

PURE Regional Briefing Paper (RBP)

SOUTH TRANSDANUBIA, HUNGARY

Part 1

1. Clarify what is meant by the region in this project e.g. historical and cultural, long-term administrative and legal, or specially created for a particular development purpose. Comment on the advantages and difficulties of the nature and understanding of the region involved. [One general benefit from the PURE project should be to gain a better understanding of what kind of region is effective for what purposes.]

So far as the public administration perspective is concerned, the South Transdanubian Region (a NUTS 2 level region) consists in the administrative sense of Baranya, Somogy and Tolna counties (NUTS 3 level), which are further divided into a total of 24 micro-regions (NUTS 4 level). The centres of the counties, also the major cities (of county rank) of South Transdanubia are Pécs, Kaposvár and Szekszárd. The settlement structure of the region is unfavourable, characterised by an underdeveloped urban network, on the one hand, and the dominance of micro- and small settlements, on the other.

South Transdanubian Region, amongst each of the other Hungarian statistical regions, has been created for development and planning purposes and has no legitimate basis for administrative functions. The act on regional development and physical planning made in 1996 created seven Hungarian regions and the seven regional development councils representing them.

Please find more at:

http://portal.ksh.hu/portal/page?_pageid=38,566887&_dad=portal&_schema=PORTAL

It is worth mentioning the strengths and weaknesses of the SWOT analysis of the latest operational programme of the Region from 2007 to point out advantages and difficulties:

Presumed Strengths/Advantages:

- **Level of regional development**
Pécs conurbation, regional growth zones.
- **Economy, R&D, innovation**
Scientific base capable of generating competitive research results; The availability of basic conditions suitable for the development of new economic sectors (environmental, cultural, and healthcare sector).
- **Education**
Established labour organisation in the majority of micro regions; Completed micro regional public education action plans; Micro region centres with substantial educational weight, stable institutional headcount in the centres and micro-region centres; Widespread system of training establishments, active public involvement in training.
- **Tourism**
Significant attractions that are territorially concentrated (Lake Balaton, monuments, thermal baths, wine tourism); the accessibility of the southern region of Lake Balaton is ensured at a high standard. (M7 motorway).
- **Culture and cultural service**
Rich historic and cultural heritage; Pécs is an outstanding cultural centre; Cultural diversity, co-existence of several nationalities (German, Croatian, Roma).

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- **Healthcare and social care**
Properly developed basic healthcare provision system at the regional level. Existing micro region level service provision pilot projects; Growing village and farm steward system, and its growing 'service dissemination' impact.
- **Environment management**
Rich biological diversity; Close to full-scope waste management system.
- **Transport**
The region's accessibility has improved as a result of nationwide development efforts that were launched (M7, M6 motorways).

Further advantages and opportunities:

- Cross-border relations to intensify with Croatia, an associated member of the EU from the Western-Balkans Region.
- Creation of regional knowledge centres based on higher education to facilitate knowledge-based regional development and reinforce human potential for regional competitiveness.
- Pécs being one of the European Cultural Capitals in 2010; Cultural cluster development.
- Strengthening of local NGOs in social integration.
- Environment-consciousness leading to sufficient environment management.
- Health/spa cluster development.

Weaknesses/Difficulties:

- **Level of regional development**
Large number of micro-villages; Micro regions falling behind; internal and external peripheries; Functional weakness of the urban network.
- **Economy, R&D, innovation**
Weak and weakening regional economy; Low R&D expenditure; Little FDI; Low employment rate and high unemployment; Unutilised industrial parks.
- **Education**
Territorial inequalities in the field of access to quality services, as well as infrastructure necessary for ensuring the services; Weak practical and market orientation of secondary education and skills training, high drop-out rates.
- **Tourism**
Lack of complex tourism products and services.
- **Culture and cultural service**
Incomplete cultural service institution system; Incomplete and run-down asset, infrastructural, as well as trained professional supply in existing institutions.
- **Healthcare and social care**
Access to basic care services is difficult as a consequence of the high degree of territorial disparities within the region, especially in deprived micro regions; The segregation of the substantial number of ethnic Roma.
- **Environment management**
Low level of availability of settlement wastewater utilities (large utility gap in micro regions); Brownfield sites not being utilised.

- **Transport**

Difficult external accessibility, transport within the region is bad (lack of connecting roads, lots of dead-end settlements, poor quality road network); lack of bicycle roads; dropping volume and decreasing quality of community transit.

Further reading: DDOP.en(1).pdf

2. *Set out briefly the key characteristics of the region in terms of geography, economy, demography, social structure, trends and changes, as these affect PURE and the development agenda.*

Geography

The region of South Transdanubia covers the south-western part of Hungary, a territory bordered by the Danube and Drava Rivers and the Lake Balaton (the latter making a natural state border to Croatia). The region has a territory of 14,169 km² and was home to 977 thousands inhabitants in early 2005; the population density of 70 people/km² makes South Transdanubia the most sparsely populated area of Hungary. The regional centre is Pécs, a city with 160 thousand inhabitants that concentrates a major part of the economic and cultural life of the region.

The surface of the region of South Transdanubia is varied, the environmental quality is generally good. The formerly dominant mining activities (black coal and uranium ore) have lost their importance, resulting in a serious economic decline in Pécs and Komló, and also in the area of Szászvár and Nagymányok. The lime stone, making the bulk of the mountains, is suitable for cement production. The role of the andesite quarrying is appreciated in the region, parallel to the planned motorway constructions. The hilly areas abound in clay, along the Drava River there is a considerable amount of gravel and sand.

The region is rich in surface and underground waters and thermal spas; the most important rivers are the Danube and the Drava. The biggest lake of the region - a part of which belongs to other regions - is the Lake Balaton, also the biggest lake in Central Europe. The shallow-water south shore belongs to South Transdanubia, offering splendid opportunities for the development of tourism.

Important natural assets of the region are the protected natural areas of national or local significance. The most important of these is the Danube-Drava National Park, covering an area in excess of 49 thousand hectares. In the area of the Little Balaton, the Balaton Uplands National Park reaches into South Transdanubia. In addition to the protected natural areas, South Transdanubia is rich in medicinal and thermal waters of international fame, as well as historical and architectural values of outstanding importance.

Of the 600 settlements of South Transdanubia, almost three-fourths are micro-villages, giving home to 20% of the total population of the region. In 315 of these tiny villages the number of population remains below 500. The small village dominated settlement structure is usually coupled with a bad economic geographical environment. In Baranya, the county most dominated by small villages, almost 70% of the villages are micro-settlements with less than 500 inhabitants (their proportion is 28% and 46% in Tolna and Somogy, respectively). Among the towns of the region, towns of smaller size are typical.

Table 1: Main characteristics of the urban network of South Transdanubia

(Source: <http://www.deldunantul.com/index.php?id=122>)

Town category	Number of towns	Share from the population of the region
Small towns with less than 10 thousand inhabitants	19	10%
Middle towns of 10-20 thousand inhabitants	8	10%
Large towns over 20 thousand inhabitants	6	19%
City with over 100 thousand inhabitants: Pécs (without the agglomeration)	1	17%

Kaposvár, Pécs and Szekszárd are cities with real central functions; in each of the three cities the process of agglomeration and the suburbanisation have started. The bulk of the old urban network is made by the towns with 10-27 thousand inhabitants. In South Transdanubia, the service institutional system of the small towns with less than 10 thousand inhabitants is rather deficient, their population must use the non-everyday services in other settlements. The level of infrastructure also lags in these towns behind the quality of infrastructure of the larger towns. Despite this, there are still areas with an urban deficit in South Transdanubia, such as the middle parts of Tolna county, or the Zselic and Ormánság micro-regions, and the Somogy hills. The areas with an urban deficit are usually the same as the areas dominated by small villages.

Economy

As regards the amount of gross domestic product (GDP) per capita, the South Transdanubian region has reached 71.58% of the national average in 2003.

The per capita amount of gross domestic product in Hungary, calculated at purchasing power parity (PPS) allowing an international comparison, only reached 59.9% of the average of the European Union (EU25) in 2003, despite the continuous decrease of the disparity in the 1990s. The region of South Transdanubia only reached 42.9% of the EU25 average in 2003 (HCSO).

Following the systemic change, the sectoral structure of the economy basically transformed, primarily due to the closedown of mining activities. Parallel to the decrease of the importance of industry, the performance of the service sector improved. Agriculture shows a continuously decreasing tendency, although with minor ups and downs.

The decline of heavy industry was not counterbalanced by the appearance of industrial sectors producing high added value. The strong positions of the service sector are outstanding in regional comparison, only surpassed by the Central Hungarian region; on the other hand, the share of agriculture is still high in South Transdanubia compared to the other regions, ranking second after the South Great Plain region. Tourism also plays a significant role in the economy of South Transdanubia.

The share of South Transdanubia from the added value produced by the different economic sectors in Hungary is rather different. Agriculture, game economy and forestry, and fishing in the region accounted for almost 15% of the total national added value in 2002, whereas the share

of the region from the production of electricity (gas, steam and water supply) reached 17%. Within manufacturing industry the following sectors are of special importance: food industry, mechanical engineering and electronics, and textile and leather industry. In the other economic sectors the contribution of the region to the national sectoral performance was less significant. Paks, a town in South Transdanubia is home to the only nuclear power plant of Hungary.

In the last 10 years the number of newly established economic organisations in South Transdanubia lagged behind the national figures. Despite the lower growth rate, the density of organisations is higher in South Transdanubia, almost the same as in the other two Transdanubian regions and significantly over the figures registered in the eastern parts of Hungary. When looking at the number of employees, we find that the proportion of middle and large companies is lower in South Transdanubia than in Hungary as a whole. In 2004 there were 57 companies in the region with more than 250 employees, making only 6% of the middle and large companies in Hungary. The number of private entrepreneurs exceeds the national average, most of them are self-employing micro-enterprises. All these show close correlations with the statistics of East Hungary.

Within the sales of industrial products of South Transdanubia, the share of export significantly lags behind the national export rate. Within the sales of the respective sectors, the biggest proportion of products is exported in mechanical engineering and textile industry: the major part of the sales of these two industries is realised abroad.

In South Transdanubia the *organisation of clusters* has started both in the traditional and the new sectors of the industry: automotive cluster with Szekszárd as the centre, health cluster in Pécs and Dombóvár, shoe industry cluster in the Bonyhád area; the activity of the Pannon Wood and Furniture Cluster partly covers West Transdanubia too. These initiatives need to be strengthened; also, other initiatives in their infancy should be supported.

In Hungary there is a total of 165 industrial parks, 17 of which can be found in South Transdanubia (Pécs, Komló, Mohács, Bóly, Siklós, Sellye, Paks, Dunaföldvár, Dombóvár, Szekszárd, Marcali, Siófok, Barcs, Nagyatád, Csurgó, and two parks in Kaposvár). Of the total territory of industrial parks, 9% can be found in South Transdanubia, representing the lowest figure among the regions with a total of 817 hectares. A total of 218 businesses operated in the industrial parks of the region, which is an average of 12 businesses per industrial park, as opposed to the national average of 15 businesses. In the industrial parks of South Transdanubia, 41.7% of the available space was occupied and a total of 9,762 people were employed by the businesses located in the parks, which is only 7% of all employees working in the businesses of the industrial parks. In 2003 a mere 5% of the investments realised in the industrial parks of Hungary was invested in South Transdanubia (Ministry of Economy and Transport). Accordingly, in addition to improving the rate of utilisation and promoting the location of businesses in the industrial park, the services and the infrastructure of the struggling industrial parks should be strengthened, parallel to the improvement of their relations and marketing activities.

Business incubators have been established in several places in the region over the last years. The widest range of services is offered by the incubators in Kaposvár, Mohács and Dombóvár, but the incubators in Pécs, Pécsvárad and Tamási are also worth mentioning. Operating business zones of South Transdanubia are the ones in Mohács and Barcs, a business zones under preparation is the South Balaton Business Zone (in the micro-region of Tab and Siófok).

Further reading: DDOP.en(1).pdf

Demography

The population of the region of South Transdanubia was 977 000 inhabitants in 2005. Similarly to the national tendencies, the population of the region is decreasing and ageing.

The three most typical national or ethnic minorities of South Transdanubia are the German, the Croat and the Gipsy minority. Of all Germans living in Hungary, 30% live in South Transdanubia, the same figure for the Croats and Gipsies are over a third and 13%, respectively. The highest share of ethnic minority population can be found in the micro-region of Mohács (26%) and Pécsvárad (23%), primarily due to the presence of the German ethnic minority.

The Gipsy population is concentrated in some villages of the Ormánság, the Zselic and the Hegyhát areas, in the first place. These areas are characterised by an inter-municipal segregation, i.e. the mosaic-like location of villages with different ethnic compositions.

The demographic conditions in the South Transdanubia region are developing less favourable than the national average. The region's population decreased by 39,986 people between 1990 and 2004.

The decrease of population exceeds the national average as a result of the drop in live births in the region, and the migration of its population. The extent of migration is increasing year-by-year. Looking at the *domestic migration difference* indicators of the Central Statistical Office (KSH) it can be concluded that while an average of 1225 people migrated from the region between 2000 and 2003, the loss due to migration was 1851 people in year 2004. The insufficient number (especially jobs demanding higher qualifications) of workplaces (braindrain), moreover the lack of services – mainly in micro-village, deprived, disadvantaged areas – are the major reasons for migration. The development of population trends are also negatively influenced by unhealthy lifestyle, and bad living circumstances.

The fast rate of population decrease deteriorates the chances for improving employment indicators, because it is typically the population of working age and with a willingness to work that migrates from the region, and in the long run this is going have effect to the competitiveness of the region.

The rate of population decrease does not evenly impact the entire region. The above mentioned problems are especially prevalent in micro-village areas. From this perspective there are five micro regions (Sellye, Sásd, Marcali, Lengyeltóti and Tab micro regions) that are the worst off, where the migration difference per one thousand residents is the highest in nationwide comparison, similarly to a few micro regions along the border in North Hungary.

Within the region, the Siófok micro region has positive immigration indicators that may be considered favourable. The region's population distribution by sex corresponds to the national average: 52% are women. The region's increasing aging is a further demographic feature, in line with trends in the EU.

Rising average age, when paired with the low number of births already mentioned previously, causes significant change in the age structure, and as a result the population of the region is significantly aging. The trend of the age structure of the region is similar to the ratios in the regions of East Hungary. According to statistical reports, the proportion of people older than 60 years went up from 17.00% to 21.04% between 1980 and 2005.

Further data:

http://portal.ksh.hu/portal/page?_pageid=38,119919&_dad=portal&_schema=PORTAL

Education

The situation of primary education is basically determined by the population and settlement geographical, and the demographic features of the South Transdanubia. The region is the planning-statistical region of Hungary with the lowest density of population, with approximately 70 inhabitants/km². To the opposite, the density of settlements in the region is relatively high (4.5 settlements/100km²), and very high in Baranya county. The high number of settlements covers a very disadvantageous structure: in more than 320 settlements of the region, the number of population is below 500 (some two-thirds of these villages can be found in Baranya county).

The fragmentation of the school network is not as expressed as that of the settlement structure, nevertheless the schools of small size are typical in the region.

The education level of the population in the South Transdanubia region improved continuously during past decades. With respect to highest completed qualification, 27.29% of the population has secondary school, and 13.05% with higher education qualification, which exceeds the national average. The proportion of those with 8 grades of primary school, or less than 8 grades also shows a more favourable picture than the national average, yet fails to reach the national average with respect to vocational training qualifications. Indicators in the Pécs micro region, and the city of Pécs are positive, at the same time the education indicators of the population in the Ormánság, and the Sellye micro region within it remain still low.

The Lengyeltóti micro region can be considered to be in the least favourable situation. A shortage can be experienced on the labour market with respect to skilled labour. This structural problem is not only rooted in the profession structure of skilled employees, but also in the enrolment ratios of the various levels of education. Therefore efforts must be taken to continue the improve qualification level to the benefit of skilled employees, related to the examination of the current basic level education institutions.

Secondary education is concentrated in the cities and towns. Grammar schools in small towns can hardly compete with the high school offering in nearby large towns, and the drop in student headcount is already perceived in their case. To offset this, they are making efforts to enrol more talented students from primary schools in the settlements by transforming their curriculum structure, and launching 6-year classes. Almost all the secondary schools in small towns have established vocational training capacities besides grammar school education, as a survival strategy.

Of the 50 high schools in the region, 13 operate with a clear profile¹⁷. The rest is also engaged in either vocational training, or primary school education. This latter could mean continuous student headcount for them, since according to the most recent amendment of the Act on Public Education, institutions which are allowed to conduct primary and high school education at the same time will ensure continued schooling at the secondary level automatically – without any admission testing – to their primary school students as of September 2007.

The shortcomings of the training system throughout the country are also present in the region: small, isolated establishments, and courses which have insufficient practical and market orientation. In consequence, there is over-training in some trades and shortages of skills in certain economic sectors in the region. Training does not give newly-qualified students sufficient practical experience and only extremely rarely includes educational elements to form attitudes towards lifelong learning. The links between the region's training system and the business sector need strengthening in terms of practical training and supply and demand of training subjects. Two projects to set up Regional Integrated Training Centres in the region are



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under way with assistance from the Human Resources Development OP. The purpose of such partnership-based formations is to transform a training system which is currently incapable of providing practical experience, putting in on a more economic foundations and making it fit to address real training demands. A positive change in the region is the appearance of training for special requirements, and the region is supporting the formation of more of these (e.g. CNC turning training in Pécs and Szekszárd, winemaking in the area of wine tourism). Unfortunately, “best practice” is not always shared among establishments, hindering the balanced development of their services.

The number of well-operating secondary-level establishments is sufficient in the long term at both regional and micro-regional levels, in fact the capacity of vocational schools, grammar schools and skills training establishments exceeds future requirements. The region is home of one of the the biggest university of Hungary, the University of Pécs, and of the significant Kaposvár University. Both universities operate faculties in other towns - in addition to Pécs and Kaposvár -, also, universities of other regions in Hungary also have higher education institutions in the region of South Transdanubia.

The transformation of the education, adjusted to the decreasing number of the young age generations and inspired by a better adaptation to the needs of the labour market, has started in South Transdanubia through a national planning and development of education and training in accordance with the EU’s Education and Training 2010 programme referring, for example, to setting up of a competence-based VET system since 2004.

- **Kaposvár University**
Kaposvár University is one of the youngest universities in Hungary. The four faculties of the university – the Faculties of Animal and Economic Sciences, the Faculty of Pedagogy and the Faculty of Arts – offer a wide range of study programs ensuring the possibility of Lifelong Learning. The Health Science Center and the Feed Crops Research Institute in Iregszemcse belong to the University as well. Kaposvár University has excellent infrastructure, high-standard laboratories and research facilities in several fields.

<http://www.ke.hu/index.php?lang=en>

- **University of Pécs**
Type of programs and degrees
Bachelor’s degree, Master’s degree, College degree (traditional), University degree (traditional), PhD programs, Master’s level further specialization, Higher level vocational training, Adult training and education.

Faculties, Institutes

Faculty of Law, Medical School, Faculty of Humanities, Faculty of Health Sciences, Faculty of Adult Education and Human Resources Development, Illyés Gyula College of Education, Faculty of Business and Economics, Faculty of Music and Visual Arts, Pollack Mihály Faculty of Engineering, Faculty of Sciences.

Doctoral programs

Law and Political Science, Business Administration, Regional Politics and Economics, Biology, Geography, Chemical Sciences, Physics, Literature, Linguistics, Psychology, Philosophy, Interdisciplinary Humanities and Social Sciences, Educational Sciences, Department of Pathophysiology, Clinical Medical Sciences, Science of Pharmacology, Interdisciplinary Medical Sciences, Health Sciences, Fine Arts, Architecture.

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Scientific research, international relations, projects

Nearly 2,000 teaching and research staff members participate in research projects at 10 different faculties; altogether 20 doctoral schools offer doctoral degrees that cover a wide spectrum of science and art, ranging from classical humanities through social sciences to medical and natural sciences. Approximately 344 ERASMUS agreements with 245 universities in 24 countries as well as 50 interuniversity agreements ensure the mobility of the students and staff. The University of Pécs plays a key role in several regional and international university networks.

<http://english.pte.hu/>

Please find more on the education and training system in Hungary at:

http://www.okm.gov.hu/letolt/english/education_in_hungary_080805.pdf

Details on Hungarian Strategy on Lifelong Learning at:

http://www.okm.gov.hu/doc/upload/200602/kiadvany_hungarian_strategy.pdf

Employment

Comparing the rate of employment to the European Union, as well as nationwide data it can be concluded that employment rate in the South Transdanubia region is low (EU-25: 63.1%, Hungary: 56.8%, South Transdanubia: 52.3% of the working age population in 2004.) Average rates of employment differ sharply between men and women. The figures show 63.1% of men and 51% of women to have been in employment in 2005. This is less distinct from the EU 25 average rates of employment, which were 71.8% for men and 55.2% for women in 2005 (2006 Eurostat Yearbook).

The region is lagging behind the developing Western and Central Transdanubia, as well as Central Hungary regions, and is performing similar to the group of regions with the lowest rate of employment.

Looking at the rate of unemployment, the region's situation is less favourable than the national average, and it does not reach the European Union's rate (EU-25: 8.6%, Hungary: 6.1%, South Transdanubia: 7.3% – in 2004). The current figure of unemployment rate in the region is roughly 13.5% (2009).

Significant differences can be experienced within the region from the perspective of employment: while in centre areas with major towns unemployment is below the national and EU average, it is more than triple than the regional centre average in the Sellye (26.2%), Szigetvár (25.4%), as well as the Csurgó (21.9%) micro regions (August 2006 data from the Employment Centres). The strong seasonality of jobs is an unfavourable phenomenon, especially in the area of the Preferential Holiday Resort District of Lake Balaton (due to seasonality in tourism), but the same can be observed in the processing industry and agriculture during summer months. The number of graduates and highly trained unemployed people is also large, their retraining and reintegration, however, is easier than that of people permanently unemployed.

The region's labour market is not flexible, since the rate of full-time employment, and occupation in an employment relationship dominates the labour market. The number of people employed on fixed-term labour contracts is low in the region, which well represents the lack of flexible employment forms on the labour market. Upon examining the differences of unemployment between genders it can be concluded that unemployment among women is a few percentage points higher. The proportion of job-seekers in the region is identical to the national ratio, according to which there are a few percent less women looking for work than men. It is a positive development that number of active population is increasing after the decline over the

decade following the fall of communism. Despite of that, the South Transdanubian region – lagging significantly behind Central Transdanubia – is ranked fourth with an activity rate of 51.6%, which is 2.9% less than the national average. (Central Statistical Office (KSH), 2005) In line with the national trend, there are strong differences between gross monthly earnings of men and women. Men earn considerably more than working women.

Innovation

The economic, innovation and R&D capacity of South Transdanubia lags considerably behind both the European Union's and the Hungarian regions. This was the tendency already in the 1990s and no significant improvement has occurred since then.

The share of R&D expenditure within the GDP did not reach 0.2% in the late 1990s, the proportion of South Transdanubia from all Hungarian R&D expenditure was no more than 2.9%. Following the turn of the millennium this figure started to slowly rise in South Transdanubia – similarly to the Hungarian tendencies –, still it remains below the national value and the figure of the six other regions. The decreasing competitiveness of the South Transdanubian region is most palpable in the amount of research and development expenses. The share of South Transdanubia from the national expenditure is decreasing, it was only 3.1% in 2005 (half of the figure of the region of Middle Transdanubia), which earned position 6 among the seven Hungarian regions. The share of R&D expenditure within GDP was 0.43% in 2005, which is again the second worst figure among all Hungarian regions. Looking at the whole of the last five years, the R&D expenditure of South Transdanubia continuously remained below the average of the other six regions.

In 1997 South Transdanubia was home to approximately 9% of all research and development places, less than 6% of all research and development labour force was employed here. This figure decreased in the 2000s, in 2005 no more than 5.3% of all researchers and developers was employed in the region.

As regards R&D employment, the region of South Transdanubia is around the average of the other six regions both as regards the number of staff and their share from total employment, or slightly remained below this average in the last five years.

Due to the increase of the number of research positions connected to the university, typical in the regions with leading positions in industrialisation, the position of South Transdanubia did not change, with its 8.9% share from all research jobs South Transdanubia follows the counties of the Great Hungarian Plain giving home to large university centres. The other two regions of Transdanubia, however, approached South Transdanubia in the number of research employment, because of the rapid increase of the – mainly business – research jobs, so the more favourable position of South Transdanubia coming from the traditional university centre functions seems to be vanishing.

By the acquisition of the major part of the support programmes managed by the National Office for Research and Technology and of the R&D programmes of the European Union, the universities of the region have greatly contributed to the improvement of the basic indices of innovation in South Transdanubia.

The central R&D resources arriving at the region in the recent years have raised the share of R&D expenditure within the GDP to some 0.5%, allowing the region of South Transdanubia to have better positions than the regions with the worst R&D capacities.



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Looking at the amount of support, however, we can see that the Hungarian supports awarded for South Transdanubia are lower than the resources allocated to the universities of Debrecen and Szeged.

The only major investment implemented in South Transdanubia in the last five years was the Medipolis South Transdanubian Regional University Knowledge Centre implemented at the University of Pécs, with a 1.2 billion HUF support.

The innovation grants awarded for the businesses of South Transdanubia have increased in the recent period, mainly due to the growth of the supports available for SMEs. Looking at the support amounts, the grants awarded for South Transdanubia are smaller than the supports received by other regions in Hungary. In 2006 South Transdanubia was the region receiving the least support.

The inequalities of the capacity of the institutions within the region are well reflected by the fact that threequarters of the existing research places of the region can be found in Baranya county, mainly in the county seat, Pécs.

With the exception of a few agricultural research bases, there are practically no research institutes of natural science and technical science profile in the region. The knowledge base of the region is built on the universities that do not have a long history. The Centre for Regional Studies of the Hungarian Academy of Sciences is a knowledge base of social sciences; it is the research basis of social science and regional science researches.

The structure of higher education in the region is unfavourable for innovation: the share of South Transdanubian students at science faculties is lower than the countryside average, and the proportion of students in technical higher education is far the lowest among all seven Hungarian regions. Far the greatest potential knowledge and value creator of South Transdanubia is the university sector, but this sector has weak ties to the economy in many cases.

Because of the above facts, higher education has a very important impact on internal regional development not only due to its position within the R&D sector but also because of its leading role in the training of experts responsible for organising and producing technologically advanced and competitive products and services, and the marketing of them. The universities and colleges of South Transdanubia are represented mainly by the university centres of Pécs and Kaposvár, due to the university integrations.

In addition to the universities, there is a Training Institute of Energetics in Paks that accomodates the nuclear energy faculty of the Budapest University of Technology and Economics. Also, the Gábor Dénes College of Informaticshas units in Siófok, Balatonboglár and Kaposvár. In South Transdanubia the share of students in technical higher education and the proportion of research places in technical and natural sciences remains below the national average, which sets back the development potential of the region in the fields of processing industry, micro-electronics and informatics. As regards the two university centres, in Pécs it is the biotechnological potential, whereas in Kaposvár the researches of agricultural innovations that dominate innovation development.

For the catching up of the region, the increase of the added value of the produced goods and the improvement of the competitiveness of the region it is of special importance to support R&D activities, to apply the achievements of researches in practise and to strengthen the cooperation between the academic and the economic sector.

The University of Pécs has made significant results in increasing the efficiency of the university technology transfer and it has created the organisational and regulatory frameworks for the use of the research results, in which the Research Utilisation Office born within the frameworks of the RIA network played an important role. The usage of the research findings at the level of the university has started, the protection and utilisation process of the licences and patents of the university has been launched. In addition, the survey of the research places of the University of Pécs, on the basis of single criteria, was done. There is a published version and a joint database on the research and service portfolio offered to the economic actors by the University of Pécs.

The strengthening of the emphasis of market-oriented research activity is marked by the South Transdanubian Cooperation Research Centre of the University of Pécs. The Centre is supported from the Innovation Fund and is responsible for the mediation of interdisciplinary natural and technical sciences researches to the economic sector – mainly in the joint research of the broadest possible applications of lasers, biomechanics, molecular biology and informatics. In addition, there is the already mentioned Medipolis Regional University Knowledge Centre that carries out researches jointly with pharmaceutical companies in the field of pharmaceutical developments and production.

In the field of life sciences, medical biotechnology researches with traditionally strong innovation potential in the region, the cooperation of the University of Pécs, the Pécs Innovation and Technology Development Centre and the local biotechnology businesses may lead to the birth of the Pécs Health Sciences Innovation Centre in the near future. This can be the most significant research infrastructure development of the last years. The Centre is mainly designed to make a bridge between the businesses, market demand based product development and the research sector, serving both manufacturers and distributors involved in medical biotechnology, pharmacology and nutrition science. Also, the Centre will organise the businesses of the Biotechnology Innovation Cluster in the fields of implants, instruments and tools development.

Please find more on innovation-ed actions in the region at: www.deldunantul.com
<http://www.deldunantul.com/index.php?id=1677>

Further reading on support system and regional innovation tender programmes at: [riu_v03.pdf](#)

More on Hungarian Research and Development at:
<http://portal.ksh.hu/pls/ksh/docs/hun/xftp/idoszaki/tudkut/tudkut07.pdf>

More on national system of innovation:
<http://www.nkth.gov.hu/english/national-innovation/the-hungarian-innovation>

3. *Identify and draw together a reference list of the main data sources available on the socio-economic, environmental, etc. condition of the region, and recent trends.*

Main data sources on the Region of South Transdanubia:

- www.deldunantul.com
- **Regional Innovation Strategy in the South Transdanubian Region, 2004.**
Regional_Innovation_Strategy_of_South_Transdanubia[1].pdf
<http://www.deldunantul.com/index.php?id=1677>
- **South Transdanubia Operational Programme 2007-2013.**
<http://www.deldunantul.com/index.php?id=5224>

- Innovation in the South Transdanubian Region 2008.
riu_v03.pdf
- Portrait of South Transdanubia
<http://www.dti.rkk.hu/kiadv/angol/portrait.html>
- Role of the Research Universities in Regional Innovation Networks
Zoltán Gál, PhD, Centre for Regional Studies of the Hungarian Academy of Sciences, Pécs.
Associate Professor, University of Kaposvár, Faculty of Economics.
PASCAL 2007 Conference proceedings/CD.
- Chamber of Commerce and Industry of Pécs-Baranya.
<http://www.pbkik.hu/index.php>

4. Summarise any existing efforts to monitor and benchmark progress against purposes and targets. Please comment on any interest in and pressure for the measurement of quality and outcomes, including value for money auditing, that you are aware of in the region. [It is hoped that the project will assist an understanding of what kinds of indicators and quantitative measures of regional development and the contribution of HEIs to this work and are useful.]

The main existing effort to monitor and benchmark the progress is directly linked to the above mentioned South Transdanubia Operational Programme for 2007-2013 and to its indicators and benchmark values. This monitoring is connected to the work of three Regional Development Council's Activity in each of the Regions in Hungary so as to follow the progress of the Regional Operational Programme as part of the National Development Plan co-financed by the EU.

Please find more details at: <http://www.deldunantul.com/index.php?id=5224>

State universities, like Kaposvár and Pécs, are put into in a planned monitoring system according to their education, research-innovation, and third mission activities based on their contracts signed with their Ministry of Education as maintainer of state-funded HE. These contracts are for the first period of 2007-2010 as a planning phase and planned for 2010-2013 as first direct phase directly linked to the Bologna-process of HE and linked, in the case of each universities, to institutional development plans.

It means that there is a concrete pressure from the side of the Ministry of Education and Culture that HEIs have interest in measuring of quality and outcomes of their roles in regional development and innovation, by considering actual OECD-measures and engagement in scrutinizing the same field.

More on Hungarian HE:

<http://www.okm.gov.hu/main.php?folderID=2132&articleID=231261&ctag=articlelist&iid=1>

PURE will help universities to recognize the opportunities in regional development actions based on co-operation and partnership-building which is a strong reference towards having to bridge education, research - innovation and third (social) mission within a regional dimension.

Since 2005, the Hungarian lifelong learning strategy and its higher education component has been firmly attached to the Bologna-process opening up debates over quality tools, methodology, access and partnership-development in accordance with the Lisbon goals referring to Education and Training 2010.

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5. *List the main existing forms of collaboration between HEIs and the region. You may need to consider the region as a single administrative entity, but also note and include more localized and specialized significant HEI partnerships with other stakeholders - public, private, and NGO or third sector.*

In the case of Kaposvár University and the University of Pécs, some examples of collaboration listed below: (the following development areas imply the collaboration of higher education in the region apart from educational and basic research actions):

- Establishing and expanding strong working relations with participants of the business sector, companies of the livestock industry, education and arts institutions, local councils, enterprises, SMEs, NGOs, etc./Kaposvár University.
- Partnership in agrarian competence centres in the region/ Kaposvár University.
- Partnership with main companies, SMEs and clusters in agrarian and food industry/ Kaposvár University.
- Partnership through the Agrarian and Food Science Knowledge Center of Kaposvár University.
- Partnership through Regional Professional Councelling Centre (RSZK) of Kaposvár University.
- Conceptional planning and professional studies for Pécs 2010 Cultural capital project/University of Pécs.
- Pole development and competitiveness project/Strategy development/ University of Pécs.
- UNESCO World heritage programme – Pécs Sopiana/ Archaeology Tasks.
- Recultivation activities/ research and analysis/University of Pécs.
- Biomass-development/ research and analysis/University of Pécs.
- Health and thermal industry/tourism cluster development/University of Pécs.
- Pécs Health industry Innovation Centre and Incubation House/University of Pécs.
- South Transdanubian Regional Innovation development and promotion/University of Pécs (RIA).
- Science Building project/University of Pécs.
- Innovative Research Teams/University of Pécs.
- Pécs Regional Healthcare System/University of Pécs.
- Regional Knowledge Center – Pécs 2010/University of Pécs.
- Zsolnay Cultural Quarter – Pécs 2010/University of Pécs.
- Winery and viticulture research Centre/ development/University of Pécs.
- Environmental Industry – renewable energies innovation.
- Cultural cluster development - innovation/ University of Pécs.

Further Collaborations:

- Partnership with local, county-based councils and regional development and innovation agencies.
- Partnership with Entrepreneurs Centres and Innovation Transfer Centres.
- Partnership with main education and training institutions in the region.
- Partnership and collaboration with the Chamber of Commerce and Industry.
- Partnership with large employers, innovation-oriented SMEs in the regions.
- Partnership with the Centre for Regional Research of the Hungarian Academy of Sciences.

Another dimension of collaboration is the interregional partnership with Croatia through INTERREG and IPA programmes funded by the EU. This example is to indicate another spatial frame and reasoning of regional partnership and development.



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6. *If there are any examples of good practice in HEI-regional engagement that you think of special interest, perhaps for inclusion later in a PURE Good Practice Manual, please make a note of them to call to the attention of the CDG.*

Some concrete HE - based partnership in the field of innovation in the region:

- **Medipolisz RET – South Transdanubian Regional University Knowledge Center**
<http://medipolisz.pte.hu/>
- **DDKKK – Innovation Non-governmental Inc. - South-Trans-Danubian Cooperative Research Centre -** <http://www.ddkkk.pte.hu/english/>

Part 2

1. What are?

1.1 The main problems and challenges?

We believe that main problems and challenges are connected to (some examples):

- increasing differences in development levels within the region; people of small villages disatvandedaged by being far from centres and that is one reason of decline.
- Community transport to decline, while transit transport dominate in significant areas of Baranya, Somogy and Tolna counties.
- Trained labour to leave the region, increase of unemployment.
- Isolation of training units, skills shortages becoming permanent.
- Significant tourism neglect the region, financing of cultural institutions to decrease.
- Place management and infrastructural reconstructions are endangered by lack of own resources of settlements.

1.2 The main development aspirations that are shared by stakeholders in the region?

In the case of development aspirations the following dimensions must be indicated as examples of development aspirations (also indicated at point 1.5.):

- Partnership so as to raise employment, active citizenship, knowledge transfer and identity through the engagement of universities in regional development through lifelong learning.
- Adequate planning and management of place.
- Learning sustainable economy, culture and environment.
- Partnership for skills and competence development for productive economic sectors to grow.
- Improving the market positions of enterprises in the region.
- Co-operation R&D&I and the Economy.
- Competitive economy built upon the development of urban areas.
- Strengthening the region's tourism potential.
- Development of human public services – flexible and modern VET and CET systems.
- Integrated urban development and place management.
- Improving access and environment development.
- Improving social capital in the region.

Please consider the full spectrum of civil, economic, social, cultural, and environmental factors, including issues of sustainability, where these apply.

In particular, what impact is the current global financial and economic crisis – and the global environmental crisis (global warming etc) - having on your thinking and long-term planning as a region and different stakeholders? What has really altered (or is changing) in your policy planning since one year ago?

Global financial and economic crisis has pushed the region back to a rather semi- or underdeveloped status amongst the regions of the EU and capital investment has also decreased continuously since October 2008. Most of the long-term plannings have not slowed down for most of them being connected to EU-fundings through national development programmes.

Higher education institutions have got into a rather difficult phase of financial difficulties in their day-to-day educational and training services, whilst their position in research, development and innovation has strengthened, of which basic challenge is the declining SME sector losing stable positions.

Innovation capacities of the region also decline, as the intellectual and theoretical background of higher education is not supported by a rather developing spin-off environment referring to the lack of accessible financial tools and to the weak SME sector regarding a low capital-capacity. Accordingly, examples for joint research and production of goods in the region has been stagnating or slowly declining in the last 10 months.

Another danger is that a significant number of qualified young intellectuals with research capabilities leave either to the capital city, Budapest or go abroad in order to find better paying jobs and a stable career as part of a new brain-drain.

The economic crisis will not help slowing down the obviously negative impact of the demographic time-bomb in this part of Europe which is even more serious than in other parts of the continent.

2. *What are the main changes that are looked for in taking part in PURE?*

2.1 *For the region as a whole, and for particular communities and interests within it?*

It is of peculiar interest of the region to have the roles of HEI in regional development examined in a comparative approach! Also, it might turn out what concrete measures and steps HEIs must take to become capable of considering and realizing regional engagement. This approach can raise human and social capital at the same time, can promote quality learning, and skills development. The South Transdanubian region and its main stakeholders can, through PURE, recognize changes, either political, economic, or social, which have been deforming world of work, social partnership, and even community values deepening unemployment, undermining economic recovery and reconfiguration of the economic sector and social services.

Moreover, PURE can help the region's intellectuals' communities to define what roles they require from HEIs in regional development in economic, social and cultural perspectives. Changes may need a more intensive innovation-orientation of stakeholders, but the economic decline or stagnation in some sectors make it even more difficult to invest into innovation when technology-development seems more profit-making than innovation itself in a short term. And now time-scope planning, in general, is for the short term for most enterprises.

Regional planning and decision-making is still overruled by politics and interests of political groups, and their nearest interests groups.

2.2 *Within and on the part of higher education institutions i.e. sought by the HEIs themselves, and looked for by other stakeholders from HEIs?*

Changes indicate a need for a better equipped and well-managed higher education so as to promote economic development, social and political stability and cohesion through partnership building. Regional strategies referring to education and training, research, development and innovation underline a vital role and responsibility for higher education, and now it is a real position of HEIs to help employment-structures reconstructed by real

economic processes through efficient planning of quality-centered educational and training services to respond to the needs of the labour market.

Higher education is itself in a changing period all over Europe within and through the Bologna-process. Each HEI is building up its strategy for education, research – development – innovation and a peculiar institutional development plan according to the Act on Higher Education of 2005. This legal frame is connected to the European initiatives to be applied in national systems referring to quality and efficiency, access and equal opportunities, and, partnership building. It is inevitable that HEIs in the region must shift to new roles and positions of partnership-based development.

However, it is a challenge to realize each part of such university strategies and plans in an environment of fragmented interest represented by faculties of HEIs. HEIs, nevertheless, still represent a rather enlightened approach to partnership development and co-operation in innovation and technological changes.

Stakeholders like some significant large-size employers, SMEs, the Chamber of Commerce and Industry, the local political councils, the development and innovation agencies, the Institute for Regional Development of the Hungarian Academy of Sciences all consider the universities of the region as one of the main holder and promoter of economic change and recovery, social modernisation and active citizenship orientation. This consideration is reflected in general and/or specific bilateral and multilateral agreements of co-operation in local and regional development on mutual basis.

At the same time, a critical voice in local and regional decision-making and (self)governance is connected to universities' authentic positions and voice.

2.3 *In terms of how regional and local government are managed?*

In terms of local governments (City and County Councils), it is worth recognizing that the political interests of governing political groups are strongly influenced by their positions formally lasting for four years and in many cases their vision is for not longer than that time-scale! Therefore, development, innovation and partnership development can suffer the short-sightedness of politicians governing councils and are overrepresented in development councils in the region.

However, local councils have bilateral agreements with HEIs in the region and major cities like Kaposvár, Pécs, and Szekszárd with County rights and the three counties also have agreements of co-operation and development.

Local councils are not necessarily managed very well in terms of economic and social services affairs, and HEIs can usually help them overcome peculiar problems and challenges. Also, councils also consider HEI as key actors of education, training (HRD), culture with an open atmosphere and public engagement towards local and regional affairs like economic, social, cultural, environmental development and changes.

Another problem of local governments is their number, being underfinanced and inefficient management, referring to their tasks and roles in public administration, in the case of most villages and smaller towns. HEIs may be able to help them overcome some of their problems by making use of research-findings, innovative ideas and development models.

2.4 *In terms of the role and policies of central government?*

In the last 6-7 years, the central government has been engaged in modern regional and local development and has been engaged in the development of a rather autonomous HE system based upon a new legal frame based on the principles of the Bologna-process. Its role and policies have promoted a new and more flexible, yet quality and competitiveness-oriented HE to incorporate a more access and partnership-based position committed to community development and to actions of dissemination of scientific knowledge and skills/competencies development.

From the aspect of almost 15 years of regional development, central governments and the national parliament have tried to create legal frames of regional planning and place management. It was not earlier than 2001-2002 when higher education was openly involved into regional development actions and the real turning point was 2004, namely, the year of accession to the EU (and the new Act on HE in 2005), when central government had to realize that strategies like the one on lifelong learning (2005) would imply higher education and its roles in employment and active citizenship development.

Unfortunately, the national lifelong learning strategy of 2005 became one-sided and mainly neglected the area of citizenship. On the other hand, innovation strategies became more well-established and openly committed to economic, and social demands and needs connected to local and regional conditions and aspirations.

Central government has helped in a way to put down a rather slow and inefficient bureaucracy and to develop a more flexible local and county-based public administration. However, HEIs are in the process to make use of their quite broad autonomy and to generate quality education being monitored by the National Board of Accreditation and research-innovation being by the National Research and Technology and Innovation Office (NKTH).

National Development Plans since 2004 have become an engine to accelerate HEIs involvement in regional human resource development, regional/rural development, urban planning and place management, social services development, human services/healthcare development, environment protection/management, transport and infrastructural development; etc.

3. *What key issues do you wish to discuss with the CDG when it visits your region?*

Key issues (others may occur during the CDG visit and discussion):

- **Conditions and capacities of third mission roles and tools of HEIs.**
- **Relation amongst global economic, social, environmental, cultural policies and universities' regional engagement referring to concrete situation and conditions in South Transdanubia.**
- **Impact of national and regional regional policy and development plans, operational programmes on HEIs regional activities.**
- **National Lifelong Learning strategy and its impact regional activities.**
- **Employment and demography related changes and situation to determine HEIs local and regional engagement actions.**
- **Main conditions of local and regional engagement of universities other than financial ones.**
- **Knowledge transfer frames and methods.**
- **Conditions of innovation and cluster development.**
- **Development of social capital and active citizenship.**
- **Role of HEIs in raising adults participating lifelong learning.**



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- Opportunities of creative and cultural cluster development.
- Regional Innovation systems and HEIs.
- Choices for Learning City-Region development - Regional LLL strategy(?).
- Pécs 2010 - world Heritage.
- Health Industry and Environment Industry clusters.
- Food science research and technology partnership.

Some key questions referring to PURE in accordance with its key research questions:

- How is the 'third mission' is by HEIs in the region and by main stakeholders, how is it implemented and how could this third mission be more focused on in institutional strategies and development plans? Is their a role/need for a third mission of HEIs?
- What can HEIs make use of regional engagement activities? What are the relations between challenges of organisational development of HEIs and capacities of partnership-based research and innovation, social recovery and/or corporate responsibility?
- What are the benefits of benchmark-development and measurement and assessment of quality indicators and benchmarks in/of PURE in South Transdanubian Region? What can HEIs and other regional stakeholders make use of PURE research findings?
- What are the impacts of local/regional governance and behaviour on university engagement activities?

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