

# **CRAFTS CODE** Action Plan for Budapest Foundation for Enterprise Promotion

Budapest Development Programme to Support  
(Self)Employers in the Craft Sector



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## 1. GENERAL INFORMATION

<b>Project acronym:</b>	CRAFTS CODE
<b>Project title:</b>	CReative Actions For Tailoring Smes' COmpeti-tive Development
<b>Project ID:</b>	PGI05964
<b>Partner organisation:</b>	Budapest Foundation for Enterprise Promotion (PP6)
<b>Country:</b>	Hungary
<b>NUTS2 region:</b>	Budapest (HU11), Pest (HU12)
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## 2. POLICY CONTEXT

The initial policy instrument – i.e. the Competitive Central-Hungary OP – can no longer be influenced as the Programme period (2014-2020) has been ended. Thus, this Action Plan aims to impact an *“other regional development policy instrument”*.

Name of the policy instrument addressed: *Act CLXXXIX of 2011 on Local Governments in Hungary (adopted on 19 December 2011 by the Hungarian Parliament), budget of the Municipality of Budapest for the year 2022 (adopted on 22 December 2021 by the General Assembly of Budapest) and Budapest 2030 Long Term Urban Development Concept (adopted on 24 April 2013 by the General Assembly of Budapest)*

*Policy improvement foreseen:* According to the above mentioned documents, the Municipality is responsible for economic development. These development strategies

have been lay down in the Budapest 2030 Concept that provides the policy framework for a development programme to be elaborated in Budapest with the aim of increasing the competitiveness of crafts businesses. Through the present Action Plan, local decision makers and business promotion experts will gain a better understanding of the conditions for success of the craft sector as a creative industry, as well as the most urgent entrepreneurial needs in the crafts sector. Whilst, the main target groups, craft artisans, will have the chance to enhance their competences and strengthen their business.

## 2.1. Main features of the chosen policy instrument

The development of the crafts sector in Budapest is based on the Budapest 2030 Long-Term Urban Development Concept which is a comprehensive planning document that envisages the Hungarian capital city's long-term development for almost ten years taking into account its urban characteristics. The Urban Development Concept is a guidance document prepared on behalf of the Urban Development Department of the Municipality of Budapest Mayor's Office aiming to lay the foundation for medium- and short-term detailed development programmes that will attribute specific measures and processes to the objectives to be achieved. **The complex set of responsibilities and tools for achieving the 17 goals identified in the Concept give a detailed picture of the priorities of the capital city in the coming decades.**

The following four goals of the Concept are in relation to the development of the craft sector:

1. the city as home (residential developments adapted to the changing social composition and work habits, management of lagging and crisis areas);
2. the city as a public space (cultural diversity);
3. Budapest as a place to work (knowledge-, skill- and green-based economic development);
4. the city and its region (Development of brownfield sites, regional, national and international co-operations, Budapest's international role).

Along the above 4 goals, the Action Plan of the CRAFTS CODE project contains a complex action for artisans living in Budapest, and other creative entrepreneurial activities related to the capital, that provides them with support in sales and promotion.

The ***Developing Budapest Handicraft*** (action proposed within this Action Plan) implemented on the basis of the Budapest 2030 Concept proposes ad hoc initiatives tailored to craft SMEs and aimed at enhancing their competences and consolidating their business.

The Programme will be coordinated by the Budapest Foundation for Enterprise Promotion (BAE), as an organisation established by the Municipality of Budapest to assist in the establishment and operation of micro, small and medium-sized enterprises in Budapest and to participate in the implementation of the Capital's economic development goals based on Act CLXXXIX of 2011 stipulating the public duties to be carried out by Municipality. **Based on this act, the budget of the Municipality of Budapest for the year 2022 and the Budapest 2030 Concept, there is a grant agreement between the Municipality and BEA, thus the Foundation implement development activities in the capital.**

The Budapest 2030 Concept determines that Budapest must share the work with other towns and rural areas in Hungary, as well as with its closer agglomeration of creating a cluster of value-creating abilities and economic activity in the creative industries. The creative industry is thus a priority strategic sector in Budapest. There is a strong relationship between the creative industries and the industrial digitalisation, the 4th industrial revolution. The basic principle of the Industry 4.0 business model - individual products and services meeting individual consumer demands – stems from the creative industries: the unique scale handicrafts have been reformed for the postmodern technologic environment with the use of community platforms. The creative industries have a key role in transforming the labour market resulting in more freelancers/self-employed entrepreneurs, atypical forms of employment, exports and new professions. The creative industries are increasingly linked to co-working,

accelerators and also large companies, thus strengthening convergence and synergies in Budapest.

## 2.2. Craft enterprise development in Budapest - Objectives

This Action Plan was prepared by the Budapest Foundation for Enterprise Promotion as part of the “Action Plan” task to be implemented within the framework of the “CReative Actions For Tailoring Smes' COmpetitive DEvelopment” (CRAFTS CODE) project (PGI05964).

CRAFTS CODE aims to enhance the competitiveness of craft SMEs by developing a framework to stimulate policy learning and build capacity to improve the implementation of regional development policies and programmes.

The project identifies barriers for SMEs in the craft industry and improves the access of micro-enterprises to supporting services facilitating business startup, expansion and scaling up to higher levels of innovation.

***This Action Plan prepared in the CRAFTS CODE project aims*** to propose measures that may be implemented in Budapest within the framework of the development policy aimed at supporting the craft sector and entrepreneurs in the Hungarian capital city in order to effectively contribute to the regional and national competitiveness of small and medium-sized craft enterprises of Hungary with high efficiency relative to the capital's limited resources. To this end, we define in the Action Plan the circle of urban craft entrepreneurs who make up the primary target group of the measures formulated in the Action Plan. We describe the strengths and weaknesses of the Budapest craft ecosystem and identify development opportunities for the craft sector. We share the positive experiences and good practices gained from the international cooperation implemented in the CRAFTS CODE project and transferred to the development policy of Budapest. Finally, based on all this, we present our proposal for a new business development programme in the capital.

Handicraft is the activity of a unique process based on traditions and natural materials, developed with a high level of human hand skills and techniques. The products manufactured through this activity are typically small series and unique. At first, artisans usually made objects for themselves or their immediate surroundings, but when the urban way of life, including the market, developed, some of the artisans' work became commodities, mostly supplies for everyday life (crochery, furniture, weapons, textiles, etc.). The history of the trades that produced these articles dates back a very long time, and some of its branches have survived to the present day. While the history of the craft industry deals with a broad professional area ranging from the self-sufficient in-house work to manufacturing, the present Action Plan ***focuses on supporting entrepreneurs mastering urban crafts for a regular living***. They are able to carry out all the work phases of the manufactured product themselves and can see through the whole production process. They do creative work in which high quality is crucial.

### 2.3. The significance of craft entrepreneurs in Budapest - Strengths

Nowadays, in addition to meeting the needs discussed earlier, handicrafts are increasingly valued as creative occupations with multiple roles and benefits. They contribute to ***nurturing folk traditions*** with regard to the opportunities provided by modern technology and to ***developing skills***. They serve as an effective tool in the ***treatment of mental illness***. Creative occupations are suitable for ***self-expression*** even at school age, and their role in developing problem-solving and learning efficiency can also be emphasized. Craft recreational activities can help in the acquisition and development of fine motor skills that appear in the creative process. Regardless of age, we can accept the role of craft activity in ***shaping community, identity and personality***.

In Hungary in the 1980s, the predecessors of creative houses and professional workshops became widespread, and are suitable to house folk and modern handicrafts activities as community venues of non-formal learning in the XXI. century. In addition to intellectual recreation venues (cultural centres, village houses, cultural facilities, educational institutions, fine and applied arts exhibition venues, galleries, folk arts and

public cultural associations, entertainment institutions), places for traditional and modern handicraft activities may include scenes at folk art events, workshops, festivals, art fairs, bazaars, camps. The increasingly fashionable programmes organised around handicrafts also make a significant contribution to ***the development of tourism*** due to their role in image creation.

*Budapest has excellent potential* to increase the competitiveness of the handicraft sector and entrepreneurs, to raise their prestige, and to bring together cooperation within the profession and the utilization of synergies. The policy framework for the Budapest craft enterprise development programmes and measures proposed in the Action Plan is provided by the Budapest 2030 Long-Term Urban Development Concept prepared on behalf of the Urban Development Department of the Municipality of Budapest Mayor's Office, which contains a nearly decade-long vision of development plans based on the characteristics of the capital. In addition to livability and equal opportunities, it defines sustainability as an approach, which must be taken into account in all further plans and decisions of the capital. It outlines the main directions for the period up to 2030, through 17 objectives that are flexibly linked to the disciplines and which usually involve complex, multidisciplinary tasks and tools. The Urban Development Concept is a guiding document, its task is to establish the medium- and short-term detailed development programmes, which assign specific steps and procedures to the goals to be achieved.

The Budapest 2030 Concept states that Budapest must ***create clusters of value-creating capacity and economic activity in the field of creative industries*** in a division of labour with the metropolitan agglomeration and the more distant Hungarian cities and countryside. The new functions of the creative sector are identified below:

- in addition to satisfying different cultural needs, also creating conditions for cultural communication and interactivity between metropolitan communities (by mobilising art universities, private companies, local communities);



- reflection on the past, the involvement of cultural and historical monuments not only appears as self-worth, but also acquires a new meaning within the framework of the innovative urban concept.

In 1998, the English Creative Industries Task Force defined the creative industries in 13 sectors, of which crafts, together with design, engineering and fashion design, are part of the contemporary arts industry, and within this, the applied arts of the visual arts.

There is a close link between the creative industry and industrial digitalisation. ***The principle of the INDUSTRY 4.0 business model – a unique product or service tailored to individual consumer needs*** – started with the creative industry: rethinking the unique scale of the craft industry in a postmodern, technological environment and building on community platforms. The creative industries are also at the forefront of ***transforming the labour market***: increasing the proportion of freelancers/self-employed; the spread of atypical forms of employment; export of services; and new professions. The creative industry is also ***connected to the operation of community offices, accelerators and large companies*** in more and more branches, which strengthens convergence and synergies.

#### 2.4. Difficulties of craft entrepreneurs - Weaknesses

The beneficial effects of the creative industries, and in particular the craft sector, on social and economic development, are best seen in the ecosystem that supports the creation and business growth of craft businesses. At present, however, entrepreneurs perceive ***the business environment*** that determines their operating opportunities to be unfavourable in many ways. In the following, we highlight the entrepreneurial difficulties that ***can be facilitated by the management of the Capital***, and for which we propose specific measures in the Action Plan.

Craft creators ***need support in the form of personalised business development services and mentoring***, especially for start-up and early operations, in order to learn

mainly about entrepreneurial administrative obligations, financing, support, tender sources, taxation, accounting and legal information, marketing - especially with regard to branding, positioning, product development, pricing, the most important forms of communication, domestic/foreign, offline/online sales, the use of social media, - professional networking, collaboration opportunities and management competencies. As these services are difficult to access, there has been an increase in black-and-gray entrepreneurial activities and sales, which contribute to undermining the socio-economic esteem of craft businesses.

Low entrepreneurial spirit and business failure due to lack of business knowledge severely limit the creation of new craft businesses. For the same reason, family manufactories and individual craft businesses are not an attractive way to earn a living for future generations. The new generations are increasingly lacking the basic hand skills needed for crafts, and in general, the fine motor and concentration skills that are essential for healthy nervous system and brain function as well. In the classical public education system, conscious skill development e.g. high-level drawing education and vocational training in crafts and handicrafts has also suffered a serious decline in recent decades in Hungary. Specialised secondary and adult education is strongly practice-oriented, but due to the lack of adequate material and human resources (tools, workshops, instructors, etc.), practical training has been significantly de-emphasised. In this way, both the preserved and improved ***craft knowledge is disappearing rapidly and permanently without succession taking place in the families and through the professional education.***

***It is difficult to obtain information about exhibitions, fairs*** and other events and platforms that provide an opportunity for craft businesses to present themselves, and to carry out educational, dissemination and marketing activities through workshops and courses. The largest number of target audiences could be reached with these events in Budapest, but often they cannot be realised due to ***high venue rents*** and other unfavourable conditions. It is also very expensive to maintain a shop in Budapest due to the high rental costs.

**High real estate prices in Budapest and unfavourable permitting procedures** also make it difficult for certain craft businesses that require above-the-average space and assets to relocate and/or stay in the city.

## 2.5. Support for craft entrepreneurs - Opportunities

The Action Plan proposes measure-level solutions to the most important needs of enterprises operating in the craft sector in connection with the following objectives of the Urban Development Concept:

### 1. The city as home

Flexible housing structure - Modernisation of the conditions and use rules of the existing housing structure with priority development of the rental housing sector, implementation of **residential developments adapted to the changing social composition and work habits, management of lagging and crisis areas**.

### 2. The city as a public space

Cultural diversity - The **development of cultural heritage and creative industries** is of great importance as they are the main resources for the development of the city. Support for the cultural economy, the multicultural environment and the multilevel institutional system can be realised through close civil and municipal cooperation.

### 3. The city as a place to work

**Knowledge, skills and green economy development** - Support for export-oriented economic activities that create high added value and the development of tourism is possible by creating the necessary institutional and service framework.

### 4. The city and its region

**Development of brownfield sites** - Prioritising mixed uses and developments integrated into the urban environment, in line with existing consolidated land use and infrastructure, and developing tools for their complex management.

Regional and national partnerships - The development of Budapest is inseparable from its regional environment and, due to its role as the capital, also from its country. Regional cooperation provides an opportunity to coordinate planning, development, economic and social decisions. There is a need to establish **regional, national and international co-operations** that strengthen Budapest's position and promote the optimal territorial distribution of resources and tasks.

**Budapest's international role** - The capital is the country's main connection point to international economic, political and intellectual life, but it plays at least as important a role in the network of European cities. As the largest city in the region and on the border of several geopolitical zones, Budapest can strengthen its international role with successful collaborations and effective mediators. An important element of a strong European city is the development of local economic and intellectual capacities.

Along the above 4 goals, this Action plan contains a complex action for artisans living in Budapest, and other creative entrepreneurial activities related to the capital, that provides them with support in sales and promotion. **The Action builds on the existing infrastructure of the Capital** and consists of the following specific measures:

#### The city as a public space

- Training and mentoring programme for SMEs in the crafts sector of Budapest
- Communication campaign to promote Budapest handicraft businesses
- Annual handicraft exhibition during the Christmas Fair or in the Central Market Hall to present the businesses located in Budapest

### 3. ACTION

**Developing Budapest Handicraft** (action 1 of this Action Plan) implemented on the basis of Act CLXXXIX of 2011 on Local Governments in Hungary, budget of the Municipality of Budapest for the year 2022 and Budapest 2030 Long Term Urban

Development Concept may foster the implementation of new development projects tailored to craft businesses.

### 3.1. Good Practice from Ireland “OPTIMISE Design”

The ambition of the OPTIMISE programme is to bring Irish design and craft to a global online audience. OPTIMISE Design Ireland empowers innovative, design-led Irish brands to improve their online presence, hone their digital capabilities and grow their global e-commerce sales, by bringing together best-in-class expertise across the digital, enterprise and design sectors.

Each participating business benefits from an extensive digital audit, a website health check, by an expert digital marketing agency before taking part in a series of mentoring days and a masterclass.

We heard about the campaign during the 1<sup>st</sup> online project Interregional Thematic Seminar, and then it was also included in the 1st GP Guide created in the project. Starting from January 2021, during monthly partners' meetings, time was set aside for partners to ask specific questions about GPs.

The main features of the campaign that we want to transfer/adapt are the following:

- focused viability check of the selected companies
- assisting selected SMEs to grow their businesses (training and mentoring)
- ensure selected SMEs can compete in their domestic marketplace and beyond
- mapping access to finances opportunities suitable for the companies' goals

### 3.2. Good practice from Spain: “#ConsumeixArtesania Spot – promoting crafts during the pandemic”

Given the situation generated by the health crisis of COVID-19, the Government of Catalonia, through the Consortium of Commerce, Crafts and Fashion of Catalonia (CCAM), has launched different promotion and supporting actions for the crafts sector.

An advertising campaign under the *#ConsumeixArtesania* (consume crafts) has been made, both to be broadcasted on TV3 (regional TV channel) and social networks, in order to help the crafts sector to be recognised and help the post-marketing of the production made during lockdown and stored in the workshops. Having noted that 70% of the turnover of craft workshops is related to sales to tourists, that were not able to visit this year, prompted the opportunity to make locals aware of the rich variety and quality of craft products and services.

We heard about the campaign during the 2nd project Interregional Thematic Seminar, and then it was also included in the 2nd GP Guide created in the project. Starting from January 2021, during monthly partners' meetings, time was set aside for partners to ask specific questions about GPs.

The main features of the campaign that we want to transfer/adapt are the following:

- implementation of efficient digital marketing practices in order to support the sale of arts and crafts products
- a first campaign that promote the consumption of crafts among the general public
- a campaign that provides an unprecedented massive visibility to crafts on different platform, which allows it to compete with larger brands, when it comes to positioning and accessing new markets
- creating a big reach more than 100,000 people

### 3.3. Programme for Developing Budapest Handicraft

Title of the action: Budapest Development Programme to Support (Self)Employers in the Craft Sector

Main elements of the proposed Programme:

- selection of companies
- complex training and mentoring services for them
- complex communication campaign

- annual exhibition

The urban handicraft traditions are almost extinct in Hungary, and their revival is an important task in Budapest as well. The Capital currently does not have a programme specifically aimed at developing the craft sector.

The Development Programme to be implemented based on the guidelines set out in the Budapest 2030 Long-Term Urban Development Concept in the form of development ideas and objectives, and to be published on the official website of the Budapest Municipality contains specific measures (training and mentoring, complex communication campaign and annual exhibition) to support craft sector enterprises belonging to the creative industries which are priority sectors in the capital's development strategies, building on the existing infrastructure owned by the Municipality.

**Training and Mentoring** serve to share business development information tailored to the needs of craft entrepreneurs, such as general and practical entrepreneurship knowledge for starting and running a successful business, raising financial resources etc., and to support B2B networking and customer acquisition. It is planned to promote professional events and information on access to the official databases of artisans. Thus, the selected crafts people of the Capital receive personalised business development consultancy and advice.

As part of the campaign, the introduction of the value-creating effects of handicrafts and the restoration of the craft profession among the population of Budapest are of fundamental importance in several respects. In addition to the widespread preservation of traditions, the following focal points need to appear in the communication messages promoting craft enterprises:

- their ability to sustain and create jobs
- they offer an alternative for earning a living, a lifelong career with continuous professional development

- they play key role in sustainable development
- they constitute an always renewable pledge of human culture

Raising awareness also aims at presenting those opportunities offered in the City which provide practical acquaintance with craft activities and products, and the business development services necessary for the people considering to start and operate a craft business. During the implementation of the **communication campaign**, the advertising spaces and venues owned by the capital (e.g. public transport vehicles and stops, public spaces and institutions, municipality newspapers etc.) will be used.

The profitability of craft businesses is ensured by a level of sales price commensurable with the time, labour and costs invested in craft activities, and this can also be significantly enhanced by the awareness campaign. At the same time, it is necessary to support the efficient sale and promotion of handicraft products in Budapest with **annual exhibition** organised in an area of the capital frequently visited by tourists. This event would be one the followings:

- exhibition stand financed by Budapest Enterprise Agency at the Christmas Fair for the promotion of five crafts entrepreneurs
- an annual handicraft exhibition to present Budapest companies in the Central Market Hall

### 3.4. Activities and timing

Description of the task	Schedule
Modification of the grant agreement or signing an addendum with BEA in the framework of the <b>budget of the Municipality of Budapest for the year 2022</b>	August 2022
Planning the complex programme, including training, communication campaign and creating a plan for the annual exhibition	August 2022



Production of marketing materials	September 2022
Selection of Exhibitors (through an open call and expert panel)	September 2022
Training and mentoring for the selected Exhibitors	September-December 2022
Launching the communication campaign	October 2022 – June 2023
Monitoring of overall programme results	from November 2022 until June 2023
Annual exhibition (1 month)	December 2022 OR Spring 2023
Creating an updated communication campaign plan	June 2023

### 3.5. Stakeholders involved

The stakeholders have played a very important role in elaborating this Action Plan for the Municipality of Budapest to approve and support. Furthermore, the stakeholders took an active part in the activities connected with the preparation of the action plan (professional consultations, sharing of good practices and experience, in-depth interviews occasionally accompanied by workshop visits), as they have the deepest insight into the situation, needs and opportunities of the craft ecosystem. These collaborations purposefully encouraged the participants to think together about solutions based on consensus, and offered craft entrepreneurs in Budapest the opportunity to build relationships and new ways of asserting their interests.

The successful implementation of the Budapest Development Programme proposed in the Action Plan is ensured by the participation of the following stakeholders.

Name of Organisation	Role in Action Plan Implementation
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Municipality of Budapest	providing resources, professional help in the communication campaign
Budapest Foundation for Enterprise Promotion	coordination, monitoring
Budapest Brand Nonprofit Private Limited Company	professional help in the organisation of annual exhibition

### 3.6. Costs and Funding sources

Description of the identified costs	Cost (estimated amount)	Funding source
Campaign costs	Costs for PP6 - BEA: €4,300	BEA's own resource*
Annual exhibition	Costs for PP6 - BEA: €2,700	

\*coming from the budget of the Municipality of Budapest

### 3.7. Monitoring

<b>Monitoring tools</b>	Monitoring report to be drafted at the beginning of Phase 2 and periodically updated with results		
<b>Indicators</b>	<b>Target amounts</b>	<b>Means of Verification</b>	
1. <i>No. of ppl reach by the campaign</i>	<i>100,000</i>	Analytics of the media	
2. <i>Number of exhibitors (craft SMEs)</i>	<i>5</i>	Pictures	

<b>Place and date:</b>	
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<p><b>Signature by Gábor Kerpel-Fronius,</b> <i>Deputy Mayor of Budapest responsible for Smart City Issues and Civil Engagement</i></p>	
<p><b>Stamp of the organisation</b></p>	