 13 times higher than the national average and five times higher than the average in the county. Based on the number of protected buildings per thousand inhabitants, Kőszeg is the fifth richest town in the country in terms of cultural heritage. This potential is reflected in the number of museum visitors up until 2010. In 2009, for instance, the number of visits recorded in Kőszeg was 3.7 times higher than the national average. Museums of this town feature the history of religion, culture and society in a digitalised, multi-lingual form, at a 21st century standard. Displays highlight interactive learning, experiential input, raising interest and spotlight points of interest.

In 2008-2009, twice as many people participated in regular cultural activities in this region than the national average. In 2009, when the Kőszeg Castle was being restored, there was a major break in the figures of indicators describing the region's cultural life. In 2008, participation at cultural events was almost five times higher in this region than the national average, followed by a drastic drop and then a gradual decrease, while the national average remained nearly even.

The towns of Bük and Sárvár encompass a region which generates significant international tourist turnover and revenue generated by medical tourism which, were the two regions to co-operate consciously, could be supplemented and supported by the cultural opportunities in the Kőszeg-Szombathely area throughout the year. Concerted development in the tourist trade could grant further increase in the number of visits. The role of Kőszeg-Szombathely as a regional cultural centre could be strengthened if, besides music, dance and the fine arts, theatrical activity also grew more intense.

Human Resources

The creative work force in the region is a few percentage points higher than the national average in all fields; and in category 'FEOR 2' (occupations requiring independent use of higher education qualifications) the advantage is 9%. It is important to point out, however, that this advantage is due purely to the strong creative group in Szombathely. Kőszeg is way below the national and county average in all respects. All things considered, the human resource potential currently present in the region is stronger than the national average, but the majority of the opportunities which arise regrettably yield results outside of the region. Under conditions of a creative urban lifestyle, the presence of a varied array of sports and other forms of recreation in daily life is of outstanding importance. Improving people's quality of life and raising it to a higher level is important both in order to retain the local population and for attracting university lecturers, students and researchers to the area.

Relationship capital, network potential

Information and Communication Technology (ICT)

The number of internet subscriptions in Vas County has continually risen, altogether by 87% over the past five years; while nationally the increase has been only 54%. Broad band internet subscription, however, is less widespread than in the rest of the country and the growth rate (+39%) is also below the national figure (+47%) and particularly the regional figure (+76%).

ICT technologies contain a number of possibilities which are still not sufficiently exploited but have at least been introduced in some places, from e-learning to electronic contact with authorities and offices. In this field even the expansion of existing capacities and minor investments may lead to major changes, provided that they form a part of a complex and integrated urban development strategy. Further development can mean co-operation within the region, as well as more intense connection of the region with the circulation of Europe and other parts of the world.

Introduction of the broad-band optical network to the region, inevitable for high speed digital network services and assuring high quality standards, as well as the full wifi coverage of public areas, could go hand in hand with improving the infrastructure of higher education. This could enhance the quality of local and regional knowledge production and dissemination and could create the conditions for regular team work between the university and research centres operating in the region.

Transport

Accessibility is one of the greatest problems in the region. The two closest national motorways (the M1 and the M7) take 92 and 102 minutes to reach, while accessing the Austrian A2 takes 45 minutes. Access to international airports is also difficult: Vienna airport is 87 minutes, Bratislava airport 110 minutes and the airport closest to Budapest is 180 minutes by car. The closest Hungarian commercial airports are 101 and 103 minutes away by car (Sármellék and Pérgyőr). As regards rail travel, from Kőszeg there are only 0.7 trains per hour on working days and they all go to Szombathely; from Szombathely there are 4.7 trains per hour if all destinations are included. Improving transport within the region and along routes connecting it with neighbouring regions (frequency, speed, comfort) would have a positive effect on connections between the two towns, as well as on the multilateral connections of the region, on co-operation and, importantly, on the quality of life and work in these towns. Such improvement would also significantly increase the number of visitors from other parts of the country and from abroad. Developments could include a high-speed railway between Kőszeg and Szombathely, as well as the modernisation of rail transport to Austria and along the Budapest-Szombathely line. This would support shopping and cultural tourism, employment, migration and real estate purchase and people starting a family on both sides of the border, thus promoting cross-border network formation areas like education and economy.

For a region or a town to efficiently function, well-coordinated transport (easy and straightforward access) is needed. According to a transport development concept formulated earlier, besides improving rail and road transport, it is inevitable to bring bus and rail timetables into harmony with each

other in the coming years.

Networks

Large companies in the region show a stronger tendency for innovation, and companies in mixed or foreign ownership also show a higher degree of innovative spirit than other companies. Thus, the key players at the moment are mostly large corporations and small knowledge-intensive firms.

Economic actors, in co-operation with universities, innovation and technology centres or business development organisations mostly built their connections with the institutions of the region. Co-operation with businesses goes beyond traditional 'supply and sales' relationships and also aims at exploring markets and appearing jointly in those markets. The Wood Industry and Engineering Faculty of the Western Hungarian University has trained many professionals who were successful in finding employment in the areas of the wood and furniture industries in the region.

In many cases the clusters emerged in the context of applying for funding, and once the resulting grants ended, they began to face problems. It is a widely agreed that the majority of 'networks' created under the influence of various forms of funding actually lack, right from the outset, the potential to mature into genuine networks. In the course of future development of the region, attention should be focussed far more on real, living initiatives which represent integrated connections between those involved and consist of interest and value-based connections.

In the public sphere the willingness of local governments to co-operate is extremely low and the situation is made worse by the fact that local governments are scattered far and wide. Interviewees claimed that the communication channels of regional actors in Kőszeg and Szombathely need improvement. In order for the grant programs to be successful in the coming developmental cycle, local actors must formulate a long-term vision for the future, form partnership networks across the boundaries of real sectors and secure the two-way information flow among the partners.

It is also crucial to improve the efficiency of co-operation between the relevant towns and regions with regard to an integrated development policy. At present, the general thinking does not recognize a positive sum game where 'everybody wins'; in other words, the attitude that a network can benefit all stakeholders. In many cases, a competitive attitude hinders and obstructs co-operation.

The planned, new higher education and knowledge centre (CAS) could become the centre of high standard interdisciplinary research if knowledge transfer is based on the co-operation of local and international institutions. The constant presence of Hungarian and foreign researchers is one pre-condition for this. At the same time it can attract target groups for tailored training and research programmes.

Entrepreneurial Culture

Local entrepreneurs hold the opinion that honourable and trustworthy business

behaviour is higher in the region than in other parts of the country. Entrepreneurs show an open-minded attitude to the activities and fields of their colleagues and this leads to the emergence of multi-functional enterprises. The willingness to become an entrepreneur is low both locally and on the national level, with a mere 5% of young people fresh out of secondary school claiming that they would like to start up a business. Most companies of the region have a developmental network of relations which is focussed on the supplier and the client or customer. Only one tenth of innovative companies belong to the 'elite' which co-operate with a large, complex, diverse customer base. The integration between the business sphere and the innovative service provision, knowledge-production and dissemination spheres is meagre and fragmented. Businesses of the Western Trans-Danubian region show little willingness to innovate – the rate of firms systematically attempting development was a mere 6%. The rate of innovation in Szombathely, the decisive town in the region, is low; and the local institutional system supposed to serve and support innovation is also not very functional.

Attitudes of the Local Civil Society

Judging by the number of not-for-profit organisations, the civil society potential of Vas County is strong and it is even higher within the region in focus. The number of NGOs per thousand inhabitants is 14% higher here than the national average or county level figures. This is an encouraging figure, since it indicates clearly that developing partnership between organised civil society and the representatives of R&D and education can be placed on solid foundations.

In parliamentary elections, Vas County's population has always been more active than the national average, but turnout rates show that this relative advantage has shrunk from +11% to +2%. Throughout the early part of the century, Szombathely has been among the five most active counties as regards election turnout, with a ratio over 72%. In 2014, however, participation was only 65%, 4% over the national average.

Based on the above we can see that civil and political activity show a high potential but are not sufficiently exploited in the region where the key actors of development are elected representatives (mayors or their representatives), members of the non-governmental sphere, public figures, major employers in the various towns and villages and important entrepreneurs from the field of tourism. Realising the future vision of regional development will require a stronger set of relationships, openness and receptiveness to innovation.

Sustainability potential

Environmental Protection

Based on environmental figures, including the PM10 pollution indicator of air quality, the region is in a better position than the national average, but if we consider the figures of the past three years, the trend is far from favourable. An increasingly environmentally conscious lifestyle is indicated by the fact that while the rate of homes involved in selective rubbish collection has grown three times higher on the national level, and five times higher in the region, Vas County could only enhance this ratio by one third. The use of renewable energy is negligible here, as in the rest of the country.

The 'Written Stone' [*Írottkö Natúrpark*] nature reserve in the region helps preserve

the intactness of this cultural and natural landscape. At the same time, it also has a quantitative influence on tourism, particularly as regards eco-tourism, village tourism, agro-tourism, cycling and wellness tourism. As regards energy saving and the use of renewable energy sources, a number of opportunities could be provided by improving the use of water, wind and solar energy, which inhabitants of the region are open to. Proposals in this regard have included establishing micro power plants on the stream Gyöngyös, erecting windmills in the Nárai area near Szombathely, and utilizing solar energy both in private homes and for public transport and services.

Tourism

The area of Kőszeg and Szombathely is well equipped with tourist accommodation. In terms of revenue from tourism, the performance of Vas County is almost three times higher than the national average. Revenue per thousand inhabitants grew by 22% over the past three years in this area, during which time Vas County was able to enhance its tourism revenues by 50%. A negative tendency in the tourist trade in the region is, however, that the number of nights spent in commercial accommodation has continually decreased. In the Kőszeg micro-region this has dropped by 57% between 2000 and 2010. Based on indicators showing the intensity and quality of tourism, the region is close to the national average which is very low considering its extremely high cultural potential and the fact that the county exhibits a high level of tourism overall.

Participants of the focus group spoke of a varied, yet unified landscape and population, and described the attraction which the Kőszeg-Szombathely agglomeration holds for tourists. Interviewees are convinced that it would be easy to formulate an axis of cultural life, eco-tourism and active leisure which would offer alternative forms of recreation and entertainment to visitors to Sárvár and Bük. A conscious and targeted programme of heritage management and development could render Kőszeg-Szombathely an outstanding tourist destination for historical tourism. Visits to this area are, however, hindered by transport problems and slow access; in spite of which creative events in the region (festivals, carnivals, concerts, summer universities, castle theatre etc.) attract a growing number of participants from both Hungary and abroad. One thing that interviewees named as an obstacle to tourism is the lack of suitable quality accommodation in sufficient number. This is true in spite of the fact that the architectural wealth of both towns and the region surrounding them offer plenty of opportunities.

Demography and Communities

In the entire country, the reduction of population numbers compared to 2008 was 0.3%, while in the focus area of this research the population shrank by 2.6% according to census data, which is even higher than the 2.2% characteristic in the county. The population decline was most alarming in Kőszeg. One further negative trend is that migration, which is characteristic of the region, partly contributes to increasing the level of inclusion and tolerance of local people but partly also leads to the aging of the overall population and a shortage in the professional work

force.

There is a culture of co-operation in the region which is probably due to the fact that different nationalities have been living together here for a long time. As a result, the region could be characterised by an open and inclusive spirit both in the religious and the cultural sense. The local governments of Vas County actively support NGOs, indeed, this support is more intense than it is in other counties of the country. Key actors of the region would like to foreground the traditions of Kőszeg as teaching centre and a place of inclusion and integration.

Conclusions

The hypothesis formulated at the beginning of the research project, whereby intense and innovative sustainable growth is found in regions where *KRAFT* exceeds the average, has on the whole been confirmed. Sustainable and innovative outcomes are not just the direct results of developmental programmes, but rather depend on other factors, such as the activity of the creative class or the existence of genuine co-operation among leaders of various sectors and key actors. Based on the connections identified during the research, a number of conclusions and proposals for the future can be formulated.

There is a lack of institutional frameworks required for the sustainable realisation of existing regional and urban developmental strategies which could keep the *KRAFT*-focussed attitude, and the strategy based on the triple helix, on the right track and guarantee the possibility for feedback-feed. At present, we mostly encounter isolated actors who are inclined to pretend that they are co-operating extremely well. There is some sporadic co-operation and quite a few best practices employed, but the 'big picture' of an integrated common development process is not in place even on the level of plans. Forms and forums for effective alignment of interests or the sharing of information have not emerged and in the absence of these what becomes dominant are the interests of individual institutions and stakeholders.

The various primary and secondary analyses which emerged as a result of the research project have outlined focal points of development and related proposals which can contribute to laying the foundations for networked and co-operation-based development that promotes regional creativity and secures sustainable development in harmony with the special characteristics of the region. It also takes into account already existing strategic guidelines (county level, town level, LEADER).

The European Union also formulates similarly progressive expectations and proposals, such as encouraging creative cities and connecting regional development with urban development. Approaches most compatible with *KRAFT* considerations are Community-led Local Development and Integrated Regional Investments. For these approaches to be successful, a fundamental paradigm shift needs to take place which, in turn, presupposes a comprehensive and complex way of perceiving the situation. Grant application structures of previous developmental periods have included support for partnerships, innovative and network-based constructions and as a result a great number of clusters and social co-operatives emerged. However, in the future it would be important to prevent

the emergence of pseudo-partnerships which emerge merely in order to be able to access a given financial resource.

Based on the values and characteristics of the Kőszeg-Szombathely region a complex programme could enable the development of public and heritage-based services, as well as community spaces, educational and innovative infrastructure. The synergies inherent in social, cultural and relationship capital may be exploited by more efficient co-operation of the towns, their institutions and determining business, social and public actors.

In the wake of developments based on *KRAFT* potentials, and tapping into a spirit of openness and inclusion, the region would gain greatly in intellectual and cultural attraction and radiation. It would become able to attract and retain a creative work force and the younger generations, and allow for the emergence of dynamic connections between the towns and their region. Mutually interrelated development efforts would create the kind of environment and set of criteria which could elevate this region to the rank of a dynamic, multi-functional cultural and knowledge hub with an impact overarching regions and national borders.

During the formulation of proposals based on the present research the question was considered just how much of a change the *KRAFT* methodology can bring about in circumstances when institutional structures and actors display mindsets that reject notions of integrated development, co-operation, network building and the sharing of ideas. The system of development-related institutions which are meant to handle the resources of the 2014-2020 period is currently under transformation. Thus, it might still be possible for solutions to emerge which serve to strengthen the *KRAFT* potential at local and regional levels. Developmental policy should be adequately prepared at the local community level to enable those implementing policy to carry out long-term development fuelled by endogenous factors and based on network-type action.

It is crucial to find the right frameworks for co-operation between towns, and implementation that bridges county and even national boundaries. It would be important to create a model centre in the region under examination where the required knowledge and human resource are available. For this it would be important to establish a centre to maximize the synergies of key actors.

Improving on any of the *KRAFT* potentials can produce a direct or indirect yield from the point of view of the economy. If potentials are not exploited in a co-ordinated manner, however, the extent, intensity and long-term effect of development will be far smaller than if they were consciously interconnected. The research has revealed that strategic development is required in all of the *KRAFT* areas, but the extent of the synergies they offer and the complex and ripple effects they promise have yet to be calculated. Based on the *KRAFT* hypothesis, interconnected development projects that mutually strengthen one another can lead to the kind of spill-over effect which makes towns and their environs dynamic, effervescent, creative and the entire region attractive and sustainable over the long term.

Bibliography

- Csizmadia Zoltán (2007). Együttműködés és újtóképeség: Az innováció regionális rendszerének kapcsolathálózati alapjai. Doktori értekezés, ELTE TTK Szociológiai Doktori Iskola, Győr.
- ÉLFO Levegőtisztaság-védelmi Referencia Központ (2013). Az OLM 2012. évi szálló por PM10 mintavételi programjának összesítő értékelése. OMSZ, Budapest
- Grósz András, Rechnitzer János (eds) (2005). Régiók és nagyvárosok innovációs potenciálja Magyarországon. MTA RKK, Győr.
- Kormány 1115/2013. (III. 8.) határozata
- Kormány 1181/2013. határozata
- Kormány 2018/2013. (XII. 29.) határozata
- Lőcsei H. – Nemes Nagy J. (2003): A Balatoni Régió gazdasági súlya és belső térszerkezete. In: Kistérségi mozaik : tanulmányok. MTA-ELTE Regionális Tudományi Kutatócsoport, Budapest.
- Márkus Eszter: A KRAFT-indikátorok mérési lehetőségei – Key Indicators of KRAFT index. (Kézirat. Első egyszerűsített NKP kutatási beszámoló, 2014. május 5.)
- McGranahan, David – Wojan, Timothy (2007). Recasting the Creative Class to Examine Growth Processes in Rural and Urban Counties
- Miszlivetz Ferenc és az ISES kutatócsoportja: (2012). Kreatív városok és a fenntarthatóság. Savaria University Press, Kőszeg-Szombathely.
- Miszlivetz Ferenc – Márkus Eszter (2013): A KRAFT-index – kreatív városok – fenntartható vidék. BCE Vezetéstudomány 44. kötet, 2013. szeptember
- Nemzeti Innovációs Hivatal (publ) (2010). Kreatív Iparágak Platformja. Megvalósíthatósági Terv. Budapest.
- Nyugat-dunántúli Régió Regionális Operatív Program 2007–2013 (Az operatív program hivatkozási (CCI) száma: 2007HU161PO003)
- Óry Ferenc (2000). A trianoni békediktátum hatása Kőszeg gazdasági életére... in: Kőszeg 2000. Egy szabad királyi város jubileumára, Szerk.: Bariska István, Söptei Imre. Kőszeg Város Polgármesteri Hivatala, Kőszeg. 293. old.
- Pannon Elemző Iroda Kft. (publ) (2013). A területi koordinációs kapacitások vizsgálata – Értékelési jelentés. Budapest.
- Pannon Elemző Iroda Kft. (publ) (2013). EU-s támogatások területi kohézióra gyakorolt hatásainak értékelése – Végső Értékelési Jelentés. Budapest.
- Pannon Elemző Iroda Kft. (publ) (2013). Városhálózati hatásértékelés – Értékelési jelentés. Budapest.
- Pannon Novum Nyugat-dunántúli Regionális Innovációs Nonprofit Kft. (publ) (2013). RIS3 – Intelligens szakosodási stratégia Nyugat-dunántúli régióban.
- Pillars Consulting Kft. (publ) (2007). Nyugat-dunántúli Régió Regionális Operatív Program 2007–2013 végső ex-ante értékelés.
- Rechnitzer J.- Csizmadia Z.- Grosz A. (2004). A magyar városhálózat tudásalapú megújító képessége az ezredfordulón, Tér és Társadalom, 18., 117–156. old.
- Ságvári Bence (2005). A kreatív gazdaság elméletéről. ELTE, Információs társadalom- és hálózatkutató központ. Budapest, ITHAKA
- Trifusz Péter (2014). A kreatív város – Művészeti potenciál Kőszegen. Kézirat, Kőszeg.

Vas Megye Területfejlesztési Konceptiója (2014. február)
Városfejlesztés Zrt. (publ) (2013). Szombathely Megyei Jogú Város
Településfejlesztési Konceptiója és Integrált Településfejlesztési Stratégiája.
Budapest.
Váti Kft., Vital Pro Kft. (publ) (2011). Nyugat-dunántúli Operatív Program – Mid-
term értékelés – Zárójelentés.

A tanulmány a TÁMOP-4.2.4.A/2-11/1-2012-0001 Nemzeti Kiválóság Program – Hazai
hallgatói, illetve kutatói személyi támogatást biztosító rendszer kidolgozása és működtetése
konvergencia program - Új Közép-Európa részprogramjának keretében készült.

The working paper has been produced in the framework of : National Excellence Program
TÁMOP-4.2.4.A/2-11/1-2012-0001 - Elaborating and Operating an Inland Student and
Researcher Personal Support System convergence program.