

**Martina Eckardt and Mátyás Gritsch**

# **Governance of cross-border regional cooperation by the EGTC – An explorative analysis with a focus on Hungarian EGTCs**

*cross-border cooperation; economic development; public governance; public legal form*

*The European Grouping of Territorial Cooperation (EGTC) is a supranational legal form in the EU. Introduced in 2006, it grants legal personality to public entities from different member (and non-member) states to promote cross-border, interregional and transnational cooperation. In this paper we discuss this legal form. In addition we provide an overview of the 17 EGTCs with Hungarian participation. We present first explorative results from a survey among 216 Hungarian public entities which are part of EGTCs. According to our findings, the EGTC seems to provide a functioning governance form for cross-border regional cooperation among public entities.*

## **I. Introduction**

One of the main objectives of the EU is to foster social cohesion and economic development across borders. However, promoting regional integration through cross-border cooperation poses additional problems even within in the EU. This does not only hold true for private companies. Interregional cooperation across borders, let alone transnational cooperation, gets even more complicated, when public entities like municipalities, counties, states, public agencies or public service providers from different member states participate. When public entities cooperate across borders contractual agreements and in particular establishments under a common legal form are much more complicated, since this involves public law provisions and the granting of public authority across borders for different member states. Additional complexity arises, when actors from outside the EU, but with common borders are included, as it is the case under the European Neighbourhood Policy. The same applies for including overseas territories, like in the Mediterranean for example.

In 2006, the European Grouping of Territorial Cooperation (EGTC) was introduced as a new supranational legal form. This legal innovation aims on facilitating cross-border, interregional and transnational cooperation on a permanent basis in cases where a number of different public entities from several countries are involved. Regulation (EC) no 1082/2006, which was amended by Regulation (EU) No 1302/2013 in December 2013, provides the basis for this new supranational legal form with its own legal personality. By the end of 2013, there were 45 EGTCs registered in the EU with about 750 members. 17 of these EGTCs are with Hungarian participa-

tion that is, about 38 %, with a total of 216 members from Hungary. Thus, nearly a third of all public entities participating in EGTCs are located in Hungary (Metis 2014).

This paper provides a first explorative analysis based on EGTCs with Hungarian participation on how well the EGTC works as a governance instrument for cross-border cooperation. Our paper is structured as follows. Section II. gives a short overview of the main provisions of the EGTC. Section III. looks at the Hungarian EGTCs in more detail. On the one hand we compare them to EGTCs established in other EU member states. On the other hand we give a short overview of the main socio-economic indicators for the regions covered by an EGTC with Hungarian members compared to the Hungarian average. Section IV. presents a survey we conducted among the members of Hungarian EGTCs in 2014. Section V. concludes.

This gives a first overview of the effectiveness of the EGTC as an institutionalised governance mechanism for cross-border cooperation aimed at facilitating activities for promoting regional and transnational integration in the EU.

## II. The EGTC as a supranational public legal form

From an institutional economics point of view, public as well as private enterprises can be seen as a nexus of incomplete contracts, both explicit and implicit ones (Kraakman et al. 2009, Schaper 2012, Eckardt 2012). The different stakeholders involved in an enterprise pool their resources to gain from team production. Due to the contingencies and uncertainties of the future, it is not possible to write *ex ante* complete contracts which deal with all possible future events. A legal form provides a partly institutionalised governance mechanism for a joint undertaking by delineating the overlapping action spaces of the stakeholders involved. It eases cooperation among the different resource owners by securing their ownership rights through assigning well-defined property rights and decision rights. Besides, it reduces information problems, in particular those resulting from asymmetric information and principal-agent relationships by stating information rights and disclosure duties as well as rules in regard to decision-making. In addition, legal form reduces transaction costs by providing procedural rights and conflict resolution mechanisms. These aspects also apply to legal forms which involve public entities. In case of international cooperation, coordination rules, stating the law applicable, also reduce uncertainties. This holds also in case of cooperation among public entities. The EGTC provides a supranational legal form for establishing an enterprise formed by public entities from different member and non-member states.

Regulation (EC) no. 1082/2006 of the European Parliament and of the Council, accepted on the 5<sup>th</sup> July 2006 is the legal core of EGTCs (European Union 2006). In 2013, several amendments to this regulation were introduced by Regulation (EU) no. 1302/2013, accepted on the 17<sup>th</sup> December 2013. The main objectives behind this amendment are “clarification, simplification and improvement of the establishment and functioning of such groupings” (European Union 2013). Article 1 cif. 2 states the main objective of an EGTC as “to promote in particular territorial cooperation [...] with the aim of strengthening economic, social and territorial cohesion”. To this end, it is granted legal personality (art. 1 cif. 3).

To establish an EGTC, members must come from at least two EU member states, or one member state and at least one third country (or overseas territory) member, where the third country shares at least one joint border with one of the countries of the EGTC's members (art. 3 cif. 2, art. 3 a). Members of an EGTC can be public entities from different levels: member states, national, regional or local authorities, public undertakings. Private undertakings which are owned by public entities and carry out operations of general economic interest are also eligible for membership (art. 3 cif. 1). Since the EGTC has its own legal personality, it can have an own budget (art. 11), can hire its own human resources, and can sign contracts independent from its members (art. 1 cif. 4). Its tasks are defined by its members in conformity with the regulation and in conformity with the competence granted to each member of an EGTC under its respective national law (art. 7). Thus, member states still have a say in the competences granted to public entities which are members of an EGTC. Regulation (EU) no. 1302/2013 explicitly states that carrying out programmes supported by EU funds are not the only tasks EGTCs should be concerned with, thus taking a broader approach than under Regulation (EC) no. 1082/2006. However, member states are free to limit the involvement of their members in other tasks (art. 7 cif. 3). Since an EGTC has its own legal personality and is allowed to conclude contracts and enter into liabilities, art. 12 deals with liability issues, both of the EGTC as well as of its members. For example, if one or more of these are of limited liability, this must also be stated in the name of the respective EGTC. Besides, member states are free to prohibit registration of limited liability EGTCs on their territory. In addition, any member state can require appropriate insurance or guarantees from limited liability EGTCs.

These principles are laid down *inter alia* in the convention of an EGTC, which must be accepted unanimously by its members (art. 8). In addition, it specifies its name, location of registered offices, objectives and tasks as well as duration. It contains a list of its members, its organs and their competences. Besides, it states the applicable Union and national laws and the provisions for adopting and modifying its statutes. The statute of an EGTC deals with the provisions necessary for an effective working of the EGTC, like organs, the representatives of the members in the EGTC, the decision-making procedures, its working language(s), procedures for personnel management and recruitment as well as financial contributions by members (art. 9). Art. 10 states the minimum organisational framework of an EGTC, which is composed by an assembly of its members and a director acting in the name of the EGTC. Additional organs and their competences, like an advisory board, can be laid down in its statutes. Besides, the statute should contain provisions for carrying out the tasks laid down in the convention, in particular with respect to personnel management, financial contributions and budgeting and accounting rules. For financing the tasks of an EGTC, an annual budget has to be established including provisions of running and operational costs (art. 11).

Art. 4 provides rules for establishing an EGTC. After having reached unanimous consensus on the topics to be laid down in the convention and statute, prospective members have to notify the member state where they are located. Each member state grants approval to the convention for its national members, unless the documents do not conform to the EGTC regulation, Union law or national law of the respective member state or are in contradiction to the public interest. In these cases modifications may be demanded. With the 2013 regulation the notification period was extended to six months (in contrast to a three month period before), with the provision of

tacit agreement if no objections are raised within this period. This rule, however, does not apply to the member state, where the EGTC should have its registered office. In this case, explicit approval for establishing an EGTC is necessary. Since the member state where an EGTC is officially located, provides the applicable law for a number of topics, this is a useful provision. After successful approval of an EGTC, the EGTC has to ensure that its establishment is announced in the Official Journal of the European Union to finally gain legal personality (art. 5). Although the EGTC is a supranational legal form, member states still have a lot of say in regard to its setting up and operating. This holds in particular for the member state where an EGTC has its registered seat (art. 2). Member states have to implement procedures for the working of EGTCs with a registered seat under their jurisdiction. They are also responsible for controlling the management of public funds (art. 6). Besides, member states might prohibit any activity of an EGTC on its territory, if this endangers its “provisions on public policy, public security, public health or public morality” (art. 13). A member state is also free to prohibit the registration of EGTCs with limited liability on its territory (art. 12). In case of conflicts, union legislation should apply before the courts of the member state where the registered office is (art. 15). In addition, EGTCs should not impede citizens’ national constitutional rights against public entities which are members of an EGTC (art. 15 cif. 3). All in all, the EGTC regulations seem to provide a workable framework for setting up a legal form for public entities from different member and non-member states with its own legal personality. In the following, we take a closer look on how this legal form works from a member’s point of view.

### III. EGTCs in Hungary – An overview

As one of the first EU member states, Hungary accepted the regulation (EC) no. 1082/2006 on the 9<sup>th</sup> July 2007 on EGTCs. Since August 2007 Hungarian regional and local authorities, bodies governed by public law and associations, have the possibility to establish EGTCs. In December 2013, the number of EGTCs was 45 with about 750 national, local and regional authorities as members from a total of 20 EU member states (Metis 2014, p. 1). Hungary participates in 17 of these EGTCs (37%), with a total of 216 Hungarian members (29%) (Metis 2014). To this figure two specifications apply: public entities which have decided to quit an EGTC and public entities for which the “Department of Cross-Border Co-operations for Territorial Public Administration” of the Ministry of Public Administration and Justice in Hungary has already approved its establishment (see <http://egtc.kormany.hu/>). The 216 Hungarian EGTC members represent between 2 and 3 million people. Exact figures are difficult to calculate since in several cases, people are counted not only once, as if a county and some local governments of this county participate in the same EGTC.

EGTCs can be either uni- or multifunctional.<sup>1</sup> In addition, four basic types of EGTCs can be distinguished: territorial EGTCs, network EGTCs, project EGTCs and program EGTCs (Cset-

---

1 For an analysis of EGTCs as an instrument for introducing cross-border FOCJ (= Functional Overlapping Competing Jurisdictions) see Eckardt/Friedrich (2012).

nek 2013). 16 of the 17 Hungarian EGTCs are territorial EGTCs. The members of such territorial EGTCs are mainly local governments and/or counties from different countries which share a common border. The primary objective of such territorial EGTCs is to promote long-term cooperation in the region based on joint development projects. Cooperation in such EGTCs involves tourism, infrastructure, establishment of joint companies etc. (Csetnek 2013). 13 of these 16 territorial EGTCs have their registered seat in Hungary, with 13 also being located to the border to Slovakia (see table A in the Annex). The *European Urban Knowledge Network* is the only example of a network type EGTC with Hungarian participation. In contrast to territorial EGTCs, the members of network EGTCs do not necessarily share common borders, but have a common field of interest that brings the members together (Csetnek 2013). In this type of EGTC institutions like ministries from different EU countries are members. In the case of Hungary it is the Ministry of Interior. The main objective is to strengthen transnational cooperation by supporting urban professionals “in developing and implementing successful urban policy initiatives” (Metis 2014, p. 51.) Table A in the Annex gives an overview of all EGTCs with Hungarian participation according to their date of registration. The following types of organisation participate as members in these EGTCs in Hungary: 1 ministry, 6 counties, 1 university, 1 national park organisation and 207 local governments (Metis 2014). These are the 216 targeted units of our survey (see section IV. below).

Table 1 shows a number of indicators for 15 of the 17 Hungarian EGTCs in comparison to all EGTCs registered (there is no data available yet for those two Hungarian EGTCs which have been registered only in October 2013). According to these figures,<sup>2</sup> EGTCs with Hungarian partners differ from all EGTCs established in the EU in that they represent on average a smaller number of inhabitants (about 400.000 compared to 2.1 million), but have a slightly higher number of members (on average 24 compared to 22). EGTCs with Hungarian participation have on average a lower budget available and less staff than it is the case for the average EGTC. For 2012, budget per member respectively per staff is about 80 % respectively 60 % lower for Hungarian EGTCs compared to the EU average. However, when budget per inhabitant is calculated, we find that it is only about 12 % below the EU average. This is due to the lower number of inhabitants represented by the average Hungarian EGTC. Accordingly, it depends on the specific tasks to be fulfilled with the budget available, whether this is a disadvantage. If these tasks are related to the number of inhabitants, the Hungarian EGTCs are quite close to the EU average. However, if the tasks show large fix costs, the financial means of Hungarian EGTCs might not be sufficient to create the desired economic effects.

2 Note that these figures refer to all partners of an EGTC, not only to the Hungarian partners. That is, the figures for inhabitants as well as members, budget and staff include also the share of the Slovakian or Romanian partners of the respective Hungarian EGTC, for example.

Governance of cross-border regional cooperation by the EGTC

	EGTCs on the EU				15 EGTCs with Hungarian participants			
	Average	Minimum	Maximum	Cases	Average	Minimum	Maximum	Cases
<b>Number of partners</b>	2.51	2	9	39	22053	2	9	15
<b>Inhabitants</b>	2,103,623	0	14,200,000	36	383,020	0	1,503,899	13
<b>Number of members</b>	22.24	2	200	37	24.14	2	82	14
<b>Budget 2010</b>	323,025	0	1,500,000	16	6,133	0	18,400	3
<b>Budget 2012</b>	303,761	0	1,500,000	29	79,928	0	500,000	13
<b>Budget 2013</b>	449,002	0	2,500,000	25	99,705	30,800	460,000	9
<b>Staff 2010</b>	3.6	0	8.0	12	1.7	0	4.00	3
<b>Staff 2012</b>	2.8	0	15.0	30	1.7	0	6.0	13
<b>Staff 2013</b>	2.6	0	12.0	35	1.9	0	4.0	13
<b>Budget 2012 per inhabitant</b>	0.6693	0	5.42	26	.5881	0	2.71	11
<b>Budget 2012 per member</b>	43,304	0	360,000	29	7,395	0	50,000	13
<b>Budget 2012 per staff</b>	112,019	17,000	480,000	19	41,908	17,000	142,857	7

Budgets are in Euro.

Table 1: EGTCs with Hungarian participations compared to the EU average

Source: Metis (2014, Annex 3, p. 141-148)

Table A in the annex shows the main economic indicators for the Nomenclature des unités territoriales statistiques (NUTS 3) regions where the Hungarian EGTCs are located. GDP per capita for 2011 is about two thirds of the EU-27 average in 2011, while the Hungarian unemployment rate in 2011 was close to 11 % (EU-27 average in 2011: 9.6). Only four of the 15 Hungarian territorial EGTCs are located in regions with a GDP per capita above the Hungarian average. Most are in regions with a GDP per capita of only 40 % to 50 % of the EU-27 average. In addition, in six out of these 11 EGTCs 60 % to 100 % of the local Hungarian members are among the least developed municipalities in Hungary. As regards unemployment, eleven of the Hungarian EGTCs are located in NUTS 3 regions with an above average unemployment rate, with ten reporting an unemployment rate of 18 % in 2011. Consequently, in eight Hungarian EGTCs 60 % to 100 % of its local members are from NUTS 3 regions where the unemployment is 1.75 times higher than the Hungarian average. To summarise the Hungarian EGTCs are predominantly from the least developed regions in Hungary.

Table 2 shows figures for income, participation fees and expenditure for ten of the Hungarian EGTCs. Average income was about 64,000 Euro, average expenditure about 68,000 Euro in 2012. However, the distribution is rather skew, since four EGTCs reported an income of 90,000 Euros and higher, while the other six had an income of only about one third of this. Average participation fees were 17,000 Euros, which represents 22 % of EGTCs' income. But again the distribution is rather unequal, with the share of participation fees on income showing a minimum of 4 % and a maximum of 69 %. However, there is not clear correlation between the economic situation of the region where an EGTC is situated and its budgetary situation. This also holds for expenditures. However, the figures in table 2 show that those three EGTCs with the highest surplus are also those with the highest income.

Date of registration	Name of the EGTC	Income	Participation fee	Percentage of participation fees	Expenditure	Deficit or surplus
2008, 12 <sup>th</sup> November	Ister-Granum	49,623	13,703	27.6%	56,72	-7,097
2010, 12 <sup>th</sup> June	Abauj-Abaujban	31,96	1,382	4.3%	30,578	1,382
2010, 15 <sup>th</sup> December	Pons Danubii	97,955	67,376	68.8%	168,181	-70,227
2011, 5 <sup>th</sup> January	Bánát - Triplex Confinium (BTC)	107,051	12,336	11.5%	82,183	24,868
2011, 24 <sup>th</sup> May	Arrabona	125,202	24,698	19.7%	94,624	30,578
2011, 10 <sup>th</sup> December	Rába-Duna-Vág (RDV)	89,023	9,795	11.0%	66,167	22,856
2011, 21 <sup>st</sup> December	Novohrad - Nógrád	30,578				
2012, 11 <sup>th</sup> April	Bodrogközi EGTC	32,341	1,762	5.4%	30,578	1,762
2012, 18 <sup>th</sup> April	Pannon	35,49	4,911	13.8%	30,578	4,911
2012, 4 <sup>th</sup> May	Gate to Europe	38,27	15,432	40.3%	55,283	-17,013
	Average	63,749	16,822	22.5%	68,321	-887
	Minimum	30,578	1,382	4.3%	30,578	-70,227
	Maximum	125,202	67,376	68.8%	168,181	30,578

Exchange rate HUF/Euro for 2012 is the year average according to data from the Hungarian National Bank.

*Table 2: Participations fees, income and expenditure for Hungarian EGTCs (2012, in Euro)*  
*Source: Own calculation according to Scheuring (2013, p. 79)*

Hungarian EGTCs receive state support for being in work (see Table 3 for figures from 2011 to 2014). State transfers amount to around 30,000 Euro for each EGTC. Whereas in 2012 and 2014 the same sums were provided (in HUF), in 2011 and 2013 state subsidies had been much higher. Since most EGTCs are located in the least developed regions, such state support might be necessary to enable these EGTCs to cover their running costs and thus, to enable them to work at all.

Name of EGTC	2011	2012	2013	2014
Ister-Granum	79,868	30,91	38,768	32,304
Abatúj-Abaujban	71,631	30,578	38,768	26,715
Pons Danubii	71,631	30,578	38,768	32,304
Bánát - Triplex Confinium (BTC)	17,908	30,578	38,768	32,304
Arrabona	75,212	30,578	38,768	32,304
Rába-Duna-Vág (RDV)		30,578	38,768	26,715
Novohrad - Nógrád		30,578	38,768	32,304
Bodrogközi EGTC		30,578	38,768	26,715
Pannon		30,578	38,768	3,230
Gate to Europe		30,578	38,768	32,304
Sajó-Rima/Slana-Rimava EGTC				32,304
Svinka			1,684	1,615
Torysa			1,684	1,615
EGTC Via Carpatia				26,715
OTHERS	382,764	104,533	80,867	44,482
<b>Sum in Euro</b>	<b>699,013</b>	<b>410,649</b>	<b>502,607</b>	<b>383,932</b>
<b>Sum in HUF</b>	<b>195,171,534</b>	<b>118,850,000</b>	<b>314,021,534</b>	<b>118,850,000</b>

Table 3: State support for EGTCs in Hungary (2011-2014, in Euro)

Source: EGTC support decisions (2011, 2012, 2013 a, 2013 b, 2014)

#### IV. The working of Hungarian EGTCs – Results from a survey

As stated in section II. above the main objective of the EGTC as a supranational legal form is to promote cross-border, interregional and transnational integration by providing a uniform legal framework. In 2014, we conducted a survey among the 216 members of 15 Hungarian EGTCs to analyse whether and in how far this objective is reached.<sup>3</sup> We asked about the motivation for Hungarian public entities to participate in an EGTC, what activities are carried out and how satisfied they are with the outcomes realised so far. For an EGTC to be successful, its governance structures should effectively assist cooperation among its members. Information and communication play a prominent role in this. Besides, we are interested in the resources spend for activities carried out within an EGTC, in particular the time and money spent by its members. In addition, our questionnaire also asked about the quality of cooperation with different types of members, respectively how satisfied a member is with the outcomes realised by an EGTC compared to other forms of cross-border and interregional cooperation. Finally, we also asked about the main weaknesses which lower effectiveness of an EGTC from the point of view of a single member.

The survey was carried out between May and June 2014 as an internet-based questionnaire. Our target group were 15 EGTCs with Hungarian participation and a total of 216 Hungarian members. Unfortunately, the response rate was very low. In addition to addressing the members of

<sup>3</sup> As far as we know there is no empirical analysis which takes the members of an EGTC as the unit of analysis. So far, the empirical literature on EGTCs mainly relies on case studies with the EGTC as the unit of analysis (see for example Metis 2012; 2014).

the EGTCs via sending an email, we conducted more than 100 telephone calls to increase the willingness to participate. This resulted in a total number of 9 respondents, which makes for a response rate of 4.2 %.

Reasons for the very low participation are manifold. According to the answers given in the telephone contacts, the following causes are dominant: the member does not (anymore) actively participate in the EGTC; wrong email addresses; the information required to fill out the questionnaire is not available; unwillingness to participate because of dissatisfaction with the performance of the EGTC. Besides, also the pending communal elections in autumn 2014 might have played a role for the low turn-out.

The nine respondents are from three of the 17 Hungarian EGTCs, their partners are located either in Slovakia, Slovenia or Romania. Six respondents are from the *EGTC Banat-Triplex Confinium (BTC)*, so 15 % of this EGTC's 39 members have taken part in our survey. The other two EGTCs concerned are *Bodrogközi EGTC* (1 response) and *Pannon EGTC* (2 responses). Given the low absolute numbers of our survey it can be used only as a first explorative analysis. The main results are presented in the following.

## 1. EGTC membership – Motivation and satisfaction

When asked about their satisfaction with their EGTC membership, members are neither particularly content nor discontent. This holds both in regard to overall satisfaction as well as to satisfaction with the financial results of their membership. However, 77 % of the respondents report positive or very positive expectations as to the future outcomes of their EGTC membership. A more detailed analysis of motivation for participating in and satisfaction with being member of an EGTC is given in table 4. Strengthening cross-border communication and cooperation is not only the reason given with the strongest motivation for participating in an EGTC, but also the issue where satisfaction is highest and slightly positive. In regard to all other reasons for participating, satisfaction is rather low.

Objectives	Motivation	Satisfaction
Strengthening cross-border communication and cooperation	4.1	3.3
Improving infrastructure	3.7	2.6
Getting access to additional financial resources/funds	3.7	2.6
Increasing the economic attractiveness of the region	3.7	2.4
Additional resources (workforce, infrastructure, information)	3.6	2.4
Increasing attractiveness for living in the region	3.6	2.3
Better efficiency / e.g. specialisation of the members	3.4	2.3
Preserving cultural goods	3.3	2.6
Increasing attractiveness of the region for tourism	3.2	2.8
Reducing poverty	3.2	2.0
Gaining long-term competitiveness	3.1	2.6

with 1 = lowest value... 5 = highest value

Table 4: Motivation for and satisfaction with EGTC membership (average value)

Source: Own calculation

## 2. Activities carried out by members of an EGTC

Over the years, eight of the nine members in our sample applied for a total number of 32 tenders. However, participation in such activities is rather unevenly distributed. While some members are very engaged, others participate only rarely in such fund-raising activities. Two members reported 15 projects finished (e.g. establishing a joint office, introducing a development strategy), with again two reporting five projects currently under way and eight being in the planning state. Four of the nine members reported that they are actively participating in the EGTC management, while another four reported that they regularly initiate new projects. Two stated that they do not have enough resources available for active participation.

On average one employee per member worked twelve days per month for activities related to the EGTC. The average time spent for activities directly related to projects amounts to 20 %, with 23 % of working time spent for administration, another 26 % spent on communication and 16 % spent for marketing activities. 89 % of the members stated that they have to pay annual fees for membership in the EGTC, ranging from 550 HUF to 320,000 HUF per year. The survey questions in regard to the income generated and the utility provided by such projects were not answered. The reason might be that no information is available and that the outcomes are not easily quantifiable.

## 3. Governance of an EGTC

To assess the quality of the governance within an EGTC, we asked how often members participate in meetings and how often communication with other EGTC actors takes place. As table 5 shows, meetings with the EGTC management, the Hungarian and the non-Hungarian members

of an EGTC take place at least one to five times a year on average. In addition, there is also regular communication by telephone, email or skype. However, this plays a less important role than personal contacts through regular meetings.

	Meetings with...	Communication by telephone/email/skype with...
... the Hungarian members	3.13	3.00
... the non-Hungarian members	3.00	2.57
... the EGTC management	3.56	2.88

with 1 = quasi never ... 3 = 1 to 5 times a year ... 5 = weekly or daily

*Table 5: Meetings and communication within an EGTC (average value)*

*Source: Own calculation*

In addition, we also asked how satisfied members are with the quality of cooperation with other members of their EGTC as well as with other partners from outside the EGTC. Table 6 gives the average values for this subjective indicator of the quality of an EGTC's governance outcome. As can be seen, satisfaction is much above average in regard to non-Hungarian EGTC members, followed by both Hungarian members and the EGTC management, while it is quite lower for private companies and other municipalities which are not members of an EGTC. Obviously, an EGTC does promote communication and cooperation among its members, which seems to be of particular value for the Hungarian members in regard to non-Hungarian EGTC members. Accordingly, the EGTC seems to provide a valuable structure for improving cross-border communication.

Partners	Satisfaction
Non-Hungarian members	3.8
Hungarian members	3.7
EGTC management	3.7
Private companies	3.1
Non-EGTC Hungarian municipalities	3.1
Others	3.1

with 1 = not at all satisfied .... 5 = very satisfied

*Table 6: Quality of cooperation (average value)*

*Source: Own calculation*

#### 4. EGTC compared to other types of cooperation

An EGTC is not the only form for carrying out cross-border activities. Municipalities can do this either without establishing any legal form ('formless cooperation') or by establishing a Eu-

roregio.<sup>4</sup> The other two possible forms compared to the EGTC are shown in table 7. Although membership in an EGTC involves additional costs (like fees, additional administrative work to be done, taking part in regular meetings etc.), members assess an EGTC as working better than formless cooperation for cross-border activities, while they see no difference between an EGTC and a Euroregio. Compared to the latter, they state that an EGTC works even better with respect to investment possibilities, economic development and transparency. Compared to formless cooperation, however, there is less transparency within an EGTC. All in all, these results confirm that the EGTC as a legal form seems to be a useful instrument compared to the more complex institutional setting of a Euroregio, for which there has not been developed a uniform legal form so far.

	Formless cooperation	Euroregio
Cross-border cooperation	3.5	3.0
Investment possibilities	3.0	3.2
Economic development	3.0	3.2
Transparency (communication, fiscal relations)	2.7	3.2
Others	2.0	2.3

with 1 = EGTC works much worse ... 3 = EGTC works as well ... 5 = EGTC works much better

Table 7: The EGTC compared to other forms of cooperation (average value)

Source: Own calculation

Finally, when asked what they see as the main weaknesses of their respective EGTC, respondents named the organisational structure and both own motivation and the motivation of the other members as the most important ones. Communication, internally as well as with the non-Hungarian members, is not seen as a problem. That also indicates that the EGTC as a legal form works well in respect of its most important function, which is enabling cross-border communication and cooperation.

## V. Conclusions and outlook

The main objective for introducing the EGTC as a supranational legal form in the EU was to facilitate cross-border, interregional and transnational cooperation among public entities from different member and non-member states. Thus, economic development and social cohesion should be promoted.

The main conclusions from the discussion above are as follows. Firstly, there is a large number of non-respondents among the Hungarian members of EGTCs. Based on the follow-up telephone calls after the first email contact, the main reasons stated for not participating in the survey are: no active participation in the EGTC; missing information on the questions asked; and

4 See Zapletal (2010, pp.18-20) for a more detailed comparison of the EGTC with other forms of cooperation like Euregio, Eurodistricts and the European Interest Grouping. For more on Euroregions see Lepik (2009).

dissatisfaction with the performance of one's EGTC. This does not only lead to sample selection bias from a statistical point of view. It is also a very important indicator that for a large number of public entities, which are members of an EGTC, their EGTC does not provide valuable output. Besides, the fundamental requirements for active participation are not met. Accordingly, further research should be conducted to identify the structural problems behind this. The best way would be to carry out expert interviews to increase willingness-to-participate and to detect the underlying causes thus, eventually providing suggestions for improving active participation of local entities.

Secondly, we find that cross-border cooperation shows above average values both when comparing causes for participating in an EGTC and satisfaction with the respective outcome from such participation. Besides, our findings also show a high degree of satisfaction concerning the communication with non-Hungarian EGTC members. Moreover, satisfaction with the functioning of the EGTC was also higher compared to other less formal forms of cooperation. All these findings indicate that the EGTC might indeed provide the necessary institutional and organisational structure for improving cross-border cooperation among public entities. However, further empirical analysis should be carried out to test this hypothesis. This could be done based on a questionnaire comparable to our Hungarian survey. In addition, it would be interesting to analyse in more detail whether the positive rating of cross-border cooperation via the EGTC depends on third factors, like additional achievements gained through this cooperation.

Thirdly, our results show high motivation for participation but low satisfaction with the outcomes in regard to activities related to further economic development. Since this is the actual objective pursued by establishing EGTCs again, additional empirical analysis should be done. In particular, it should be analysed, whether satisfaction with the performance of an EGTC depends on external factors, like the economic and financial situation of the regions and public entities involved, or on internal factors, like the internal organisational structure or the working of the EGTC management. Since respondents in our survey named both, a lack of own motivation as well as a lack of motivation shown by other members of their EGTCs, as the main weaknesses, more work should be done to bring about suggestions as how to increase motivation for active participation in an EGTC.

Finally, based on answers to the questions raised above, a more profound comparison with other forms of interregional cooperation, like Euroregions, the European Interest Grouping etc., should be undertaken. That way, it would be possible to identify activities and conditions that help establishing an EGTC with a positive performance.

All in all, it has to be taken into account that the EGTC is a very young legal form, so it will still take some more time to show its full potential (Spinaci/Vara-Arribas 2009) or as Dizdarevic (2011, p. 34.) argues: "The instrument is still too young to audit its full effect especially in terms of its political strength. After several years of existence the EGTC is only limitedly exploited in Europe but with the EGTC cross-border cooperation in the EU seems to be making a substantial development and it could well become to be the most rational choice in organising cases of cross-border cooperation in future."

## Zusammenfassung

*Martina Eckardt und Mátyás Gritsch; Governance grenzüberschreitender regionaler Zusammenarbeit durch die EVTZ – Eine explorative Analyse mit unter besonderer Berücksichtigung der ungarischen EVTZ*

*Grenzüberschreitende Zusammenarbeit; öffentliche Governance; öffentliche Rechtsform; wirtschaftliche Entwicklung*

*Der Europäische Verbund für territoriale Zusammenarbeit (EVTZ) ist eine supranationale Rechtsform in der EU. Sie wurde im Jahr 2006 eingeführt und verleiht öffentlichen Einrichtungen aus verschiedenen Mitglieds- und Nichtmitgliedsstaaten Rechtspersönlichkeit, um so die grenzüberschreitende, interregionale und transnationale Zusammenarbeit zu fördern. In diesem Aufsatz erörtern wir die Besonderheiten dieser Rechtsform. Zudem geben wir einen Überblick über die 17 EVTZ mit ungarischer Beteiligung. Wir präsentieren erste explorative Ergebnisse einer Umfrage unter den 216 ungarischen öffentlichen Einrichtungen, die Teil einer EVTZ sind. Unsere empirischen Ergebnisse lassen erkennen, dass der EVTZ unter Governance Aspekten eine geeignete Rechtsform ist, die eine funktionierende grenzüberschreitende regionale Zusammenarbeit zwischen öffentlichen Einrichtungen ermöglicht.*

## References

- Cesci (2012), Snapshot of EGTC's with Hungarian Participation, [http://cesci-net.eu/tiny\\_mce/uploaded/EGTC-Snapshot%2803%292012-10-03.pdf](http://cesci-net.eu/tiny_mce/uploaded/EGTC-Snapshot%2803%292012-10-03.pdf) (access: 17.7.2014).
- Csetnek, Tünde Tímea (2013), A társadalmi tőke fejlődése a magyar-román határ menti övezetben, PhD. Dissertation, Budapest.
- Dizdarevic, Nermin (2011), The European Grouping of Territorial Cooperation (EGTC). To What Extent should the EGTC Be Considered a Rational Choice for Organising Cross-border Cooperation? The Netherlands.
- Eckardt, Martina (2012), The Societas Privata Europaea – Could it Promote the Internationalization of Small and Medium-Sized Enterprises? Andrassy Working Paper Series No. 27, <http://ssrn.com/abstract=2307429> (access: 17.7.2014).
- Eckardt, Martina and Peter Friedrich (2013), European Grouping of Territorial Cooperation (EGTC) as a Legal Form to Realize Cross-Border FOCJ – Functional Overlapping Competing Jurisdictions, in: Public Sector in Transition, edited by Halda, Toomas, Greiling, Dorothea and Friedrich, Peter, pp. 106-141..
- EGTC Support Decision (2011), Az Európai Területi Társulások 2011. évi támogatására (ETT-2011) Döntési lista, [http://kih.gov.hu/documents/10179/23961/D%C3%B6nt%C3%A9si\\_lista\\_ETT-2011.pdf](http://kih.gov.hu/documents/10179/23961/D%C3%B6nt%C3%A9si_lista_ETT-2011.pdf) (access: 17.7.2014).
- EGTC Support Decision (2012), Az Európai Területi Társulások 2012. évi támogatása (ETT-2012) [http://kih.gov.hu/documents/10179/24108/dontesi\\_lista\\_ETT-12.pdf](http://kih.gov.hu/documents/10179/24108/dontesi_lista_ETT-12.pdf) (access: 17.7.2014).
- EGTC Support Decision (2013 a), Az Európai Területi Társulások 2013. évi támogatása. ETT-13, [http://kih.gov.hu/documents/10179/257437/1D%C3%B6nt%C3%A9si%20lista\\_ETT-13.pdf?version=1.0&t=1371190298000](http://kih.gov.hu/documents/10179/257437/1D%C3%B6nt%C3%A9si%20lista_ETT-13.pdf?version=1.0&t=1371190298000) (access: 17.7.2014).
- EGTC Support Decision (2013 b), Az Európai Területi Társulások 2013. évi működési támogatása, ETT-13-II, [http://egtc.kormany.hu/admin/download/f/e2/90000/%C3%B6sszes%C3%ADtett%20d%C3%B6nt%C3%A9si%20%C3%A1bl%C3%A1zat\\_ETT-13-II.pdf](http://egtc.kormany.hu/admin/download/f/e2/90000/%C3%B6sszes%C3%ADtett%20d%C3%B6nt%C3%A9si%20%C3%A1bl%C3%A1zat_ETT-13-II.pdf) (access: 17.7.2014).
- EGTC Support Decision (2014), Az Európai Területi Társulások 2014. évi támogatása, ETT-14, [http://egtc.kormany.hu/admin/download/2/ff/90000/D%C3%B6nt%C3%A9s\\_ETT-14.pdf](http://egtc.kormany.hu/admin/download/2/ff/90000/D%C3%B6nt%C3%A9s_ETT-14.pdf) (access: 17.7.2014).
- European Union (2006), Regulation (EC) No 1082/2006 of the European Parliament and of the Council of 5 July 2006 on a European Grouping of Territorial Cooperation (EGTC), Official Journal L 210, pp. 0019-0024.
- European Union (2013), Regulation (EU) No 1302/2013 of the European Parliament and of the Council of 17 December 2013 amending Regulation (EC) No 1082/2006 on a European Grouping of Territorial Cooperation

- (EGTC) as Regards the Clarification, Simplification and Improvement of the Establishment and Functioning of Such Groupings.
- Eurostat (2014), GDP at Regional Level, [http://epp.eurostat.ec.europa.eu/statistics\\_explained/images/e/e5/GDP\\_at\\_regional\\_level\\_RYB2013-DE.xls](http://epp.eurostat.ec.europa.eu/statistics_explained/images/e/e5/GDP_at_regional_level_RYB2013-DE.xls) (access: 17.7.2014).
- Hungarian Central Statistical Office (2014 a), A bruttó hazai termék (GDP) területi megoszlása 2011-ben, <http://www.ksh.hu/docs/hun/xftp/idoszaki/gdpter/gdpter11.pdf> (access: 17.7.2014).
- Hungarian Central Statistical Office (2014 b), Munkanélküliségi ráta, [http://www.ksh.hu/docs/hun/xstadat/xstadat\\_eves/i\\_qlf027.html](http://www.ksh.hu/docs/hun/xstadat/xstadat_eves/i_qlf027.html) (access: 17.7.2014).
- Kraakman, Reinier et al. (2009), *The Anatomy of Corporate Law. A Comparative and Functional Approach*, 2<sup>nd</sup> edition, Oxford et al.
- Lepik, Katri-Liis (2009), Euroregions as Mechanisms for Strengthening Cross-Border Cooperation, in: *The Baltic Sea Region. Journal of the Humanities and Social Sciences*, vol. 13, no. 3, pp. 265-284.
- Metis (2012), *Monitoring Report 2012*, European Union, September 2012.
- Metis (2014), *Monitoring Report 2013. Towards the New Cohesion Policy*, European Union, February 2014.
- Schaper, Martin (2012), *Selektion und Kombination von Gesellschaftsformen im institutionellen Wettbewerb. Typenvermischung und hybride Rechtsformen im europäischen und US-amerikanischen Wettbewerb der Gesellschaftsrechte*, Berlin.
- Scheuring, Kitti Éva (2013), *A határon átnyúló együttműködések intézményének vizsgálata különös tekintettel a finanszírozhatóságra*, Budapesti Corvinus Egyetem, [http://publikaciok.lib.uni-corvinus.hu/publikus/szd/Scheuring\\_Kitti.pdf](http://publikaciok.lib.uni-corvinus.hu/publikus/szd/Scheuring_Kitti.pdf) (access: 17.7.2014).
- Spinaci, Gianluca and Gracia Vara-Arribas (2009), The European Grouping of Territorial Cooperation (EGTC): New Spaces and Contracts for European Integration?, in: *Eipascope*, vol. 2009, no. 2, pp. 5-13.
- Zapletal, Jirka (2010), The European Grouping of Territorial Cooperation (EGTC): A New Tool Facilitating Cross-border Cooperation and Governance, in: *Questiones Geographicae*, vol. 29, no. 4, pp. 15-26.

Annex: Table A – EGTCs with Hungarian Participation

Date of registration	Name of the EGTC	Registered seat	Participating countries	Hungarian members	NUTS 3 name where members are located	GDP per capita in PPS (EU27) - 2011	Unemployment rate in the NUTS 3 2011	Percentage of members among the least developed municipalities	Percentage of members where unemployment is higher than 1.75 times the national average
2008, 12 <sup>th</sup> November	Ister-Granum	Esztergom (HU)	HU, SK	48	Pest Komárom	56% 68%	7.5% 7.8%	2%	0%
2009, 8 <sup>th</sup> January	Ung-Tisza-Túr-Sajó (UTTS)	Kántorjános (HU)	HU, SK	2	Borsod-Abaúj-Zemplén	41%	17.8%	100%	100%
2009, 11 <sup>th</sup> February	Karst-Bodva	Hrusov (SK)	HU, SK	1	Borsod-Abaúj-Zemplén	41%	17.8%	100%	100%
2010, 12 <sup>th</sup> June	Abaúj-Abaújan	Miskolc (HU)	HU, SK	9	Borsod-Abaúj-Zemplén	41%	17.8%	78%	78%
2010, 15 <sup>th</sup> December	Pons Danubii	Komárom (SK)	HU, SK	3	Komárom	68%	7.8%	0%	0%
2011, 5 <sup>th</sup> January	Bánát-Triplex-Confinium (BTC)	Mórahalom (HU)	HU, RO, Serbia	39	Bács-Kiskun Csongrád	45% 48%	10.6% 9.6%	62%	30%
2011, 24 <sup>th</sup> May	Arrabona	Győr (HU)	HU, SK	21	Győr-Moson-Sopron	82%	6.3%	0%	0%
2011, 10 <sup>th</sup> December	Rába-Duna-Vág (RDV)	Tatabánya (HU)	HU, SK	2	Komárom Győr-Moson-Sopron	68% 82%	7.8% 6.3%	-	-
2011, 21 <sup>st</sup> December	Novohrad - Nógrád	Salgótarján (HU)	HU, SK	1	Nógrád	29%	18.7%	0%	100%
2012, 11 <sup>th</sup> April	Bodrogközi EGTC	Miskolc (HU)	HU, SK	6	Borsod-Abaúj-Zemplén	41%	17.8%	67%	100%
2012, 18 <sup>th</sup> April	Pannon	Pécs (HU)	HU, SI	56	Zala Baranya Somogy Tolna Bács-Kiskun	53% 43% 42% 50% 45%	9.3% 14.5% 13.1% 9.0% 10.6%	20%	24%
2012, 4 <sup>th</sup> May	Gate to Europe	Nyíradony (HU)	HU, RO	20	Hajdú-Bihar Szabolcs-Szatmár-Bereg	49% 36%	13.2% 18.4%	40%	65%
2012, 7 <sup>th</sup> December	European Urban Knowledge Network (EUKN)	The Hague (NL)	CY, BE, CZ, DE, FR, HU, LU, NL, RO	1	-	Hungary - 60%	Hungary - 10.9%	-	-
2013, 3 <sup>rd</sup> April	Sajó-Rima/Slaná-Rimava EGTC	Pútnok (HU)	HU, SK	2	Borsod-Abaúj-Zemplén	41%	17.8%	0%	100%
2013, 31 <sup>st</sup> May	EGTC Via Carpatia	Kosice (SK)	HU, SK	1	Borsod-Abaúj-Zemplén	41%	17.8%	-	-
2013, 9 <sup>th</sup> October	Svínka	Tolcsva (HU)	HU, SK	2	Borsod-Abaúj-Zemplén	41%	17.8%	0%	50%
2013, 9 <sup>th</sup> October	Torysa	Sárszadány (HU)	HU, SK	2	Borsod-Abaúj-Zemplén	41%	17.8%	100%	100%

GDP per capita in 2011 based on the Purchasing Power Standard (PPS) compared to EU27

Source: Own compilation according to Cesci (2012), Eurostat (2014), Hungarian Central Statistical Office (2014 a, 2014 b), Metis (2014, Annex 3, pp.141ff.)