

25 October 2022

Positive preliminary assessment of the satisfactory fulfilment of milestones related to the first payment request submitted by Cyprus on 28 July 2022, transmitted to the Economic and Financial Committee by the European Commission

Executive summary

In accordance with Article 24(2) of Regulation (EU) 2021/241, on 28 July 2022, Cyprus submitted a request for payment for the first instalment of the non-repayable support. The payment request was accompanied by the required management declaration and summary of audits.

To support its payment request, Cyprus provided due justification of the satisfactory fulfilment of the 14 milestones of the first instalment of the non-repayable support, as set out in Section 2.1 (1.1) of the Council Implementing Decision of 28 July 2021 on the approval of the assessment of the recovery and resilience plan for Cyprus¹.

Upon receipt of the payment request, the Commission has assessed on a preliminary basis the satisfactory fulfilment of the relevant milestones. Based on the information provided by Cyprus, the Commission has made a positive preliminary assessment of the satisfactory fulfilment of all 14 milestones.

The milestones positively assessed as part of this payment request demonstrate significant steps in the implementation of Cyprus' Recovery and Resilience Plan. This includes, among others, reforms to enhance competition in the electricity market, establish a regulatory framework for promoting the participation of storage facilities in the electricity market, promote circular economy, improve the functioning of the public administration, improve the operational environment of credit acquiring companies and credit servicers, enhance digital skills across all population groups, fight corruption and establish a repository system for monitoring the implementation of the Recovery and Resilience Facility. The satisfactory fulfilment of the milestones indicates progress towards the completion of investment projects aiming to encourage the use of renewables and promote energy efficiency investments in dwellings, SMEs, municipalities, communities and the wider public sector, the purchase and installation of specialised equipment for isotopic characterisation of products and upgrading the infrastructure of courts.

By the transmission of this positive preliminary assessment and in accordance with Article 24(4) of Regulation (EU) 2021/241, the Commission asks for the opinion of the Economic and Financial Committee on the satisfactory fulfilment of the relevant milestones.

¹ ST 10686 2021 INIT and ST 10686 2021 ADD 1, not yet published in the Official Journal.

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| Number: 21 | Related Measure: C2.1R2 Independence of Cyprus Transmission System Operator (TSOC) from the incumbent Electricity Authority of Cyprus | |
| Name of the Milestone: Law for the Regulation of the Electricity Market of 2021 | | |
| Qualitative Indicator: Provision in the law indicating the entry into force of the 2021 "Law for the Regulation of the Electricity Market" | | Time: Q4 2021 |
| Context: <p>The measure's objective is to enhance the electricity market competition by creating conditions for new investors to participate in the generation, storage, aggregation, demand response and supply of electricity. The reform consists in ensuring the independence of the Cyprus Transmission System Operator (TSOC) from the Electricity Authority of Cyprus (EAC) in terms of governance, financial and personnel management. It shall also facilitate supplier switching, which is expected to reduce the cost of electricity for domestic and commercial/industrial customers.</p> <p>This milestone consists of the publication and entry into force of the law for the regulation of the electricity market. It is the only CID implementation step of this measure.</p> | | |
| Evidence provided: <p>In line with the verification mechanism set out in the Operational Arrangements, the following evidence was provided:</p> <ol style="list-style-type: none">1. Summary document duly justifying how the milestone (including all the constitutive elements) was satisfactorily fulfilled;2. Copy of Law L.130(I)/2021 published in the Official Gazette of the Republic n. 4850 of 7 October 2021 on the Regulation of the Electricity Market. | | |
| Analysis: <p>In line with the requirements of the Council Implementing Decision, the Law for the Regulation of the Electricity Market of 2021 entered into force on 7 October 2021, the date of the publication of the Law in the Official Gazette of the Republic. As provided in the Council Implementing Decision, the adopted law facilitates the opening of the electricity market to competition and boosts the uptake of renewable energy sources (RES) by:</p> <p>a) achieving the independence of the Cyprus Transmission System Operator (TSOC) from the incumbent Electricity Authority of Cyprus (EAC) (autonomy in governance, financial autonomy and independence of TSOC personnel).</p> <ul style="list-style-type: none">• According to Articles 57-60 of the law, TSOC will be governed independently through the appointment of the Executive Director, the TSOC Special Committees and the Disciplinary Committee. The staff of the TSOC will be recruited independently from EAC, in accordance with its organigram and annual budget.• According to Articles 61-66 of the law, the financial autonomy of the TSOC will be ensured by the establishment of its own autonomous budget and the generation of allowable revenues for TSOC through tariffs and fees approved by the CY Energy Regulatory Authority. According to Article 64 (2) of the law, the TSOC's revenues should be sufficient for the recovery of operating costs, capital costs and assets' depreciation. The TSOC will also be granted the competence with regards to the acquisition, disposal and investment in property.• According to Articles 78, 79 and 83 of the law, the TSOC personnel will be fully independent from the EAC. The TSOC employees will be subject to the compliance programme submitted for approval to the Cyprus Energy Regulatory Authority (CERA). It sets forth the measures | | |

ensuring non-discriminatory conduct against any person or categories of persons or between system users or categories of users, in particular for the benefit of subsidiaries. The personnel will be located in headquarters leased by the TSOC that will be physically separated from other institutions active in the energy market.

(b) introducing the necessary steps for reducing the cost of electricity for domestic and commercial/industrial customers.

- The law introduces changes to the electricity market with the aim to increase the competition on the market and as a result lead to a reduction in prices. Most prominently, according to Articles 122-124, electricity consumers will be allowed to become prosumers (e.g., to sell self-generated electricity), to establish Citizen Energy Communities and to activate a demand response through aggregators (i.e. allowing for the final consumers to participate in all electricity markets together with power generators).
- Moreover, the TSOC is designated to act as a market operator and to have competences with respect to the operation of the market, the settlement of monetary transactions and of guarantees imposed on electricity market participants, which should ensure fair and transparent functioning of the market which enhances competition among its participants.

(c) creating conditions of transparency and trust to motivate new investors in generation and supply of electricity.

- According to Articles 9, 22, 27 and 49 of the law, several provisions are introduced with the objective to increase transparency and trust on the electricity market. For instance, before any regulatory decision is taken, CERA should conduct market consultations to involve all interested participants. Moreover, comparable technical requirements, adapted to the market characteristics, should be required from all participants, while the market operator is obliged to make available in timely and appropriate manner the information necessary for their participation.

The law facilitates supplier switching, inter alia by entrusting CERA with monitoring the charges imposed for switching electricity providers and ensuring that customers are not discriminated in terms of costs, effort and time to switch supplier (Articles 5 and 27).

The law provides conditions for new investors to participate in the storage, aggregation, demand response of electricity. This is ensured, inter alia, by entrusting CERA with responsibility of monitoring the effective competition on the market, with having regard to the prices of activities of generation, supply and storage of energy. CERA should also facilitate the access to the grid for new generation capacity and energy storage facilities, in particular by removing barriers that could prevent new operators or electricity produced from renewable sources from gaining access to the market (Articles 4, 5 and 22).

Commission Preliminary Assessment: Satisfactorily fulfilled

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| Number: 23 | Related Measure: C2.1R4 Energy Storage Regulatory Framework | |
| Name of the Milestone: Amendment of the Transmission and Distribution Rules (TDRs) and Trading and Settlement Rules (TSRs) | | |
| Qualitative Indicator: Publication on the website of the Cyprus Energy Regulatory Authority of Amendment of the Transmission and Distribution Rules (TDRs) and the Trading and Settlement Rules (TSRs) | | Time: Q4 2021 |
| Context: <p>The objective of the measure is to establish a regulatory framework for promoting the participation of storage facilities in the electricity market through the amendment of the Transmission and Distribution Rules (TDRs) and the Trading and Settlement Rules (TSRs) to allow storage facilities to participate in the wholesale electricity market. This is expected to promote the generation of electricity from renewable energy systems and to contribute to the efficiency and economic viability of the electricity market as a whole. Currently there are no energy storage facilities in Cyprus.</p> <p>This milestone consists of the publication on the website of the Cyprus Energy Regulatory Authority of the Amendment of the Transmission and Distribution Rules (TDRs) and the Trading and Settlement Rules (TSRs). It is the only implementation step of this measure.</p> | | |
| Evidence provided: <p>In line with the verification mechanism set out in the Operational Arrangements, the following evidence was provided:</p> <ol style="list-style-type: none">1. Summary document duly justifying how the milestone (including all the constitutive elements) was satisfactorily fulfilled.2. Copy of the Announcements no. 1859 and no. 1860 of the Cyprus Energy Regulatory Authority (CERA)'s regarding the amendment and entry into force of the Transmission and Distribution Rules (TDRs) and Trading and Settlement Rules (TSRs) published in the Official Gazette of the Republic no.5356 of 8 April 2022;3. Link to the website of the Cyprus Energy Regulatory Authority of the approval of the amended rules and their entry into force: CERA's Decision No. 386/2021: https://www.cera.org.cy/el-gr/apofasis/details/apofasi-386-2021 CERA's Decision No. 4/2022: https://www.cera.org.cy/el-gr/apofasis/details/apofasi-4-2022 CERA's Decision No 72/2022 for the publication in the official Gazette of the Republic, of CERA's and TSOC' Announcements regarding the amendment and entry into force of the TDRs and TSRs: https://www.cera.org.cy/en-gb/apofasis/details/apofasi-72-20224. Link to the amended rules on the website of Transmission System Operator of Cyprus (TSOC) Amended TDRs (5.3.0): https://tsoc.org.cy/%CE%B5%CE%B3%CE%BA%CF%81%CE%B9%CF%83%CE%B7-%CE%BA%CE%BC%CE%B4-530/ Amended TSRs (2.2.0): https://tsoc.org.cy/electricity-market/electricity-market-rules 2.2.0. | | |
| Analysis: <p>In line with the requirements of the Council Implementing Decision, the amended Transmission and</p> | | |

Distribution Rules² (TDRs) and the amended Trading and Settlement Rules³ (TSRs) were approved by CERA on 29 December 2021 (CERA's Decision No. 386/2021) and 5 January 2022 (CERA's Decision No. 4/2022), respectively. They have also been published on the TSO and CERA websites.

The TDRs establish the regulatory framework for promoting the participation of storage facilities in the electricity market in accordance with the requirements of the Council Implementing Decision. To achieve this, the TDRs lay down the operational procedures and principles governing the relationship between the transmission system operator of Cyprus (TSOC) and all users of the transmission system, including storage facility operators.

Part I of the TDRs refers to the transmission system and its relevance for storage operators, in particular:

- Section T1 includes the conditions for connection to the transmission system, including for storage operations, in particular section 1.3 on scope, section 1.7 on specific design and performance specifications, section 1.10 on protection and quality of power for users, section 1.14 on responsibility for security and 1.15 on control and receipts of equipment;
- Section T2 provides the planning rules (scope, aim, system design and requirements), including for storage operators and Annex T2.A5 provides the data required from storage facilities;
- Sections T5 on Ancillary Services provides the frequency control (section T5.3) and resumption (section T5.5), including for storage operators;
- Sections T6 on Emergency Demand Arrangements, T8 on exchange of information, T9 on operational controls, T10 on audits of occasional operation of the system, T11 on monitoring, T12 on security rules, T13 on specifications and measurement procedures also contain relevant provisions for storage operators.

Part II of the TDRs refer to the distribution system and determine the technical aspects of relations between the distribution system operator of Cyprus (DSOC) and all users of the distribution system, including storage operators. The distribution rules foresee that consumers, distributed producers and storage facility operators must have connection contracts with the DSOC. The distribution rules refer to a number of technical documents and are structured as follows:

- Section D1 contains the conditions for connection to the distribution system relevant for all market participants including storage operators, and in particular Section D1.10 contains the requirements for storage facilities;
- Section D2 contains the Distribution System Design Rules which also apply to storage operators;
- Section D3 contains the Distribution System Operating Rules dealing with the various operational issues affecting users, such as the provision of demand forecasts, the scheduling of situations out of operation of the distribution and transmission system, reporting of operational changes and incidents, security issues and procedures relating to the response to emergency situations;
- Section D4 contains the Distribution System Data Registration Rules.

The TSRs contain the changes that allow storage facilities to participate in the wholesale electricity market through the adoption of in-front-of-the-meter storage. Relevant sections include:

- Annex 1.1. to Chapter 1 on General provisions contains the contractual framework for the electricity market rules;
- Chapter 2 on Definitions contains additional definitions relevant for storage operators;

² <https://tsoc.org.cy/%CE%B5%CE%B3%CE%BA%CF%81%CE%B9%CF%83%CE%B7-%CE%BA%CE%BC%CE%B4-530/>

³ <https://tsoc.org.cy/electricity-market/electricity-market-rules/>

- Chapter 3 on Participant accounts, registers and transfer of merits contains section 2.5 on the Electricity Storage Facility Account and section 3.5 for the storage facility register creation;
- Chapter 5 on Ancillary services contains provisions for storage facilities as Balancing Service Providers (BSP) and to participate in the Black start Service (Appendix 5.2);
- Chapter 6 on Forward market contains provisions on “generation” or “offtake” (section 4 and section 5 respectively);
- Chapter 7 allows storage operators to participate on the Day Ahead Market (DAM);
- Chapter 8 on the integrated scheduling process contains provisions on reserves procurement and market schedule;
- Chapter 9 allows storage operators to participate on the Real Time Balancing Market (RTBM);
- Chapter 12 contains rules on the metering of data for the storage facilities;
- Chapter 13 contains rules on the clearance for storage facilities.

The renewable energy operators can engage in all markets (Forward, DAM, Reserves, RTBM) in which their economics secure competitive bids. They can only be prohibited for technical reasons and are limited only as a last resort for the system’s security.

The amended TDRs and TSRs entered into force at the time of publication in the Official Gazette of the Republic on 8 April 2022.

Commission Preliminary Assessment: Satisfactorily fulfilled

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| Number: 24 | Related Measure: C2.1I1 Promoting energy efficiency investments in SMEs, municipalities, communities and the wider public sector | |
| Name of the Milestone: Support scheme for promoting energy efficiency investments in SMEs, municipalities, communities, and the wider public sector | | |
| Qualitative Indicator: Publication of call for proposals for the support scheme for promoting energy efficiency investments in SMEs, municipalities, communities, and the wider public sector | | Time: Q4 2021 |
| Context: <p>The investment’s objective is to reduce the primary and final energy consumption and the CO2 emissions in buildings and/or facilities owned or operated by SMEs, local authorities, and organisations of the wider public sector. The investment consists in providing support to at least 275 entities for building renovation and for making production processes more efficient. The investment aims at achieving on average at least a 30% primary energy demand reduction, in compliance with the 'do no significant harm’ principle.</p> <p>This milestone consists of the publication of the call for proposals for the support scheme for promoting energy efficiency investments in SMEs, municipalities, communities and the wider public sector.</p> <p>This milestone represents the initial stage of the measure. It will be followed by targets 25 and 26 concerning the number of entities having implemented energy efficiency interventions. Target 25 foreseen for Q4 2024 requires that at least 125 entities have implemented energy efficiency measures resulting in on average at least 30% primary energy demand reduction and compliant with the ‘Do no significant harm’ Technical Guidance (2021/C58/01). Target 26 foreseen for Q4 2025 requires at least 275 entities to have implement the abovementioned measures. Final expected date for implementation is Q4 2025.</p> | | |
| Evidence provided: <p>In line with the verification mechanism set out in the Operational Arrangements, the following evidence was provided:</p> <ol style="list-style-type: none">1. Summary document, duly justifying how the milestone (including all the constitutive elements) was satisfactorily fulfilled;2. Annex I – Call of grant scheme;3. Annex II – Scheme guide which includes all the terms and conditions of the grant, including the selection criteria that ensure (i) compliance with the ‘Do no significant harm’ Technical Guidance (2021/C58/01), and (ii) that the scheme aims at achieving on average at least a 30% primary energy demand reduction, as specified in the CID Annex;4. Annex III - Copy of the verification of State aid regulation applied by the Commissioner for State Aid Control;5. Annex IV - Copy of the Council of Ministers decision approving the scheme. | | |
| Analysis: <p>In line with the requirements of the Council Implementing Decision, milestone 24 requires the publication of the call for proposals for the support scheme for promoting energy efficiency investments in SMEs, municipalities, communities and the wider public sector. The call was published on 18 March 2022.</p> | | |

The launch of the call was preceded by a verification of the State aid regulation conducted by the Cypriot Commissioner for State Aid Control (Annex III) and approved by the Council of Ministers on 16 March 2022 (Annex IV).

According to the Council Implementing Decision, this milestone required the call to target SMEs, municipalities, communities and the wider public sector. According to section 7 of the Scheme Guide (Annex II), the call targets as final recipients only SMEs and non-profit organisations. Given the similarities between Milestone 24 (connected to Measure C2.1I1) and Milestone 30 (connected to Measure C2.1I3), which both relate to calls for proposals encouraging energy efficiency measures but targeting different final recipients, the Cypriot authorities deemed it more efficient to target the calls to separate groups of recipients. The Cypriot authorities have focused this measure underpinning Milestone 24 on SMEs and non-profit organisations. Municipalities, communities, and the wider public sector were targeted in the call under Milestone 30, directed to public authorities. Whilst this call only covered SMEs and non-profits and the call under Measure C2.1I3 covered municipalities, communities, and the wider public sector, thereby resulting in two calls rather than one, constituting a minimal formal deviation from the requirement of the CID, as all elements have been taken forward, it is considered that this does not affect the progress towards the achievement of the investment that the milestone represents. On this basis, it is considered that this constitutive element of the milestone is satisfactorily fulfilled.

The CID requirement for the measure is that the grant scheme shall promote the execution of energy audits, the adoption of digital technologies and the integration of renewables. This requirement has been met, as the investments eligible for this call include the installation of building automation and control systems for energy efficiency and renewable energy installations, as well as building renovations and energy efficiency improvements in production processes of the beneficiaries as outlined in section 10 of the call.

In line with the requirements of the Council Implementing Decision, the Scheme Guide (Section 1) sets out an objective to achieve on average at least 30% primary energy demand reduction. Annex F (ΣΤ) of the Scheme Guide specifies that for building renovations, the saving will be verified by an energy expert or by an energy auditor, through Energy Performance Certificates of the building, which will be issued before and after the renovation, while for the production processes, the saving will be verified by an energy auditor, through energy audits, executed before and after the completion of the supported investments under this scheme. Section 11 of the Scheme Guide provides the compulsory technical criteria differentiated per type of investment, and in particular the minimum primary energy saving requirements in accordance with the Council Implementing Decision.

In line with the requirements of the Council Implementing Decision, the measure shall not do significant harm to environmental objective within the meaning of Article 17 of Regulation (EU) 2020/852 and will take into account the DNSH Technical Guidance (2021/C58/01). Annex C (Γ) of the Scheme Guide contains the exclusion lists of activities that are considered not eligible under the scheme, while Annex D (Δ) contains other requirements for compliance with the DNSH principle.

In line with the requirements of the Council Implementing Decision, the call shall comply with the provisions of the Directive 2008/50/EC on ambient air quality and cleaner air for Europe, the Renewable Energy Directive 2018/2001/EU and relevant national legislation on air pollutant emissions. To comply with the above requirements, the purchasing of biomass boilers has been excluded as an eligible expenditure under the scheme (Section 10 of the Scheme Guide).

Commission Preliminary Assessment: Satisfactorily fulfilled

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| Number: 27 | Related Measure: C2.1I2 Promoting renewables and individual energy efficiency measures in dwellings and tackling energy poverty in households with people with disabilities | |
| Name of the Milestone: First call for proposals for Promoting renewables and individual energy efficiency measures in dwellings | | |
| Qualitative Indicator: First call for proposals published | | Time: Q2 2021 |
| Context: <p>The measure’s objective is to encourage the use of renewable energy sources and energy savings by the large stock of old dwellings, as well as to subsidise the implementation of small-scale energy renovations in energy poor households as well as in households with people with disabilities. The investment consists in providing grants to at least 16 200 dwellings and support for the implementation of small-scale energy renovations in at least 270 energy poor households as well as households with people with disabilities. The measure aims at achieving on average at least a 30% primary energy demand reduction.</p> <p>This milestone consists of publishing the first call for proposals for promoting renewables and individual energy efficiency measures in dwellings.</p> <p>This milestone represents the initial stage of the measure. It will be followed by consecutive targets 28 and 29, concerning the number of dwellings and households with people with disabilities covered by the measure. Target 28 foreseen for Q3 2023 requires that at least 8 600 dwelling and 100 households with people with disabilities have improved their energy performance due to the tailored solutions provided by the measure. Target 29 foreseen for Q2 2026 requires that at 16 200 dwellings and 270 households with people with disabilities have improved their energy performance due to the tailored solutions provided by the measure. Final expected date for implementation is Q2 2026.</p> | | |
| Evidence provided: <p>In line with the verification mechanism set out in the Operational Arrangements, the following evidence was provided:</p> <ol style="list-style-type: none">1. Summary document, duly justifying how the milestone (including all the constitutive elements) was satisfactorily fulfilled;2. Annex I – Call of grant scheme;3. Annex II a – Scheme guide including the terms and conditions for the use of renewable energy sources and energy efficiency measures in dwellings;4. Annex II b – Scheme guide including the terms and conditions for the installation of solar hot water production systems in dwellings. | | |
| Analysis: <p>In line with the requirements of the Council Implementing Decision, milestone 27 requires the publication of the first call for proposals for promoting renewables and individual energy efficiency measures in dwellings. In line with the CID requirement, two separate calls related to the same measure were published on 14 April 2021 (Annex IIa on the use of renewable energy sources and energy efficiency measures in dwellings) and on 13 July 2021 (Annex IIb on solar hot water production systems in dwellings).</p> | | |

The Council Implementing Decision requires the investment to be composed of two sub-measures: (i) a support scheme for promoting renewables and individual energy efficiency measures in dwellings and (ii) a support scheme for addressing energy poverty in households with people with disabilities.

Both calls are aimed at dwellings, including vulnerable electricity consumers. Vulnerable electricity consumers are defined in Decree of the Minister for Energy, Commerce and Industry No RAA 289/2015 and include persons receiving a minimum guaranteed income allowance, persons receiving an allowance for severe disability, blindness, caring for paraplegic or tetraplegic persons, as well as low-income pensioners and families with more than three children.

The first call for proposals (Annex I and Annex II a) focused on three categories of measures:

1. Roof thermal insulation of existing dwellings;
2. Roof thermal insulation of existing dwellings combined with photovoltaics and net metering;
3. Installation of photovoltaics and net metering in existing dwellings, with a specific sub-measure 3B for vulnerable households.

The second call for proposals (Annex I and Annex IIb) concerned solar hot water production systems in dwellings.

Therefore, the two calls published fulfil the respective Council Implementing Decision requirement to promote renewables and individual energy efficiency measures in dwellings and in energy poor households.

According to the requirement of the Council Implementing Decision, the investment shall aim at achieving on average at least 30% primary energy demand reduction. For both calls, the energy savings resulting from the individual investments will be calculated by the implementing body (Ministry of Energy, Commerce and Industry, and the RES and Energy Conservation Fund). The level of total energy savings will be monitored with a view of achieving on average reduction in primary energy demand of at least 30%. The required level of savings will be verified at the later stages of the measure, where the details of the realised investments will be provided:

- For roof insulation, the energy savings will be calculated based on data provided by the applicants signed either by an energy auditor or by a qualified expert, or based on energy performance certificates issued before and after the application of thermal insulation to the roof;
- For integrated water heating systems, the energy savings will be verified based on the energy labels of the systems provided by the applicants;
- For solar panels, the energy savings will be calculated based on the solar key certificate provided by the applicant.

Commission Preliminary Assessment: Satisfactorily fulfilled

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| Number: 30 | Related Measure: C2.1I3 Encouraging the use of renewables and energy savings by local/wider public authorities as well as NGOs and facilitating the transition of local communities towards climate mitigation & adaptation | |
| Name of the Milestone: First call for proposals to support local authorities in energy efficiency measures | | |
| Qualitative Indicator: Publish first call for proposals | | Time: Q3 2021 |
| Context: <p>The measure’s objective is to promote the use of renewable energy sources and energy savings by the large stock of old infrastructure used by local authorities, as well as to build a pipeline of sustainable energy and climate adaptation investment projects across rural communities in Cyprus. It aims at the extensive energy upgrading of the existing old building infrastructure. The investment aims at achieving on average at least a 30% primary energy demand reduction.</p> <p>This milestone consists of publishing the first call for proposals to support local authorities in energy efficiency measures.</p> <p>This milestone represents the initial stage of the measure. It will be followed by consecutive targets 31 and 32, concerning the number of investments undertaken by local authorities or NGOs that have improved their energy performance, and resilience to climate change, with final expected date for implementation Q2 2026.</p> | | |
| Evidence provided: <p>In line with the verification mechanism set out in the Operational Arrangements, the following evidence was provided:</p> <ol style="list-style-type: none">1. Summary document, duly justifying how the milestone (including all the constitutive elements) was satisfactorily fulfilled;2. Annex I – Call of grant scheme;3. Annex II – Scheme guide which includes all the terms and conditions of the grant, including the selection criteria that ensure that the scheme aims at achieving on average at least a 30% primary energy demand reduction. | | |
| Analysis: <p>According to the requirement of the Council Implementing Decision, milestone 30 requires the publication of the first call for proposals to support local authorities in energy efficiency measures. In line with this requirement, the call for proposals was published on 16 March 2022.</p> <p>According to the Council Implementing Decision, this milestone required the call to target public authorities and NGOs. According to section 5 of the Scheme Guide (Annex II), the call targets as final recipients only public authorities. Given the similarities between milestones 24 (connected to Measure C2.1I1) and 30 (connected to Measure C2.1I3), which both relate to calls for proposals encouraging energy efficiency measures, but target different final recipients, the Cypriot authorities deemed it more efficient to target the calls to separate groups of recipients. The Cypriot authorities have focused this measure underpinning milestone 30 on public authorities. NGOs were included, among others, as final recipients under the milestone 24 directed to SMEs and non-profit organisations. Whilst this call only covered public authorities, and the call under Measure C2.1I1 covered NGOs, thereby resulting in two calls rather than one, constituting a minimal formal deviation from the requirement of the CID, as all elements have been taken forward, it is considered that this</p> | | |

does not affect the progress towards the achievement of the investment that the milestone represents. On this basis, it is considered that this constitutive element of the milestone is satisfactorily fulfilled.

According to the requirement of the Council Implementing Decision, the investment shall aim at achieving on average at least a 30% primary energy demand reduction. Section 10 of the call sets out the minimum energy saving requirements per type of investments, namely the conversion of buildings into Near Zero Emissions Building and the primary energy savings of at least 30% for other infrastructure as certified by an energy auditor on the basis of Energy Performance Certificates issued before and after the completion of the investment. For buildings, converting the eligible buildings (energy class C or lower) to Near Zero Emissions Building requires energy savings even above the 30% required by the CID. For all other categories of investments to be supported under the call, achieving a minimum 30% energy saving is set as a pre-requisite and audits are executed before and after the completion of the investment. Therefore, the requirement of the Council Implementing Decision for 30% primary energy demand reduction resulting from the measure is fulfilled.

Commission Preliminary Assessment: Satisfactorily fulfilled

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| Number: 93 | Related Measure: C3.112 Enhancing the existing isotopic databases of Cypriot local traditional food/drinks, by developing a Block Chain platform, to ensure their identity | |
| Name of the Milestone: Liquid Chromatography-Isotopic Ratio Mass Spectrometer (LC-IRMS) equipment | | |
| Qualitative Indicator: Signed statement of the acceptance of equipment to the standard quality and time specified in the tender documents and the signed contract. | | Time: Q4 2021 |
| Context: <p>The objective of the measure is to develop a mechanism and a verification methodology for at least three areas of authenticity (dairy products, honey and spirits) that are significantly affected by adulteration and fraud.</p> <p>This milestone consists of the purchase and installation of a new Liquid Chromatography-Isotopic Ratio Mass Spectrometer (LC-IRMS) equipment.</p> <p>This milestone represents the initial stage of the measure. It will be followed by milestone 94 concerning the Integrated Isotopic DataBases for at least ten traditional/local foods/ drinks connected to a Blockchain system, with final expected date for implementation in Q1 2025.</p> | | |
| Evidence provided: <p>In line with the verification mechanism set out in the Operational Arrangements, the following evidence was provided:</p> <ol style="list-style-type: none">1. Summary document duly justifying how the milestone (including all the constitutive elements) was satisfactorily fulfilled.2. A copy of the signed contract and its Annexes which include the technical specifications in the tender documents. This includes the general and specific terms of references of the contract, the signatures by the implementing body and the contractor, and a series of annexes in relation to the technical specifications and for service work.3. A copy of the acceptance certificate issued by the Competent Authority in accordance with the national legislation for the acceptance of equipment to the standard quality and time specified, in the tender documents, and for the installation of the spectrometer. | | |

Analysis:

In line with the requirements of the Council Implementing Decision, the new Liquid Chromatography-Isotopic Ratio Mass Spectrometer (LC-IRMS) equipment for isotopic characterisation was purchased and installed.

It was purchased and installed through a tender procedure, issued on 21 May 2021 for the "Provision, Installation and Maintenance of the LC-IRMS for the State Government Laboratory" (tender reference "13.25.05.2021.13"), based on which the contractor was selected on 29 June 2021. The contract was signed on 18 August 2021, between the Government of the Republic of Cyprus (through the Head of the State General Laboratory) and a representative of Biotronics Ltd ("contractor"). The installation of the equipment was completed on 30 November 2021.

The signed contract and its Annexes include the technical specifications of the tender documents, which define the requirements for the provision, installation and maintenance of the LC-IRMS for the State Government Laboratory, and against which the contracting authority issued the certificate of acceptance, in accordance with the Council Implementing Decision.

Specifically, the signed contract and its Annexes define the general and specific terms of references of the contract and a series of annexes in relation to the technical specifications and for the terms and conditions of the service work. They define the subject matter, value, start date and duration, obligations of the contracting authority and of the contractor, as well as the technical specifications of the equipment and the maintenance work related to the purchase, installation and maintenance of the equipment.

In line with the requirements of the Council Implementing Decision, a certificate for the acceptance of equipment to the standard quality and time specified in the tender documents and for the installation of the spectrometer was issued by the Competent Authority. This certificate of acceptance was prepared and signed by the contracting authority (Cyprus State General Laboratory) on 7 December 2021. In particular, the purchased and installed Liquid Chromatography-Isotopic Ratio Mass Spectrometer (LC-IRMS) equipment for isotopic characterisation allows the development and application of verification methodologies to confirm the authenticity of traditional food and drink products.

Commission Preliminary Assessment: Satisfactorily fulfilled

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| Number: 109 | Related Measure: C3.1R4 Enhancement of circular economy in the industry | |
| Name of the Milestone: Approval of the National Action Plan for the Enhancement of Circular Economy in Cyprus | | |
| Qualitative Indicator: Publication of the Council of Ministers’ decision for the approval of the National Action plan | | Time: Q4 2021 |
| Context: <p>The objective of the measure is to enhance the circular economy model in the country through the implementation of a concrete Action Plan.</p> <p>This milestone consists of the approval of the National Action Plan for the Enhancement of Circular Economy in Cyprus (“the Action Plan”) by the Council of Ministers. The Action Plan shall include a grant scheme to enhance business investment in the circular economy, as well as the following actions: (i) raising awareness among the consumers and the business community regarding the benefits of circular products towards the environment and about the strengths and business opportunities that the circular economy offers, (ii) providing consulting services regarding business diagnostics, business coaching, training of employees and preparation of a roadmap for transitioning to circularity, and (iii) sharing a marketplace platform for the circular economy to connect supply and demand of materials, scrub and waste.</p> <p>This milestone represents the initial step of the measure C3.1R4. It will be followed by target 110, concerning the aid granted to SMEs which are moving into a circular operating mode, with final expected date for implementation in Q2 2026.</p> | | |
| Evidence provided: <p>In line with the verification mechanism set out in the Operational Arrangements, the following evidence was provided:</p> <ol style="list-style-type: none">1. Summary document duly justifying how the milestone (including all the constitutive elements) was satisfactorily fulfilled;2. The decision by the Council of Ministers for the approval of the National Action plan for the Enhancement of Circular Economy in Cyprus;3. Copy of and link to the National Action Plan for the Enhancement of Circular Economy in Cyprus. | | |
| Analysis: <p>In line with the requirements of the Council Implementing Decision, the Council of Ministers approved the National Action Plan for the Enhancement of Circular Economy in Cyprus on 16 June 2021 (decision no. 91.390).</p> <p>The Action Plan lays down a comprehensive list of concrete actions and policy measures to promote and develop the circular economy in Cyprus. They are divided into several pillars of which the following address the required actions according to the Council Implementing Decision:</p> <ul style="list-style-type: none">• The first pillar (creation of a circular economy) includes a communication plan aimed to raise awareness about the prospects and business opportunities of the circular economy among consumers and the business community (Attachment 1, point 1.1) by preparing films and advertisements, organising workshops and presentations of successful cases and good practices by companies that are already taking circularity measures. In addition, it includes a | | |

communication plan for the management of municipal waste, implementation of staff training, education and skills development programmes and information on financial tools;

- The second pillar (incentives for investment in the circular economy and support for transition) sets out a plan on consulting services regarding business diagnostics, business coaching, training of employees and preparation of a roadmap for transitioning to circularity, and in addition broadly outlines the grant scheme for SMEs aiming to move into a circular operating model (Attachment 1, point 2.3);
- The third pillar (circular economy infrastructure) includes a plan for the development and sharing of an online marketplace platform for the circular economy to connect supply and demand of materials, scrub and waste.

Commission Preliminary Assessment: Satisfactorily fulfilled

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| Number: 160 | Related Measure: C3.4R3 Introduce new framework for evaluation and selection process for filling public service vacancies and new regulations for the evaluation of employees' performance | |
| Name of the Milestone: Entry into force of legislation for the evaluation and selection process for public service vacancies and regulations for employees' performance evaluation | | |
| Qualitative Indicator: Provision in the relevant law(s) and regulations indicating their respective entry into force | | Time: Q4 2021 |
| Context: <p>The objective of the reform is to improve the functioning of the public service through the introduction of a new framework for the evaluation and selection of candidates for promotion posts on the basis of merit; the introduction of a new performance evaluation system that is more transparent, competency-based, and effective; and the improvement of recruitment procedures through training, the updating of the requirements necessary to work in the public administration and amendments to the relevant laws for recruitment.</p> <p>This milestone consists of the (i) entry into force of a law providing for the evaluation and selection of candidates to fill the public service promotion posts, including managerial posts, with new criteria and methods based on objective assessment and merit, and amendment of the Public Service Law where deemed necessary, and (ii) the entry into force of new regulations for implementing a new performance appraisal system for public employees, to be used for development and promotion purposes in order to make the performance appraisal procedure and the promotion mechanism more transparent, fair, skill-based and effective.</p> <p>This milestone represents the initial step of the measure. It will be followed by milestone 161 concerning the entry into use of the new framework for evaluation of civil servants' performance and for filling public service vacancies, with final expected date for implementation in Q1 2025.</p> | | |
| Evidence provided: <p>In line with the verification mechanism set out in the Operational Arrangements, the following evidence was provided:</p> <ol style="list-style-type: none">1. Summary document duly justifying how the milestone (including all the constitutive elements) was satisfactory fulfilled;2. Copy of Public Service (Amendment) Law of 2022 (L.1(I)/2022) published in the Official Gazette of the Republic n. 4870 of 21 January 2022;3. Copy of legislation of The Evaluation of Candidates for Promotion, Interdepartmental Promotion and First Entry and Promotion in the Public Service Law of 2022 (L.2(I)/2022) published in the Official Gazette of the Republic n. 4870 of 21 January 2022;4. Copy of the Public Service (Evaluation of Employees) Regulations of 2022 (No.28/2022) published in the Official Gazette of the Republic n. 4870 of 21 January 2022. | | |

Analysis:

Firstly, the Council Implementing Decision requires the establishment of a new framework in the public service for the evaluation and selection of candidates for promotion posts, including managerial posts, based on merit. In line with these requirements, the Public Service (Amendment) Law of 2022 (L.1(I)/2022) and The Evaluation of Candidates for Promotion, Interdepartmental Promotion and First Entry and Promotion in the Public Service Law of 2022 (L.2(I)/2022) present the following characteristics:

- Articles 4, 5 and 6 of L.2(I)/2022 introduce a new system of appraisal and selection of candidates by the Public Service Commission for filling the promotion posts in the public service with different criteria and weights for each category of posts, that aims to ensure the selection of the most suitable candidates and the most efficient implementation of the principles of objectivity and merit. While in the current system candidates are evaluated on the specified criteria without set weights for each criterion, the new framework prescribes all the criteria with corresponding weights, in order to ensure meritocracy, objectivity and fairness. In particular, Article 4(2) links promotion with the regular performance assessment, hence adding meritocratic elements to the promotion procedure in line with good international practice and Articles 4 to 6 establish that an employee's seniority is replaced by experience as criterion for promotion and filling of interdepartmental promotion posts.
- Article 7 of L.2(I)/2022 introduces as a new selection criterion the evaluation of candidates in Assessment Centres. The result of the tests in the Assessment Centres will carry significant weight in the final scoring and selection for interdepartmental promotion posts (Article 5(1)) and for first entry and promotion posts (Article 6(a)). Article 5 of L.1(I)/2022 amending Article 28 introduces a new promotion category, the 'Interdepartmental promotion', which includes the scientific and the professional posts in the A13 scale of the governmental payroll. Any public servant fulfilling all the required academic and professional qualifications, having relevant experience and being in a position in the immediate lower grade (the only admitted condition in the existing legislative framework), can claim such posts.

Secondly, the Council Implementing Decision requires introducing a new performance appraisal system to be used for development and promotion purposes in order to make appraisal and promotion more transparent, fair, skill-based and effective. In line with these requirements, the Public Service (Evaluation of Employees) Regulations of 2022 (No.28/2022) present the following characteristics:

- Public Service (Evaluation of Employees) Regulations 28/2022 introduce a new performance appraisal framework based on criteria and detailed framework of competencies/skill according to employees' hierarchical level.
- Article 3 links promotion with performance assessment and it links performance assessment with development of officials identifying training needs. This promotes effectiveness and performance in line with good international practice.
- Article 4 divides employees between level 1 (managerial and semi-managerial staff) and level 2 (mainly entry-level staff).
- Articles 7 and 8 introduce a new performance assessment system, which for level 2 staff relies on a comparison with peers. The summary document explained that the aim of comparative scoring between employees is to avoid over-grading, a negative phenomenon observed with the existing appraisal system. The authorities also clarified in the summary document that additional explanations and guidance would be given in training programmes that would be organised in cooperation with the Cyprus Academy of Public

Administration. This should help address possible subjectivity concerns of the new assessment framework.

- Complementing Articles 7 and 8, Annex 1 provides for specific criteria for the appraisal of performance of employees according to their hierarchical level, contributing to a transparent system of assessment. Annex 3 provides for scoring frameworks per hierarchical level to serve for development, performance management and promotion purposes.
- Article 18 provides for an anonymous assessment of heads of department and defines the criteria for such assessment, contributing to objectivity of the framework.
- Article 11(6) provides for the right to prior hearing in case of a negative assessment of an employee, in line with fundamental human rights principles applicable in administrative procedures.

The CID requires the entry into force of legislation for the evaluation and selection process for public service vacancies and regulations for employees' performance evaluation.

- Article 12 of Public Service (Amendment) Law (L.1(I)/2022) stipulates an entry into force of law L.1(I)/2022 on the date of its publication in the Government Gazette, i.e. 21 January 2022. The only exception is for Articles 5 and 8 (related to interdepartmental promotions), which necessitate a review of all Schemes of Service expected to be finalised before the end of 2023 and enter into force on 1 January 2024.
- The Evaluation of Candidates for Promotion, Interdepartmental Promotion and First Entry and Promotion in the Public Service Law (L.2(I)/2022) entered into force upon its publication in the Government Gazette according to Article 2 of the Cypriot Constitution, except for "the filling of vacant posts published on or after 1 January 2024 and for the filling of promotion posts for which a proposal for filling them is submitted by the competent authority to the Committee after that date" for which a later entry into force is foreseen, on 1 January 2024 (Article 15).
- Article 21 of the Public Service (Evaluation of Employees) Regulations No.28/2022 stipulates an entry into force on 1 January 2023, with the implementation of the new regulations for the employees' evaluation starting from the annual evaluation for the year 2023. This later entry into force is justified by the need for preparatory measures, in particular training/coaching of appraisal officers and employees (who will be evaluated) to take place in 2022.

The above laws and regulations have entered into force in line with the Council Implementing Decision, while most of their provisions enter into force.

A second milestone is enshrined for this reform in the CID (milestone 161), requiring the effective implementation and use of the new framework by 31 March 2025. The laws and regulations, which have already entered into force, include relevant transitional provisions in order to allow time for preparatory measures such as adjusting internal procedures and ensuring sufficient knowledge of the new framework for all staff members through training by 31 March 2025 and for the new framework for evaluation of civil servants' performance and for filling public service vacancies to enter into use in accordance with the requirements of the second milestone. Law L.1(I)/2022, law L.2(I)/2022 and regulations No.28/2022 are designed in such a way as to ensure a smooth transition to the entry into use of the new framework, which is to be completed by Q1 2025 as stipulated by the second milestone.

Commission Preliminary Assessment: Satisfactorily fulfilled

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| Number: 186 | Related Measure: C3.4I8 Upgrading the infrastructure of courts | |
| Name of the Milestone: Extension of the Famagusta District Court | | |
| Qualitative Indicator: Project management team certifies the completion of the construction. | | Time: Q4 2021 |
| Context: <p>The objective of the investment is to address inefficiencies of the justice system caused by inadequate court buildings, both in terms of quantity and quality.</p> <p>This milestone consists of the completion of construction of the extension to the Famagusta District Court building to support the operation of new courtrooms to try in addition to criminal also civil cases.</p> <p>This milestone constitutes the only implementation step of this measure.</p> | | |
| Evidence provided: <p>In line with the verification mechanism set out in the Operational Arrangements, the following evidence was provided:</p> <ol style="list-style-type: none">1. Summary document duly justifying how the milestone (including all the constitutive elements) was satisfactorily fulfilled.2. Copy of the signed contract, including the tender documents and the successful bids for the construction.3. Copy of the taking over certificate issued by the Contracting Authority in accordance with the national legislation demonstrating completion of the works. | | |
| Analysis: <p>In line with the requirements of the Council Implementing Decision, the extension of the Famagusta District Court was constructed, which consists of five additional court rooms to try also civil cases in addition to criminal cases. The additional court rooms have increased the capacity of courts to try cases, and thereby help improve the efficiency of the justice system.</p> <p>The signed contract is dated 3 June 2020 and it establishes that the contractor is liable for defects of the project until 24 February 2034.</p> <p>The taking over certificate, dated 9 March 2022, was issued in accordance with national legislation and signed by the representative of the contracting authority (Public Works Department of the Ministry of Transport, Communication and Works). It verifies that the construction of an extension to the Famagusta District Court building (addition of one floor), was completed in accordance with the contract.</p> | | |
| Commission Preliminary Assessment: Satisfactorily fulfilled | | |

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| Number: 188 | Related Measure: C3.4R10 Improving the legal and institutional framework for fighting corruption | |
| Name of the Milestone: Entry into force of the law on Transparency in Decision-Making and Related Matters | | |
| Qualitative Indicator: Provision of the law indicating the entry into force of the law | | Time: Q4 2021 |
| Context: <p>The objective of the reform is to achieve greater coherence in the fight against corruption by implementing the national horizontal action plan against corruption.</p> <p>This milestone consists of the entry into force of the law on Transparency in Decision-Making and Related Matters, including provisions to prevent conflict of interest. The law shall create the obligation to publicise contacts made between persons interested in being involved in public decision-making procedures and officials or members of the State service or of the wider public sector or with employees for the benefit of officials who, by their very position, have competence or possibility of initiating such procedures or formulating their content or contributing or determining the final outcome of such procedures. Information on such a contact, as well as its content and purposes, shall be officially recorded and be publicly available.</p> <p>This is one of the three milestones of the measure. The other two are milestone 187 (Q1 2022) concerning the entry into force of the law establishing the Independent Authority against Corruption and milestone 189 (Q4 2021) concerning the entry into force of the law to protect whistle-blowers. The final expected date for implementation of this measure is 30 June 2024.</p> | | |
| Evidence provided: <p>In line with the verification mechanism set out in the Operational Arrangements, the following evidence was provided:</p> <ol style="list-style-type: none">1. Summary document duly justifying how the milestone (including all the constitutive elements) was satisfactorily fulfilled.2. Copy of Law L.20(I)/2022 published in the Official Gazette of the Republic n. 4876 of 4 March 2022 on Transparency in Decision-Making and Related Matters. | | |
| Analysis: <p>In line with the Council Implementing Decision requirements, the law L.20(I)/2022 on the Transparency in Decision Making and Related Matters entered into force on the date of entry into force of the law L 19(I)/2022 on the Establishment and Operation of an Independent Anti-Corruption Authority (article 29 (1)). The latter law entered into force on 4 March 2022 through its publication in the Official Gazette of the Republic of Cyprus according to article 82 of the Cypriot Constitution.</p> <p>In line with the Council Implementing Decision, the law creates the obligation to publicise contacts made between persons interested in being involved in public decision-making procedures and officials or members of the State service or of the wider public sector or with employees for the benefit of officials who, by their very position, have competence or possibility of initiating such procedures or formulating their content or contributing or determining the final outcome of such procedures;</p> | | |

- Part I of the law, the introductory provisions, define office holders in the meaning of the law corresponding to the definition in the Council Implementing Decision description of the milestone.
- Article 9 (1) establishes a requirement for any representative of a special interest group intending to engage in public decision-making processes to be recorded in a Register which is established and kept by the Independent Anti-Corruption Authority (see point 2 below).
- Article 13 (1) establishes the duty for every registered person to submit a report to the Anti-Corruption Authority every six months.
- Article 15 (c)(i)(ii)(iii) establishes that in order to communicate with a representative of a special interest group, the official or the members of the public service and the broader public sector shall verify that the person in question is indeed registered, if such obligation applies, that the subject of the meeting relates to the area of interest which that person has declared to the Anti-corruption Authority and that the matter for which the meeting is requested falls within their competences.

In line with the Council Implementing Decision, the law enables the provision of information on such a contact, as well as its content and purposes to be officially recorded and be publicly available:

- Article 8(1) requires the Anti-Corruption Authority to create such a register, which according to the Article 13 every registered person shall submit to the Anti-corruption Authority during the first fortnight in March and in the first half of September of each year six-monthly report on any involvement in public decision-making that took place during the duration of the previous six months. The information is to be provided according to Annex II of the law, which includes, among other information, contact's content and result. Article 8(2) provides that the information and personal data contained in the Register shall be posted on the official website of the Anti-Corruption Authority with free access to the public.
- Article 4(4) provides that the information and personal data contained in the Register are kept by the Authority for a period of ten (10) years from the date they were received and at the end of that period are deleted, unless the Authority considers that their further retention for a specific period of time is required for transparency purposes.

Commission Preliminary Assessment: Satisfactorily fulfilled

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| Number: 189 | Related Measure: C3.4R10 Improving the legal and institutional framework for fighting corruption | |
| Name of the Milestone: Entry into force of the law to protect whistle-blowers | | |
| Qualitative Indicator: Provision of the law indicating the entry into force of the law | | Time: Q4 2021 |
| Context: <p>The objective of the reform is to achieve greater coherence in the fight against corruption by implementing the national horizontal action plan against corruption.</p> <p>This milestone consists of the entry into force of a law to protect whistle-blowers reporting fraud and corruption from internal sanctions. The law shall include supplementary provisions on the protection of persons reporting acts of corruption both in the public and the private sectors (whistle-blowers, persons not involved in the acts), further to the protection already provided for in the Protection of Witnesses Law 95(I)/2001. The law shall also provide measures of leniency for those who are involved in acts of corruption, but voluntarily report to the police and/or offer cooperation with the authorities resulting in the full investigation and prosecution of the case.</p> <p>This is one of the three milestones of the measure. The other two are milestone 187 on the entry into force of the law establishing the Independent Authority against Corruption (Q1/2022) and milestone 188 on entry into force of the law on Transparency in Decision-Making and Related Matters (Q4/2021). The final expected date for the implementation of this measure is 30 June 2024.</p> | | |
| Evidence provided: <p>In line with the verification mechanism set out in the Operational Arrangements, the following evidence was provided:</p> <ol style="list-style-type: none">1. Summary document duly justifying how the milestone (including all the constitutive elements) was satisfactorily fulfilled;2. Copy of Law L.6 (I)/2022 published in the Official Gazette of the Republic n. 4872 of 4 February 2022 to protect whistle-blowers reporting fraud and corruption from internal sanctions. | | |
| Analysis: <p>In line with the requirements of the Council Implementing Decision, the law to protect whistle-blowers reporting fraud and corruption from internal sanctions entered into force through publication of the law in the Official Gazette of the Republic of Cyprus on 4 February 2022 according to Article 82 of the Cypriot Constitution.</p> <p>In line with the Council Implementing Decision, the law includes supplementary provisions on the protection of persons reporting acts of corruption both in the public and the private sectors (whistle-blowers, persons not involved in the acts), further to the protection already provided for in the Protection of Witnesses Law 95(I)/2001:</p> <ul style="list-style-type: none">• Article 20 provides that individuals who provide information in accordance with the requirements of the law shall not be subject to retaliation, such as, inter alia, dismissal, negative evaluation, harassment, negative change of working conditions;• Article 26 states that any such dismissal or negative change in working conditions is considered null and void ab initio; | | |

- Article 21 provides the legal basis for support measures for individuals who provide information in accordance with the requirements of the law through (i) easy and free of charge access to all independent information and advice on procedures and legal remedies effective assistance before any authority involved in their protection against retaliation, (ii) effective assistance to any authority involved in their protection against retaliation and (iii) legal aid in criminal cases and in cross-border proceedings in civil cases.

The law provides measures of leniency for those who are involved in acts of corruption, but voluntarily report to the police and/or offer cooperation with the authorities resulting in the full investigation and prosecution of the case:

- Article 38 of the law provides that, regardless of the penalties provided for in the provisions of any Law relating to corruption offences: (i) the maximum penalty that may be imposed by the court on a person who is convicted, on his/her own admission, of committing or participating in an offence of corruption involving bribery of a public servant or official, is half of the maximum sentence provided for in the relevant Law for the offence of corruption if, as a result of his/her substantial cooperation with the prosecuting authorities, criminal proceedings have been initiated against the public servant or official, and (ii) the maximum penalty that may be imposed by the court on a public servant or an official who is convicted, on his/her own admission, of committing or participating in an offence of corruption, is half the maximum of the sentence provided for in the relevant law for the offence of corruption.

Commission Preliminary Assessment: Satisfactorily fulfilled

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| Number: 192 | Related Measure: C3.5R2 Framework and Action Plan for addressing NPLs | |
| Name of the Milestone: Entry into force of the package of amending laws regarding credit acquiring companies (CACs) and credit servicers to improve the working environment for non-performing loans management | | |
| Qualitative Indicator: Provision in the law indicating the entry into force of the respective laws | | Time: Q4 2021 |
| Context: <p>The objective of this reform is to address financial risks related to legacy non-performing loans (NPLs) in the banking sector by continuing efforts to improve the asset quality of banks and strengthening the working environment for servicing of loans. The reform consists of (i) implementing an action plan to address the remaining stock of legacy non-performing loans and (ii) adopting a package of amending laws regarding credit acquiring companies (“CACs”) and credit servicers.</p> <p>This milestone consists of the adoption and entry into force of a package of amending laws aiming to improve the management of non-performing loans, targeting in particular improvements in the working environment of CACs and credit servicers. It is the only step for the implementation of this measure.</p> <p>In addition, in line with the description of the measure in the Council Implementing Decision, Cyprus will implement an action plan to address the remaining stock of legacy non-performing loans. A progress report on the action plan shall be prepared by 30 June 2023 and approved by the Council of Ministers, tracking the reduction of non-performing loans in the banking sector towards the indicative reference values of 6% gross and 3% net non-performing loans ratio⁴ and proposing policy measures where appropriate. This is a further step of this reform that is not linked to the milestone in the Council Implementing Decision.</p> | | |
| Evidence provided: <p>In line with the verification mechanism set out in the Operational Arrangements, the following evidence was provided:</p> <ol style="list-style-type: none">1. Summary document duly justifying how the milestone (including all the constitutive elements) was satisfactorily fulfilled;2. Copy of amending Law L. 129(I)/2022 “The Credit Facilities Purchase and Related Matters (Amending) Law of 2021” published on 27 July 2022 in the Official Gazette of the Republic n. 4906;3. Copy of amending Law L. 130(I)/2022 “The Immovable Property (Transfer, Registration and Valuation) (Amending) Law of 2021” published on 27 July 2022 in the Official Gazette of the Republic n. 4906. <p>The authorities also provided:</p> <ol style="list-style-type: none">4. A summary table comparing previous (pre-adoption of amending laws) and current legal framework (post-adoption of amending laws). | | |
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⁴ These reference values are based on the definition of non-performing loans as used in the “Monitoring Report on Risk Reduction Indicators” (November 2020), available at https://www.consilium.europa.eu/media/46978/joint-riskreduction-monitoring-report-to-eg_november-2020_for-publication.pdf

Analysis:

In line with the requirements of the Council Implementing Decision, the amending laws “The Credit Facilities Purchase and Related Matters (Amending) Law of 2021” and “The Immovable Property (Transfer, Registration and Valuation) (Amending) Law of 2021” were adopted by the House of Representatives on 14 July 2022 and entered into force through publication of the law in the Official Gazette of the Republic of Cyprus on 27 July 2022, according to Article 82 of the Cypriot Constitution. The amending laws introduce provisions aiming to improve the working environment of CACs and credit servicers. The entry into force of the laws is expected to result in a more effective and efficient management of non-performing loans and thus address financial risks related to legacy non-performing loans in the banking sector and strengthen the working environment for servicing of loans.

The main changes are:

- (i) Art. 51A (4)(a) of the Immovable Property (Possession, Registration and Valuation) law now grants CACs access to the e-services of the Land Registry concerning data of (i) debtors, (ii) guarantors, (iii) collateral providers and (iv) persons related to the debtor. CACs already had access to the data of the above stakeholders held in the Artemis Database (Cyprus’s only credit bureau). This amendment is significantly improving the operational environment of the CACs, because CACs gain digital access to the Land Register database, allowing them to perform online land registry searches instead of manual searches undertaken at the Land Registry Office.
- (ii) Art. 4A of the Credit Facilities Purchase and Related Matters law now mandates the licensing and supervision of credit servicers by the Central Bank of Cyprus (CBC). To receive such a license from the CBC, credit servicers must comply with similar governance requirements as those applying to CACs. CACs were already licensed and supervised by the CBC. In line with the CID, this law put loan servicers under regulation and supervision by the Central Bank, which is a significant improvement in the working environment, strengthening the credit servicers’ governance and bringing it in line with the governance requirements for CACs.
- (iii) Art. 2 of the Credit Facilities Purchase and Related Matters law defines the scope of business of credit servicers. The CACs’ scope of business was already defined by law.
- (iv) Art. 4B (4) and (5) of the Credit Facilities Purchase and Related Matters law now grants credit servicers unrestricted access to the data of debtors held in the Artemis Database and in the e-services of the Land Registry. Moreover, credit servicers are granted indirect access (through credit institutions/CACs) to the data of guarantors held in the Artemis Database and in the e-services of the Land Registry (Articles 4B (9) and (5A) of the Credit Facilities Purchase and Related Matters law). Unlike credit institutions/CACs, credit servicers will not have access to the data that concern collateral providers and persons related to the debtor, neither in the Artemis Database nor in the e-services of the Land Registry. The lack of access to data concerning collateral providers and persons related to the debtor is not expected to have an adverse impact on the management of non-performing loans, because -as confirmed by the Cypriot authorities- these are most often also the guarantors of a credit. As a result of these amendments, the working environment of the loan servicers is significantly improved as now they have digital access to the Land Register and the Credit Register, in line with the CID.

The Council Implementing Decision required aligning notification requirements in case of purchase of a loan by a credit acquiring company. This was intended to be enacted through a dedicated third law, which was eventually not adopted. At the same time, Cyprus introduced provisions related to the notification requirements in the amending law “The Credit Facilities Purchase and Related Matters (Amending) Law of 2021.” In particular, Articles 19 (1) (2) (3) of the amending law stipulate that when selling a non-performing loan, the seller and the buyer need to inform jointly in writing about the sale, on the date of the transfer, the Department of Lands and Surveys, the Registrar of Companies

and Intellectual Property, the Cyprus Stock Exchange and/or other competent authority that maintains any register in which the collateral transferred is registered. In addition, within 15 days of the sale, the seller and the buyer of the NPL need to inform in writing also the debtor, the guarantor and the collateral provider (Article 19 (2)). These changes align the notification requirements of the seller and buyer in case of a sale of a loan, in line with the requirement by the CID. This minimum deviation for this to be done by another law does not affect the progress towards the achievement of the reform that the milestone represents, where the two adopted laws support the banking sector's continuing efforts to improve its asset quality and strengthen the working environment for servicing of loans. On this basis, it is considered that the milestone is satisfactorily fulfilled.

In summary, the entry into force of the two amending laws is expected to strengthen the working environment for servicing of loans by providing CACs and credit servicers the required tools to better work out legacy non-performing loans, in accordance with the Council Implementing Decision. This is expected to result in a more effective and efficient management of non-performing loans, as compared to the previous legal framework.

Going forward, the Commission considers it important that Cyprus refrains from taking any measure that undermines the objectives of the reform on credit acquiring companies and credit servicers in the national Recovery and Resilience Plan, as well as the broader reforms in the RRP aimed at reducing non-performing loans and improving payment culture, in particular any legislative actions that undermine payment discipline, hinder banks' efforts to reduce non-performing loans and discourage borrowers to participate in loan restructuring.

Commission Preliminary Assessment: Satisfactorily fulfilled

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| Number: 232 | Related Measure: C4.2I1 Digitalisation in various Central Government Ministries - Services | |
| Name of the Milestone: Repository system for audit and control: information for monitoring implementation of RRF | | |
| Qualitative Indicator: An audit report confirming repository system functionalities | | Time: Q1 2022 |
| Context: <p>The objective of the measure is to digitalise key workflows in a number of ministries and central government services to improve efficiency in the delivery of government services, simplify compliance with government regulations, and strengthen citizen participation and trust in government. In particular, the digitalisation of the Directorate General Growth (formerly the Directorate General for European Programmes, Coordination and Development) includes the development and putting in operation of a transitory repository system and of a final dedicated Monitoring Information System for recording and storing the relevant data related to the implementation of the recovery and resilience plan (in particular, on the achievement of milestones and targets, data on final recipients, contractors, subcontractors and beneficial owners).</p> <p>This milestone consists of putting in place and making operational a repository system for monitoring the implementation of the RRF. The system shall include, as a minimum, the following functionalities: (1) collection of data and monitoring of the achievement of milestones and targets; and (2) collection, storage and ensuring access to the data required by Article 22(2)(d) (i) to (iii) of Regulation (EU) 2021/241.</p> <p>This milestone is followed by three targets (target 233 due by Q1 2022, target 234 due by Q4 2023 and target 235 due by Q4 2025), the first one concerning the signature of contracts with providers selected through public procurement procedures to digitalise/digitally upgrade at least four of the total of five central government ministries/departments. Targets 234 and 234 concern development completion and putting in operation the systems for 4 and 5 government ministries/departments, respectively.</p> | | |
| Evidence provided: <p>In line with the verification mechanism set out in the Operational Arrangements, the following evidence was provided:</p> <ol style="list-style-type: none">1. Summary document duly justifying how the milestone (including all the constitutive elements) was satisfactorily fulfilled;2. The audit report from the Internal Audit Service (IAS);3. IAS follow up report on the repository system;4. Acceptance protocol including a summary of the functionalities of the system;5. Four annexes to the summary of audits, detailing the results of the procurement controls, the results on the avoidance of conflict of interest controls, the audit results on the Repository System for the RRP, and the results of audit of the three contracts that were in the system at the time of the IAS audit. <p>The authorities also provided:</p> <ol style="list-style-type: none">6. data for 50 contracts containing information on the contractors, sub-contractors and beneficial owners of each and for 15 grant agreements containing information on beneficial owners. | | |

Analysis:

In line with the requirements of the Council Implementing Decision, an audit report on the repository system was signed on 10 June 2022 by the Internal Audit Service (IAS) of Cyprus. The report tested the ability of the repository system to collect, record, store and ensure access to the information necessary to monitor the implementation of the RRP, in particular the data needed to monitor the achievement of milestones and targets and the data referred to in Article 22(2)(d) (i) to (iii) of the RRF Regulation; and the ability of the system to provide security, maintenance and integrity of its data, based on internationally accepted standards. The report assessed the system as adequate and fully complying with the requirements of the RRF Regulation. However, the report identified weaknesses of the system and provided corrective actions for the identified weaknesses.

As a result, a follow-up audit was carried out by the IAS and confirmed that all critical findings previously identified have been resolved and implemented.

In addition, a demo on the Cypriot repository system was organised for the Commission auditors demonstrating the repository system's capabilities and showing that the issues identified in the IAS audit report had been resolved. Also, it demonstrated that a repository system for monitoring the implementation of the RRF is operational, in line with the requirements of the Council Implementing Decision. The repository system was showed to collect data and monitor the achievement of milestones and targets. Also, in line with the CID requirement, it enabled access to the data required by Article 22(2)(d) (i) to (iii) of Regulation (EU) 2021/241. Following the demo, the Coordinating Body shared with the Commission auditors the details of the first three contracts that were initially entered in the system, along with the information on the contractors, sub-contractors and beneficial owners of each, i.e. the data required by Article 22(2)(d) (i) to (iii) of Regulation (EU) 2021/241 in line with the requirements of the Council Implementing Decision.

Since the audit report from the IAS puts a strong focus on the design of the system, and since there were only three contracts in the system by the time of the audit, on 22 August 2022, the Commission requested the information on all 50 contracts and 15 grant agreements that were in the system at the time of the demo in order to verify whether the system is capable of performing all functions as required by the milestone, notably concerning the collection and storage of data.

The control carried out by the Commission auditors based on the information provided by Cyprus on the 50 contracts and 15 grant agreements confirms that the system is able to link the contracts and the grant agreements selected with measures of the RRP and that the data on contractors, subcontractors and beneficial owners can be properly collected and stored, in line with the requirements of the Council Implementing Decision.

Commission Preliminary Assessment: Satisfactorily fulfilled

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| Number: 249 | Related Measure: C5.1R5 E-skills Action Plan – Implementation of specific actions | |
| Name of the Milestone: National e-Skills Action Plan is adopted by the Council of Ministers | | |
| Qualitative Indicator: National e- Skills Action Plan is adopted by the Council of Ministers | | Time: Q4 2021 |
| Context: <p>This measure aims at enhancing digital competences across all population groups. It includes the (i) development of an e-skills policy framework and action plan, (ii) the design and delivery of targeted programmes for public sector professionals promoting cross-sectoral competencies, and (iii) the design of reskilling/upskilling interventions enhancing the digital literacy of the workforce in the private sector and unemployed persons, with a special focus on women and vulnerable groups. Furthermore, this measure entails a communication strategy to promote lifelong learning and a digital culture in Cyprus, investments in digital infrastructure to support digital learning and the development of an e-learning platform with key content material on digital skills and cross-sectoral competences accessible to all target groups.</p> <p>This milestone consists of the adoption of a National e-Skills Action Plan by the Council of Ministers and it represents the initial step of the measure.</p> <p>The measure includes one further milestone (milestone 250), concerning the full implementation of key measures from the e-Skills Action Plan, with final expected date for implementation in Q4 2025.</p> | | |
| Evidence provided: <p>In line with the verification mechanism set out in the Operational Arrangements, the following evidence was provided:</p> <ol style="list-style-type: none">1. Summary document duly justifying how the milestone (including all the constitutive elements) was satisfactorily fulfilled;2. Copy of the decision adopting the National e-Skills Action Plan (Decision Number 92.305), adopted by the Council of Ministers at its meeting on 13.12.2021 (Annex I);3. Copy of the National e-Skills Action Plan (Annex II). | | |
| Analysis: <p>In line with the requirements of the Council Implementing Decision, the National e-Skills Action Plan (‘National Digital Skills Action Plan’) was adopted by the Council of Ministers at its meeting on 13.12.2021, with Decision Number 92.305 (see Annex I and Annex II).</p> <p>The Action Plan includes, as required,</p> <ol style="list-style-type: none">(i) the development of an e-learning platform containing a self-assessment tool for digital fitness, index of all available skilling programmes, and content material on digital skills and cross-sectoral competences (see Annex II, p. 18-19, section <i>Horizontal Actions</i>, 3. <i>Digital Academy of Citizens</i>);(ii) programmes and interventions for professionals within the public sector covering areas such as project management, Microsoft tools, cybersecurity, social media, e-collaboration and productivity tools (see Annex II, p. 14-16, section <i>Target Groups</i>, 2. <i>Labour Force</i> and 3. <i>Professionals - ICT Specialists</i>); and(iii) investment in digital infrastructure to support digital learning (see Annex II, p. 18, section <i>Horizontal Actions</i>, 2. <i>Investment in Digital Infrastructure</i>). | | |

In addition, in accordance with the description of the measure (C5.1R5) in the CID-Annex, the National e-Skills Action Plan:

- (i) encompasses reskilling and upskilling interventions for the workforce in the private sector and the general population including unemployed persons, women and vulnerable groups (see Annex II, p. 13-15, section Target Groups, 1. Society and 2. Labour Force). Additionally, promoting women's participation in the ICT sector is stated among the main objectives of the National e-skills Action Plan and the Communication Strategy (see below) explicitly mentions women as one of the main target groups.
- (ii) includes a communication strategy to promote lifelong learning and a digital culture in Cyprus (see Annex II, p. 17, section *Horizontal Actions*, 1. *Communication Strategy*).

Commission Preliminary Assessment: Satisfactorily fulfilled