



## CPMR analysis on investment guidance for 2021 – 2027 Cohesion Policy (Annex D)

### IN A NUTSHELL:

This note looks at the investment guidance provided by the European Commission to each Member State for Cohesion policy for 2021 – 2027 (Annex D of the Country reports issued on 27 February) to analyse the extent to which:

- Specific types of territories represented in the CPMR membership (islands, outermost regions, northern sparsely populated areas) are addressed
- Policy areas of core strategic interest for CPMR Members (transport and accessibility, climate and energy, maritime issues, migration) are addressed
- Investments to be supported by the European Social Fund + via its dedicated policy objective (PO4) recognise regional and territorial specificities
- Macro-regional strategies and sea-basin strategies are addressed

The overarching conclusion of our analysis is **whilst the introduction of Annex D is a good attempt to provide a territorial dimension to the European Semester, there are notable inconsistencies in the way CPMR core policy areas, specific types of territories and macroregional/sea-basin strategies are addressed.**

The ever-closer integration of Cohesion Policy programming within the European Semester throws up broader questions regarding role and place of Cohesion Policy as a territorial investment policy for Europe. Reconciling its key strengths – focusing on regional potential, multilevel governance and shared management, and ‘bottom-up’ territorial tools – with the logic of the European Semester will remain a key challenge in years to come.

The CPMR General Secretariat held a technical discussion with its Member Regions on 30 April to discuss the issues broached in this note. **Conclusions arising from the discussion and from the analysis are available under Section 2.**

### 1. INTRODUCTION

As part of the European Semester 2019, the European Commission published on the 27<sup>th</sup> of February the [Country Reports of 2019](#) for each Member State<sup>1</sup>. On each Country Report, the European Commission assesses the economic and social situation of each Member State and its progress implementing previous year's Country Specific Recommendations.

For the first time, the European Commission paid more attention to identify investment needs and challenges linked to regional and territorial disparities, with the intention to bring a greater territorial

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<sup>1</sup> No “Annex D” in the UK Country Report

dimension to the European Semester framework. In order to build the link between the European Semester and Cohesion Policy Funds, each Member State Country report provides an **“Annex D: Investment guidance on cohesion policy funding 2021-2027”**. These are a series of investment priority needs to be delivered by each of the policy objectives established for the post-2020 Cohesion Policy<sup>2</sup>. **The main purpose of Annex D reports is to provide solid analytical input to the programming dialogue of the Cohesion Policy funds 2021-2027: ERDF, ESF+, CF.**

Following the European Semester timeline, on the 5<sup>th</sup> of June the European Commission presented the 2019 Country Specific Recommendations (CSRs) a tailored advice to individual Member States on how to boost jobs, growth and investment. Among the CSRs for each Member State, there’s one specific CSR with an investment focus in line with the published Annex D and paying special attention to regional and territorial disparities.

This report analyses the European Commission assessment and the policy recommendations on the 27 “Annex D” regarding territorial specificities and CPMR policy areas of interest.

#### **5 main Policy Objectives (PO) will drive Cohesion policy investments in 2021-2027**

- **PO1: a Smarter Europe**, by promoting innovative and smart economic transformation
- **PO2: a Greener, low - carbon free Europe** by promoting clean and fair energy transition, green and blue investment, the circular economy, climate adaptation and risk prevention and management
- **PO3: a more Connected Europe** by enhancing mobility and regional ICT connectivity
- **PO4: a more Social Europe** implementing the European Pillar of Social Rights
- **PO5: a Europe closer to citizens** by fostering the sustainable and integrated development of urban, rural and coastal areas and local initiatives.

## **2. MAIN CONCLUSIONS**

The European Commission presented the so-called “Annex D” as their initiative to build the link between the European Semester and Cohesion Policy programmes. According to the European Commission the policy recommendations are the result of a comprehensive assessment of investment bottlenecks, investment needs and regional disparities of each country report.

The CPMR has looked carefully at the assessment done regarding territorial specificities and the CPMR policy areas of interest. The CPMR notes the following. There is/are:

- **Significant differences across country reports when it comes to the analysis of territorial challenges and investment needs particularly concerning specific types of territories** covered by the EU Treaty Articles.
- **Shortfall in the consideration of a territorial dimension in the investment priorities** related to the Cohesion policy Funds 2021-2027 policy objectives.
- **Divergence regarding the identification of the regions to be supported** by priority investments across the country reports. It varies from precise mentions of their names to very vague denominations of “geographical areas”.

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<sup>2</sup> The intensity of needs established by the European Commission have not been considered in this report - high priority needs, priority needs, needs.

- **No consistent reference on the existing macroregional and sea-basis strategies** to which priority investments supported by the Cohesion Policy Funds are aligned to address the challenges identified under the strategy

Considering the relevant role that it is assigned to Annex D on the programming of the Cohesion Policy funds 2021-2027, some concerns have raised on how this Annex D will affect the programming process. The CPMR would like to stress:

- **The fact that not all Policy Objectives are covered on all Member States “Annex D” weakens the aim that Annex D will be the basis for programming.**
  - PO2 is not addressed for Denmark, Finland, Ireland, Luxembourg, Netherlands and Sweden. It is clear, that these Member States have climate and energy-related issues that the post-2020 Cohesion Policy could support. The lack of mention of PO2 for 5 Member States generates doubts to the regions concerned in relation to the programming of the funds and the priority to be provided to ‘Green Europe’ projects.
  - There is an inconsistency between the establishment of thematic concentration provisions on PO2 (Art.3 ERDF-CF Regulation on the EC’ proposal) and not listing specific policy recommendations on PO2 for some Member States.
  - The new Policy Objective 5, presented by the European Commission as the most “territorial” objective of post-2020 Cohesion Policy is not considered for Finland, Ireland, Hungary, Luxembourg and Sweden. This fact potentially undermines the focus of Cohesion Policy addressing regional disparities and providing a territorial dimension to operational programmes.
- **The lack of a framework to guarantee regional authorities’ involvement on the European Semester process can generate a mismatch between the needs of the regions and the investment priority recommendations** done by the European Commission.
  - Annex D is an assessment done by the European Commission services after on-site missions and a structured dialogue with Member States.
  - The participation of regions in the meetings between Member States and the European Commission is not clearly established. There’s a significant diversity in terms of the levels and quality of participation of regional authorities among Member States.
  - Due to the mismatch between the needs of the regions and the investment recommendations, it is questioned the need of compliance of the listed priorities on the programming by the regions.
- **The lack of mention of specific cross-border projects as priority investments in the Annex D can decline the ERDF economic support received via the European Territorial Cooperation goal by the Member States involved.**
  - On transport, inconsistencies between priority investments for neighbouring Member States may undermine the possibility to support cross-border infrastructure projects.
- **The discordance between investment priorities and the non-eligibility of specific investments generates concerns on the affected regions.**
  - ERDF regulation rules out the funding on facilities for the treatment of residual waste. A disagreement emerges when on France’s Annex D it is recommended that French outermost regions should invest on municipal waste collection and management.

Understood residual waste as “primarily non-separately collected municipal waste and rejects from waste treatment”, the first element is a significant part of the waste collected in the French Outermost regions.

#### INITIAL RECOMMENDATIONS FROM THE CPMR GENERAL SECRETARIAT<sup>3</sup>:

- **Welcome the introduction of “Annex D”** as the first step towards a territorial dimension of the European Semester.
- **Reiterate** its position defending the **need to integrate a territorial approach** into the whole European Semester process.
- **Stress** that the **territorial dimension of Annex D could be improved** in terms of consistency and harmonization across Member States.
- **Note** that the **European Semester 2024 will be key for the program’s mid-term review** with the aim to adapt programs to the challenges faced at the time, according to the European Commission CPR proposal.
- **Call** for the enhancement of the territorial dimension on the investment guidance for cohesion policy funding **to ensure future EU funding matches the real needs and priorities for investment.**
- **Ask** for the **greater participation of the regions in the European Semester dialogue.** Regional authorities’ involvement as partners of the European Semester dialogue at national level must be ensured.
- **Request** to the European Commission to **provide all the studies, assessments and fact-check missions done** to draft the “Annex D” for each Member State as a matter of transparency.
- **Introduce** the need to **coordinate investment priorities with strategic frameworks priorities** to enhance the effectiveness of Cohesion policy funds on supporting strategic frameworks such as SDGs.

### 3. COMPARATIVE ANALYSIS BROKEN DOWN BY THEME

#### 3.1 Specific types of territories

This section looks at the way the territorial dimension of Cohesion Policy and regional disparities are addressed across Member States by the European Commission. It focuses on specific types of territories represented within CPMR Membership: island regions and northern sparsely populated areas as per Article 174 TFEU and outermost regions as per Article 349 TFEU.

##### 3.1.1 Islands

There is a wide range of island territories across the EU, of varying sizes, population, administrative level (island Member State, autonomous region at NUTS 2 level, smaller islands at NUT3 level, archipelagos etc.) or distance to the continent (from outermost region to islands separated from the continent by only a few kilometres).

The way the European Commission considers insularity-related issues reflects, to some extent, the attention usually paid to island territories by each Member State:

- For instance, in **Spain**, islands are strong autonomous regions and hence the specific challenges of the Balearic Islands and the Canary Islands are mentioned several times in the Annex D, such as their remoteness, isolation and the higher costs due to insularity. Similarly, for Member States

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<sup>3</sup> Pending political approval from the CPMR Political Bureau at its General Assembly meeting in October

where islands have a special status of outermost regions, insularity is effectively taken into account in the analysis of investment needs and concrete/precise recommendations are made for almost all policy objectives (**Spain, Portugal, France**).

- For Member States with a significant number of island territories, specific investment needs due to insularity are effectively addressed, in all its dimensions, for instance in PO2, PO3 and PO5 for **Croatia** and **Greece**.
- On the contrary, island regions in Member States with rather strong centralised tradition (e.g. **France** where Corsica is mentioned only once in PO2) or where regions have no important administrative powers (e.g. **Estonia**) island regions are hardly or not at all mentioned in the Annex D. The same applies for Member States which are not specifically known for their insularity but have nevertheless some island territories along their coastlines such as **Germany**.

However, we note some inconsistencies:

- For **Cyprus** and **Malta**, their respective Annex D does not reflect their specific condition as island Member State whereas their unique situation in the EU is duly recognised in various EU regulations and entails specific investment needs. A striking example is for instance the recommendations under PO3 for Cyprus, which only focuses on sustainable urban mobility - and not on accessibility needs of other areas of the country or to the continent. However, for Malta, its double insularity condition and the greatest disadvantages faced by the island of Gozo are recognised in the Annex D, albeit to a limited extent.
- For **Italy**, whereas a significant share of the population lives in the two biggest EU island regions, insularity is not really addressed across the various policy objectives and Sicily and Sardegna are not mentioned once in the Annex D. It seems that the territorial analysis behind this Annex puts more emphasis on the North-South divide than on the disparities and inequalities between islands and mainland.
- For **Sweden, Finland and Denmark**, yet known for their significant number and diversity of island territories, from island regions such as Gotland in Sweden or Bornholm in Denmark, to the many islands in their inland waters and lakes, the issue of insularity is not addressed at all. This contradicts in part the analysis of the rest of the country report which raises some of the specific issues faced by islands, for instance in terms of accessibility or job opportunities.

**Message:**

Overall, the fact that island territories are not considered equally in their specific natural constraints across the EU shows that there is **no consistent approach in the integration of an island dimension in the programming of Cohesion Policy funds** for Member States concerned for the post-2020 period.

In most cases, investments targeting specifically islands are mentioned in the framework of the “**Clean Energy for EU islands**” initiative (PO2) which also seems rather limited given the broad and complex range of insularity-related challenges.

### **3.1.2 Northern Sparsely Populated Areas**

The case of Northern Sparsely Populated Areas (NSPAs) is addressed several times in the Annex D of **Sweden** but only under Policy objective 1 to develop smart specialisation systems, entrepreneurship and research and innovation. For **Finland**, NSPAs are mentioned only once (PO1), in view to develop research, competence and innovation clusters in these areas.

**Message:**

There is **no consistent and comprehensive approach to regional disparities, particularly with regard to NSPAs, between Sweden and Finland** and the analysis of the specific investment needs of NSPAs is rather limited. Other critical issues faced by these regions such as infrastructure investment needs supporting the principle of 'accessibility', basic ICT needs or vulnerability to climate change, and where Cohesion Policy can provide support, are not addressed by the Annexes D.

### 3.1.3 Outermost regions

- The Annex D for **France** makes clear and targeted recommendations for investments in its outermost regions in PO2, PO3, PO4 and PO5. The Annex D also mentions the need to strengthen the administrative capacity of outermost regions for a more effective delivery of EU funds, particularly in the use of integrated territorial tools.
- For **Portugal** the specific condition of the Azores and Madeira as outermost regions and archipelagos is duly recognized and stressed in each policy objectives addressed by the Annex D.
- The challenges faced by the Canary Islands are rather well integrated in the Annex D for **Spain**, with a specific focus in PO3 to improve accessibility and interconnectivity between the islands and in PO5 which recommends priority investments for integrated local development strategies.

#### Message:

**The approach to outermost regions is rather consistent across France, Portugal and Spain, and investments needs are clearly identified in almost all Policy objectives**, although it could have been stronger for Spain.

**The importance of territorial cooperation at sea-basin level with neighboring regions and the need for better integration with third countries** are stressed in the three respective Annexes D, which is a very relevant and positive step for outermost regions.

### 3.1.4 Others

Investment recommendations to address other types of regional disparities target a broad range of territories, mainly:

- **urban areas** (Austria, Belgium, Croatia, Cyprus, France, Germany, Greece, Italy, Malta, Netherlands, Portugal, Spain)
- **functional urban areas, rural-urban linkages** (Croatia, Czech Republic, Estonia, Germany, Italy)
- **lagging regions, middle-income region, rural and remote areas** (Croatia, Cyprus, Czech Republic, Estonia, France, Germany, Italy, Latvia, Lithuania, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden)
- **mountainous areas** (Cyprus, Greece, Romania)

## 3.2 CPMR policy areas of interest

This section examines the approach taken by the European Commission on Annex D to the priority actions to promote territorial cohesion across Member States on the main policies of interest for the CPMR.

### 3.2.1 Transport

The support to territorial cohesion on transport policy is essentially about defending the principle of accessibility and promoting the investment required for the development of accessibility and connectivity projects on regions and rural-urban areas while connecting them to the core network.

### Observations on transport and accessibility as an investment priority

- Investment priorities on accessibility are always mentioned under PO3 and referred as the need to reduce regional disparities and to improve access and connections to the core Trans-European Transport Network railway and road network.
- **When mentioned, investment priorities on transport tend to be referred in relation to a territorial specificity:** islands (for **Croatia** and **Greece**), outermost regions (**Portugal** and **Spain**), peripheral regions and rural areas (**Romania**, **Poland**). Significant mentioning of the need to promote accessibility in cross-border regions for **Estonia** and **Latvia**). However, there's a lack of mention of infrastructure investment needs supporting the principle of 'accessibility' for NSPAs in the Annex D.
- **Non-consistency on the mention of specific transport infrastructure investments.** It ranges from the thorough examination for **Greece** (detailed list of transport investments needed) to the broad approach taken on **Italy's** Annex D where no geographical area or specific investment are mentioned.

### 3.2.2 Maritime – Blue Growth

#### Observations on investment priorities related to blue growth and maritime issues

- Even though 'blue investment' is explicitly referred in Policy objective 2 in the draft ERDF/CF regulation, there is a **general absence of investment recommendations linked to blue growth, even for Member States with significant maritime challenges.**
- On PO2, the only references linked to blue growth are in **France's** Annex D where it is stated the need to reduce pollution to protect terrestrial and marine biodiversity, also in cooperation with neighbouring islands/territories. And for **Greece** and **Portugal**, where the blue growth pillar of their respective macro-regional strategies (Adriatic-Ionian and Atlantic Strategy) is mentioned for the promotion of renewable energies.
- Specific references linked to innovation on maritime industry are made under PO1. Annex D for **Ireland** and **Sweden** recommends to strength research, development and innovation focusing in green and blue innovation, as for **Malta** innovation in shipping industry.

### 3.2.3 Climate and Energy

#### Observations on the investment priorities related to climate and energy

- Climate and energy-related issues are in general addressed in its dedicated policy objective (PO2). Reiterated recommendations to invest in energy efficiency measures, to promote the transition to circular economy, to invest in climate change and risk prevention, and on sustainable water management.
- The **precise identification of territorial investment priorities on climate and energy under PO2 varies significantly from one Member State to another.** For example, in **France's** Annex D there are explicit actions to put in place in outermost regions - regarding transition to circular economy and biodiversity. While in other Annex D, there are no explicit references of any specific territory or only considering a cross border context as in **Spain's** Annex D.
- The identification of **different impacts of climate change depending on regions and sea-basins is not very detailed.** There are no tailored-made recommendations for specific territories such as island or outermost regions whereas they are often confronted with these issues with greater vulnerability/intensity. For example, on **France's** Annex D a few mainland regions affected by climate change are mentioned for PO2 but not outermost regions.

- The “**EU Coal Regions**” initiative and “**Clean Energy for EU islands**” are mentioned in a significant number of Member States Annex D to be supported by post-2020 Cohesion Policy.
- Only for few Member States there are references to climate and energy issues in other POs: **Finland** (in PO1), **Germany** (PO1, PO5), **Malta** (PO1, PO4, PO5) and **Cyprus, France and Greece** (in PO5).
- **In a significant number of Member States, investment needs identified under PO3 have a climate/energy dimension** while recommending the need to invest on clean and sustainable modes of transport. The need to support sustainable urban mobility is specifically emphasized.

## 2.2.4 Migration

### Observations on the investment priorities in relation to migration

- **In a few Member States, migrants are specifically mentioned as the target** of a specific priority investment under Policy Objective 4.
- The priority investment where migrants are mentioned focus on the internal dimension of migration (integration). Specifically, **migrants are included as the specific subjects of support on labour market policies**. For example, on the need to upgrade adult population basic skills through quality education and training for **Denmark, Germany, and France**. Also, on the need, to support their socioeconomic inclusion for **France, Portugal, Finland and Greece** (specifically children) and to encourage better hiring practices for **Italy** (e.g. migrants in the agriculture sector).

### Messages:

- **There is a divergence of considerations of the territorial dimension and specificities in the recommendations linked to the sectorial policies under the ESIF policy objectives 2020-2027.** There is a certain consistency on accessibility as this investment priority is referred in relation to a territorial specificity. For other policies as climate and energy there is no exhaustive identification of territorial investments needed among the Member States.
- It must be noted that the EMFF is not covered by Annex D which strongly limits the maritime scope of the Annex. Despite this, **the lack of consideration of the ERDF, CF and ESF+ funds for the funding of maritime policy investments under Annex D undermines the role that Cohesion Policy could play regarding Blue Growth** and that could have repercussions on the objectives of territorial cohesion.
- **A greater climate dimension on Annex D’ investment priorities should be linked with the requirement of climate mainstreaming at EU budget level.** All POs should have a precise identification of territorial investment priorities on climate and energy.

## 3.3 Territorial dimension of PO4

The European Semester has a role in monitoring the implementation of the European Pillar of Social Rights. As the ESF+ is envisaged to support the principles set out in the European Pillar of Social Rights, it is stated in the ESF+ Regulation that a specific amount of resources should be allocated to address challenges identified under the European Semester.

### Observations on the investment priorities in relation to Policy Objective 4

- **Acknowledgment of the existence of regional disparities within a Member State in relation to social issues.** However, the assessment is not generally followed by detailed recommendations to specific regions. For example, it is the case of **Germany’** Annex D where

it is mentioned the strong regional disparities on skilled labour shortages, but no further investment priority is laid out.

- The **investment needs are established in relation to specific territories only in a few Member States**. In **France's** and **Portugal's** Annex D, it is stated that early school leaving must be faced in outermost regions. Also, the need to promote better access and healthcare in rural areas and in the outermost regions is mentioned for **France**.
- It is worth to point out that the **classification of regions is done according to social indicators** in this concrete policy objective. For example, for **Spain** the investment priority to increase access at all levels of education and training is established for regions with high early school leaving rates and low educational outcome. For **Italy**, the need to upgrade education equipment and infrastructure in all levels of education to fight early school leaving is pointed to less developed regions.

#### Messages:

A stronger territorial dimension of the European Semester is needed as the ESF+ will be significantly guided by the European Semester and the European Pillar of Social Rights. **There is an attempt to establish a territorial dimension on the Policy Objective 4 of Annex D with the acknowledgment of existing regional disparities. The vague definition of specific investment priorities on the existing social disparities within Member States weakens the aim.**

Surely, the territorial dimension of PO4 could be strengthened with the **definition of specific investment priorities regarding the regions with low results on social indicators.**

### 3.4 Macroregional and Sea-basin strategies

General messages on the investment priorities related to macro-regional and sea basin strategies

- There is an attempt to **link policy recommendations with actions on EU strategies** as the **EU Strategy for the Baltic Sea** (in the Annex D for Denmark, Finland, Sweden, Poland, Latvia, Lithuania and Estonia) or the **EU Atlantic Strategy** (Ireland, Portugal and France).
- There are **reiterated mentions of macroregional strategies on Policy objective 1**. Specifically, on the need of cross border cooperation on innovation, clusters and internationalization of SME's in line with the common actions mentioned under the macroregional strategy such as for the **Baltic Strategy** (Denmark, Estonia, Finland, Latvia, Lithuania, Poland, Sweden).
- There is **no reference of the existing macro-regional and sea basin strategies in relevant sectorial policy objectives other than PO1**. For PO2 only the **Baltic Strategy** is mentioned in the Annex D for Latvia, Estonia and Lithuania as the framework to promote coordinated preventive measures on climate change adaptation. The **Adriatic-Ionian Strategy** for Greece and the **Atlantic Strategy** for Portugal are mentioned in relation to blue investment.
- On PO5, there are certain considerations of **macroregional strategies as the framework where integrated territorial strategies could be developed**.
- **Challenges and actions to put in place in line with a macroregional strategy or sea basin strategy are not considered in all Member States part of the strategy**. For instance, the **Atlantic Strategy** is mentioned in Ireland, Portugal and France's Country Reports, but not in Spain's where there is only a footnote reference. In the Italian Annex D there is no reference to the **Alpine and Adriatic-Ionian Strategies** and on the German, there is no reference to the **Baltic or Danube Strategy**.

## Messages

Overall there is **no consistent reference on the existing macroregional and sea-basis strategies as the framework** where priority investments could be aligned to.

**The lack of a harmonized approach undermines the role of the European Structural and Investment Funds to support projects and actions to face the key common challenges of a specific geographical area on all the policy objectives.** Specially, regarding the European Commission proposal on the ETC Regulation where there is a specific reference on the need to programme certain percentage of financial allocations under priorities shall be programmed on the objectives of that strategy.



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**The Conference of Peripheral Maritime Regions (CPMR) brings together some 160 Regions from 25 States from the European Union and beyond.**

Representing about 200 million people, the CPMR campaigns in favour of a more balanced development of the European territory.

It operates both as a think tank and as a lobby group for Regions. It focuses mainly on social, economic and territorial cohesion, maritime policies and accessibility.

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