

EUROPEAN UNION FUNDS IN THE DEVELOPMENT OF EUROPEAN GROUPINGS OF TERRITORIAL COOPERATION (EGTCS) IN EUROPE

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ABSTRACT

The aim of this paper is to analyse the financial determinants of the development of European Groupings of Territorial Cooperation (EGTCs) operating in Europe. This work focuses on European funds, with particular consideration of the European Territorial Cooperation (ETC) funds. Literature research on the evolution of cohesion policy has been conducted. A new instrument has been described, i.e. the EGTC, based on analysis of legal documents. This paper also seeks to assess the effectiveness of this instrument. For this purpose, the size and structure of 65 EGTC budgets for two programming periods (2007–2013 and 2014–2020) have been analysed. The size of the budgets was compared with the scope of EGTC operations. Numerous barriers related to the acquisition and management of EU funds have been identified. It has been found that the groupings which operate in Central and Eastern Europe, in particular those located on the Hungarian border, were in the most difficult situation. Despite the financial support from the Hungarian government, in most cases these groupings did not manage to complete the projects financed by ETC funds. 65 EGTCs obtained slightly more than 0.1% of ETC funds. The budget of a statistical EGTC was EUR 1 million; however, most of these groupings had a budget which was smaller than EUR 100,000. The implementation of statutory tasks was challenging with such small budgets. With few exceptions, this instrument turned out to be moderately effective. As regards the role which this instrument is to play in cohesion policy, it should be further improved.

Introduction

The European Union, and earlier the European Economic Community, has attached utmost importance to the support of the processes of cross-border territorial cooperation from the very beginning (Svenson, 2015, p. 279). This resulted from a belief that such cooperation, by removing border barriers, contributes to the democratization of Europe, brings people closer together, creates planes for getting to know one another, helps solve the economic

and social issues which go beyond the state level (Kulesza, 2003, p. 15; Wolska, 2011, p. 166). The concept of territorial cooperation developed in Western Europe in the 1960s. It was reflected in the activation of decentralising processes which, as a result, increased the autonomy of cross-border regions (Lechwar, 2008, p. 23).

The development of international bottom-up initiatives and the activation of cross-border cooperation changed the priorities of EU policy (Studzieniecki, 2015, p. 9). New institutions needed to be established to improve the existing Euroregions. Euroregions had no legal personality and could use EU funds in a limited manner. The establishment of the EGTC instrument in 2006 opened a new stage of cross-border cooperation. The adoption, in 2006, of the Regulation ((EC) No. 1083/2006) establishing a European Grouping of Territorial Cooperation, was both a major change in the legal framework for territorial cooperation, and an evolution thereof. It was a major change because it was the first Community instrument with regulatory scope in the field. It was also a change because it brought this cooperation between authorities located in different European states, which had hitherto by its nature been a fringe phenomenon, to the heart of the integration process. Representatives of many scientific disciplines, including lawyers (Dolnicki, 2012, p. 154; Kusiak-Winter, 2011, p. 172; Drab, Kledzik, 2009, p. 555), political scientists (Grose, 2011, p. 3; Lewkowicz, 2013, p. 45), economists (Mędza, 2015, p. 62; Studzieniecki, 2016, p. 75) as well as geographers (Bohm, Drapella, 2015, p. 472) were interested in the determinants of EGTC development. Economically, the EGTC instrument has become a significant part of regional policy and regional development (Pancer-Cybulska, 2015, p. 383; Bucholski, 2009, p. 337). According to the author, a demand for theoretical and practical assessment of its effectiveness has increased. Although the literature on the subject is becoming increasingly richer, it still lacks analyses about the financial determinants of EGTCs. Since EU funds play the key role in developing and supporting EGTCs, this issue has been analysed in this paper.

The ETC as a new objective of cohesion policy

Until 2006, territorial cooperation lacked sufficient political grounds and legitimacy despite being the EU's focal point (Studzieniecki, 2015, p. 9). The European Territorial Cooperation became one of the three objectives of cohesion policy for the years 2007–2013. It continued the Interreg Community Initiative and covered a larger area than the former Interreg. It was extended by cooperation on maritime economy. During the 2007–2013 financial period, the European Union allocated a sum of EUR 7,750,081,461 to the ETC, which accounted for 2.52% of all resources of the European Regional Development Fund (Council Regulation (EC) No. 1083/2006). During the subsequent 2014–2020 programming period (INTERREG V), the importance of the ETC considerably increased. The ETC became one of the two objectives of EU cohesion policy, not one of the three objectives.

A sum of EUR 8,948,259,330 was allocated to this cooperation, which accounted for 2.75% of all ERDF resources (Regulation (EU) No. 1299/2013). Cross-border cooperation became the priority of territorial cooperation. During the years 2007–2013 and 2014–2020, 73.86% and 74.06% of ETC resources were allocated to this cooperation respectively (Figure 1).

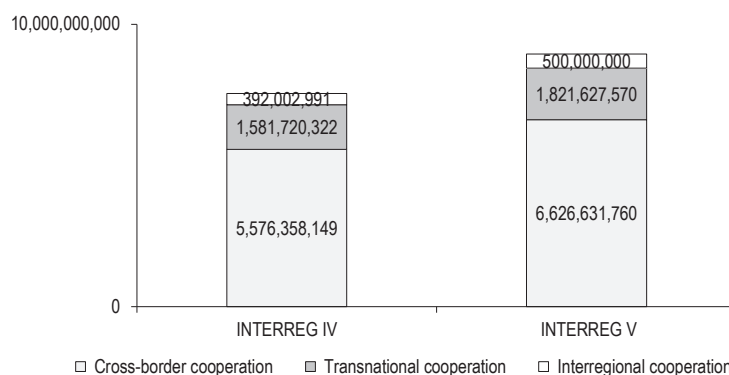


Figure 1. EU funds allocated to the European Territorial Cooperation under INTERREG IV and INTERREG V

Source: own work based on Council Regulation (EC) No. 1083/2006.

In case of cross-border cooperation programmes, the EU regions at NUTS 3 level along all internal and external land borders have been supported. A list of transnational areas was made in relation to transnational cooperation. It covered selected regions at NUTS 2 level. The interregional cooperation covered the entire area of the European Union.

The EGTC as a new legal and economic instrument

The European Grouping of Territorial Cooperation is an instrument for territorial cooperation aimed to strengthen social and economic cohesion by facilitating cross-border, transnational and interregional cooperation. This instrument is innovative as it gives groupings a legal personality. Originally, the provisions (Council Regulation (EC) No. 1083/2006) stipulated establishment of groupings by the following entities: Member States, regional authorities, local authorities, public law bodies. The amendment to the provisions (Regulation (EU) No. 1299/2013) allowed non-EU entities to join EGTCs. Community law regulated the establishment of groupings by regulation. Theoretically, it was a legislative act which had direct effect in all Member States and which did not leave the Member States any discretion as to the choosing of a method for implementing the objectives of Community law (Grosse, 2011, p. 3). Nonetheless, due to the specific character of the EGTC, it was considered necessary to adopt provisions at state level in order to complement the Community regulation. In many countries, the establishment of the EGTC depended on the approval of central authorities. The first EGTC was established in 2008. By 2016, (The Committee of the Regions, 2017) 65 EGTCs operated in 19 EU states (Figure 2).

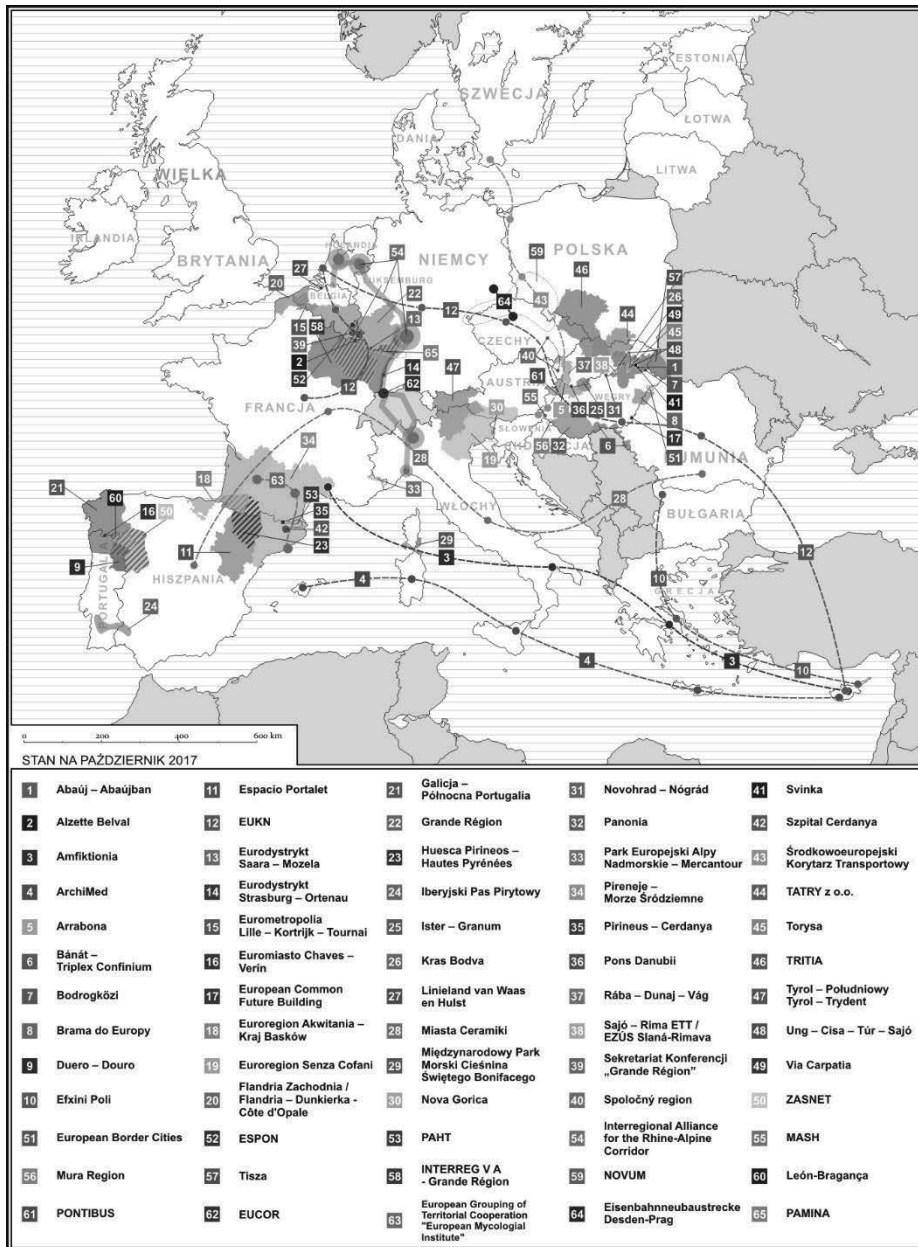


Figure 2. Location of EGTCs in Europe

Source: own work.

Development and operation of EGTCs in Europe

The framework of EGTC operations, including funding rules, is determined, on the one hand, by EU regulations, on the other hand, by regulations of the Member State in which an EGTC operates. EGTCs draw up two main documents, i.e. the Convention and the Statutes, under these provisions. EU provisions stipulate four tasks for the EGTC (Figure 3).

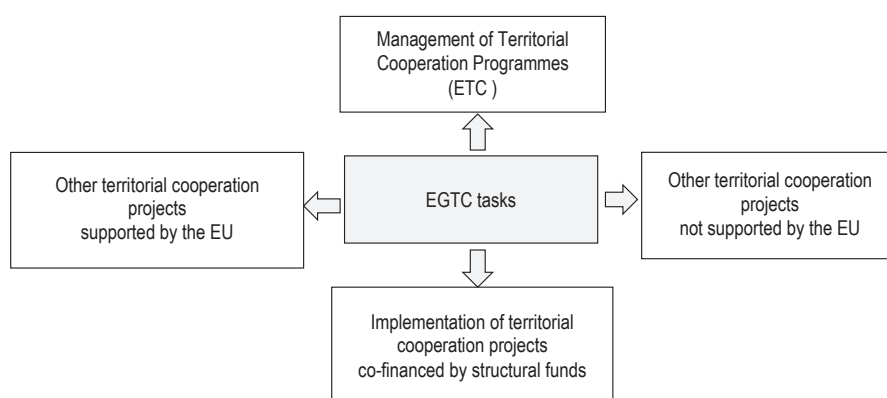


Figure 3. EGTC tasks

Source: own work.

EGTCs implement tasks to various degrees. Not even one EGTC managed to implement four tasks simultaneously (Table 1).

Table 1. Implementation of tasks by EGTCs

Management of a territorial cooperation programme	During the 2007–2013 programming period, the only grouping which performed the function of the Managing Authority was the Grande Region; it managed INTERREG IV A “Grande Region”. During the subsequent period, the function of the Managing Authority was performed by two groupings: INTERREG Grande Région (successor of the Grande Region) and ESPON, which has a specific role, since it was the sole beneficiary of the ESPON programme 2014–2020
Implementation of territorial cooperation projects co-financed by structural funds	During both programming periods most of these groupings did not implement projects financed by ETC funds. During the first period, projects were implemented by 18 out of the 50 EGTCs. Only 44 projects were completed. In 2016, when funds from INTERREG V appeared, 17 EGTCs implemented 35 projects. EGTCs were both a leading partner and a “regular” partner
Other territorial cooperation projects supported by the EU	The groupings implemented projects using support from four out of the four European Structural and Development Funds. There is no information on the use of the European Maritime and Fisheries Fund
Other territorial cooperation projects not supported by the EU	The projects were supported by national and international funds (including the Vysehrad Fund the Norwegian Financial Mechanism)

Source: own work.

Financing the activity of EGTCs

The implementation of task by EGTCs depends on the size of their budgets (Figure 4).

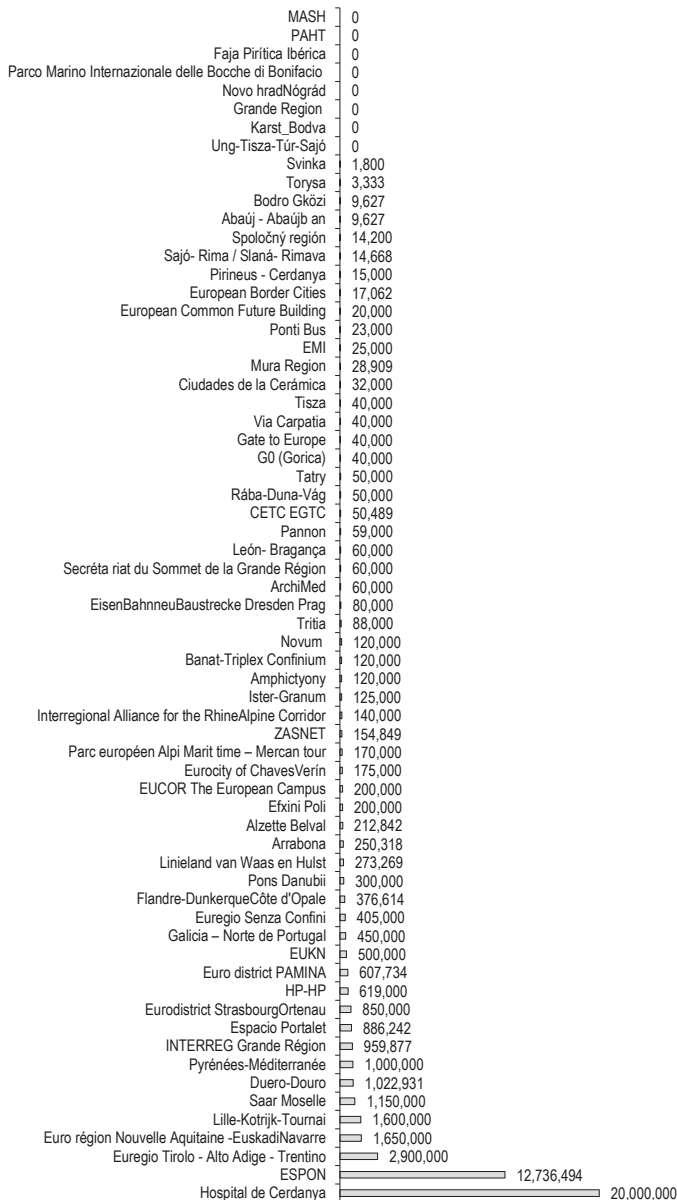


Figure 4. Budgets of EGTCs

Source: own work based on EGTC monitoring report, 2016.

The budgets varied widely. Some EGTCs do not have a budget because they did not take up any activity after registration. The list of the budgets is for reference only. A precise financial analysis of EGTCs is extremely difficult based on the information available. Information on finances, staff and so on is not widely available both in EGTC web pages and in the materials of Council of Europe. The information on dedicated websites of EGTCs is varying in quality and hardly comparable. In terms of finances no clear distinction is made between membership fees, startup and general budget support, and project funding (Jaansoo, Groenendijk, 2014, p. 5). But a typology of EGTC budgets can be made (Table 2).

Table 2. EGTC Budget Types

No.	Budget type	Budget (EUR)	Number of EGTCs	Description of the group
1.	No Budget	0	8	This group contains groupings which ceased their activity or did not take it up at all. The Grande Region is a special case – this grouping completed its task, i.e. management of INTERREG IV A
2.	Very small	Up to 10,000	4	All these groupings are located on the Hungarian and Slovak border. On the Hungarian side, they are located in Észak-Magyarország, one of the poorest NUTS 2 regions in the EU, where GDP per capita in PPS is only 45%. The groupings were established by local authorities; they comprise of several or a dozen small communes. In terms of population (over ten thousand people) and area (about 200 square kilometres) they are the smallest European groupings
3.	Small	More than 10,000 up to 100,000	21	This group contains groupings established by regional, district and local authorities. Most of these groupings (67%) are based in countries which joined the EU in 2004. These groupings are located in cross-border areas, except for an association which brings together islands (Archimed) and an association of cities of ceramics (Ciudades de Ceramika). The Secretariat of the Grande Region has a special status. This institution implements tasks involving management of cooperation in the region located in the Benelux and Germany
4.	Medium	More than 100,000 up to 1 m	25	Most of these groupings (80%) are located in the "old" EU. The members-founders are dominated by entities at regional level (60%). There are also other entities such as universities (EUCOR), nature parks (Parc européen Alpi Maritime – Mercantour), transport institutions (EisenBahnneu-Baustrecke Dresden Prag). The groupings which include these entities were established to implement one specific task (education, ecology, transport development). Groupings with a special status include INTERREG Grande Région, which manages one of the cross-border programmes
5.	Large	More than 1 m. up to 10 m	5	This group comprises of Euroregions which have many years of experience in cooperation and are located in the "Old EU". For these Euroregions, the establishment of EGTCs was a continuation and institutionalisation of the existing cross-border cooperation
6.	Very large	More than 10 m	2	These groupings are very unusual. Hospital de Cerdanya is the first European cross-border hospital located on the French and Spanish border. On the other hand, ESPON manages the "ESPON 2020" programme. The programme aims at promoting and fostering a European territorial dimension in development and cooperation

Source: own work.

EGTCs obtained resources from EU funds, member fees, state budgets and other sources (Figure 5). As regards state funding, mostly EGTCs operating in Hungary were supported by the state.

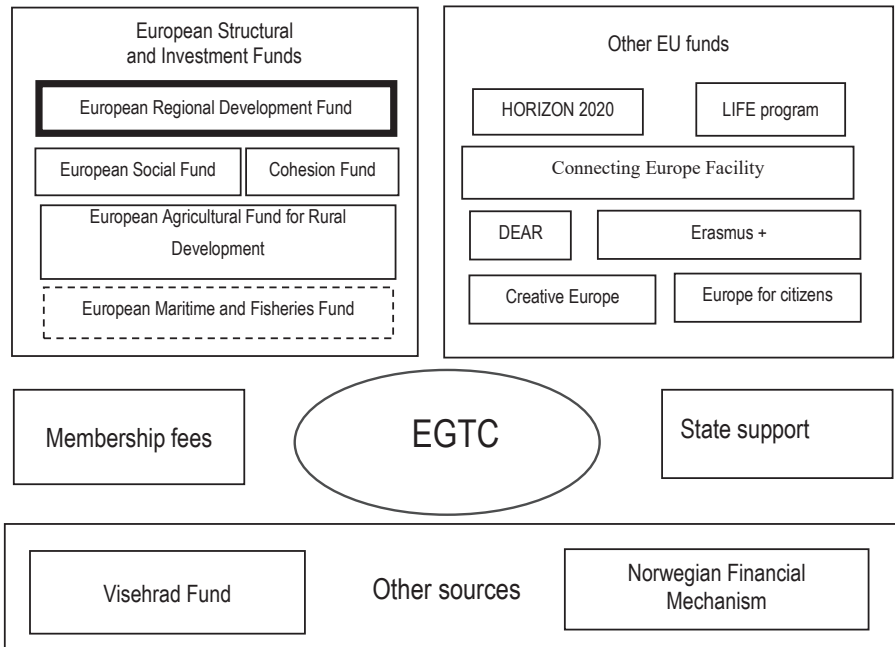


Figure 5. EGTC financing sources

Source: own work.

Eighteen out of the 50 operating EGTCs used funds available under INTERREG IV. They completed 44 projects; their budget was about EUR 60 m. However, it must be pointed out that in the context of EGTC activity, 17% of the INTERREG V A programmes and 20% of the INTERREG V B programmes were used (Table 3). URBACT and INTERACT have not been used. The aim of the URBACT programme is to share knowledge and good practices between cities and different levels of public administration (URBACT 2017). Therefore the programme does not mention the EGTC as a potential beneficiary. The activity of INTERACT involves providing expert support to national administrations and programming institutions engaged in the implementation of ETC programmes. This means that the programme supports institutions which use or intend to use the EGTC as an instrument in a substantive manner, not only financially.

Table 3. Use of ETC funds by EGTCs

No.	Programme	Number of programmes	Number of programmes used	Number of EGTCs using programmes
1.	INTERREG VA	60	10	16
2.	INTERREG VB	15	3	3
3.	INTERREG Europe	1	1	2
4.	ESPO	1	1	1
5.	URBACT	1	0	0
6.	INERACT	1	0	0

Source: own work.

Conclusions

The EGTC is an instrument which was to revolutionize territorial cooperation. However, there are many barriers which limit the full use of this instrument. Serious difficulties occur both during the registration and management of EGTCs. EU regulations intended to establish financially autonomous transnational entities, but regulations of the Member States significantly limited this autonomy. The Member States did not choose to assign their rights to manage EU funds. The groupings were not allowed to become management institutions. The Grande Region is the only exception that proves this rule.

During the 2007–2013 period the European Union allocated nearly EUR 8 bn to the ETC. But EGTCs received only 0.1% of this sum. During the 2014–2020 financial period only 10 out of the 60 cross-border programmes and three out of the 15 transnational programmes are used. However, EGTCs operate in 19 EU states and they could obtain funds from other programmes. The financial condition of the groupings varies very considerably, as shown by the size of their budgets. Only seven groupings have a large budget (more than EUR 1 m). The group includes Euroregions which have many years of experience in cooperation and two unusual EGTCs: a hospital and the ESPON programme. The small groupings located in poor Hungarian border regions are in the worst financial situation. In many cases they operate only thanks to the support of the Hungarian government. It may be assumed that they were established to obtain cross-border funds. But the groupings do not have a privileged position when applying for EU funds. They have to compete with the largest beneficiaries, namely local and regional governments. The budget of all EGTCs (about EUR 60 m.) may be compared to a budget of a county seat such as Sopot. The groupings lack funds which are necessary to complete the ambitious tasks set out in the founding acts. Therefore the projects (which need their own capital) implemented by EGTCs have a small budget. *Nota bene*, most EGTCs have not participated in any ETC project yet.

If an EGTC does not perform the function of a leading partner, the grouping becomes a secondary provider of territorial cooperation. This situation discourages local and regional authorities from establishing groupings. It is too early to discuss the economic success of the EGTC. But the considerable political and social benefits resulting from the activity of EGTCs must be appreciated. Since EGTCs are important for cohesion policy, it is advisable to conduct further research both at microeconomic and macroeconomic level. Such research should help improve the EGTC instrument.

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