



CYPRUS NATIONAL REFORM PROGRAMME 2021

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1. INTRODUCTION

The National Reform Programme (NRP) for 2021 is submitted following the Council Implementing Decision on the approval of the assessment of the Recovery and Resilience Plan for Cyprus (RRP)¹ which aims to mitigate the economic and social consequences of the pandemic and make the economy more sustainable and resilient.

Considering the focus of the RRP on addressing the key challenges identified in the 2019 and 2020 Council Country Specific Recommendations (CSRs), published by the European Commission within the framework of the European Semester, the current NRP aims to outline the progress achieved and planned measures in this direction, mainly in the context of the RRP, but also through the European Structural and Investment Funds (ESIF) and other EU funds, as well as the national budget.

In this framework, the structural and other reform and investment priorities of the Government outlined in the following chapters of the NRP are focused mainly on the key challenges in the 2019 and 2020 CSRs and the 2020 Country Report for Cyprus, whilst national reform priorities are also included. The NRP has been prepared taking into account the guidelines issued by the European Commission in October 2019, as well as the guidelines issued in April 2020. The measures set out in the NRP provide a holistic approach to Cyprus' efforts to boost growth and investment and maintain macroeconomic stability, by addressing the challenges identified in the context of the European Semester.

In summary the main reform priorities presented in the NRP relate to:

- Increasing the efficiency of the Public and Local Administration and enhancing the governance of State Owned Enterprises (SOEs).
- Reducing further the high level of non-performing loans and strengthening the supervision capacity in the non-bank financial sector.
- Improving the quality of Active Labour Market Policies, particularly for young people.
- Promoting social protection for all and social sustainability.
- Further promoting the reform of the education and training system and enhancing childhood care.
- Implementing and preserving the long-term sustainability of the National Health System.
- Enhancing productive investment focusing on sustainability and competitiveness priorities, improving the business environment, in particular the green and digital

¹ <https://data.consilium.europa.eu/doc/document/ST-10686-2021-INIT/en/pdf>

transition.

- Improving the efficiency of the Judicial System.
- Accelerating of anti-corruption reforms.

These priorities and the policies and measures associated with them fall with the government's efforts to establish a new growth model aiming at sustainable long term growth, and are in line with the new long term strategy for competitiveness and sustainable growth prepared by the Economy and Competitiveness Council with the endorsement of the Minister of Finance.

2. MACROECONOMIC CONTEXT AND SCENARIO

The global pandemic weighs heavily on the global economy. As the spread of the pandemic shows signs of acceleration especially with new variants, many economies continue to be severely affected and full recovery seems further delayed, mainly pending on the speed of the vaccination rollout.

In Cyprus, stringent measures of containment have been implemented, to effectively protect the citizens and the public health system. In order to alleviate the negative economic consequences, the Government responded in a timely manner, by adopting a comprehensive and generous fiscal support package with a view to assisting businesses and preventing job losses. Given this significant state support, widespread defaults and high unemployment have largely been avoided so far.

The Cyprus economy is currently in the face of economic recovery from the pandemic. Recovery has already begun as of the 2nd semester of this year. The predictions, however, are surrounded by high uncertainty, as a new wave seems to be affecting not only Cyprus, but many other countries globally mainly due to the new variant which is highly contagious.

In numbers, economic activity in 2020 contracted by 5.1%, whereas for 2021, growth is expected to rise by around 5.5%, notwithstanding significant risks to the outlook.

In the labour market, the level of unemployment increased in 2020 given the slowdown of the economy, but the increase was less than initially anticipated, rising to 7.6% of the labour force from 7.1% in 2019. With the resumption of economic activity in 2021, the unemployment path is expected to reverse and be placed on a declining path, reaching 7.2% in 2021.

The negative GDP growth in 2020 was mainly driven by lower private consumption and exports. Private consumption decreased by 3.9% in real terms while government consumption recorded an increase of 13.1%. Gross fixed capital formation was influenced by decreases in construction and recorded a decrease of 2%. Real imports declined at a rate of 4.2% mirroring the decline in private consumption, while exports, in real terms, also declined significantly at a rate of 12.4% reflecting the large decline in tourist arrivals.

Growth in 2021 is still supported by government spending and will be reinforced by normalization in private spending and investments, driven by the implementation of a significant number of projects.

Tourist arrivals during the period January-December 2020 amounted to around 0.6 mln, compared to around 4 mln in 2019, recording a decrease of 84.1%, due to the

pandemic and the restrictive measures imposed by all countries. Equivalently, revenues from tourism amounted to around €392 mln, recording an 85.4% decrease from the level of 2019.

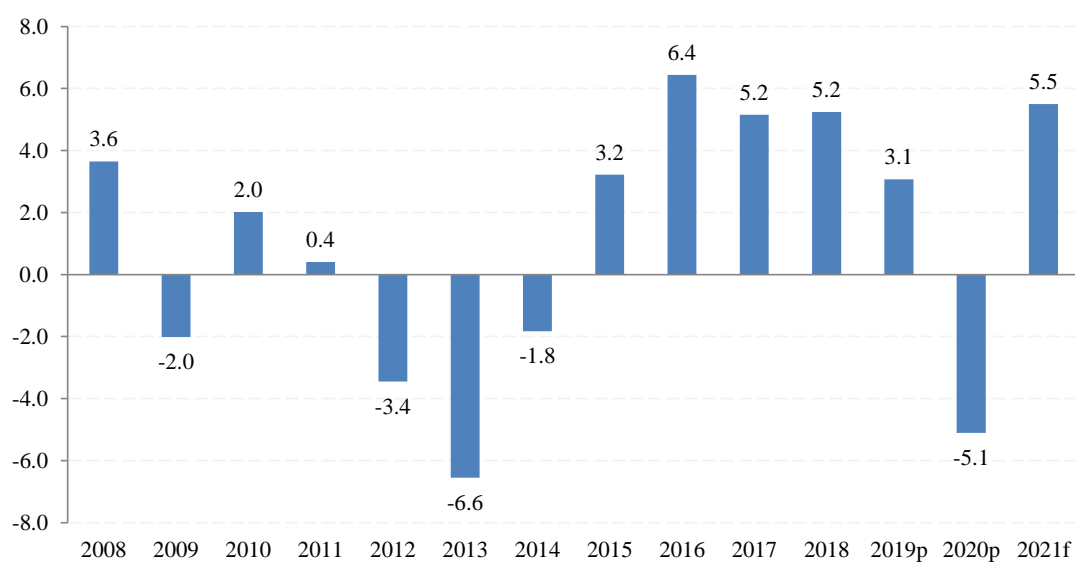
Regarding prices, during the first seven months of 2021, HICP inflation averaged at 0.9%, where the largest change was noted in Transport (5.5%). Inflation is expected to pick up and average at 1.8% in 2021, mainly due to increases in oil prices.

Table: Macroeconomic indicators

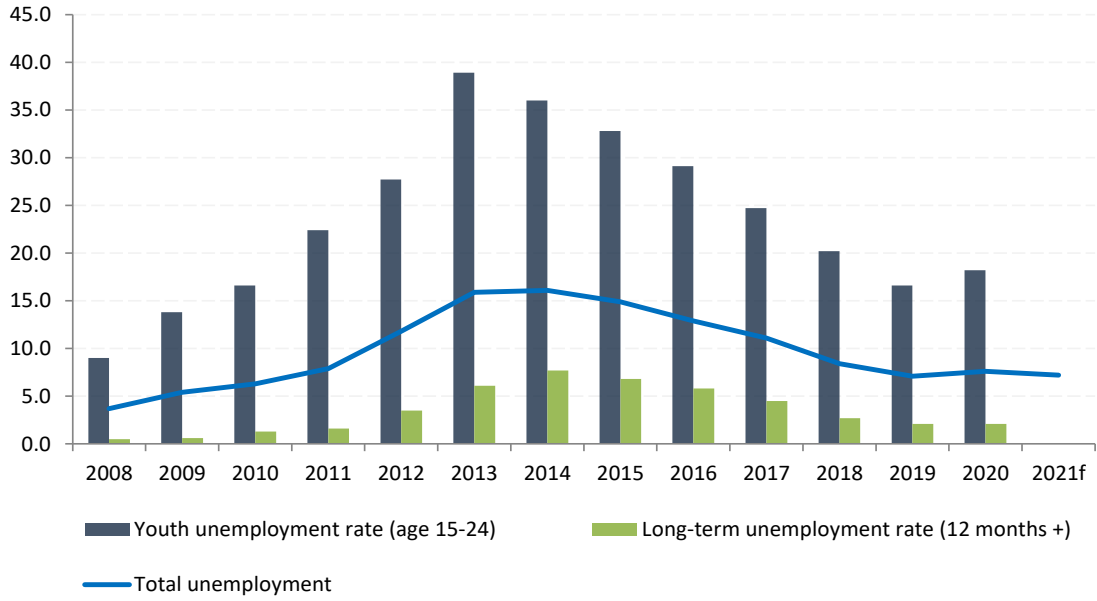
| Indicator | 2017 | 2018 | 2019p | 2020p | 2021f |
|---------------------------------------|------|------|-------|-------|-------|
| Real GDP (%) | 5.2 | 5.2 | 3.1 | -5.1 | 5.5 |
| Inflation (HICP) | 0.7 | 0.8 | 0.5 | -1.1 | 1.8 |
| Unemployment Rate (% of labour force) | 11.1 | 8.4 | 7.1 | 7.6 | 7.2 |

p: provisional, f: forecast.

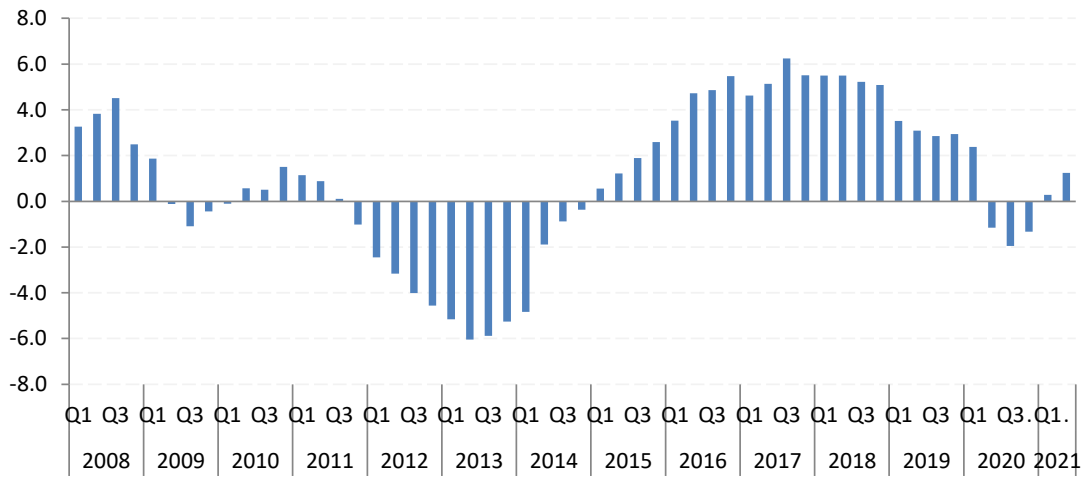
Graph: Real GDP growth, 2008-2021(%)



Graph: Labour market



Employment growth



3. KEY POLICY RESPONSE TO MAJOR ECONOMIC CHALLENGES

PART A - REFORMS AND OTHER MEASURES RELATED TO COUNTRY SPECIFIC RECOMMENDATIONS

3.1. Public administration efficiency and digitalization, SOEs governance, local government reforms and aggressive tax planning

2019 COUNTRY SPECIFIC RECOMMENDATIONS – CSR1

Sub CSR 1.1: Adopt key legislative reforms to improve efficiency in the public sector, in particular as regards the functioning of the public administration.

Sub CSR 1.2: Adopt key legislative reforms to improve the governance of state-owned entities.

Sub CSR 1.3: Adopt key legislative reforms to improve efficiency in local governments.

Sub CSR 1.4: Address features of the tax system that may facilitate aggressive tax planning by individuals and multinationals, in particular by means of outbound payments.

2020 COUNTRY SPECIFIC RECOMMENDATIONS RELATED TO THEMATIC AREA 3.1- CSR 4

Sub CSR 4.1: Step up action to address features of the tax system that facilitate aggressive tax planning by individuals and multinationals.

Sub CSR 4.3: Improve the efficiency and digitalization of the public sector.

3.1.1 Adopt key legislative reforms to improve efficiency in the public sector, in particular as regards the functioning of the public administration (CSR 1.1, 2019) & Improve the efficiency and digitalization of the public sector (CSR 4.3, 2020)

(a) Public Administration Reform – horizontal reforms

Modernising the public administration and improving its efficiency has been an important priority of the government since the beginning of its term. Legislative proposals for the reform of the public service were submitted to the House of Representatives (HoR) initially in 2016. These included horizontal reforms relating to civil servants' mobility, the introduction of a new appraisal system for civil servants and new procedures and criteria for the evaluation and selection of candidates for promotions. The proposals were rejected by the HoR, with the exception of the Bill regarding mobility between the Public Service and SOEs, as well as among SOEs, which was approved in May 2017.

The Ministry of Finance (MoF) and its Public Administration and Personnel Department (PAPD), taking into consideration the opinions expressed by the parliamentary parties as well as by the various stakeholders that participated in an extensive consultation process, introduced several amendments and retabled the Bills to the HoR in October 2019.

(b) Vertical Public Administration Reforms and Digitalisation

A number of public administration reform measures that have been taken or are ongoing in specific areas are indicatively presented below, together with information on the major digitalization efforts under way:

Deputy Ministry for Research, Innovation and Digital Policy

In order to accelerate the digital transformation of Cyprus, the Government has established the Deputy Ministry of Research, Innovation and Digital Policy (DMRID) (since March 2020), to assume ownership of R&I and the Digital Strategy and demonstrate political commitment for their implementation. In line with the National Digital Strategy, Cyprus aims to become a fit-for-the-future society and knowledge-based economy enabled by digital and emerging technologies that will drive economic prosperity and competitiveness to position the country as a resilient regional player in the European digital economy and a regional science and high-tech hub. The National Digital Strategy (2020-2025) evolves under four key initiatives:

- i. Promote eGovernment by redesigning the Deputy Ministry's internal enterprise architecture and governance model, optimizing our service delivery model, delivering a resilient, robust and secure ICT infrastructure.
- ii. Facilitate high speed network connectivity and increase take-up, ensure security in data and networks and increase the trust of the public to the online transactions.
- iii. Deliver a stronger digital economy and increasingly more digital and competitive industries.
- iv. Promote an accessible and inclusive society that has the skills and the motivation to embrace the national digital transformation and actively participate in digital communities.

Specifically, some of the key measures regarding the **digitization of the public sector** include:

- Rebuilding government IT structure by building a solid and modern government digital architecture blueprint and standards, integrating various public sector information systems and databases to ensure adherence to the once-only principle, redesigning of the single government website portal, establishing of a government cloud to consolidate systems and data scattered across government IT systems and implementing a "cloud first" migration strategy, and adopting of an Infrastructure-as-a-Service (IaaS) model across government.
- Building a "Digital Services Factory" by delivering standardized end-to-end digital micro services that will meet citizen's needs, to ensure the rapid implementation of services using Agile/Scrum methodologies and to safeguard the sustainable deployment of services.

- Improving delivery, maintenance and operating model of large-scale IT projects.
- Reorganizing institutional structures, operating models, roles and responsibilities, processes, skills (upskilling and certification) and competencies.

The above-mentioned initiatives are under implementation and a number of projects related to these have been included in the RRP as follows:

- **Integrated Information system** for the Department of Registrar of Companies and Official Receiver (DRCOR), financed under RRP (10/2021-12/2025), (see also page 11).
- **Digital Services Factory** - The project has been initiated and the preparatory work is underway as the Cyprus team has been established and is working closely together with the Government Digital Services of the United Kingdom (11/2021-06/2026).
- Definition and Implementation of a **new cloud policy** with regard to Government IT systems and services (07/2021-06/2026).
- Setting up the **Beneficial Ownership Registry** in accordance with Directive (EU) 2015/849 (09/2021-12/2023).
- In addition, the government will prepare a national scheme on **eidentification and eSignature** by changing relevant legislation that impacts the competent authorities. The eidentification providers that will be authorised according to the national scheme will be able to provide eIDs to the Cypriot citizens. The legislations that are part of the national scheme were voted by the Parliament in April 2021. The legislations that are part of the national scheme are the Law on Electronic Identification and Trust Services for Electronic Transactions in the Internal Market and the Law on Civil Registry and were voted by the HoR in April 2021.

Other completed projects in this area include:

- the **information system “Ippodamus”** for the Town Planning and Housing Department (completion date - February 2021)
- the upgrade of the **Payment System for the Social Insurance Services “SISnet”** (completion date - January 2021).

Moreover, the following measures are ongoing:

- **Cyprus Integrated Land Information System** for the Department of Land and Surveys (DLS), completion of Phase A regarding the GIS Upgrade (completion by December 2021), financed under European Structural and Investment Funds (ESIF) for 2014-2020.

- **Enhancement of the capacity of the Law Office**, financed under RRP (01/2021-06/2026). The tender documents are close to completion for the Design, Modelling and Development of the System.
- Enhancing **e-system for issuing building permits**, financed under RRP (03/2021-12/2024).
- Smart cities, financed under RRP (Q4/2021-06/2026). The first tender of this project for the purchase of services for conducting a study for building a “CY Smart City Platform” and drawing an implementation roadmap for smart city solutions is in the process of evaluation and it is expected that the contract will be awarded within Q4 2021.
- **Digital transformation of courts**, financed under RRF (07/2021-03/2025). Further elaboration in following section.
- Modernisation of **Customs and Electronic Payment System**, financed under RRP (01/2021-05/2026), in the process of evaluation.
- Development of **new integrated information system for the Road Transport Department**, financed under RRP (02/2020-06/2026). The tenders will be submitted within September 2021 and the evaluation procedure will begin.

Furthermore, the following projects have been included under the ESIF for 2021-2027:

- Reform of the **Government’s web presence on the internet** (expected completion by August 2026).
- **Counter Automation System (C.A.S.)** for the Department of Postal Services (expected completion by July 2023).
- Expansion of the **Government Data Warehouse** (expected completion by June 2024).
- Expansion of the **office automation system-eoasis** (ongoing on a rolling basis to cover all public entities).
- **Cyprus Integrated Land Information System – Phase B** regarding the Legal and Fiscal aspects of the system (expected completion by March 2026).
- **Digitization of the medical records of patients** for all hospitals (expected completion by June 2023).

Establishment of new government bodies

Aiming at enhancing the governance in relation to social and environmental sustainability, the government has introduced the following important institutional changes:

- Establishment of a new Deputy Ministry for Social Welfare (DMSW) following the enactment on the 6/5/2021 of the Law of 2021 on the Establishment of the Ministry of Social Welfare and Related Issues [N. 89(I)/2021]. The mission of the Deputy Ministry is to develop and implement a national strategy which will ensure

conditions of social cohesion, solidarity and decent standard of living, as well as the provision of social protection, fight against social exclusion and promotion of equal opportunities for all citizens of Cyprus. Furthermore the Deputy Ministry is responsible for (a) the implementation of the Plan for Restructuring and Modernization of Social Welfare Services approved by the CoM, which aims at strengthening the social welfare and solidarity services, (b) the upgrading of the social services with the aim of creating conditions of more efficient and effective operation for the benefit of the citizens and the vulnerable families and groups, and (c) the modernization of the existing social welfare framework in order to handle of the growing needs of society.

- In the context of restructuring the institutional framework for the management of environmental affairs, a decision was taken by the CoM on 2/9/2021 for the establishment of a new Directorate General for the Environment. The operational framework and structure of the Directorate General for the Environment will be prepared in the next months.

Department of Registrar of Companies and Official Receiver

- In the context of the implementation of the Action Plan for the Reform and Restructuring of the DRCOR and the approval by the HoR (18/12/2018) of the comprehensive legal package which aimed at further simplifying the existing legal framework and procedures regarding the filing obligations of registered organizations, the Ministry of Energy, Commerce and Industry (MECI) proceeded with the gradual implementation of the new statutory forms (81 in total) of the Companies Section.
- New statutory forms were redesigned or consolidated for simplification and have been enriched with explanatory notes and checklists, guiding the applicant through the process. Finally, all statutory forms have been designed in a machine-readable and searchable format, enabling searching, identification, recognition and extraction of specific data into the system.
- In January 2021, the 1st bundle (27 forms) of the new statutory forms was implemented while the 2nd bundle (22 forms) is expected to be implemented in November 2021. To achieve smooth transition and educate the Department's personnel and external stakeholders in filling in the forms, a series of targeted online webinars were executed with the legal firm responsible for the drafting of the above-mentioned legal package. The 3rd bundle of forms will be implemented with the new system solution to be developed in 2025.
- As a part of the overall reform programme, on 25/1/2021 the english versions of the two websites of the DRCOR (Companies Section and Intellectual and Industrial

Property Section) were launched. Both websites were structured in such a way so as to provide the maximum guidance to the public and hence reduce the need for support services.

- In order to significantly enhance online capabilities and provide outstanding customer service through efficient internal processes and flexible IT systems, a project was included under the RRP (*"Integrated Information System for the Registrar of Companies and Official Receiver"*) in relation to the design, development and implementation of an IT solution to replace the existing IT environment of the DRCOR (expected to be implemented between 10/2021 and 12/2025 (Pilot completion and training).

Within the next two years (2022-2023) the following projects are expected to commence by the DRCOR, financed by the national budget:

- The consolidation/redesign/creation of certificates of the Companies Section based on the new statutory forms.
- The consolidation/redesign of all statutory forms of the Intellectual and Industrial Property Section as per service provided, as well as the promotion of other legislative reforms resulting from the Business Process Reengineering.

As part of the overall effort to reduce bureaucracy and increase productivity, and following the successful implementation of a pilot electronic submission and evaluation of the applications in two major funding schemes, the MECI has commenced on a new project aiming to develop its own electronic system customized to the needs of the Ministry and its Stakeholders.

The project, currently in progress, aims to develop a central integrated electronic platform for the electronic administration of all the Ministry's funding applications. The new system aims to facilitate an effective digital transformation for the Ministry, which will facilitate e-engineering and standardization of schemes and procedures, utilize digital automation, reduce bureaucracy and costs, reduce response time to provide funding, increase efficiency and effectiveness in EU funding administrations, utilize digital technology and enhance e-governance.

The system has already successfully hosted the electronic submission of numerous funding schemes (i. Digital Upgrading of SME's, ii. Technological Enhancement of SMEs in the Manufacturing sector, iii. Increasing the Energy efficiency of existing buildings (Houses) and iv. New Entrepreneurial Activity) from December 2019 up to July 2021. The development of consequent modules is now in progress for the electronic administration of applications. The new system already incorporates electronic communication and data interchange with other Government systems thus utilizing effectively the existing governmental ICT infrastructure (Ariadni e-gateway and various reusable web-services), reinforcing e-strategy and providing digital scalability.

In parallel to its modular development, the new electronic system will gradually host and administer all the stages of applications administration (end-to-end) to eventually covering all funding schemes of the Ministry.

Treasury of the Republic

Moreover, in an effort to improve the efficiency of **public procurement**, the Treasury of the Republic has included the following reforms under the RRP:

- **Professionalization of public procurement:** The proposed investment will address challenges relating to inefficiencies deriving from the lack of knowledge, expertise and motivation of staff engaged in public procurement. The professionalization of the public procurement sector is pivotal in achieving the green and digital transitions and in tackling the areas where performance of public procurement is low according to indicators monitored by the European Commission.

This will be achieved by developing a pool of well trained, experienced and capable professional procurers, able to employ the right methodologies to horizontally undertake or support procurement activity for all contracting authorities, ensuring the horizontal coverage of the Cypriot public procurement market.

- **New eprocurement system:** This reform will further expand the digitalization of the public procurement process to cover the whole spectrum of procurement from the identification of the need to the final conclusion of the contract. A key element in this reform is the replacement of the existing eprocurement system with a primary goal to reduce the administrative burden, thus facilitating SME participation, and fostering transparency, fight corruption, improve monitoring and reporting and accountability. This will also enable the introduction countrywide, of the new innovative procedures and tools provided under the modernized procurement regime and the initiatives undertaken at EU level.

3.1.2 Adopt key legislative reforms to improve the governance of state-owned entities (CSR 1.2, 2019)

Over the past few years, the MoF has undertaken a number of positive steps towards the improvement of the governance framework of State-Owned Enterprises (SOEs), briefly described below. These tools and measures were adopted as an alternative solution and mitigate, to a large extent, the fact that the government decided to withdraw the relevant draft bill from the HoR, due to the fact that no consensus had been reached at the relevant Parliamentary Committee, which reflected what would have been the Parliament's voting outcome. These measures are reflected below:

- **Effective management of state grants granted to a number of SOEs:** The CoM approved (Dec. no. 86.013, 24/10/2018) the formulation of a specific procedure for the effective management of the state grants in order for the beneficiaries to become accountable for their decisions and to safeguard the improvement of their governance.

A relevant circular was issued on 18/01/2019 which defines the procedure that must be followed by the Controlling Officers² in order for the SOEs to be eligible to receive their grant. The procedure is thorough and requires SOEs to provide information to the competent Ministries/Deputy Ministries, concerning, amongst others, strategic planning, staff recruitment, public procurement procedures etc.

- **Enhancement of the procedure for the approval of SOEs' budgets:** The Fiscal Responsibility and Budget System Law (20(I)/2014) (FRBSL) was enacted in 2014 as the main legislative framework for the implementation of the Public Financial Management (PFM) related processes in the public sector including SOEs. PFM supports aggregate control, flexibility, prioritization, accountability and efficiency in the management of public resources and delivery of services, which are critical to the achievement of public policy objectives.

Acknowledging the need to provide further guidance to the SOEs with regard to the application of the provisions of the FRBSL, a decision was taken by the CoM (dec.no.87.226, 09/04/2019) according to which, SOEs are requested to prepare their budgets on a 3-year rolling basis (medium term budgetary framework), defining also an explicit timeline for the submission of budgets by SOEs. The CoM decision also provides that SOEs are obliged to prepare gradually their budget strategic plans interlinked with their budget, in order to adopt an activity-based budget approach, and a self-assessment risks report to be submitted annually to the CoM, for information purposes/relevant actions, if considered necessary.

The new framework provides to the SOEs the tools needed in order to adopt a more modern approach on management issues and to the government the mechanism for enhancing its supervisory role. In this respect, an informative seminar on the provisions of the FRBSL was also organized by the MoF.

- In addition, the MoF has issued a circular dated 04/05/2020, providing guidance on the procedure of the identification, analysis, evaluation and management of risk and generally on the context of the Self-Assessment Risks Reports. For the year 2020, a number of such reports have been submitted to the CoM. From 2021, the Self-Assessment Risks Report will be submitted on a yearly basis within the overall framework of the budget submission of each SOE.

² Officers who are by Law authorized for the execution of payments.

- **Code of Public Governance:** In order to further improve the governance and promote and maximize the services that are being provided by SOEs, the CoM decided (Dec. no. 87.869, 25/07/2019) the following:
 - to approve the application of the principles of the Code of Public Governance from the SOEs, as provided in the FRBSL, depending on their legal form and activities,
 - to authorize the responsible Ministers to request from SOEs, which are under their supervision, to prepare the profile (academic, professional and experience qualifications) that the Chairman/Chairwoman and the Members of the Board of Directors should have, and
 - to authorize the responsible Ministers to request from SOEs, under their supervision, to submit a compliance statement for the Code of Public Governance on a yearly basis.

To safeguard compliance, a relevant “self-assessing” questionnaire as to the implementation of the 6 basic Pillars of the Code, along with a compliance certificate to be signed by the Chairman of the Board of each SOE has been circulated to the SOEs which have to be submitted annually along with their Budget to the competent Minister of each SOE, and subsequently to the MoF and to the CoM. The Code attempts to define a unified approach for all the entities under the control of the government, without limiting their flexibility to develop their own mechanisms for the internal control of their governance system. It must be seen as a tool for self-control and self-governance.

- **Public Investment Projects:** Based on the percentage of the grant provided by the state covering their total budgets, a number of SOEs (including public Universities which are responsible for the implementation of a series of infrastructure projects) have been included in the general procedure for pre-selection and appraisal of public investment projects, as this is defined under articles 84 and 85 of the FRBSL law.
- **Investments by the SOEs:** Pursuant to the provisions of article 3 of the SOEs law (Investments) of 1991 (N.100(I)/91), the Minister of Finance has issued on the 16/9/2019 the investment framework for surpluses of entities defined in Annex I of the aforementioned Law.
- **Procedure for the establishment of new entities:** Article 96(3) of the FRBSL provides that the establishment of a new entity can be approved only when the Minister of Finance considers that the economic and financial benefits outweigh the cost that may occur from its absence. Accordingly, a Circular letter was issued by the MoF dated 9/2/2021, that defines a detailed process for the submission of

a proposal for the establishment of a new entity. Specifically, the circular letter provides, inter alia, that the proposal should:

- identify, firstly the need and the reasoning for creating the new entity, with the specific legal status,
- provide the financial impact that will occur from the establishment of the new entity,
- provide a risk assessment report,
- outline the initial strategic plan of the new entity, its governance structure and issues of internal control,
- provide the consolidated version of the report to the MoF for their assessment and views, and
- submit the final version of the proposal to the CoM for initial approval.

3.1.3 Adopt key legislative reforms to improve efficiency in local governments (CSR 1.3, 2019)

The Local Government Reform, is comprised of three pillars, which are reflected in the three draft laws that the government submitted to the HoR. The draft laws concerning the Reform of the Municipalities and the Reform of the Communities were approved by the CoM on 10.3.2020 and submitted to the HoR on 12.3.2020. The draft law concerning the establishment of the five District Organisations for Local Self-government is pending before the HoR since 2015.

These draft laws are currently before the Parliamentary Committee for Internal Affairs, which has examined them in detail during the previous parliamentary term, having held numerous meetings and extensive discussion on the subject. The discussion was put on hold in April 2021 due to Parliamentary Elections.

On the 16th of September 2021, the HoR voted on three amending bills submitted by the Minister of Interior for the extension of the term of the current Councils of Municipalities and Communities, as well as school boards until the next elections for the election of members of the European Parliament in 2024. This amendment was necessary due to the fact the local elections were scheduled to take place in December 2021. At the same time, the majority of political parties in the HoR committed to working towards the voting of the reform bills by the end of November 2021.

The above measures are included in the RRP.

More specifically, the Reform entails the following:

(a) Reform of the Municipalities

The reform seeks to empower Cypriot municipal authorities by providing for:

- i. The transfer of new competences from central government and its decentralized units to the municipalities, especially in the areas of issuing of permits, social policy, local infrastructure maintenance, schools' maintenance, beach management and the provision of local services to the citizens.
- ii. The reform of local finances in order to foster fiscal decentralization and secure adequate own financial resources of municipal authorities.
- iii. A novel form of legal supervision of local authorities that secures their administrative autonomy.
- iv. New rules of transparency and democratic accountability.
- v. The empowerment of the Association of Cypriot Municipalities with a novel legal status based on the proposal of Cypriot Municipalities.

Following a period of extensive discussions between the Ministry of Interior (MoI) and the Association of Cypriot Municipalities, a consensus has been reached on the premise that addressing the problem of fragmentation in a large number of small municipalities and communities, constitutes a necessary step in achieving the fundamental objectives of the reform i.e. to strengthen decentralization and local democracy in Cyprus and to set up new entities that will have the critical mass to carry out the new competencies.

Following the recommendations of the Council of Europe (CoE) toolkit on municipal amalgamations, the MoI formulated a comprehensive study based on transparent scientific criteria, that assesses various amalgamation scenarios. These criteria refer to population, geographic, social, economic, developmental and cultural criteria. Based on their analysis, and with respect to the provisions of Art. 5 of the Charter, the Ministry requested the opinion of the Association of Cypriot Municipalities. Moreover, the majority (but not all) of the 50 communities that have been selected for amalgamation, have discussed the issue within their Councils and decided to participate in the reform and amalgamate with neighbouring municipalities. As a result, the current scheme provides for the amalgamation of 30 Municipalities and 50 Communities, into 17 new municipal authorities.

(b) Reform of the Communities

Based on a recent study carried out by private consultants, the MoI in collaboration with the Union of Cyprus Municipalities, has drafted a legislation in order to establish 32 Local Clusters for the 300 remaining Communities. The Local Clusters will be responsible for the:

- i. waste collection management,
- ii. promotion of actions for the design and implementation of complex projects,

- iii. provision of accounting services, with a single software system,
- iv. provision of secretarial services,
- v. implementation of the provisions of the Dogs Law,
- vi. provision of technical support by qualified personnel,
- vii. provision of health services,
- viii. provision of traffic control services, and
- ix. design, maintenance, improvement and cleaning of parks and green spaces managed by the cluster or belonging to the cluster.

(c) Reform concerning the Water boards, Sewerage boards and Solid Waste Management

District Organisations for Local Self-Government will be responsible for activities related to:

- i. water boards,
- ii. sewage boards,
- iii. solid waste management, and
- iv. issuing of the planning and building permits.

It is noted that according to the RRP the new legal framework on Local Authorities will enter into force by end 2024.

3.1.4 Address features of the tax system that may facilitate aggressive tax planning by individuals and multinationals, in particular by means of outbound payments (CSR1.4, 2019) & Step up action to address features of the tax system that may facilitate aggressive tax planning by individuals and multinationals (CSR 4.1, 2020)

Cyprus supports the European Commission's initiatives to fight Aggressive Tax Planning (ATP) and reiterates its commitment and willingness to continue cooperation in all appropriate fora for taxation, in full respect of the respective competencies under the Treaties and in light of the relevant voting procedures that are applicable for such matters. Towards this direction, a reform is included in the RRP safeguarding fiscal and financial stability with the ultimate objective of increasing the effectiveness, efficiency and fairness of the tax system by combatting tax evasion and ATP by multinational enterprises.

In addition, in 2020, Cyprus announced two measures to address ATP, namely the:

- Introduction of **withholding tax on dividend, interest, and royalty payments** to countries in Annex I of the EU list of non-cooperative jurisdictions on tax matters.
- Introduction of **corporate tax residency test** based on incorporation, in addition to the existing 'management and control'.

The tax bills of the above two measures, were approved by the CoM on 25th of February, 2021 and on 8th of March, 2021 were submitted to the HoR for discussion and enactment. The tax bills, shall be enacted by 31 December, 2021 providing for their entry into force by 31 December, 2022.

In addition to the above measures, by Q4 of 2024 additional tax provisions tackling aggressive tax planning via payments to low tax jurisdictions shall enter into force.

Furthermore, by Q4 of 2024, Cyprus will assess the effectiveness of the tax measures related to ATP through an independent evaluation, by exploring the whole tax framework. In case the evaluation leads to policy actions (legislative changes), these shall be implemented by Q2 of 2026.

In relation to the actions taken by the Government to deal with concerns that the 'Citizenship' and 'Residence by investment' schemes may circumvent the Common Reporting Standard initiative, the Cyprus Tax Authorities, in collaboration with the Immigration Authorities, are in the process of developing the appropriate infrastructure to enable as soon as possible the spontaneous exchange of information (SEOI) mechanism about individuals who have obtained residence rights through the "Citizenship by Investment" (CBI) and "Residence by Investment" (RBI) (RBI/CBI) programme with all original jurisdictions of tax residence. The CoM decided the abolition of the 'Citizenship' scheme as of 1st of November, 2020.

3.2. Non-performing loans, state-owned asset management company, credit acquiring companies, non-bank financial sector

2019 COUNTRY SPECIFIC RECOMMENDATIONS – CSR2

Sub CSR 2.1: Facilitate the reduction of non-performing loans including by setting up an effective governance structure of the State-owned asset management company.

Sub CSR 2.2: Take steps to improve payment discipline and strengthening the supervision of the credit acquiring companies.

Sub CSR 2.3: Strengthen the supervision capacities in the non-bank financial sector, including by fully integrating the insurance and pension funds supervisors.

3.2.1 Facilitate the reduction of non-performing loans including by setting up an effective governance structure of the State-owned asset management company (CSR 2.1, 2019)

Non-performing loans (NPLs) declined to €5,2 bln in April 2021 from €9,1 bln at the start of 2020, mainly as a result of sales, write-offs and debt to asset swaps. NPLs are now a fraction of the peak of €29 bln portfolio in 2014. Notwithstanding this, further progress is necessary amidst the possibility of a new wave of NPLs as a result of the

pandemic impact on the economy.

The strategy for resolving NPLs is based on the following elements:

(a) Strengthening the effectiveness of the legal framework related to the management of NPEs - Foreclosure framework

The first element concerns the creation of an enabling legal framework for creditors to pursue resolution and workouts of the stock of NPLs.

The most important legislations in place concerning the resolution of the NPLs are outlined below:

- Foreclosures of real estate property are enabled and regulated in the Immovable Property (Transfer and Mortgage) Law of 2018, amending previous legislation of 2014. The amending provisions of 2018 allowed for the streamlining of the process under a concrete timeline and removal of provisions that were causing delays in implementing the law. Electronic auctions were subsequently introduced in late 2019.

As a result, the timeframe for foreclosure of collateral was brought down from previously around 10 years to less than 12 months, rendering it one of the shortest periods in the EU³. Recent amendments to the foreclosure framework that entered into force in June 2020, which cover a portfolio with specific characteristics as far as its collateral type and their open market value taking into account if the foreclosure process has been initiated, have yet to be tested by creditors and courts. It is estimated however that the majority of the NPL stock will not be affected, as, for most of the outstanding portfolio, legal and foreclosure actions had been initiated under the previous legal regime, rendering them non eligible for the process.

The creditors have been making considerable use of the foreclosure tool. Its effectiveness is shown both by the resolution rate of problematic loans before reaching the auction stage – through cash settlements, restructurings or swaps with real estate assets, and the sales completed through auctions. Moreover, the repossession of the mortgage property by banks, six months after the first auction has further facilitated the resolving of NPLs.

It is noteworthy that sales through auctions have been completed mostly for agricultural land, commercial property and residential property under construction, but not for primary residences.

³IMF Country Report No. 18/337 (2018 Article IV Consultation)

Building on the foreclosure framework, the Ministerial Decree regulating the specifications and operating requirements for the e-auctions was issued on 1st November 2019. The system carries out auctions of mortgaged properties on behalf of mortgage lenders, for whose benefit the mortgage was registered. Mortgage lenders may be credit institutions, credit acquiring companies, other companies and individuals.

From inception to 30th of June 2021, a total of 2,202 e-auctions have been conducted of which 205 auctions resulted in a successful sale (9%). During 2020, 1,081 auctions were conducted and of these 84 auctions resulted in a successful sale (8%). For the first half of 2021, 1,121 auctions have been conducted and 121 auctions resulted in a successful sale (11%). While the initial rate of sales through e-auctions has been rather moderate, there has been positive feedback from mortgage lenders as well as prospective purchasers of credit facilities. Until end June 2021, there were over 51,000 unique viewers of the System and 1,277 registered users in the System.

There was a six-month voluntary suspension of foreclosure procedures due to the onset of the pandemic between March 2020 until August 2020. In December 2020, the HoR enacted a law which suspended foreclosure proceedings for primary residences (up to an open market value of €350.000) and small business premises between January 2021 to March 2021. This law was later amended to provide for a further short term and targeted suspension, until end July 2021, for the following categories:

- (a) Primary residence of the debtor, with an estimated value up to €500.000 (from €350.000).
- (b) Business premises with less than 10 employees and annual turnover up to €2.000.000.
- (c) Agricultural plot of the debtor, which is in agricultural or livestock zone or in any other zone in which agricultural or livestock activities are being exercised, with an estimated value up to €250.000. Thus, it affects a much larger perimeter of loans than the previous suspensions of foreclosures (N. 98(I)/2021).

The HoR voted for a further short-term suspension of foreclosures until 31 October 2021. The said perimeter is limited compared to the previous suspension to include primary residences with an estimated value up to €0.35 mln (from €0.5 mln), small business properties with an annual turnover of up to €0.75 mln (from €2 mln) and agricultural plots with an estimated value up to €0.1 mln (from €0.25 mln). The Government has decided to refer the said Law voted by Parliament to the Supreme Court, raising constitutional issues. The Supreme Court of Cyprus is to rule on the constitutionality of the law extending the

suspension period.

- **Sale of loans:** The Sale of Credit Facilities and Related Matters Law (2015) has been vital in enabling a number of significant transactions to take place, removing NPLs out of the banking system.

The largest single transaction to date remains the transfer of NPLs from the former Cyprus Cooperative Bank to KEDIPES, of the order of €6,9 bln. Moreover, a number of transactions exceeding €5 bln to mostly foreign-owned credit acquiring companies by both large and medium sized banks has been completed over the past years.

- Given the increased use of assignment of the servicing of NPLs by credit institutions to specialized companies, a set of bills for the creation of a legal framework for Credit Servicing Companies (CSCs) was submitted to Parliament in March 2021:
 - The Sale of Credit Facilities and Related Matters Law (2021): Under this draft bill, the Law is amended to allow for the CSCs to be licensed, assessed and supervised by the CBC.
 - The Immovable Property (Tenure, Registration and Valuation) (Amending) Law of 2021: Under this draft bill the Law is amended so that CSCs can access the database of Department of Lands and Surveys (DLS) in order to assess the borrowers' creditworthiness for those loans under their management.
 - The Immovable Property (Transfer and Mortgage) Amending Law of 2021: Under this draft bill the Law is amended so that transfers relating to the sale and purchase of credit facilities are exempt from certain provisions of the Law to avoid double notices to borrowers from the credit institutions and the DLS.
 - Furthermore, in order to improve the legal framework regulating CACs, discussion at the parliamentary level is still ongoing regarding the Evidence (Amending) Law of 2020: Under the draft bill, the scope of the Law is extended to include arrangements to allow, for testimony purposes, entries of CACs in addition to credit institutions.

The amendments will help improve the legal framework for managing NPLs outside the banking sector and strengthen the secondary loan market.

In order to fight high private indebtedness a new legal framework and system of exchange of data and credit bureaus is contemplated for improving the assessment of credit risk for new lending through involvement of the credit registry, to enable the market to offer services such as credit scoring in full conformity with data protection rules.

The reform shall consist in amending the existing system for exchange of credit data, so as to allow the provision of credit scoring services. The main elements of the amendment shall be to alleviate the legal uncertainty regarding the ownership of the system and the distinct roles of the credit registry and credit bureaus, to ensure continuation of the duty to collect data on credit facilities, to provide data from the Insolvency Department, and to define the terms and conditions of access to data and its protection.

The implementation of the reform “New legal framework and system of exchange of data and credit bureaus” of the RRP shall be completed by 31 December 2024.

(b) Addressing the most challenging portfolio of NPEs - ESTIA scheme

The second pillar in addressing the Non-Performing Exposures (NPEs) is the launch of the ESTIA scheme with the aim of protecting the primary residence and provide financial assistance to borrowers with NPLs backed by their primary residence. For viable eligible debtors, NPLs will be restructured with the state undertaking about one third of instalments of the restructured facility provided the debtor serves the remaining facility with no arrears.

Preliminary results as of July 2021 show that about €200 mln of NPLs will benefit from the Scheme and will be resolved over time if debtors abide with their new repayment schedule. This figure corresponds to about 800 successful applications out of ca. 4400 fully completed applications and ca. 6400 submitted (including incomplete) applications. The most important reason for rejection has been the breach of income and wealth criteria likely evidencing the prudence of the government subsidisation Scheme.

(c) Effective Governance of KEDIPES

The third Pillar concerns the effective governance of the Cyprus Asset Management Company Ltd (KEDIPES), with the ultimate aim of reducing the stock of NPLs under its ownership, even though these are recorded out of the banking sector’s balance sheet.

Recent progress is summarized as follows:

- Fully functioning Board of Directors and Risk, Audit, Nominations & Remuneration Committees in place.
- On-going progress in implementation of Central Bank of Cyprus’ (CBC) On-Site Inspection findings on governance matters.
- Action plan in place for establishing conformity with the new guidelines from CBC on the governance of CACs.

- Further strengthening of middle level management at Monitoring and Deleveraging and Risk Management functions with external hires.
- Further Organisational structure enhancement with key change being the consolidation of certain functions under the Chief Operating Officer.
- Progress on employee matters, pending approval by trade unions. More specifically:
 - The Board of Directors approved the Collective Agreement for 2019-22.
 - Launch of a Voluntary Redundancy Scheme to downsize staff numbers.
 - Compensation mechanism has been designed to be offered to staff outsourced to the KEDIPEs loan servicer, in order to terminate the right to return to KEDIPEs.

(d) Insolvency

Moreover, the MECI is responsible for the full implementation of the national Action Plan for Insolvency, which aims to optimize the efficiency and effectiveness of the insolvency procedures. Since 2018, the implementation of the Action Plan has provided a set of reforms which are gradually being implemented.

The Project “Increase Awareness about Insolvency Framework” has been concluded in September 2021. The Project has been implemented by making use of the technical assistance that MECI has received from DG Reform. Through the project, the Ministry aimed to address the lack of sufficient awareness among the different target groups about schemes and developments in the area of insolvency.

Through the project, the visual identity of the department has also been designed, while an informative campaign was run among companies, Insolvency Practitioners and citizens. The website of the department has been redesigned embedding the new visual identity, while the development of a web portal is in progress, which will facilitate the online submission of applications and payments. The main channels of communication with the different target-groups are the social media. The communication campaign focused on informing the public about the establishment of the Department of Insolvency in 2020, the launch of its corporate identity and on intensifying awareness about the insolvency schemes available to natural and legal entities.

Following the establishment of the Department, appropriate Service Schemes (job descriptions) for each hierarchical level of the organizational structure were prepared, accommodating the needs of the department. The Service Schemes were submitted to the HoR and were approved in July 2021, and it is planned that the new positions of the Department will open before the end of the year.

Moreover, as of July 2021, the Project “Support to digitalize the handling of Insolvency cases in Cyprus” has commenced. The Project is being implemented once again with the support of DG Reform by MECI in cooperation with the Supreme Court of Cyprus. By the end of this project the following is expected to be delivered:

- An in-depth analysis of the relevant legislation, the operational flows, the organization of the courts that currently handle insolvency cases and the technical IT systems provided for the handling of insolvency proceedings.
- A benchmark of the Cypriot legislative, judicial and technical framework against four countries that are widely deemed as European or international best practice countries in order to make a gap analysis that will identify the inefficiencies.
- Specific recommendations and action plan to improve the Cypriot framework governing insolvency and to address the gaps.
- Formulation of the technical specifications and a corresponding tender document of the IT system.
- A Continuous Professional Development Program for Judges, courts’ staff and the personnel of the Department.

The reforms that are being expected from this project have been included under the RRP. Along with the expected reforms, under the RRP have also been included the reforms from the previous projects of the Action Plan for Insolvency and more specifically the full implementation and full operation of the legal and institutional framework on insolvency through: (a) appointment of staff for all levels of the organisational structure of the Department of Insolvency, and delivery of trainings for the personnel, (b) establishment of a communication plan for promoting insolvency proceedings, (c) approval of a customer service line, (d) establishment of a framework for continuous professional development for insolvency Practitioners.

3.2.2 Take steps to improve payment discipline and strengthening the supervision of the credit acquiring companies (CSR 2.2, 2019)

(a) Improving the payment discipline

Long judicial and debt enforcement processes, have historically weakened payment discipline placing Cyprus low in international rankings of contract enforcement. A number of actions aiming directly or indirectly at improving payment discipline have been completed or are on-going:

- The on-going **judicial reforms** cited in section 3.5.1, aiming at the enhancement of the efficiency of justice delivery, are expected to speed up the enforcement of court decisions and thus enhance the payment discipline.
- Moreover, the **collateral foreclosure procedure** was overhauled in 2018, resulting in a total foreclosure period of less than 1 year. This has evidently contributed

towards a change in the attitude of some debtors with terminated NPLs, indicated by their cooperation to settle their debt once informed about the initiation of the foreclosure process.

- The draft bills for **the regulatory framework of Credit Acquiring Companies and Credit Servicing Companies** as described in Section 3.2.1 are expected to improve the working environment for these companies, thereby contributing towards a stronger payment collection from debtors.
- Reinforcing and strengthening of the **insolvency framework** is to be achieved through the implementation of the insolvency framework, the promotion of the use of insolvency schemes and tools, and ensuring full and effective functioning of the Department of Insolvency. This shall consist in:
 - i. implementing the remaining measures and actions specified in the 2018 Action Plan that were not already implemented, and
 - ii. setting-up digital systems necessary for improving the work of the Department of Insolvency and which promote the use of the insolvency tools. The Action Plan was approved by the CoM in 2018, and reflects the national policy for the field of insolvency. This reform shall include actions such as digitalisation of systems (enhancement of existing systems and introduction of new ones), training delivered to the staff of the Department of Insolvency, implementation of a Customer Service line and a web portal for customers, and full implementation of the regulatory framework for Insolvency Practitioners.

The implementation of the reform “Reinforcing and Strengthening the insolvency framework” that is included in the RRP shall be completed by 30 June 2025.

- The latest public campaign for the promotion of **alternative dispute resolution (ADR)** took place in November 2019 whereas no legislative changes are required, since the legal framework for ADR and mediation is already in place.
- Finally, aiming at improving **payment attitudes and stance**, Cyprus aims to draft its first Strategy for Combating Financial Illiteracy. Better informed, financially responsible citizens should be able to make better decisions as regards payment of debt and correct attitude towards contract obligations. The implementation of the reform shall be completed by end 2023.

(b) Strengthening the supervision of Credit Acquiring Companies

According to the provisions of the Sale of Credit Facilities and Related Matters Laws of 2015 and 2018, any legal person intending to assume the activity of the acquisition

of credit facilities in the Republic of Cyprus, is obliged to obtain the prior approval of the CBC.

According to the provisions of the aforesaid Law, the following legal persons are permitted to engage in the activity of acquiring of credit facilities without obtaining the prior approval of the CBC:

- i. A credit institution authorised by the CBC.
- ii. A credit institution that is authorised and supervised by the competent authority of another member state that has the right to provide services or to establish a branch in the Republic of Cyprus.
- iii. A financial institution, which is a subsidiary of a credit institution incorporated in a member state that has the right to provide services or to establish a branch in the Republic of Cyprus provided that this is allowed by its license.

Authorisation for the operation of a CAC is granted to legal persons that have been incorporated in the Republic of Cyprus, provided that the CBC is satisfied, inter-alia, that: these legal persons are in a position to fully comply with the provisions of the Law; they are able to maintain at all times a minimum paid up share capital of €100,000; their shareholders and directors meet the criteria of fitness and probity; they have an organisational structure that enables them to provide services in accordance with the provisions of the Law; and their planned operations do not raise concerns regarding financial stability in the Republic of Cyprus.

A legal person that intends to establish a CAC in the Republic of Cyprus, may submit to the CBC an application with the accompanying documents specified by the Law and the Authorisations of CACs Directive of 2016. The Directive was issued by the CBC in order to regulate, inter alia, the procedures for granting an authorisation, the criteria for the fitness and probity of shareholders, directors and key function holders, the internal organisation and governance of the CAC and the outsourcing of operational functions to third parties.

CACs are required to analogously implement the Fitness and Probity Directive (2014), the Directive on Governance and Management Arrangements in Credit Institutions (2014) and the Arrears Management Directive issued by the CBC to the extent permitted by their nature as CACs. Moreover, on-site inspections of CACs have been conducted by the supervisor.

As mentioned in section 3.2.1., a draft bill amending the “Purchase of Credit Facilities and related Matters 2015 and 2018 Laws” has been submitted to the HoR, the purpose of which is the strengthening of the supervision of Authorized Credit Acquiring CACs and introducing provisions for the authorization and supervision of CSCs, including provisions on their management and submission of information to

the CBC. The main provisions are:

- CSCs will be licenced and supervised by the CBC.
- CSCs will have access to the Credit Register.
- CACs & CSCs will have access to the Land Registry.

It is noted that the CBC issued the following Directives regarding CACs on 25/09/2020:

- The Authorisation of and Supervision of CAC Directive of 2020.
- The Governance and Management Arrangements of CAC Directive of 2020.
- The Assessment of Suitability of Members of the Management Body and Key Function Holders of CAC Directive of 2020.

3.2.3 Strengthen the supervision capacities in the non-bank financial sector, including by fully integrating the insurance and pension funds supervisors (CSR 2.3, 2019)

- A draft bill on the creation of a single independent supervisory authority for the supervision of insurance companies and occupational pension funds was prepared and submitted to the HoR in October 2019. The bill is based on the recommendations of an independent report commissioned with the support of the European Insurance and Occupational Pensions Authority (EIOPA). It aims at achieving a more efficient and effective supervision of the two sectors, thus better managing risks and better guarding the interests of stakeholders. The discussion of the bill at the HoR is in progress.
- In the meantime, measures are taken to enhance the capacity of the Department of the Registrar of Occupational Retirement Benefits Funds as well as plans for a smooth transition to the new supervisory setup. Namely, the Registrar of Occupational Retirement Benefits Funds, receives technical assistance from European Insurance and Occupational Pensions Authority (EIOPA) on fostering the supervisory framework/processes based on the new European Institutions for Occupational Retirement (IORP II) framework. At the same time, procedures have been initiated for the secondment of specialised personnel from other government departments to the Registrar.

The implementation of the measure “Enhancing supervision of Insurance and Pension Funds”, included in the RRP, shall be completed by 31 December 2023.

3.3. Public employment services, education and training system, affordable childhood education and care, National Health System, social protection and labour market

2019 COUNTRY SPECIFIC RECOMMENDATIONS – CSR3

Sub CSR 3.1: Complete reforms aimed at increasing the effectiveness of the public employment services and reinforce outreach and activation support for young people.

Sub CSR 3.2: Deliver on the reform of the education and training system, including teacher evaluation, and increase employers' engagement and learners' participation in vocational education and training.

Sub CSR 3.3: Deliver on the reform for affordable childhood education and care.

Sub CSR 3.4: Take measures to ensure that the National Health System becomes operational in 2020, as planned, while preserving its long-term sustainability.

2020 COUNTRY SPECIFIC RECOMMENDATIONS RELATED TO THE THEMATIC AREA 3.3

Sub CSR 1.3: Strengthen the resilience and capacity of the health system to ensure quality and affordable services, including by improving health workers' working conditions.

Sub CSR 2.1: Provide adequate income replacement and access to social protection for all.

Sub CSR 2.2: Strengthen public employment services

Sub CSR 2.3: Promote flexible working arrangements.

Sub CSR 2.4: Improve labour market relevance of education and training.

3.3.1 Provide adequate income replacement and access to social protection for all (CSR 2.1, 2020)

The outbreak of COVID-19 requires appropriate **measures to mitigate social impacts and to support households' income** and sustain a prompt recovery of the economy. In response to deteriorating labour market situation and declining household incomes following the COVID-19 outbreak, Cyprus introduced a series of short-time work (STW) schemes and retention schemes to subsidise the wages and earnings of the affected employees, self-employed and unemployed persons. A special scheme for income compensation for affected self-employed persons has been introduced as well as a scheme that provides for a monthly special unemployment benefit of persons who have exhausted their 6 months of unemployment rights within 2020. These measures have been continuously implemented since March 2020.

The schemes proved effective, as they have covered the majority of the labour force in the private sector, most affected by the pandemic. As a result, the overall unemployment rate in Cyprus did not increase significantly in 2020 (compared to 2019, the increase has been 0.5 p.p.). At the same time, these measures are of temporary nature and since the existing social insurance scheme in Cyprus does not offer the same protection to all categories of workers and to self-employed, a planned reform of the Social Insurance System and Restructuring of the Social Insurance Services is underway. The reform is particularly aimed at filling in the identified gap by expanding

and improving the coverage of various types of benefits for the self-employed, the short-term contract workers and the platform workers (e.g. unemployment benefits, benefits for accidents at work and occupational diseases). The reform is currently in its planning stage with impact analyses being performed to mark the scenarios that will be examined. The reform is included in the RRP and is expected that by Q2 2023 the revised legislation for the Social Security System will be enacted, while by Q2 2026 the new integrated digital Social Security's System will be completed and will go live.

Additionally, the government policy for the introduction of a **national minimum wage** has entered its final stages of implementation with the commencement of the social dialogue on the measure. The relevant impact analyses have been completed and also updated, taking into account the effects of the pandemic as well.

In addition, various mechanisms are in place to address poverty and social inclusion of those belonging to the lowest deciles of the income distribution, as follows:

- Guaranteed Minimum Income (GMI) Benefit:** The Guaranteed Minimum Income (GMI) was established in 2014, with the aim of ensuring a socially acceptable minimum standard of living for persons (and families) legally residing in the Republic of Cyprus whose income and other economic resources are insufficient to meet their basic and special needs. Any person whose income and other financial resources are insufficient to satisfy his or her basic and specific needs, as defined by law 109(I)/2014 as it is amended or superseded, may seek the provision of a guaranteed minimum income, which is given in the form of financial support and/or services. The benefit varies according to the applicant's income and it takes into account the number of family members and their specific needs. The following needs that can be provided through the GMI are (i) amount for basic needs and (ii) Housing allowance: It includes rent allowance and house loan interest allowance (mutually exclusive).

Below, the statistics concerning the basic needs and the housing - rent subsidy are stated for 2019 and 2020:

| A/A | Description of the benefit | | 2019 | 2020 | Percentage of change |
|-----|----------------------------|---|--------|--------|----------------------|
| 1. | Basic Needs | Recipients (family units) | 26.639 | 24.547 | -7,85% |
| | | Average amount of the benefit (per family per year) | €6.470 | €6.529 | 0,91% |
| 2. | Housing: Rent subsidy | Recipients (family units) | 4.610 | 4.131 | -10,39% |
| | | Average amount of the benefit (per family per year) | €2.116 | €2.706 | 27,88% |

The GMI contains also **employment activation measures** and supplementary allowances as follows:

- Subsidies for municipality and other levies (no specified amount).
 - Assistance to cover emergency/extraordinary needs.
 - Municipal and other similar charges.
 - Assistance to cover care needs: Beneficiaries of the guaranteed minimum income or people with insufficient income may be provided with care services by the social welfare services (i.e. home care, institutional care, day care, respite care, childcare and protection and incontinence pants where required).
 - 20% reduction on the bill of electricity.
 - Free medical card.
 - Free access to the state training institutes.
 - Reduction for public transportation fares.
 - Free card for transportation by bus.
- **Scheme supporting pensioners' households with low income:** This is a financial support plan aimed at households of pensioners whose total annual income is below the poverty line (according to the Statistical Service's EU-SILC study, is €10,324 for a single-person household). The household must consist of at least one pensioner, who receives pension from the Social Insurance Fund, and/or social pension, and/or pension from an occupational pension scheme in Cyprus. The amount of the grant depends on the number of people living in the household and the household income. The allowance is paid on a monthly basis.
 - **Child benefit and single parent benefit** (cash benefits): The child benefit is granted to families who have had their legal and continuous residence, in the areas under the effective control of the Cyprus Government for at least the last five (5) years prior to the submission of the application. Single parent families receiving child benefit are also entitled to a single parent benefit for each dependent child.

3.3.2 Promote flexible working arrangements (CSR 2.3, 2020)

- Cyprus plans the introduction of new legislation and promotion of **collective agreements to regulate telework** as part of the RRP (*"Flexible Work Arrangements in the form of Telework"*). Extensive social dialogue will take place before the introduction of the new legislation on telework. The law will entail a definition of telework, description of the economic activities where telework is applicable, the conditions for taking up telework and the rights and obligations of employers and employees.

- In addition, the reform includes the provision of a **Scheme for subsidized telework**. The scheme concerns subsidizing part of staff cost as an incentive for employers to hire unemployed persons who will work via telework. It will cover all private sector employers, who are willing to employ unemployed people, already registered with the Public Employment Services (PES), for teleworking for at least of 30% of their monthly working hours. The implementation of the scheme will start with the employment of the unemployed individual and will end after the continuous full employment for 12 consecutive months. The subsidy will be provided for ten (10) months of employment with the employer's obligation to maintain the employment of the employee for another two (2) months without subsidy. The scheme is expected to place in employment about 400 unemployed individuals. The implementation of the reform shall be completed by Q3 2025.
- The European Social Fund Plus (ESF+) will finance two **subsidy schemes of employment with flexible work arrangements**:
 - for youth: Scheme Providing Incentives for flexible recruitment of young people aged 15-29 Not in Education, Employment or Training (NEETs), who have difficulty entering and remaining in the labor market without assistance and wish to work based on some flexible form of employment, and
 - for women: Scheme Providing Incentives for flexible employment arrangements of inactive women who have difficulty entering and remaining in the labor market without assistance and wish to work on the basis of some flexible form of employment.

The new legislation and the employment subsidy schemes will facilitate labour market re-entry of the high share of inactive women due to caring responsibilities and support workers with unforeseen caring responsibilities for children and other dependants and thus enhance work-life balance and increase employment of the target groups.

The schemes are planned to be launched in 2024, after the conclusion of social dialogue in relation to the new legal framework on telework.

3.3.3 *Improve labour market relevance of education and training (CSR 2.4, 2020)*

(a) Secondary Education

- **Skills mismatch** between education and labour market in Cyprus has been repeatedly noted in relevant reviews (Cyprus Competitiveness Report 2019, Cyprus Country Reports 2019 and 2020) and in the context of the stakeholder consultation.

A reform is included in the RRP with the title *“Addressing skills mismatch between education and labour market (Secondary and Higher Education)”* aiming at the

development of a comprehensive, evidence-based national strategy and action plan to address the skills mismatch issue, thereby improving Cyprus' competitiveness and enhancing its social cohesion.

The strategic objectives of the reform include among others, the following:

- i. the enhancement of the Career Counselling and Educational Services (CCES) of the MoECSY,
 - ii. the reform of educational programmes and curricula of Secondary General Education to improve, among others, digital literacy, emotional intelligence, soft skills, entrepreneurship skills, etc.,
 - iii. the introduction of two additional programmes of study offered by the Department of Secondary General Education and two additional programmes of study offered by the Department of Secondary Vocational Education and Training that will be tailored to labour market needs,
 - iv. the introduction of an in-job shadowing programme for the pupils of the Department of Secondary General Education,
 - v. the provision of high-quality professional training to Secondary Education teaching staff in close collaboration with labour market experts,
 - vi. the upgrade of teaching rooms and laboratories in schools, so that teaching staff and students can have access to state-of-the-art technology and equipment relevant to their studies.
- By the fourth quarter of 2024, (a) at least 320 of **educational curricula of Secondary General Education** will have been reformed to improve digital literacy, emotional intelligence, soft skills, and entrepreneurship skills, and (b) **two additional programmes of study** offered by the Department of Secondary General Education will have been developed and tailored to labour market needs. By the fourth quarter of 2025, at least 3,100 Secondary Education teaching staff will have been trained on the reformed educational curricula.

(b) Tertiary Education

- Making the education system more responsive to labour market needs has been a challenge but also a high priority on the national agenda. Higher Education (HE) has a major role to play in preparing young adults for the labour market by equipping them with strong skills to ensure success in working life. The Department of Higher Education (DHE) of the MoECSY aims to develop a **national graduate tracking mechanism**. The mechanism will provide high quality and easily accessible data on graduates' employability, on possible skills gaps and mismatches in order for policy makers, employers and Higher Education Institutions, to make informed decisions that will ultimately contribute to

increasing the responsiveness of Cyprus education and training system to labor market needs.

- The reform on skills mismatch mentioned above, aims also to develop a national mechanism that will collect **national data regarding graduates' pathways** after leaving Higher Education (HE) and the skills acquired in HE that are used in the work setting. Moreover, this study will also involve the collection of data from employers regarding labor market needs. The timeframe for the implementation of the measure, which is included in the RRP, is set between the years 2021-2026.

The results of the study will provide the evidence base to policy makers, employers and Higher Education Institutions (HEIs), to make informed decisions that will ultimately contribute to increasing the responsiveness of Cyprus education and training system to labor market needs. Specifically, the results can strengthen career guidance of current and prospective HE students, as well as graduates. HEIs will be able to review and update the design, content and delivery of programmes of study in order to equip their graduates with knowledge and competencies/skills they need to succeed in their professional lives. Employers/labour market will enjoy high productivity levels by having graduates of Higher Education equipped with the knowledge, skills and competences needed by the local and international labour markets. The educational system of Secondary and Higher Education of Cyprus will also benefit from high quality national data as this will enable policy makers and educational and training providers to take actions to improve learning outcomes, the employability of graduates, address skills gaps and mismatches and ensure social inclusion. Moreover, this kind of data can be used by the MoECSY as a basis for the development of policies, strategies and tailored-made lifelong learning programs.

3.3.4 Complete reforms aimed at increasing the effectiveness of the public employment services and reinforce outreach and activation support for young people (CSR 1.3, 2019) & Strengthen public employment services (CSR 2.2, 2020)

Cyprus continued its efforts to tackle unemployment and modernize and enhance the PES through the strengthening of its human, administrative and technical capacity and also promoting activities towards the improvement of the efficiency in service provision, the performance of PES as well as the reinforcement of outreach and activation support for young people. During 2017-2019 Cyprus PES has participated in two Mutual Assistance Projects implemented by the European Commission and the PES Network in order to achieve more effective implementation of the Commission's recommendation. These projects relate to counseling and dissemination of good practices on actions with the aim of upgrading PES services provided to unemployed and to employers, upgrading of the IT systems, upgrading of the PES ability to design and implement evidence based ALPMPs, reaching out NEETs through the enhanced cooperation of relevant actors and the mapping of the NEETs characteristics and their

geographical distribution.

Based on the employment policy priorities and the above experience, knowledge and guidance gathered from the Mutual Assistance Projects, in 2019, the Cyprus PES promoted the following activities in order to enhance its capacity and efficiency:

- Implementation of **training programs for the PES management team**, for (i) upgrading the operational processes of PES and providing guidance on the use of management tools and (ii) providing guidance on how to implement a performance management system.
- The design, implementation and evaluation of a 4-month Program, aiming to provide **Individualized Guidance and Support to Vulnerable Jobseekers**, were incorporated in the PES policy. Different objectives and targets are determined under each Program and special recognition and positive feedback are given to the Employment Counselors with the highest performance after the evaluation of their results.
- **Preliminary development of an Employers Unit in each District Labour Office** has been promoted, with two Employment Counsellors each, dealing with employers' issues and vacancies.
- The **cooperation with other stakeholders** (Human Resource Development Authority (HRDA), the Ministry of Education, Culture, Sports and Youth (MoECSY), Cyprus Productivity Centre, Employers' Organizations and companies, Youth Board, Non-governmental Organisations (NGOs), Public and private universities) has been enhanced for the promotion of the profiling of NEETs, outreach and activation Support, the enrichment of the training opportunities, and the gathering of information necessary for the analysis of the NEETs' characteristics.
- The second exercise of the mapping of NEETs was completed, indicating a decrease of 15% (1.110 persons). Development of **informative leaflet** about the PES and the support and guidance that can be provided to NEETs.
- The first evaluation of the operation of the **online platform** for the self-service of employers has been conducted aiming to promote corrective measures for its improvement.
- In the beginning of 2019, the **IT system for Monitoring and Evaluation of ALMPs** was launched. Corrective measures were taken for overcoming identified technical constraints and shortcomings.
- **Two subsidy incentive Employment Schemes** were running in 2019 which are still active, supporting the employment of individuals with chronic diseases and with

disabilities, while a **new Subsidy Scheme** for the employment of Youth (aged 15-29) has been developed.

- The **outsourcing of Security Guards Services** was promoted, as a high priority for the Cyprus PES, ensuring better working conditions and quality of work life for the employees, as well as better operation of the PES. This is an ongoing measure.
- In 2020, the **recruitment** of the 30 temporary Employment counsellors was extended until the end of 2023 in order to maintain the strengthening of the capacity of the PES in dealing effectively with its customers, especially with the most vulnerable, facilitating the implementation of specific policy programs and initiating a positive culture change of clients and officers. In particular, the PES increased considerably the provision of individualized guidance and support to vulnerable unemployed, the referrals of unemployed to job vacancies, and their integration into the labour market strengthening the PES position in the local labour markets, enriching and expanding the knowledge of clients and officers as regards the obligations/responsibilities and rights of each group.
- In addition, the PES is preparing its transition to online services through the upgrading of its **online Platform**. Through this Platform Cypriot and European citizens, as well as non-EU nationals who have access to the labour market of the Republic of Cyprus, including asylum seekers, can register with the PES for job search and counseling.
- Due to the Covid-19 pandemic crisis, the PES has developed digitalised services substituting the traditional provision of physical services; registration of the unemployed was conducted via the use of electronic means and a telephone communication between the unemployed and the employment counsellor, while the renewal of registrations was made automatically by the electronic system.
- The **upgrading of the IT system** of the PES, with the technical support of the Department of Information Technology Services (DITS), remains an ongoing process for further facilitation and enrichment of the PES processes, such as:
 - Upgrading of the matching electronic tool through the enrichment of the Information gathered regarding the supplied and demanded Labour.
 - Upgrading of the electronic module for the application of individualised guidance and Support of vulnerable unemployed.
 - Construction of tables for the measurement of the PES performance through an automated extraction of statistical data every month.
- Moreover, the design of **four Opinion Surveys - Questionnaires** is under preparation (for Employers, Unemployed, Social Partners and PES's Officers) and two Documents are being prepared; a strategic document for setting operational

objectives and targets in district and local levels as well as performance indicators and targets for performance management purposes, and a legislative proposal regarding PES operation.

- In order to improve the operational performance of PES and safeguard a continuous provision of efficient support to the newly unemployed and other vulnerable groups such as the long-term unemployed and young people NEETs, the Department of Labour submitted for implementation under the RRP the project titled *“Improving the effectiveness of the Department of Labour and Public Employment Services and reinforcing support for young people”*.

The investment relates to the digitalization of hiring incentive schemes system, to the development of a Performance Management System for the further strengthening of PES, to the development of an Early Warning and Tracking System for NEETs, to outreach activities for NEETs, to coaching and career guidance for at least 5.500 young people and to hiring incentive Schemes to employers for at least 600 people aged 15-29. The above actions will be implemented by Q2 2026.

Further enhancement and modernisation of the Department of Labour and PES will continue to be supported by ESF+, and national funds, under the project *“Modernisation of the Department of Labour”* and will include the following actions:

- Upgrading the digital services provided to PES ‘s clients through the development of a modern, synchronized and upgraded IT system which is planned to be promoted with the purchase of services from the private sector.

Facilitating the management of the enormous numbers of phone claims with the operation of a call center which will be promoted with the purchase of services of the private sector. It is anticipated that the operation of this center will mitigate the problem in an effective way providing thus the opportunity to the employment counselors to deal with other substantial tasks as the provision of remote - on line - individual guidance to the vulnerable.

- Upgrading of the services provided to unemployed with minor difficulties to enter the labour market and employers who applied for employing foreign labour, with the recruitment of 30 temporary Labour officers.

The project is expected to be completed by the end of 2027.

3.3.5 Deliver on the reform of the education and training system, including teacher evaluation, and increase employers' engagement and learners' participation in vocational education and training (CSR 3.2, 2019)

Cyprus's education system has been undergoing major reforms during the last years, aiming to modernize pedagogical policies, upgrade structures and improve infrastructure. The main focus is to improve the quality and inclusiveness of education and to make better connections between the school and the labour market. The modernization of the curricula of both primary and secondary education, the improvement of attractiveness, relevance and capacity of VET, the establishment of a new system for teacher and school evaluation, the addressing of skills mismatch between education and the labor market, and the extension of free compulsory preschool education are essential educational reforms which promote the improvement of students' outcomes. At the same time, new challenges were brought to the foreground because of the pandemic, namely the need to speed up the digital transformation of the schools, while making sure that no child is left behind.

(a) Deliver on the reform of the education and training system

Enhanced Integration

- The MoECSY has developed and implemented an upgraded educational policy aiming at the smooth integration of pupils with migrant background into the educational system of Cyprus. A policy document was approved by the Minister of Education, Culture, Sport and Youth on 28.2.2017 and the Departments of the MoECSY have developed an action plan with a variety of targeted actions, through the prism of an intercultural approach, anti-racist education and the methodology of teaching Greek as a second language. The policy focuses on the following areas:
 - Mapping-out of the migrant population: uniform way to make possible the differentiation of the measures applied, information about the pupils' profile (communication with parent/guardian, social welfare services, exploration of the country's socio-political context), living conditions and progress in a variety of skills.
 - Combating racist incidents: implementation of MoECSY's antiracist policy "Code of Conduct against Racism and a Guide to the Management and Recording of Racist Incidents".
 - Combination of preparatory, transition and induction-support phases: implementation of a system combining intensive teaching and language learning support (teaching methodology and materials, teacher manuals, afternoon classes, CLIL approach, mentors etc.) as well as social and psychological support through three different stages.

- Utilizing and teaching mother tongues: introducing language options into existing schemes (Adult Education courses, expanded curriculum of a full-day school -- primary education, and Institutes for Further Education - secondary education).
 - Teaching Greek as a second language: Curriculum, Commonalities and differences between levels, rules, objectives, principles and evaluation.
 - Teacher and school leaders training: general quality of the school and holistic and ecosystem-based approach, guided by the principles of intercultural education.
 - Cooperation of schools with local authorities to open the school to the community: educating and involving parents, welcoming newly arrived students, involvement of parents or members of the migrant groups as mediators or mentors.
- On 26-27 March 2019, a European Commission peer counselling session⁴ was prepared and implemented in Nicosia, by the Cyprus Pedagogical Institute (CPI) on behalf of the MoECSY's Interdepartmental Committee. The focus was on integration of students with a migrant background into school education, with particular attention to the reception phase. The findings have informed the reformulation of the policy paper mentioned above, and were taken into account for the development of the action plan for 2019-2021 on the education of students with migrant background in Cyprus.
 - Moreover, the project "School and Social Inclusion Actions - DRASE +" has been included in the list of proposed projects for co-financing by the Cohesion Policy Funds 2021-27. The project had started from the school year 2015-2016 and was applied in 102 school units (Kindergartens, Primary Schools, Gymnasiums, Lyceums, Technical Schools) covering a total of 15% of the student population. The successful implementation of the "School and Social Inclusion Actions" program has led to the need for expansion and redesign, with the aim of further promoting and enhancing equal access for all children to the education system, regardless of social group, ethnic origin, learning status or other particularities, utilizing a number of benefits to promote social justice. The project will operate during 2021-2022 in 170 school units with the aim to cover about 25% of the student population.

The objectives of the program will be achieved through the implementation of various actions, which include, inter alia, the offer of remedial teaching programs

⁴ The peer counselling instrument is part of the toolbox of the strategic framework for European cooperation in education and training (ET 2020) offering tailor-made policy advice to a country undergoing structural reform by peers from national administrations with experience in the relevant policy area.

and creative engagement to students (in the morning and afternoon, as well as during the summer months), the provision of supportive teaching programs to students with immigrant biographies, the provision of additional psychosocial support to students by specialist, the innovative implementation of alternative education programs, the provision of support equipment and the provision of teacher training.

The main benefits from the proposed project include the support of vulnerable groups of the student population that are particularly affected by the financial crisis, the prevention and management of delinquency problems, school failure and early school leaving, and the successful social and school integration of children with immigrant biographies.

Digital Transformation of Education

- In collaboration with the Deputy Ministry of Research, Innovation and Digital Policy (DMRIDP), the MoECSY has formulated and has been implementing a digital education strategy since June 2020. The digital transformation of education is determined by two pillars: (i) the growth and use of digital technologies, and (ii) the development of digital skills and competences of education community.
- On September 2nd 2020, the Minister of Education, Culture, Sport and Youth submitted a proposal to the HoR for the modification of the Regulations of both Primary and Secondary General and Technical Education Schools, in order to institutionalize, regulate and secure **distance learning**, which was approved on September 18th, 2020. Also, a privacy policy, which is subject to periodic improvement and revision for the implementation of distance learning was published by the MoECSY on January 12th, 2021. In addition, on August 21st 2020, the CoM approved a plan to meet the needs of schools in digital equipment, which provides for an expenditure of approximately € 2.3 mln per year for a period of five years.
- The project entitled '**Support Services System**', which aims at the design and implementation of e-Government in Cyprus Education, is co-funded by national resources and the European Regional Development Fund (ERDF). The overall objective of the project, which will be completed in 2023, is to create an advanced information system which will ensure the immediate information exchange, cooperation, and support of all stakeholders in education (e.g., schools, parents, pupils etc.).
- With regard to **digital technology** in public education the following measures were undertaken:
 - More than 100,000 students joined and gained access to OFFICE365/MSTEAMS and the distance learning program of the MoECSY.

- The internet connection of all schools has been upgraded to support the provision of distance learning.
- From March to June 2021, teachers were offered training on the use of digital technology to develop their digital skills.
- 3,755 PCs/laptops have been delivered in schools. Additionally, the tender process for 6,600 digital classrooms in all schools is in progress.
- A teacher incentive plan has been put in place for the acquisition of personal computer that will be used for teaching purposes. In 2021, 2,500 teachers will receive special sponsorship, while the plan will be extended in 2022 due to increased demand.
- Internet connection subscriptions for 700 households were provided free of charge, so that all students could have access to distance learning.
- Supportive educational materials for all learners have been uploaded onto the education ministry's web page and on individual school web pages.
- A total of 12,958 tablets were distributed to students of all levels of education. 4,422 are donated by various agencies, while 8,536 were purchased with funds from the MoECSY.

Furthermore, as part of the RRP, the following reforms will be implemented:

- **“Digital transformation of school units with the aim of enhancing digital skills and skills related to STEM education”**: The implementation will take place through the identification of the current needs regarding the necessary hardware for the creation of e-class, the equipment of students with hardware based on eligibility criteria, the transformation of the curriculum, the development of educational material towards enhancing digital skills (cross-curricular) and STEAM methodology, and the training of in-service teachers to develop students' digital skills. The implementation of the reform is expected to start by 31 December 2021 and be completed by 30 June 2026.
- **“E-skills Action Plan – Implementation of specific actions”**: The main objective of the e-skills Action Plan is the enhancement of digital skills across all population groups (including in public administration, enterprises and society at large), enabling all citizens to best utilise and reap the benefits of digital technologies and facilitate the successful implementation of Cyprus' digital transformation agenda. Moreover, the aim is to promote STEM education, as well as a larger percentage of female participation in such professions. The implementation of the reform is expected to be completed by 31 December 2025.

(b) Teachers evaluation system

Cyprus' current teacher evaluation system dates from 1976 and has become, in many respects outdated and inefficient. The need to introduce a new system for teacher and school evaluation constantly resurfaces, especially in several formal reviews of the Cyprus Educational System, and throughout the years there has been an ongoing effort to achieve this goal, as reflected in a number of proposals that have been put forward.

As far as its main components are concerned, the new teacher and school evaluation system should necessarily:

- i. provide incentives for teachers to systematically retrain and improve their skills,
- ii. allocate responsibilities to schools to assume an essential role in the evaluation of their work and the provision of quality education,
- iii. allow educational authorities to assess the quality of education provided, with the aim of improving educational outcomes,
- iv. enable the selection of school leaders in a more effective way.

A scientific committee appointed by MoECSY originally in 2018, submitted a proposal for the evaluation in January 2019. After consultation with teachers' unions and parents' and school inspectors' unions the proposal was revised internally during the first quarter of 2021.

In the Cyprus RRP a relevant reform has been included with the title *"A new teacher and school evaluation system"* to address this issue. Stakeholder consultation will continue and in 2022 a draft proposal will be submitted to the CoMand a bill will be submitted to the HoR. By Q4 2025 at least 1,100 teaching staff (teachers, deputy heads, and school heads) will have been trained on the new Teacher and School Evaluation system.

(c) "Increase employers' engagement and learners' participation in vocational education and training" & Improve labour market relevance of education and training

The MoECSY aims to improve the quality of education and make better connections between the school and the labour market. There is a focus on providing students with the necessary skills and competences to be effective in the contemporary and future societies and labour market, with a special emphasis on VET.

The Cyprus Secondary Technical and Vocational Education and Training (STVET) system has been undergoing major reforms in the past few years, primarily aiming in *increasing the employers' engagement and learners' participation in vocational*

education and training. Several initiatives/measures have been carried out to achieve this, which are outlined below:

- A project titled “**Development of the Vocational Education and Training**” co-funded by the Republic of Cyprus and ESF supporting the improvement of quality in VET started in October of 2015 and its funding will end in December of 2023. The overall intended outcome is to further develop and improve technical and vocational education and training in Cyprus. More specifically, the aim is to improve the correlation between technical and vocational education and training and labour market needs, ease the transition from education to work, improve the overall quality of teaching and learning taking place in VET schools and structures and increase student participation in VET education. The project is implemented via Decisions made by the CoM within the overall context of STVET Strategic Planning.
- In order to achieve **employers’ engagement**, the MoECSY Youth has signed Memoranda of Cooperation with the Cyprus Chamber of Commerce and Industry (June 2019), and the Cyprus Employers and Industrialists Federation (July 2019). The Memoranda include, among others, measures for the development of new or the review of existing VET curricula, in order to be aligned with changing labour market needs. They also include measures for the facilitation of industrial placement of VET students in enterprises.

In order to increase learners’ participation in VET, the following measures were taken, within the framework of STVET Strategic Planning and aligned with relevant decisions by the CoM:

- Introduction of **new specializations at the secondary VET level on Sailors and Ship Mechanics** ("Maritime Professions" field of studies) in the context of promoting the blue economy and Viticulture-Oenology and Aesthetics in relation to which a Memorandum of Cooperation was signed with the MARDE.
- Introduction of **new specializations at the higher VET level** (Public School of Higher VET). Specifically, courses related to entrepreneurship have been introduced on Supplying Change Management and Maritime Studies, Organic Horticultural Crops, Bakery – Confectionery and Culinary Arts.
- Introduction of **Secondary Technical and Vocational Education specializations in Secondary General Education Schools** (Lyceums). New specialisations were introduced in two Lyceums which were renamed to Lyceums and Technical Vocational Schools.

- Establishment of **three new Evening Schools** of Technical and Vocational Education in Larnaca, Pafos and free area of the Famagusta district. These started operating as of September 2019. It should be noted that the MoECSY has introduced a new framework of Second Chance Schools (Evening Schools of General Education and Evening Schools of Technical and Vocational Education) which focuses upon three axes: (a) the design of New Curricula, (b) the development of new Timetables and (c) the introduction of New Regulations. The increased number from two to five Evening Schools of Technical and Vocational Education (ESTVE) was made in order to promote further participation in secondary technical and vocational education and support the integration of school dropouts into the workplace and the society in general.
- Organization of **information campaigns** regarding the employment/career prospects offered by Secondary Technical and Vocational Education, mainly addressed to students of lower secondary education (Gymnasiums). These campaigns include visits from STVET staff to all the Gymnasiums of Cyprus and the organization of information meetings.
- The **apprenticeship system** is also being modernized, offering learning pathways with prospects for their students. The programmes offered by the Apprenticeship Scheme have been linked with the formal upper secondary VET programmes offered by the Evening Schools of Technical and Vocational Education (second chance schools), through the use of ECVET units of learning outcomes. The graduates of the Apprenticeship Scheme are entitled to attend the Evening Schools of Technical and Vocational Education with part of their education and training (prior learning) acquired in the context of the Apprenticeship Scheme being recognized and transferred. As a result, they are given the opportunity to complete formal upper secondary education and acquire a School Leaving Certificate in two years instead of three.
- **Two Model Technical Schools** will be constructed in the framework of the RRP, while the government is considering to include the construction of a third Technical School within the Just Transition Fund Framework.

More and newer technical schools will increase the capacity to offer new programmes in demand (marine studies, biological cultivations etc.) through the upgraded infrastructure in modern buildings. Most current technical schools are situated in urban areas and as a result, secondary education pupils living in suburban areas lack the opportunity to enroll in technical education because of time and financial constraints. The construction of technical schools in highly populated suburban areas aims to moderate this problem. Lastly, technical schools in Cyprus operate as all day schools and serve as host schools to a number of other programmes (Evening Schools of Technical and Vocational Education, the

Public School of Higher Vocational Education and Training, the Apprenticeship System and the Lifelong Learning Programmes known as Evening Classes of Technical Schools) that provide ample professional opportunities to young adults or experienced professionals in order to acquire or improve their current skill set. More technical schools will also result in more and better training and employment opportunities for the society in general.

- In order to improve the skills of the workforce in Cyprus, the HRDA implements a variety of measures which include the provision of training opportunities and job placements for the unemployed, the provision of training opportunities for the employed and the development and implementation of a System of Vocational Qualifications. Some Schemes are targeted specifically to young people, while some others are addressed more widely to unemployed and inactive persons.

The funding provided by the HRDA has effectively motivated enterprises and their employees to participate in training and development activities. Employers are directly involved in training activities and prepare and submit training programmes to the HRDA on a continuous basis. The HRDA provides subsidies to the employers and in general, the subsidisation covers 80% of the eligible total costs.

- Given that Cyprus' labour market is characterized by skill shortages and a large digital and entrepreneurship skills gap, a project is included in RRP, titled "Skilling, Reskilling and Upskilling" that will provide training programmes to public and private sector employees, self-employed and the unemployed, in order to strengthen digital, green and blue skills and promote entrepreneurship training for the unemployed people. The project targets the completion of trainings for at least 25.600 participants by the end of 2025.

The following measures are co-funded by ESF:

- **System of Vocational Qualifications (SVQ):** The SVQ constitutes an integral part of the National Qualifications Framework (NQF), which is referenced to the European Qualifications Framework (EQF). The System is designed for the assessment and certification of the competence of a person to carry out a specific job in real or/and simulated working conditions. The Vocational Qualifications Standards (VQS) define the framework for the training and development of a person, providing to the person the opportunity to reach the appropriate competence level. During the programming period 2014-2020, two projects within the framework of the SVQ are co-financed by the European Social Fund (ESF) and the HRDA:
 - i. The first project concerns the "Expansion and Operation of the System of Vocational Qualifications (SVQ)" and is expected to award 4.000 certificates.

For 2021 the target is the certification of vocational qualifications for 800 candidates.

- ii. The second project concerns the “Development of Vocational Qualifications Standards (VQS)” through which it is expected that the 72 existing VQS developed during the programming period 2007-2013 will be revised and new VQS will be developed. Until the end of 2021, the second project will be completed with the approval of 167 VQS.

In addition to the measures to be financed by ESIF, the following measures are under implementation:

- **Special Scheme for the Vocational Training of the Unemployed in Organisations of the Public and broader Public sector, Local Government Authorities, NGOs and Non-Profit Institutions:** The new scheme aims at the provision of vocational training and work experience to the unemployed and at the same time providing opportunities to organisations of the public and broader public sector, local government authorities, non-governmental organisations and non-profit institutions, to utilise human resources through the implementation of appropriate vocational training and work experience programmes. The 2021 target is for 3.000 unemployed persons to benefit from the Scheme.
- **Scheme for the Employment and Training of Tertiary Education Graduates:** The scheme aims at providing opportunities to tertiary education graduates less than 30 years old, to secure a suitable job and acquire work experience and specialised knowledge and skills, while at the same time strengthening enterprises and organisations through the employment and training of qualified persons. During 2020, 1.166 unemployed graduates benefitted from the Scheme, while the 2021 target is for 720 unemployed graduates to benefit from it.
- **Scheme for the Training of the Long-term Unemployed in Enterprises/Organisations:** The scheme offers opportunities to the long-term unemployed in order to integrate/reintegrate in employment with the parallel acquisition of the necessary knowledge and skills. The HRDA provides incentives to employers in order to design, organise and implement in-company training programmes to cover the training needs of newly employed persons who were long-term unemployed. During 2020, 109 long-term unemployed persons benefitted from the Scheme while the 2021 target is for 200 long-term unemployed persons to benefit from it.
- **Training Programmes for the Unemployed:** The scheme aims at the provision of training opportunities for the unemployed in order to acquire, enrich and/or upgrade their skills and knowledge, in accordance with the needs observed in the labour market, which in turn will broaden their prospects for reintegration in employment, as well as meet their expectations for a new professional career.

Training programmes may include an on-the-job practical training part in an organisation/enterprise. The 2021 target is for 200 unemployed persons to benefit from the Scheme.

- **Standard Multi-Company Training Programmes - Participation of the unemployed:** Each certified public or private vocational training centre may accept unemployed persons who are registered with the PES to participate in training programmes covering a broad range of issues. The unemployed can enrich their knowledge and skills and improve their prospects for reintegration into employment. During 2020, 381 unemployed persons benefitted from the Scheme while the 2021 target is for 1.000 unemployed persons to benefit from it.

The following measures are intended to be financed under the Cyprus Operational Programme “THALIA” 2021 -2027:

- **Individual Learning Accounts (ILAs):** ILAs will provide credits to eligible groups of employed and unemployed persons to attend training programmes, in order to acquire new and/or upgrade existing knowledge and skills. They aim at promoting lifelong learning by providing opportunities for flexible promotion of upgrading knowledge and skills, while preventing social exclusion. Through ILAs, individuals will gain access to training programmes on a broad range of issues within the Standard Multi-Company Training Programmes of the HRDA. Their involvement in training activities with the opportunities provided for skills upgrading and retraining can enable them to remain competitive in the labour market, improve their employment opportunities, while at the same time enhance social cohesion.
- **Training programmes for young people aged 15-29 not in education, employment, or training (NEETs) to acquire basic knowledge and skills:** The acquisition of basic knowledge and skills (for example literacy, math skills, digital and technological skills, interpersonal skills, entrepreneurship) will help young people aged 15-29 to enter the labour market. Upgrading existing and acquiring new knowledge and skills will help them exploit the employment opportunities that will arise in dynamic sectors of economic activity, such as the green and blue economy, and will prepare them suitably for the changing nature of work, especially to that related to digital transition.

Other planned projects:

- **Special Scheme for the Training of the Employed in Specific Economic Sectors Affected by the Pandemic:** The scheme aims to develop the skills and knowledge of the employed persons in a number of thematic areas: managing crises and developing business continuity; digital knowledge and skills; safety and health at work and risk assessment at the workplace; principles of food health and personal

hygiene; environmental issues. The 2021 target is for 10.000 employees to benefit from the Scheme.

- **Single-Company Training Programmes in Cyprus:** The scheme aims at providing incentives to employers to design and organise in-company training programmes, implemented by internal or external trainers, in order to meet the specific needs of the enterprise for the effective utilisation of its personnel. During 2020, there were 44.773 participations. The 2021 target is for 22.000 participations.
- **Single-Company Training Programmes Abroad:** The scheme aims at providing incentives to employers to participate with their personnel in training programmes abroad in order to acquire specialised knowledge and skills in areas related to the introduction of innovation, new technology and technical know-how. During 2020, there were 155 participations, while the 2021 target is for 100 employees to benefit from the Scheme.
- **Standard Multi-Company Training Programmes - Participation of the employed:** The scheme aims at providing continuing training for meeting the training needs of employees through their participation in training programmes implemented by certified public or private vocational training centres. They cover a broad range of issues in all operations of the enterprise and in all occupations. During 2020, there were 11.785 participations. The 2021 target is for 7.200 participations.
- **High Priority Multi-Company Training Programmes:** The scheme aims at providing continuing training to meet the training needs of employees through participation in training programmes in specific high-priority issues implemented by public or private vocational training centres. During 2020, there were 1.774 participations while the 2021 target is for 1.000 participations.

The programmes implemented within the latter four schemes are designed on the basis of documents, prepared by the HRDA every two years following consultation with interested bodies, that contain the themes for the training programmes it subsidises, which are communicated to the enterprises and training providers. These programmes cover a broad range of subjects in relation to all the operations of the enterprise and all the professions.

The HRDA has developed a mode of operations allowing it to respond in a flexible manner to the needs of both the unemployed and the employed as well as the enterprises. In response to the SARS-CoV-2 pandemic and to help contain its spread, the HRDA has promoted the **utilisation of e-learning methods** by the organisers of subsidised training programmes, as of 26th March 2020. This development is seen not only as a response to a threat but also as a push for faster adoption of ICTs in vocational training.

- **System for the Assessment and Accreditation of Training Providers:** The aim of the System, which has been ongoing since 2015, is to assess physical and legal entities dealing with the organisation and implementation of training activities and/or with the provision of infrastructure facilities for their implementation, to be certified as Vocational Training Centres, Vocational Training Facilities and Trainers of Vocational Training. Certification through the System is compulsory for those who want to cooperate with the HRDA for the implementation of training activities. Persons who want to become Trainers of Vocational Training must successfully go through the assessment and certification procedure following the System of Vocational Qualifications (SVQ) operated by HRDA and acquire the Trainer of Vocational Training Qualification (EQF/CyQF 5, SVQ Level 5).

Also, the following two new schemes are in the design phase:

- **Scheme for the Utilisation of Alternative Forms of Learning:** The scheme will meet the training needs of employees through their participation in training programmes utilising alternative forms of learning with the use of Information and Communication Technologies.
- **Scheme for the Support of Training Infrastructure:** The scheme will provide financial incentives for the enhancement of specialised training laboratories, which will be used for the assessment of candidates in the framework of the System of Vocational Qualifications (SVQ), as well as for the implementation of subsidised training programmes with the use of alternative forms of learning.
- **HRDA Research Studies:** The findings of the HRDA research studies on the anticipation of skill needs constitute a significant tool for guidance which also contribute to improve labour market relevance of education and training. For the systematic employment forecasting and the identification of skills gaps, the HRDA conducts the following research studies:
 - **Forecasts of employment needs in the Cyprus economy:** The HRDA provides 10-year employment forecasts on a regular basis. The latest study, which was completed in 2017, covers the period 2017-2027 and provides forecasts for employment needs in economic sectors (3 broad sectors, 21 main sectors and 52 sectors) and in 309 occupations (173 high level occupations, 130 middle level occupations and 6 low level occupations) covering the whole spectrum of the Cyprus labour market. The next study is expected to be completed in 2022 and will cover the period 2022-2032.
 - **Identification of employment and training needs:** This study provides annual estimates for the number of persons needed for specific occupations and the needs for specific skills. Based on these estimates, suggestions are put

forward for the implementation of training programmes. In the study, the views of enterprises, social partners and other stakeholders are collected and analysed.

- **Identification of green skill needs in the Cyprus economy:** This study examines and analyses the green economy and green occupations, mapping out the green economy of Cyprus for the period 2017-2027. Additionally, it identifies the green skill needs for specific occupations of the green economy of Cyprus, which includes 30 economic sectors and 60 occupations from the whole spectrum of the Cyprus labour market.
- **Identification of blue skill needs in the Cyprus economy:** This study examines and analyses the blue economy and blue occupations, maps out the blue economy of Cyprus and identifies blue skill needs in the Cyprus economy for the period 2016-2026. It provides forecasts for employment demand in economic sectors and occupations which are part of the blue economy. The identification of skills focuses on maritime, shipping, fishing and maritime and coastal tourism occupations. The study leads to suggestions aiming for the timely and planned satisfaction of Cyprus's blue economy needs in the areas of employment and human resource development, education and training.

The results of the HRDA's studies are utilised by policy makers for the development of strategies and policies in education, training and lifelong learning. Furthermore, they are utilised at operational level for the development of programmes of study in education, including the programmes of study of technical schools and the post-secondary institutes of vocational education and training. They are also utilised by people involved in counselling, such as secondary education vocational guidance teachers and employment counsellors, and by the general public.

3.3.6 Deliver on the reform for affordable childhood education and care (CSR 3.3, 2019)

(a) Affordable childhood education

The continuation of current policies securing the provision of accessible, affordable and quality child care services at local level with the involvement of local stakeholders (NGOs and Local Authorities) is promoted. In particular, through the **“State Aid Scheme, under the European Commission Regulation (EU) No. 360/2012 for the provision of services of general economic interest (De minimis)”** NGOs and Local Authorities received state aid for the development and functioning of quality social care programmes and in 2020 an amount of about €2.9 mln was provided for the funding of 130 programmes covering child care needs.

Affordable Early Childhood Education (ECE) actions are important priorities for the MoECSY. A number of policies are listed below that are being implemented on a national level aiming to make ECE available and affordable to all families and their children.

- An important reform that has been approved by the CoM on the 9th of January 2018 (Decision No. 84.078) refers to the **gradual extension of the entry age** in primary education to 6 years old and, consequently, the extension of attendance in compulsory pre-primary education from one year to one year and four months. This reform was partially implemented since September 2019 and was fully implemented in September 2020.

Any vacant places in public kindergartens are allocated to younger children of non-compulsory education (aged three to four years and eight months) and pay low fees or full fee exception, according to socioeconomical criteria approved by the MoECSY. In order to increase the number of available places to accommodate the needs of younger children, the MoECSY established and operated a number of new kindergarten public classes and continues to subsidize, with an annual grant, the establishment and operation of community kindergartens. Due to the subsidized grants, community schools offer quality educational programs with low income fees for the younger age group of non compulsory education.

- In order to support families' employment opportunities, the MoECSY increased the number of **all-day optional public kindergartens**, as well as the number of pre-primary summer schools, in order to respond to a need that had been growing in the last few years. The summer pre-primary kindergarten programme functions from the first day of the summer holidays for a duration of five weeks. Priority is given to children from a disadvantaged socioeconomic background.
- A reform entitled "**Extension of free compulsory pre-primary education from the age of four years**" has been included in the RRP. The aim of this project is to guarantee equal opportunities by reducing financial barriers to accessing early childhood education. The implementation of the reform shall be completed by Q2 2026.
- Another project that was proposed to be co-financed by the European Social Fund is entitled "**Tuition cost covering children aged three to four years and eight months who are enrolled in public kindergartens**". The aim of the project is to cover the annual tuition fees of children, who attend public kindergartens and whose mothers are working, have low-income or enter the labor market after their children start school. Also, the project is aiming to ensure equal opportunities for access to quality education programmes in ECE, reducing financial barriers, while at the same time facilitating working mothers to enter the

labor market. In addition, it will increase the participation rate in pre-school education, based on European goals and strategies.

(b) Affordable childcare services

The affordability of childcare services continues to be among the main policy priorities of the Ministry of Labour, Welfare and Social Insurance (MLWSI) and the newly established Deputy Ministry of Social Welfare (DMSW).

- The continuation of current policies securing the provision of accessible, affordable and quality child care services at local level with the involvement of local stakeholders (NGOs and Local Authorities) is promoted. In particular, through a **State Aid Scheme** NGOs and Local Authorities received state aid for the development and functioning of quality social care programmes and in 2020 an amount of about €2.9 mln euros was provided for the funding of 130 programmes covering child care needs (Day Care Centers for preschool and school age children, Day care Centres for children with disabilities) covering the needs of approximately 5.300 children.
- Furthermore, the Government continued the implementation of the **Scheme for the Subsidization of Care Services**, covering the long-term social care needs of Guaranteed Minimum Income (GMI) recipients and members of their family unit. Under this Scheme, the childcare needs of GMI recipients are subsidized up to €102 per child per month. In addition, the state operates four-day care centers for preschool aged children covering the needs of approximately 135 children.
- Childcare services for children up to the age of compulsory education is also provided by **Child Minders** which are registered based on the relevant legislative framework (Children's Law, Subject 352 and Regulations) and are inspected by the Social Welfare Services (SWS). Child Minders provide childcare services to a small number of children and according to the latest data there are approximately 60 registered Child Minders. In addition, the SWS are responsible for the preparation and enforcement of the legislative framework for guaranteeing the minimum quality standards to social services provided by the private sector (profit and non-profit). In this context, they conduct inspections to childcare services (child minders, day care centres for preschool age children and school age children) according to specific legislative framework.
- The policy area of early childhood education and care is among the priorities included in the RRP. In particular, the government through the investment "Establishment of multifunctional centers and childcare centers" will develop a **National Strategy on Early Childhood Education and Care** and an accompanying Action Plan, based on the recommendations of a study that will be conducted under the Technical Support Instrument, and will invest in the expansion of the

availability of affordable childcare centers for children aged 0-3^{8/12} years. The investment shall be completed by Q2 2026.

- Moreover, Cyprus has planned and is enacting a series of **policies and investments in Social Inclusion, childcare, and support to families with children** with the support of ESF+. The measures include the establishment of new, as well as the improvements in the availability and affordability of existing childcare facilities; focus on children and adolescents in a vulnerable situation; and on children with disabilities. These measures are expected to have a long-term social impact and to lead to sustainable results.

Concerning the relevant statistical data (EU SILC data 2019) for the care of children aged less than 3 years old in formal childcare or education, it should be underlined that the related indicator has witnessed an important increase over the last years, from 20.8% in 2015 to 28.2 % in 2017, reaching 31.1% in 2018, although it is still below the EU average (2019: 35.7%).

3.3.7 Take measures to ensure that the National Health System becomes operational in 2020, as planned, while preserving its long-term sustainability (CSR 3.4, 2019) & Strengthen the resilience and capacity of the health system to ensure quality and affordable services, including by improving health workers' working conditions (CSR 1.3, 2020)

The Ministry of Health (MoH), having recognized the structural challenges in the healthcare sector, proceeded with the inclusion of a respective objective within its Strategy, i.e. the restructuring of the Health System. Challenges such as the until recently absence of a National Health System (NHS), the outdated mode of operation of public hospitals, the heavy bureaucratic hierarchy among hospitals' staff with limited opportunities for professional growth and recognition of performance and more generally the opportunities to modernise staff management, the absence until recently of an ehealth Competent Authority etc. have been well recognised. Simultaneously, the outdated operation of primary healthcare centres has been recognised as well as the need for restructuring in terms of its organisational structure, working hours, processes, accessibility and efficiency.

The NHS has been implemented gradually in line with the past health sector related CSRs. Thus, on 01/06/2019 Personal Doctors (PDs), Outpatient Specialists (OS), Pharmacies, Medical Devices and Supplies and Labs were incorporated into the NHS. On 01/06/2020 Inpatient Health Care Services were incorporated, followed by the Accident & Emergency Departments on 01/09/2020 and Preventive Dental Care, Nurses, midwives & allied health services and Allied health professionals on 01/12/2020.

The successful implementation of the final stage of NHS (Phase II) within 2020, despite the outbreak of COVID-19 crisis, is reflected through a survey which has taken place

on behalf of Health Insurance Organisation (HIO) at the 2nd anniversary of NHS launch. The survey shows a high satisfaction of beneficiaries with regards to the services offered by NHS, with 80% of beneficiaries to be very satisfied by the quality of the services offered and convinced that through NHS, equal treatment and access of all citizens to quality healthcare services has been established. In addition, the capacity of NHS has been increasing continuously resulting in NHS participation which exceeds 85% in most healthcare providers. More specifically, according to data at the end of Q2 2021, 1821 OS, 569 PDs for Adults, 195 PDs for Children, 149 Laboratories, 1077 Allied Health Professionals, 615 Dentists, 8 A&E Departments, 54 Hospitals and 554 Pharmacies, have been offering services to NHS beneficiaries.

The strengthening of the resilience and capacity of the health system to ensure quality and affordable services, including by improving health workers' working conditions are of the highest concerns. For this reason, the HIO has taken specific measures aiming at safeguarding the resilience and the financial sustainability of NHS Fund in the medium and longer term, which include, amongst others:

- **Temporary budget cuts** on specific healthcare provider segments, which are regularly reviewed based on the actual recovery of the economy.
- Measures to address and **minimize misuse/abuse of the system** by either healthcare providers and/or beneficiaries, including the following: Intensified audits on claims submitted by healthcare providers, implementation of specific restrictions and guidelines with regards to claims submission by healthcare providers, enforcement of higher penalties where applicable, utilization of the IT system capabilities for data analytics for the detection and prevention of misuse/abuse of the system.
- Expansion of the implementation of **separate global budgets** per specialty for OS. As a result, 14 outpatient specialties which account for more than 80% of the total OS activity operate now under separate global budgets per specialty.
- Provision of monthly **specific key performance indicators (KPIs) data to PDs and OS** with regards to their own actual activity (e.g. referral and subscription pattern) in comparison with the average KPIs of their segment. The aim is to gradually implement in consultation with PDs and OS, relevant and effective KPI-based reimbursement tools in order to minimize misuse/abuse of the system and incentivize good practices and behavior by healthcare providers.
- Launch of several **awareness communication campaigns** targeted mainly at beneficiaries for “proper” behavior and for strengthening their relationship with their PD, in order to create the necessary culture that will prevent misuse/overuse of services and safeguard the long-term sustainability of the system.

- In addition to that, the **autonomisation of Public Hospitals** is at an advanced stage based on the Law for the Establishment of State Health Services Organisation (SHSO), as a structural reform for the proper functioning of the NHS. In this framework, SHSO as a Legal Entity of Public Interest has undertaken the responsibility for the operation, management, control, surveillance and development of public hospitals and primary care centres.

SHSO has recently adopted a detailed business plan with the support of external advisors which defines the focus activity areas for the next five years, aiming at financial sustainability. Additional actions have already been started to be implemented aiming also at better servicing the customers as well as at improving the working conditions of health workers. Such actions include the development of its organisational structure and the recruitment of new staff in needed areas, the preparation of a detailed review of the organization's IT systems' requirements (hardware and software), systems' upgrades at a financial, operational and patient management level which are under process, the setting up of its own Purchasing Department for the improvement of the time cycle for the execution of purchases of Medical equipment, Consumables and Service, the safeguarding of Public Health (e.g. COVID 19), the provision of Health services in remote areas and Services of General Economic Interest.

- **Primary care** has also been recognized as a basic component of healthcare sector reform and a main component for the smooth implementation of the NHS. For this reason, a restructuring plan has been implemented and efforts are ongoing with the adoption and implementation of several measures to enhance the ability of primary healthcare centres to support the patient and help the hospitals under the SHSO organisation to be upgraded.
- Another area identified of at most importance for the resilience and capacity of the health system is that of **ehealth**. Thus, the Ministry has proceeded with the adoption of respective Law in 2019, in the framework of which the National eHealth Authority (NeHA) has been established. The NeHA is responsible for the institutionalization of the framework of use of electronic health for the prevention of diseases, the promotion of health and the effective and safe provision of health services to the citizens, the implementation of Electronic Health Record and the regulation of the storage and use of biomedical information and telemedicine.

In the meantime, the COVID-19 pandemic revealed some structural failures as well as some investment needs for the further strengthening and resilience of the system including the improvement of the health workers' working conditions. In this framework, the MoH in cooperation with the SHSO and HIO, has proceeded with the inclusion of specific reforms and investments in the RRP. The proposed reforms and

investments aim at the increase of the efficiency, accessibility and overall resilience of the system with specific measures towards the development of policies and monitoring of key metrics to support data-driven decisions leading to assurance of adequate supplies and infrastructure that will improve the capacity of hospital units and the working conditions of health staff.

The proposed RRP reforms and investments concentrate on the following:

- **the upgrading of the quality of provided healthcare services** through:
 - the establishment of a National Centre on Clinical Documentation. Under the reform "National Centre for Clinical Evidence and Quality Improvement", at least 90 protocols will be prepared, audited and peer reviewed by the end of 2025;
 - the accreditation of at least 45 healthcare services by the end of 2025 ("Accreditation of public and private hospitals"), and
 - the upgrading of medical technology and medical devices in hospitals. Through the Scheme "Purchase/replacement of medical equipment in hospitals", at least 23 health institutions will be benefited by the end of 2025.

These measures are expected to have positive effects on the providers of the system by enabling them to use upgraded medical tools and follow structured processes within the mandate of their work.

- **the development of eHealth solutions** for easier access to patient summaries, ePrescriptions and eDispensing aiming at the delivery of high-quality cross-border healthcare for citizens living abroad and visiting citizens from other EU Member States. The project titled "Development of generic cross border ehealth services in Cyprus" is expected to be fully operational by Q2 2025.
- the "Design of an Electronic platform for the surveillance of Nosocomial Antibiotic Consumption and Healthcare – Associated Infections" as an important measure **for health protection** and promotion. This reform is expected to be implemented by the end of 2025.
- the gradual shifting of the healthcare provision and reimbursement framework towards **value-based models** within the NHS, which is expected to be implemented by Q1 2023.
- the development of the "Cyprus Innovative Public Health ICT system" in the general framework of **surveillance and control of communicable diseases** and preparedness for any pandemics, implemented by the end of 2025.

- **Building infrastructures and equipment** that will both serve to the benefit of the patients and the health care workers, and the operability of the hospitals and public health authorities. This includes the:
 - enhancement of the Makarios Hospital for Children to offer a complete treatment of cases to children;
 - construction and/or extension of Haemodialysis Units at Paphos and Limassol Hospitals;
 - construction of a Mental Health Hospital;
 - enhancement of the Limassol and Paphos General Hospitals;
 - enhancement of the Accident and Emergency Units across all State Cyprus Hospitals;
 - extension of Invasive Radiology Unit including medical equipment (such as Angiography Unit);
 - construction of a COVID-19 Unit at the Famagusta Hospital;
 - construction of new facilities for the Cyprus Blood Establishment; and
 - creation of a Communicable Diseases Unit at the Limassol General Hospital.

These investments will simultaneously create the required environment that will enable the improvement of the working conditions of the health workers and enhance their ability to provide better services to patients enabling better health promotion and protection, while all projects within this area have taken into consideration the accessibility for people with disabilities.

The above measures will be implemented through the following two projects:

- i. *“New facilities for the Cyprus Blood Establishment and procurement of the latest technology attendant equipment”*, which will be constructed and fully operational by Q2 2025, and
- ii. *“Enhancement, modernization and upgrade of Cyprus State Hospitals”*, implemented by Q2 2026.

3.4. Fiscal and investment related-economic policy (transport, environmental, digitalization, research and innovation), permits and licenses for strategic investors, finance for small and medium-sizes enterprises and privatization projects

2019 COUNTRY SPECIFIC RECOMMENDATIONS – CSR4

Sub CSR 4.1: Focus investment-related economic policy on sustainable transport, environment, in particular waste and water management, energy efficiency and renewable energy, digitalisation, including digital skills, and research and innovation, taking into account territorial disparities within the Member State.

Sub CSR 4.2: Adopt legislation to simplify the procedures for strategic investors to obtain necessary permits and licenses.

Sub CSR 4.3: Improve access to finance for small and medium-sized enterprises.

Sub CSR 4.4: Resume the implementation of privatization projects.

2020 COUNTRY SPECIFIC RECOMMENDATIONS RELATED TO THEMATIC AREA 3.4 –

CSR 1

Sub CSR 1.2: Pursue fiscal policies aimed at achieving prudent medium-term fiscal positions and ensuring debt sustainability, while enhancing investment.

2020 COUNTRY SPECIFIC RECOMMENDATIONS RELATED TO THEMATIC AREA 3.4 –

CSR 3

Sub CSR 3.1: Secure adequate access to finance and liquidity, especially for small and medium-sized enterprises.

Sub CSR 3.2: Front-load mature public investment projects and promote private investment to foster the economic recovery.

Sub CSR 3.3: Focus investment on the green and digital transition, in particular on clean and efficient production and use of energy, waste and water management, sustainable transport, digitalisation, research and innovation.

3.4.1 Focus investment -related economic policy on sustainable transport, environment, in particular waste and water management, energy efficiency and renewable energy, digitalisation, including digital skills, and research and innovation, taking into account territorial disparities within the Member State (CSR 4.1, 2019) & Focus investment on the green and digital transition, in particular on clean and efficient production and use of energy, waste and water management, sustainable transport, digitalisation, research and innovation (CSR 3.3, 2020)

(a) Waste Management Policy

- The national waste management policy is set out in the **Municipal Waste Management Strategy 2015-2021** and the Waste Prevention Program 2015-2021, which include regulatory measures to implement the separate collection of waste, increase reuse and recycling, reduce landfill and reduce waste; economic measures to provide incentives for the reduction and appropriate management of waste, such as the establishment of a Pay-As-You-Throw scheme, and information and awareness-raising measures to change production and consumption patterns.

The Municipal Waste Management Strategy has provided the policy framework for the implementation of a number of important measures towards the appropriate management of municipal waste. These include important infrastructure development and improvements, such as the construction of the two Mechanical Biological Treatment (MBT) plants in Kochi (Larnaca District) and Pentakomo (Limassol District), as well as the Transfer Stations for the management of municipal solid waste, which are fully operated since 01/04/2010 and 10/11/2017, respectively, enabling the closure of the 2 major semi-controlled sanitary landfills of Kotsiatis and Vati. They further include the restoration/rehabilitation of the 24 Uncontrolled Waste Disposal Landfills (UDWL) of Nicosia

District, including the Kotsiatis landfill and the 47 UDWL of Limassol District including the Vati landfill. Other projects include the upgradation and improvement of the Cyprus Green Points Network, its further extension and densification with the construction of new Green Points, as well as the creation of a Network of Collection Points (small Green Points) and Recycling Corners in rural areas; the implementation of separate collection programmes for recyclable and organic waste in coastal tourist areas; and the initiation of nation-wide training programmes. It has also provided the basis for preparing the necessary legislative framework for the management of municipal waste by local authorities, assigning obligations for the preparation of local waste management plans and waste prevention programmes, the establishment of separate collection systems for a number of waste streams, including organic waste and the adoption of a pay-as-you-throw scheme.

The Municipal Waste Management Strategy and the Waste Prevention Programme are currently being revised to determine the future planning needs and measures and actions to be implemented to meet the new requirements and quantitative targets of the EU circular economy package, including to further promote separate collection, to support local authorities in their new obligations, and to promote the necessary infrastructure for the recycling and treatment of waste on the basis of the principles of the circular economy. The revision is carried out by the IMPEL Network under a technical assistance programme funded by DG Reform and will be completed by November 2021. The preparation of national Waste Management Plans and Waste Prevention Programmes is a requirement under Directive 2008/98/EC on waste as amended by Directive 2018/851/EE (Articles 28 and 29 respectively) and should be evaluated and where appropriate revised every six years.

- **National Circular Economy Action Plan:** Cyprus recognizes the importance of a circular economy which aims to redefine growth, focusing on environmental benefits, as well as the importance and need for the establishment of an effective waste management system in Cyprus. In view of this, the National Circular Economy Action Plan was adopted by the CoM in June 2021.

This Action Plan proposes targeted policies and actions on the basis of strengthening and promoting the Circular Economy in Cyprus. It includes actions that focus, inter alia, on creating a culture both among citizens (sustainable consumption) and among the manufacturers/entrepreneurs themselves, effective incentives for industry to invest in the circular economy and creation of the necessary infrastructure.

It consists of measures for project promoters, which act as incentives to the industry to invest in the circular economy, including the creation of inter alia:

- a circular culture,
- demand for circular products,
- the necessary infrastructure for sustainable production of new or improved products,
- the infrastructure for the utilisation of by-products, co-products and end-of-life products,
- the infrastructure to increase the efficiency of available resources, and
- a certification infrastructure.

The Action Plan then addresses specific priorities such as the promotion of synergies in achieving economies of scale, creating favourable market conditions to boost circular products, boosting new economic activities, restructuring existing modes of operations and regulatory reform requirements. The Action plan also proposes specific legislative and political reforms towards policymakers and the adoption of circular culture in the financial sector.

A prerequisite for the success of this initiative is the creation of an enhanced governance system that will ensure the implementation of actions, while also coordinating the multi-level cooperation required by all stakeholders. This role will be assumed by the Technical Committee created under the new governance structure for the Green Deal. The Committee will operate under the chairmanship of the MARDE, the MECI and the DMRIDP, while representatives of DG EPCD and representatives of businesses, as well as specialized experts where necessary, will participate in it.

In this context, the following measures have been implemented:

- **The Waste (Amending) Law (N. 104(I)/2021):** The law transposes Directive (EU) 2018/851/EU amending Directive 2008/98/EC on waste, which lays down measures to prevent or reduce the generation of waste and increase reuse and recycling. It introduces long-term targets and imposing additional obligations for the reduction of waste and increases in separate collection, reuse and recycling, whereby by 2025 organic waste must be separately collected and the preparation for reuse and recycling must rise to 55% by 2025, 60% by 2030 and 65% by 2035. The Law was adopted on 21/10/21.
- **The Packaging and Waste Packaging (Amending) Law (N. 105(I)/2021):** The law transposes Directive 2018/852/EU amending Directive 94/62/EC on packaging and packaging waste, which lays down measures aimed at preventing the production of packaging waste and increasing reuse and recycling. It introduces new targets for the recycling of packaging waste at 65% by 2025 and 70% by 2030.

- **The Waste (Waste Electrical and Electronic Equipment) (Amending) Regulations (Act 200/2021) and the Waste (Batteries and Accumulators) (Amending) Regulations (Act 201/2021):** The two Acts transpose Directive 2018/849/EU amending Directives 2000/53/EC on end-of-life vehicles, 2006/66/EC on batteries and accumulators and waste batteries and accumulators, and 2012/19/EU on waste electrical and electronic equipment, which introduced requirements for the reporting of data on an annual basis.
- **The Waste (Sanitary Landfill Sites) (Amending) Regulations (Act 202/2021):** The Act transposes Directive 2018/850/EU amending Directive 1999/31/EC on the landfill of waste, which aims to ensure a progressive reduction of landfilling of waste, introducing a target for the reduction in the amount of municipal waste landfilled to 10% of the total amount of municipal waste generated to be achieved by 2035.
- **Review of the institutional framework:** A significant review of the institutional framework is underway and regulations have been prepared, which define the obligations of local authorities for the management of municipal waste. Specifically, they include provisions for the preparation of local waste management plans and waste prevention programmes as well as the obligatory establishment of separate collection systems for municipal waste (organic waste, paper, glass, plastic and metals, including packaging, wood and synthetic packaging and bulky waste) and pay-as-you-throw schemes. This will lead to a more decentralized system of waste management in Cyprus and to the establishment of a compulsory system of separate collection of municipal waste, supported by pay-as-you-throw schemes as a financial incentive. Implementation will begin in 2022.
- **Implementation of a nationwide system for the separate collection of municipal waste:** The implementation of a nationwide system for the separate collection of municipal waste, including recyclable and organic waste, in conjunction with a Pay-As-You-Throw scheme, will provide the necessary financial incentives to citizens, in order to reduce waste and will ensure proper separation at source that will facilitate reuse and recycling. It is expected to significantly contribute to the reduction and appropriate management of municipal waste.

The adoption of the Waste (amending) Law on 21/10/21 will be followed by the subsequent submission of the relevant regulations, with a view to their adoption by the end of 2021.

- **Regulations establishing extended producer responsibility for household medicines:** The regulations establishing extended producer responsibility for

household medicines have been approved by the CoM and were submitted to the HoR on 21.12.2020. The regulations provide for the establishment of producer responsibility schemes for the collection (from collection bins placed in pharmacies and other providers of medicinal products) and appropriate treatment of waste household medicines.

- **Regulations for the introduction of a deposit-refund system:** Regulations have been prepared and are currently under public consultation for the introduction of a deposit-refund system for beverage packaging, as an economic incentive to increase recycling rates.

In addition to the abovementioned initiatives, a number of techno-economic support programmes are currently planned under the ESF and the RRF to improve waste management and to support local authorities in the implementation of the obligations, including programmes for the reduction of municipal waste for coastal hotel and related tourism Infrastructure, a programme for the techno-economic support of local authorities for the establishment of a separate collection system for municipal solid waste and the implementation of the Pay-As-You-Throw Scheme and a programme for the prevention, separate collection and recovery of municipal waste for the mountainous areas of Cyprus.

The following measures are included in the RRP:

- **Integrated bio waste source separation and central small and medium-size aerobic treatment systems and home composting:** The aim of the investment is to facilitate the separate collection and find solutions to treat biowaste separated at the source. In particular, it aims to develop decentralised biowaste management by establishing a network of at least 50 small and medium size composting systems and providing 2000 home composting units to households and schools. It further aims to assist in the achievement of biowaste reduction targets and contribute to the circular economy, reduce the amount of biowaste ending up in landfill and promote the use of good quality compost in household gardens and agricultural fields.

The implementation of the investment involves a study for the planning and design of the community composting systems in all 5 regions of Cyprus. The preparation of the tendering documents prior the procurement of the equipment, the procurement and installation of the composting units/systems, as well as educational activities are funded from other sources. The installation and operation of the relevant composting systems, will be completed by 2025.

- **Construction and operation of Reuse and Repair Centres and networks:** The project aims at developing the implementation of the waste reuse and repair

policy in Cyprus by (a) constructing and operating two Reuse and Repair Centres that can serve all 5 districts and (b) establishing a network of reuse shops in the major cities of Cyprus that will be linked with the operation of the reuse and repair centres. The investment will be completed by 2025.

- **Improvement and extension of the Cyprus Green Points Network and creation of a network of Collection Points and Recycling Corners:** The investment aims at solving operational problems of the existing Green Points (GPs) (supplying the existing GPs with extra mobile/fixed equipment and improving road access to existing/new GPs). It further involves the design and construction of new GPs for which an Environmental Impact Assessment (EIA) study has been approved, the design and construction of new GPs for which no EIA has been carried out yet, the design and construction of a Recycling Corners Network (small GPs) to serve the rural communities in the Troodos area, as part of the implementation of the National Strategy for the Development of the Troodos Mountain Communities, as well as the design and construction of a Collection Points Network (small GPs) in remote rural communities not included in the National Strategy for the Development of the Troodos Mountain Communities.

The implementation of the investment will be coordinated by the Water Development Department (WDD) in close collaboration with the Exploitation Councils of each District, the Troodos Development Company and the Department of Environment (DoE). By 2026, the construction, expansion and operation of fourteen (14) GPs at various municipalities and communities will be completed.

- **Establishment of a Coordinating Body between Central and Local Government:** The investment involves the establishment of an organisation that will effectively support both financially and technically local government to step up its efforts to change the way municipal waste is currently managed. In particular, it aims to provide the necessary mechanisms for the upscale of waste management towards prevention and separate collection and the technical support of local authorities for the implementation of their waste management obligations. It further aims at liaising between central government with local authorities, facilitating implementation of waste management policy in both a top-down approach and vice versa, at creating expertise in the field of waste management to support local authorities in an effective manner, and at exploiting and use funding opportunities and collaboration.

The following measures will be financed under the ESIF:

- **Establishment of a Separate Collection System for Municipal Waste Source and Implementation of a Pay-As-You-Throw Scheme by local authorities:** The purpose of the project is to support local authorities in implementing the obligations that will arise from the planned legislative reforms for the establishment of systems for the sorting at source and separate collection, of municipal waste, particularly organic waste, as well as for the establishment of pay-as-you-throw schemes within their administrative boundaries, including the creation of the appropriate infrastructure, implementation, monitoring, training and awareness raising.
- **The Municipal Solid Waste Reduction Program for Coastal Hotel and Related Tourism Infrastructure in Limassol and Paphos:** The project is addressed to the local authorities that have coastal hotel units and related tourist infrastructure and its purpose is to establish a system for the sorting at source and separating collection of recyclable and organic waste from large waste producers, such as hotels, tourist complexes, restaurants, leisure centers, institutions, etc.
- **Program for the prevention, separate collection and utilization of municipal waste of mountainous/semi-mountainous Cyprus:** The aim of the program is the independence of the wider mountainous area from the need to transport waste to urban centers within a zero waste approach. The project will be implemented in mountainous/semi-mountainous communities and will include measures and actions to promote separate collection of recyclable materials at least for waste paper/cardboard, metal, plastic, glass and separate collection and utilization of organic waste (food waste, green) or promotion of home composting either by means of centralized composting plants, recyclable waste collection points and possibly a small foundry. The project is implemented in collaboration with the Commissioner for the Development of Mountain Communities.

(b) Water Management

Aiming at the enhancement of water management and in accordance to the EU 2000/60 Water Framework Directive, the Water Development Department (WDD) of the MARDE is preparing the Tender Documents for the provision of Consultancy Services for the preparation of the **3rd River Basing Management Plan**. Furthermore, in accordance to the EU 2007/60 Flood Protection Directive, WDD is preparing the Tender Documents for the provision of Consultancy Services for the preparation of the **2nd Flood Risk Management Plan**. Both contracts are estimated to be signed by early 2022.

In the context of compliance of Cyprus with the European Directive 91/271/EEC which aims at protecting the aquatic environment from the adverse effects of the discharge of untreated or insufficiently treated urban wastewater, the WDD acts as the Responsible Authority, for the construction of sewerage networks for the collection of urban wastewater and sewage treatment plants, in municipalities and communities that have been included in the National Implementation Program of the Directive (with population equivalent/more than 2000).

The relevant component in the RRP comprises of a set of interrelated and reinforcing reforms and investments aiming to transform the field of water resource management towards modernization and sustainability. In particular, the component employs an overall water management reform aiming to aid the relevant stakeholders to implement good practices for improving the management of this valuable and scarce good.

The following measures are included in the RRP:

- **Improve infrastructure and water quality: Choirokoitia – Famagusta Conveyor Replacement:** The measure aims to enhance water supply security through an improved conveyor infrastructure with increased capacity of the duct between key water sources (such as water treatment plants) and consumption areas. The investment shall also contribute to minimising water losses and the occurrence of failures, improving water quality by mixing desalinated and refined water before it reaches the final consumers, and achieving energy savings through reduced water pumping.

The measure consists of the construction of a replacement of the existing water conveyor, and in particular, the replacement the first part (20km) of a total length 73,5km long conveyor which was constructed in the 1970s. The project shall include conducting topographical studies and environmental impact assessments. Following the aforementioned preliminary steps and the issuance of the necessary permits, the WDD shall assign the construction works to a contractor who shall be selected via public procurement procedures to carry out the works. The implementation of the investment will be completed by 30 June 2026.

- **Improve infrastructure and water quality: Water Treatment Plants upgrade of water quality improvement:** The objectives of the measure are to improve drinkable water quality, secure uninterrupted water supply and distribution, reduce production cost and energy consumption.

The measure consists of the upgrading of 5 water treatment plants with new filtering technologies. In particular, it includes the refurbishing of the Water

Treatment Plants of Limassol, Asprokremmos, Tersefanou, Kornos and Kannaviou. This shall include replacing the existing chlorination infrastructure for these five Water Treatment Plants, installing activated carbon polishing units for Limassol, Asprokremmos and Tersefanou Water Treatment Plants, extending the capacity of Asprokremmos Water Treatment Plant by 10 000 m³/day and upgrading the monitoring and control system as well as its automation system. The implementation of the investment will be completed by 31 December 2025.

- **Improve water resource management efficiency and operational capacity of the competent authorities - Integrated Monitoring and Control Management System for the WDD's infrastructure:** The objective of the measure is to increase operational capacity, reduce energy consumption and reduce non-revenue water. The measure aims to reduce the risk of business disruption by securing the various systems against cyber- and physical attacks, to reduce energy consumption and GHG emissions by increasing efficiency, to reduce non-revenue water in irrigation by improving infrastructure and monitoring capacity and to reduce the high-impact risk of contamination events and the impact of prolonged drought events by closely managing water resources and forecasting.

The measure consists of the installation of smart monitoring infrastructure linked with an innovative integrated platform for data-given decision-making and analytics. The implementation of the measures shall include:

- the installation of 500 hydraulic and quality sensors in all the lakes, reservoirs, rivers, as well as in the water transport network, up to the level of the communities;
- the installation of energy meters to monitor the energy consumption of pumping stations that shall be transmitted and stored in a database;
- a software platform linked with intelligent analytics and methods to help the decision-making process in relation to the production of water from different sources (desalination and treatment of water from reservoirs) taking into account security of water supply, cost of water production across different systems and drought forecasts. In addition, the measure shall address cyber and physical security challenges through tools for enhancing the protection of ICT systems.

The implementation of the investment will be completed by 30 June 2026:

- **Improve water resource management efficiency and operational capacity of the competent authorities: Smart Water and Sewerage networks' management:** The objective of the measure is to enhance operational and energy efficiency through the digitalisation of Larnaca Sewerage and Drainage Board, Larnaca Water Board and Water Board of Limassol, notably the upgrading of the

organisations' operation and services and integrating the IT systems currently used into a unified system to operate under cloud services.

The measure consists of a series of smart and digital upgrades in each of the three organisations:

- Transition of Larnaca Sewerage and Drainage Board into a smart and green Organisation,
- Adoption of smart technologies to improve efficiency of Larnaca Water Board, and
- Implementation of smart technologies in water distribution network of Limassol Water Board.

The implementation of the investment will be completed by 30 June 2026.

- **Ensure water adequacy and promote adaptation to climate change: Anti-flood and water collection measures:** The objectives of the measure are the successful flood risk management, reuse rainwater in urban areas. The measure consists of a series of anti-flood and water collection measures. The works shall concentrate in three areas: (i) Upgrading and embellishment of flood channels in Livadia Municipality, (ii) Rainwater collection and recycling system in Kladeri Area (Ypsonas Municipality), and (iii) Urban anti-flood measures for Nicosia Municipality.

The implementation of the investment will be completed by 31 December 2025.

- **Enhance water security for Nicosia and Larnaca regions:** The objective of the measure is to increase the water adequacy and water supply security for the needs of Nicosia and Larnaca Water Boards. The measure foresees the construction of three new generation Glass Lined Steel (GLS) water reservoirs of 26.000 m³ in total in Nicosia Region and the construction of a 10.000 m³ water reservoir in a specific designated area at Klavdia, Larnaca. The implementation of the measures shall include: (i) Construction of 3 new generation Glass Lined Steel (GLS) water tanks for Nicosia Water Board, and (ii) Construction of a 10.000 m³ reservoir at Klavdia for Larnaca Water Board.

The implementation of the investment will be completed by 30 June 2025.

- **Eastern Nicosia infrastructure for wastewater treatment's effluent re-use:** The objective of the measure is to increase the use of treated water to meet existing irrigation needs providing additional protection against drought, by increasing the storage capacity of a Wastewater Treatment Plant in the area Vathia Gonia to enable the utilisation of the whole treated wastewater amount. This shall be achieved through the construction of the necessary infrastructure to utilise the

water immediately, avoiding any discharge and satisfying the existing irrigation needs of farmers connected to the irrigation network. This includes the construction a winter storage reservoir of a 1.000.000 m³ capacity.

The project shall be implemented by the WDD and involves also the pumping, conveyance, distributing and storage of treated effluent from the Vathia Gonia Wastewater Treatment Plant located in eastern Nicosia. The treated water shall eventually be used for irrigation purposes in specific agricultural regions situated in the broader eastern Nicosia area under the control of the Republic of Cyprus, thus avoiding any discharge.

The implementation of the investment will be completed by 30 June 2026.

- **Protection of the marine ecosystem from hazards and improve the level of efficacy of oil spill preparedness, prevention and response mechanisms:** The objective of the measure is to protect marine ecosystems through an upgrade of the operational capacity of the Department of Fisheries and Marine Research to respond promptly, adequately and effectively to incidents from oil pollution to marine pollution.

The measure consists of the purchase of three detergent vessels with the possibility of autonomous oil recovery companies, two of which shall operate close to the shoreline and the larger one on the high seas, as well as the purchase of two autonomous oil dispersant air spraying units.

The implementation of the investment will be completed by 31 December 2025.

- **Water Resource Management Reform:** The main targets of the reform are to:
 - i. Assist the merging of District Water and Sewerage Boards.
 - ii. Reduce non-revenue water and promote the compliance with recast Drinking Water Directive EU 2020/2184.
 - iii. Improve water reuse and promote the compliance with new regulation EU 2020/741.
 - iv. Enhance the safety and sustainable operation of WDD's infrastructure.

A High-level Working Party led by the MARDE with participants from the MoI, MoF, DG EPCD and all Water and Sewerage Boards as well as Local Administration coordinative bodies to represent all stakeholders in national water management. It will initially proceed to a literature review of the major and most relevant studies for the field, in order to identify and propose an Action Plan with the necessary regulatory and adaptation measures to be promoted within the next 10-15 years, based on the three measure categories included in the relevant RRP component. The Working Party will follow-up with coordination and monitoring

of the implementation of the Action Plan and providing the necessary technical assistance to the relevant Water Management Authorities for the implementation of the reform measures as well as the investments included in the component. Furthermore, the Working Party will follow a multi-stakeholder and collaborative approach to promote coordination and cooperation between all the relevant stakeholders. The implementation of the reform shall be completed by 30 June 2025.

The following projects are promoted to be co-funded by Cohesion Fund (P.P. 2014-2020 and P.P. 2021-2027) aiming to:

- i. Fully conform with the EU policy in the water sector (Water Framework Directive 2000/60/EC, Floods Directive 2007/60/EC, Waste Water Treatment Directive 91/271/EEC).
 - ii. Enhancing water supply systems and ensure water adequacy.
 - iii. Increasing the reuse of treated wastewater in agriculture.
 - iv. Smart water and sewerage networks monitoring.
 - v. Flood protection and promote adaptation to climate change.
- **Sewerage System of the Solea Complex (Phase B):** The Project includes the construction of sewerage collection networks in seven communities of Solea (approximately 38 km), as well as the construction of a sewage treatment plant with a maximum capacity of 1287 m³/day (8.600 PE to be served).

The implementation of Phase A of the Sewerage System of the Solea Complex, began during Programming Period 2007-2013, where the construction of the sewerage collection networks in Kakopetria and Galata was completed (approximately 27 km), at a total cost of approximately €5 mln.

The implementation of the sewerage collection networks and the sewage treatment plant was incorporated as a "*Phasing Project*" in the Programming Period 2014-2020 and constitutes Phase B of the Project. The Project Inclusion Decision was issued on September 8, 2017.

The Solea sewage treatment plant and associated works are expected to be completed by mid-2022.

- **Sewerage System of the Kokkinochoria Complex (Phase B):** The Project, with a budget of €33,0 mln, includes the construction of a sewage treatment plant with a maximum capacity of 10644 m³/day (43.900 PE to be served), which will be located within the boundaries of the community of Achna, and will serve the Municipalities of Deryneia and Sotira, three communities in the Larnaca District and five communities in the Famagusta District.

The Project comprises, among others, all the central pumping stations within conveyance systems, the pumping stations within collection systems, and the gravity and/or force mains with associated installations. Also, it includes the construction of two long-term storage ponds of the treated wastewater (recycled water), as well as the treated wastewater disposal network for irrigation purposes.

The implementation of Phase A of the Sewerage System of the Kokkinochoria Complex, began during Programming Period 2007-2013, where the construction of the sewerage collection networks in the Municipalities of Deryneia and Sotira and in eight communities of the Kokkinochoria Complex (approximately 305 km) was completed.

The implementation of the sewage treatment plant was incorporated as a "*Phasing Project*" in the Programming Period 2014-2020 and constitutes Phase B of the Major Project Application submitted to the European Commission. The Project Inclusion Decision was issued on May 14, 2021.

The Achna sewage treatment plant and associated works is expected to be completed by 2022.

- **Sewerage System of Pyrgos – Parekklesia:** The Project includes the construction of sewerage collection networks in Pyrgos and Parekklesia communities of approximate length 53.3 km and 10.600 PE will be served, as well as the construction of two pumping stations of the conveyance system. The Project Inclusion Decision was issued on June 17, 2021.

The Project includes four Contracts relating to the provision of services for the preparation of additional studies, tender documents and supervision of the construction works, the construction of the sewerage collection network in Pyrgos Community (expected completion date: 1/5/2022), the construction of the sewerage collection network in the communities in Parekklesia Community – ongoing (expected completion date: 1/3/2022), the design and build of two pumping stations in Pyrgos – expected completion Date: 12/2022

- **Sewerage System for Dromolaxia-Meneou Municipality and the communities of Kiti, Pervolia and Tersefanou (Phase C1 of the Sewerage System of Larnaca):** The implementation of Phase C1 of the Larnaca Sewerage System includes the construction of the sewerage system for the Municipality of Dromolaxia-Meneou, as well as the communities of Kiti and Pervolia with provision to serve Tersefanou community. The sewerage system, which cover all these areas, will be connected to the existing sewage treatment plant (STP) of Larnaca Sewerage and Drainage Board. The project is implemented by Larnaca Sewerage and Drainage Board (LSDB), under the supervision and support of the WDD.

The connection of the community of Tersefanou with the sewerage system and therefore with the existing STP has been agreed as a compensatory measure for the community (due to the construction of a reservoir within Tersefanou boundaries that will be used for the storage of tertiary treated water, which will be produced by STP, during winter).

The construction works of Phase C1 of the Larnaca Sewerage System will begin on June 2022 and estimated to be completed by the March of 2026.

- **Sewerage System of Polis Chrysochous Municipality:** The Project includes the construction of sewerage collection network in Polis Chrysochous Municipality, the coastal fronts of the Communities Neo Chorio, Argaka, Agia Marina, Gialia and Nea Dimmata, as well as pumping stations within collection system and the construction of a sewage treatment plant.

The Project will include three Contracts:

- i. Provision of services for the preparation of the design of the sewerage system, tender documents and supervision of the construction works,
- ii. Construction of the sewerage collection network and conveyance system in Polis Chrysochous Municipality, and
- iii. Construction of the sewage treatment plant and irrigation system for the treated wastewater.

The following projects are under construction and funded by Cohesion Fund (Programming Period 2014-2020), whilst the funding will be continued in 2021-2027 Programming Period (phased projects):

- **Vasilikos – Nicosia Water Conveyor Project:** The project comprises the construction of a 65km (Phase A) pipeline to convey water from Vasilikos desalination plant to Nicosia urban area including other necessary sub-projects (Pumping Stations and Reservoirs). The Phase B of the project comprises the construction of 90km pipeline to convey the water to 29 rural communities of eastern Nicosia area. The overall objective of the project is to satisfy the rising demand for domestic water through the supply of desalinated water. This would enhance Nicosia's water supply system and improve the reliability of potable water supply system in all areas. All construction works is expected to be completed in 2025.
- **Kokkinokremmos Water Conveyor Project:** The project comprises the construction of a 25km pipeline to convey water from Dhekelia desalination plant, via a new pumping station to be constructed within desalination premises, to Kokkinokremmos water reservoirs area where 5 GLS resevoirs (total capacity 35.000m³) are to be erected. The new reservoirs will provide sufficient water

storage for all 4 related Municipalities, increasing 6 times the total storage capacity.

- **Aradippou Flood protection dams (Archangelos & Kammitsis):** The project comprises the construction of two dams at the two main contributors to the Aradippou River and the connecting and conveying pipeline that transfer water from the dams to the downstream irrigated area.

The project's dual role concerns the flood defenses of Aradippou and the storage of water for irrigation purposes either by direct use in Aradippou Land Consolidation Area or by redirecting to enhance water quantities in Southern Conveyor Project. The construction works are expected to be completed in 2024.

- **Reuse of Larnaca tertiary treated wastewater (Tersephanou dam and conveyor):** the project aims to enhance the water balance with alternative water sources through the optimal exploitation of the excess quantities of reused water produces by Larnaca WasteWater Treatment Plant, especially during winter, where treated wastewater demands in irrigation is at minimum and consequently excess water quantities are discharged at sea.

Furthermore, the following additional projects have been proposed to be co funded by the Cohesion Fund during 2021-2027 Programming Period:

- Replacement of old **water supply network pipelines** in Limassol and Larnaca urban areas.
- Supply and installation of **smart water-meters** in Nicosia, Paphos, Geroskipou, Agia Napa and Paralimni Municipalities.

(c) Promoting energy efficiency and renewable energy sources

According to the National Energy and Climate Plan (NECP), the quantitative targets for 2030 for increasing the share of RES in energy consumption are:

- i. Share of RES in gross final energy consumption to reach 23%,
- ii. 1,1% annual increase in heating-cooling from RES, from 2021-2030 (Indicative target),
- iii. Share of RES in the transport sector to reach 14%.

In 2019, the share of RES in the total final energy consumption reached 13,84%, exceeding the mandatory national target of 13% RES in 2020, under the RES Directive 2009/28/EC. The share of the RES in electricity generation reached 10,16%, in the heating and cooling sector 35,10% and 3,3% in the transport sector.

Similarly, according to the National Energy and Climate Plan (NECP), the quantitative targets for energy efficiency by 2030 are:

- i. Obligatory target for achieving cumulative energy saving of 243,04 ktoe during 2021-2030, by taking measures above those set by EU legislation.
- ii. Final Energy Consumption of 2,0 Mtoe in 2030, representing 13% reduction in final energy consumption, compared to the respective projection for Cyprus in the 2007 in the EU Reference Scenario (indicative).
- iii. Primary Energy Consumption of 2,4 Mtoe in 2030, representing 17% reduction in primary energy consumption, compared to the respective projection for Cyprus in the 2007 in the EU Reference Scenario (indicative).

For energy efficiency, based on existing data both indicative and obligatory national targets for 2020 will be achieved.

The mandatory cumulative end use energy saving target of 241.588 toe for 2020 is expected to be met. The achievement of the target reached 67% in 2018 while based on existing estimates, in 2019 it will amount to approximately 102% (official data for 2020 will be available in 2022).

Regarding the initial national forecast for indicative final energy consumption in 2020 at 1.91 Mtoe, this can be achieved as in the years 2018 and 2019 the final energy consumption of the country was at 1.86 and 1.88 Mtoe respectively.

In the years 2018 and 2019 the primary energy consumption was 2.55 and 2.54 Mtoe respectively. Although the initial forecast for indicative primary energy consumption in 2020 was 2.23 Mtoe, as reflected in the NECP given the latest developments for the year for the use of natural gas as fuel in electricity generation, but also given the new macroeconomic forecasts, the primary energy consumption of the country in 2020 would be maintained at 2.5 Mtoe.

The impact of the COVID-19 pandemic in 2020 to the national economy is expected to have led to further reductions in both primary and final energy consumption in 2020 (official data for 2020 will be available in 2022).

In order to enhance energy efficiency and the use of RES, the following measures have been implemented/are under implementation:

- **Support scheme for the production of electricity from renewable energy sources for self-consumption:** This Scheme covers the following installations: Net-metering photovoltaic systems with capacity of up to 10KW for all consumers (residential and non-residential), Net-billing RES systems with capacity up to 10MW for all consumers, Off-grid RES systems.

The support scheme has been in operation, with some modifications, since 2013, and will continue until 2022. Until April 2021, a total capacity of 85MW PVs was

installed in the net-metering category, 14MW in the net-billing category and 2,7MW for self-consumption. Moreover, one biomass/biogas unit of 2,4 MW is installed in the net-billing category. Financial support is provided for the installation of net-metering PV systems in households from the Renewable Energy Sources and Energy Conservation Fund.

- **Support scheme for Electricity Generation from Renewable Energy Sources (RES) within the Competitive Electricity Market Framework (2017-18):** The scheme covers the licensing of the RES projects that will operate in the Competitive Electricity Market. A total of 120MW of PVs, one plant of Biomass 2,3MW and 12,5 MW of Wind Systems were approved. As of 15/7/21, 66 PV plants (85,4 MW) were in operation, while 10 PV Plants (16 MW) are in the construction phase. The scheme will be concluded by 2022.
- **Support scheme for Electricity Generation from Renewable Energy Sources (RES) in the context of the transitional electricity market regulations to be included eventually in the competitive electricity market:** The scheme covers RES projects that will operate under the transitional electricity market Regulations. The application process was initiated in 2018 and a total of 145 projects of 260 MW were approved and in the first half of 2021, 9 PV projects of 10,2 MW have started operation. The scheme will be concluded by the end of 2022.
- **Scheme for installation of photovoltaic systems in public school buildings:** The scheme involves the installation of photovoltaic systems of total capacity 5MW in public school buildings, using the net-metering method and the thermal insulation of roofs. It is implemented in cooperation with the MoESCY and the Electricity Authority of Cyprus (EAC). The scheme was initiated in 2021 and will be completed by Q1 2022, through the RRP.
- **Renewable Energy Sources and Energy Conservation Fund:** The Renewable Energy Sources and Energy Conservation Fund is the main national financial tool of the Republic of Cyprus to promote RES and Energy Conservation (EC), to achieve the binding national targets, as defined by the legislation and the relevant European Directives. The Support Schemes operated by the Fund are prepared by the Energy Service and issued by the CoM.

In 2020, the Fund provided financial incentives in the form of state grants under the following support schemes:

- Installation of **thermal insulation on roofs** of existing houses and/or installation of photovoltaic system (PV) with the net metering method (increased subsidy for vulnerable energy consumers).

- Installation/replacement of **solar water production systems** of water use in houses.
- Installation/expansion of **photovoltaic systems** and the installation of smart meters and charging stations in homes for the plug-in or electric vehicles.
- Promotion of **energy audits** in small and medium-sized enterprises (SMEs).

The abovementioned schemes operate also in 2021, and will be funded by the Recovery and Resilience Facility (RRF) (ongoing up to 2026).

- **Scheme for energy retrofits in households:** In 2021 a new scheme operated for energy retrofits in households, funded by Cohesion Funds during the Programming Period 2021-2026. The scheme financed energy renovations to convert households to almost zero energy buildings or to achieve other criteria for improving energy efficiency, based on the energy efficiency certificate issued before and after the investment (ongoing up to 2026).
- **Information campaigns:** Aiming to increase public awareness on the benefits of energy efficiency, a set of measures was implemented in 2020. These include information campaigns on media (TV, radio, social media), billboards and daily press (to be repeated annually using national funds).
- **Regulating energy efficiency:** In 2020 the Minister of Interior issued a new Order whereby new buildings and renovated buildings which are classified as energy class A and their annual primary energy consumption doesn't exceed 50 kWh/m² can benefit of an increase of the building factor by 5%. These criteria are more stringent than Nearly Zero Energy Building (NZEB) requirements, and have been set with the contribution of MECI's Energy Service (ongoing).
- **Other ongoing measures (also implemented in 2020 and 2021):** These include excise taxes on motor fuels, green levy of electricity, motor vehicle taxes based on CO₂ emissions, measures in the public and wider public sector, replacement of street lamps. These measures have been initiated prior to the specific CSRs, nevertheless, they contribute to the overall energy efficiency objectives.
- **Revision of the National Policy for RES:** The national policy for the promotion of renewable energy is under revision. The new draft legislation is under legal vetting by the Law Office of the Republic. It is expected to be submitted to the HoR before the end of 2021. The new legislation will introduce, among others, provisions for a simplified licensing procedure for RES projects, operation of one-stop-shop, the introduction of renewable energy communities and support of the self-consumption of RES electricity.

The national policy framework for setting an energy efficiency obligation scheme for energy distributors was voted by the HoR on 18 November 2021. It will oblige energy distributors with increased energy sales to achieve end use energy efficiency targets, by implementing measures for the benefit of end users.

- **Replacement of 6600 HPS luminaires in the military camps with LED luminaires:** The MoD has signed an agreement with the EAC to replace 6600 High Pressure Sodium (HPS) luminaires in the military camps with LED luminaires by the year 2023. A minimum of 65% saving in energy consumption on the perimeter and street lighting is expected. This will not only be beneficiary to the MoD in money terms, but it will further contribute to the reduction of greenhouse gas emissions and of importing fossil fuel for the production of electricity.

The replacement of the luminaires will be implemented from the MoD's budget.

- **Improving the energy efficiency of schoolchildren buildings:** The MOECSY aims to expand the use of RES and thermal insulation installation, in order to further improve the energy efficiency of schoolchildren buildings. In this context, the construction of new schools and extensions of existing ones, is being implemented in accordance to the Decree (effective January 1, 2019), requiring that all new buildings have at least Energy Class A in the Energy Performance Certificate as a minimum energy efficiency requirement, whereas all buildings undergoing large-scale renovation must have an Energy Class Certificate of Energy equal to or better than B+.
- **PEDIA Project:** The PEDIA (Promoting Energy Efficiency & Developing Innovative Approaches in schools) project is funded by Horizon 2020 and aims to set the basis for a procedural framework to select existing buildings, based on pre-defined criteria, to implement energy renovations, while providing innovative financial solutions, which minimise transaction costs and engage the private finance community. The project sets the basis for the implementation of a central Energy Management System.

Within the PEDIA Project, 25 schools from all the educational levels, will be selected based on pre-defined criteria and will be used as pilots for energy renovations to meet the NZEB standard and provide improved indoor conditions.

The schools' transformation to zero energy schools will be invested for the period 2021-2025 from state funding, private funding and funding from municipal authorities. The direct energy savings in the operating costs of each school expected to exceed €0.25 mln. The MOECSY is responsible for the project and the coordinator of the project is the Cyprus Energy Agency.

The following measures regarding RES and energy efficiency were included in the RRP:

- **Green Taxation Reform:** The objectives of the measure are to promote a shift towards a more efficient use of environmental resources, reduce greenhouse gas emissions and to increase the penetration of renewable energy.

The reform shall consist in legislative changes introducing a carbon tax for fuels used in the sectors of the economy that do not fall under the EU greenhouse gas Emissions Trading System (ETS). The reform shall also entail the gradual introduction of a levy on water, as well as the introduction of a charge on household/landfill waste. The reform shall aim at making a tangible contribution to reaching the 2030 climate and energy targets to reduce greenhouse gas emissions and increase the share of renewable energy. The legislative changes shall be based on the findings of an independent study to be undertaken. The implementation of the reform shall be completed by 30 June 2026.

- **Independence of Cyprus Transmission System Operator (TSOC) from the incumbent EAC:** The objective of the measure is to enhance competition in the electricity market by creating conditions for new investors to participate in the generation, storage, aggregation, demand response and supply of electricity.

The reform shall consist in ensuring the independence of the Cyprus Transmission System Operator (TSOC) from the incumbent EAC in terms of governance, financial and personnel management. The measure shall also facilitate supplier switching, which is expected to reduce the cost of electricity for domestic and commercial/industrial customers. The implementation of the reform shall be completed by 31 December 2021.

- **Digital One-Stop Shops to streamline RES projects permitting and to facilitate Energy Renovation in Buildings:** The objective of the measure is to promote the implementation of RES projects by streamlining the RES projects permitting process. The reform shall also aim at accelerating the energy renovation of buildings.

The reform shall consist in digitalising the licensing permitting process for RES projects and establishing a single point of contact for technical and financial support for the purposes of energy renovation of buildings. The implementation of the reform shall be completed by 31 December 2022.

- **Promoting energy efficiency investments in SMEs, municipalities, communities and the wider public sector:** The objective of the measure 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 (Municipalities and Communities) and organisations of the wider public sector.

The investment shall consist in providing support to at least 275 entities for building renovation and for making production processes more efficient. The grant scheme shall also promote the execution of energy audits, as well as the adoption of digital technologies and the integration of renewables. The investment shall aim at achieving on average at least a 30% primary energy demand reduction.

The implementation of the investment shall be completed by 31 December 2025.

- **Promoting renewables and individual energy efficiency measures in dwellings and tackling energy poverty in households with disabled people:** The objective of the measure is to encourage the use of RES 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 is composed of the following sub-measures:
 - Promoting renewables and energy efficiency measures in dwellings: The investment shall consist in providing grants to at least 16.200 dwellings (including households of vulnerable electricity consumers) for thermal insulation of roofs and/or for the installation of a photovoltaic system and/or for the installation or replacement of Solar Water Heating (SWH) Systems of an existing dwelling.
 - Addressing energy poverty in households with people with disabilities: The investment shall consist in providing support for the implementation of small-scale energy renovations, such as thermal insulation and energy efficient equipment, in at least 270 energy poor households as well as households with people with disabilities.

The implementation of the investment will be completed by 30 June 2026.

- **Encouraging the use of renewables and energy savings by local/wider public authorities as well as NGOs and facilitate the transition of local communities towards climate mitigation & adaptation:** The objective of the measure is to promote the use of RES 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. The investment is composed of the following sub-measures:

- Encouraging the use of renewables and energy savings by local/wider public authorities as well as NGOs: The sub-measure shall consist in setting up a grant scheme for providing support for large-scale energy efficiency and RES measures in buildings, infrastructure, and social housing targeting local public authorities and NGOs.
- Facilitating the transition of local communities towards climate mitigation and adaptation: The sub-measure shall consist in providing technical support to rural Community Councils in developing Sustainable Energy and Climate Plans and implementing energy and climate investments, as well as in setting up a grant scheme to support sustainable energy and climate adaptation investments.

The two sub-measures together shall lead to at least 580 investments for improving energy performance and resilience to climate change to be undertaken by local authorities or NGOs. The implementation of the investment shall be completed by 30 June 2026.

- **Reduction of CO2 emissions in industries, businesses and organizations:** The objective of the measure is to encourage industries, businesses and organisations to engage in transformations targeting decarbonisation and to implement action plans to reduce greenhouse gas emissions in their operations and/or supply chains.

The investment consists in setting up a support scheme providing financing, equivalent to the cost for the purchase of greenhouse gas emission allowances to be avoided due to the reduction in emissions resulting from the beneficiaries' actions. At least 354.566 tons of CO2eq shall be reduced as a result of the support provided.

- **Energy Efficiency Upgrading of public buildings:** The objective of the measure is to facilitate the energy upgrading and increased energy efficiency of selected public buildings, i.e. fire service properties, schools, the Nicosia General Hospital, water treatment plants and water pumping stations.

The investment is composed of the following three sub-measures:

- Fire Service Properties and Schools: The sub-measure consists in the implementation of energy upgrades in 17 urban and rural fire stations in Cyprus including the Fire Brigade Headquarters. The sub-measure shall also cover the installation of thermal insulation and photovoltaic systems in at least 405 schools. The investment shall aim at achieving on average at least a 30% primary energy demand reduction.

- Nicosia General Hospital: The sub-measure shall consist in the setting up and installation of photovoltaics system at the Nicosia General Hospital of a total capacity of 943 KW.
- Water Treatment Plants and water pumping stations: The sub-measure shall consist in the installation of grid connected photovoltaic energy systems of total power of 2 MWp in water treatment plants and water pumping stations.

The implementation of the investment shall be completed by 31 December 2025.

- **School Energy Efficiency Upgrading through the Installation of Photovoltaic Panels and Thermal Installation:** The implementation of this investment will be carried out by the MOECSY and the EAC. MOECSY and EAC have reached an agreement to furnish and install 405 PV systems with total load 4.9 MWp.
- **Upgrading renewable energy and smart grids testing infrastructure at the University of Cyprus:** The objective of the measure is to upgrade the renewable energy and smart grids testing infrastructure at the University of Cyprus and to integrate this infrastructure in the future smart grid.

The investment shall consist in delivery, installation, testing, calibration, commissioning and acceptance of smart grids equipment, followed by final infrastructure integration. The measure shall also include personnel orientation and training. The implementation of the investment shall be completed by 30 June 2024.

- **Mass installation and operation by the Distribution System Operator (DSO) of Smart Meters and Advanced Metering Infrastructure (AMI) (ongoing):** The objective of the measure is to facilitate the mass roll-out of smart meters in Cyprus.

The investment shall consist in the delivery and installation of 400.000 smart meters to final electricity customers, including natural and legal persons. The implementation of the investment shall be completed by 30 June 2026.

- **Monitoring and reduction of GHG emissions in agriculture:** The objective of the measure is to enhance the monitoring for greenhouse gas emissions from agriculture in Cyprus and contribute to their reduction.

The investment shall consist in the establishment of a GHG monitoring system for agriculture, which shall provide data for the implementation of more efficient mitigation practices and contribute to achieving a 10% reduction of GHG

emissions from agriculture by end 2025. The implementation of the investment shall be completed by 31 December 2025.

- **Forests fire protection:** The objective of the measure is to upgrade the capabilities of relevant authorities in Cyprus to cope with fire hazards and to strengthen the protection against the risks faced by citizens, infrastructure and forests.

The investment shall consist in the purchasing of firefighting aircraft, vehicles, an extensive series of equipment required for fire prevention and fire fighting and related training and servicing for the period of implementation of the measure. The implementation of the investment shall be completed by 31 December 2025.

- **Market Management System to facilitate the opening of the electricity market to competition (ongoing):** The objective of the measure is to introduce a Market Management System by the Cyprus Transmission System Operator as a tool for facilitating the opening of the electricity market to competition.

The investment shall consist in the installation and roll-out of the Market Management System for the Cyprus Electricity Market and related training of 100% of the personnel of the Transmission System Operator. The implementation of the investment shall be completed by 31 March 2023.

- **"EuroAsia Interconnector" for ending energy isolation-Project of Common Interest:** The objective of the measure is to ensure security of supply and more competitive wholesale electricity prices, and to enable the increased use of electricity from cleaner sources, in particular renewables, by connecting the electricity network of Cyprus to the EU continental system.

The investment shall consist in the completion and commissioning of the Peripheral Component Interconnection (PCI) 3.10.2 between Cyprus and Greece, which shall include a DC 1.000 MW converter station in Cyprus and related infrastructure in Cyprus and Crete, connected through 898 km of HVDC submarine cables with 1.000 MW capacity. This is expected to be part of a broader investment building a cross-border interconnector with a total length of 1.208 km between Crete, Cyprus and Israel. Different parts of the project are expected to receive funding from different sources, namely the RRF, the Connecting Europe Facility, a loan from the European Investment Bank, commercial loans and equity.

- **Energy Storage Regulatory Framework and Funding Scheme:** The objective of the measure is to establish a regulatory framework for promoting the participation of storage facilities in the electricity market.

The reform shall consist in amending 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. The implementation of the reform shall be completed by 31 December 2021.

The following measures will be financed under the ESIF for 2021-2027:

- **Installation of Photovoltaic Panels (PV) in the military camps:** The MoD has initiated discussions with the DG EPCD, the MECI and the EAC for the installation of PV systems in the military camps. The installation of PV systems is expected to be completed by the year 2026.
- **Development of a PV park in the University of Cyprus:** The project aims at the development of a photovoltaic park with a capacity of 5 MW for electricity production. The generated energy will be used for the needs of the University Campus. Any surplus of the generated energy will be channelled to the EAC distribution network. The project further includes the installation of an electricity storage system in Li-ion type batteries, with a capacity of 2,350 MWh. The energy storage system will store energy in periods of surplus and will release energy in periods of deficit, thus helping to enhance the level of self-sufficiency. It is expected that during its first year of operation, the park will produce 8.4 GWh of electricity, which corresponds to about 50% of the total electricity consumption of the Campus. This is equivalent to an annual emissions reduction of 5,865 tonnes of carbon dioxide.
- **Scheme for energy retrofits in households:** The Scheme aims to promote extensive energy renovation of existing households, by providing non-repayable financial aid. Eligible expenses include thermal insulation of the household shell, replacement of windows, installation of shading systems, as well as the installation and/or replacement of technical equipment (e.g. solar water heating systems, photovoltaics, high efficiency air conditioners, storage batteries, control systems, etc.). During the first call of proposals, the grant percentage is 60%, increased to 80% for vulnerable consumers. The main requirement is to achieve at least 60% energy conservation, comparing the households Energy Performance Certificates.
- **Energy efficiency upgrade of public schools:** The project concerns the energy upgrade of school buildings and their conversion into high energy efficiency buildings. The aim of the project is to achieve, on average, at least a medium-scale renovation, as set out in Commission Recommendation (EU) 2019/786. As more than half of the school buildings in Cyprus have been built before the introduction of minimum energy efficiency requirements, this action seeks to renovate a large

number of school buildings to make them energy efficient. Additionally, the project aims to address existing problems, such as heating, air conditioning and lighting in schools. The improvement in energy efficiency will provide thermal comfort conditions in public school buildings in Cyprus.

- **Energy efficiency upgrade of buildings and building complexes owned and used by Central Government Authorities (2022-2029):** The proposed project refers to the energy upgrade of eight different buildings and building complexes owned and used by the Central Public Administration. The energy upgrade will be implemented for a total area of 85,800 m². Upon completion of the project, it is expected that the specific buildings will be classified in the energy category B + or better.
- **Energy Fund of Funds providing soft loans for energy efficiency and RES:** The use of financial instruments co-funded by Cohesion Policy Funds is being promoted in the context of the Operational Programme “Competitiveness and Sustainable Development 2014-2020”. An amount of €40 mln has been earmarked for this purpose, which is twice as much the amount delivered in the 2007-2013 period. Based on the results of the ex-ante assessment for the potential use of such instruments, it has been decided that a single loan instrument will be created in order to support projects in the fields of energy efficiency and renewable energy sources, both for the public and private sector (households and enterprises). The management of the financial instrument (and the respective fund – Cyprus Energy Fund of Funds) has been assigned to the European Investment Bank (EIB).
- **“Saving – Upgrading Houses” Programme:** The programme aims at the extensive energy upgrade of existing houses. This is intended to be achieved through the use of incentives in the form of grants. It covers exclusively investments related to the purchase and installation of new equipment/materials. The amount that will be allocated for the needs of the programme during the first call for proposals amounts to € 30 million and will be co-financed by the European Regional Development Fund of the European Commission and the Republic of Cyprus under the Cohesion Policy Fund.

The following measures are under consideration for financing under the Just Transition Mechanism (under evaluation/approval):

- **Support Schemes for Energy Storage:** The proposal refers to the development of funding schemes to facilitate the utilization of energy storage systems.

The first funding scheme category (storage downstream the meter), will be addressed to consumers with RES systems for own use as well as for hybrid RES systems participating in the electricity market or in other support schemes. The

aim is to provide incentives for the installation of energy storage systems to further enhance the penetration of RES in the energy mix of the country.

The second funding scheme category (storage upstream the meter) will be addressed to energy storage facilities that are installed upstream of the meter, such as energy storage facilities that are not combined with on-site electricity consumption but are connected to the transmission system and participate in the electricity market in accordance with the Electricity Market Rules.

The proposal for this scheme is under evaluation.

- **Incentives for ETS industries to invest in renewable energy and energy efficiency:** The proposal refers to a scheme targeting companies with high electricity and fuel consumption (excluding transport fuels). The aim is to provide financial incentives to invest in renewable energy and energy efficiency projects in order to reduce their greenhouse gas emissions. Beneficiaries will be large energy-intensive companies participating in the Greenhouse Gas Emissions Trading System (ETS).

The proposal for this scheme is under evaluation.

(d) Sustainable Transport

According to the report of the National Energy and Climate Governance Plan (ESDK), Cyprus is invited to consider investments and reforms in achieving the climate neutrality targets. In the transport sector, reductions in pollutant emissions are set around 50%. In this context, the following measures are being implemented:

- **Regulatory Framework for an interoperable and effective electric vehicle (EV) recharging infrastructure and an efficient EV recharging market:** With regard to sustainable transport, the Department of Mechanical and Electrical Services (EMS) will provide the regulatory framework for an interoperable and effective electric vehicle recharging infrastructure and an efficient EV recharging market by 2024. The regulatory framework will promote: (i) a mechanism for implementation and monitoring of the recharging market of electric vehicles, and (ii) coordinated analysis of data allowing for the effective network monitoring as well for ensuring compliance with national and EU legislation.

The reform, as well as the related investments are in line with the national policy plan for the market development of alternative fuels in the field of transport. Absence of the appropriate permitting procedures act as a barrier to the public and private sector for the deployment of electric vehicle recharging infrastructure and does not allow for the coordinated collection and analysis of data allowing for

the effective network monitoring as well for ensuring compliance with national and EU legislation. The legislation for the electric vehicle recharging infrastructure and the efficient electric vehicle recharging market will be enacted by the end of 2024.

- **Subsidy scheme for the installation of charging points for electric vehicles:** The EMS in cooperation with Cyprus Energy Agency will provide a subsidy scheme for the installation of one thousand (1000) charging points for Electric vehicles in publicly accessible areas, in businesses, in private premises and in local authorities. The subsidy scheme aims to contribute to the deployment of charging point infrastructure. It will be addressed to businesses which serve citizens like supermarkets, malls, gyms, hotels etc. with publicly accessible spaces, local authorities and sport clubs. The scheme will include conventional charging points of 3.7 – 22kW and fast charging points of 50kW or above (including charging points with “smart charging” operation mode), depending on market needs. The subsidy scheme will be initiated in 2022 and implemented by 2025.
- **Installation of charging stations for electric vehicles:** The EMS will install ten (10) double publicly accessible fast charging stations for electric vehicles in 2023. This serves as a demonstration project for the promotion of electro mobility to the wider public and businesses. and will contribute in removing consumer inhibitions concerning EV autonomy. The EMS will tender for the installation and operation of 10 double publicly accessible fast charging stations for electric vehicles at public areas such as general hospitals in all five districts, large publicly accessible parking places or outside public services buildings like the MoF and Courts. The project will be implemented by 2025.
- **Purchase of electric vehicles for the needs of the Public Sector and replacement of the Department of Postal Services’ (DPS) motor vehicles with electric motorcycles:** The EMS will purchase one hundred (100) electric vehicles for the needs of the Public Sector, which correspond to 5% of the government fleet, and will install the necessary charging points for them. The Department will further replace all the personnel motor vehicles of the Department of Postal Services (DPS) with electric motorcycles within the next three years. The investment aims to kick start the gradual replacement of government conventional vehicle fleet with electric vehicles and promote the transition to electro-mobility. This serves as a demonstration project for the promotion of electro mobility to the wider public and businesses. The investment will be implemented by 2025.
- **Infrastructure Projects:** The Public Works Department of the Ministry of Transport, Communications and Works (MTCW) is continuing its efforts to promote sustainable transport by realizing specific infrastructure projects favoring alternative environmentally friendly modes of transport (e.g. public transport,

cycling, walking and associated ITS), within the framework of Sustainable Urban Mobilities Plans (SUMP) in main urban areas.

- **Phasing-out polluting vehicles:** A reform is being prepared with the target to progressively phase out the most polluting vehicles, especially in polluted urban areas. The law will provide the necessary legal basis and is planned to be voted and published by the end of year 2023 and then relative measures are planned to be adopted by end of year 2025.
- **Promoting the use of electric vehicles and low emission vehicles:** Two schemes are under preparation by the Road Transport Department, with the target to commence as from year 2022. The schemes will promote the use of Electric Vehicles (EVs) and Low Emission Vehicles (LEVs). The schemes are expected to be announced by the end of year 2021 and implemented in two phases, i.e. years 2022 -2023 and 2024 -2025. The final target is to have 5.472 applicants supported for the scheme for the EVs and 3.148 for the scrapping scheme.

The following measures are included in the RRP:

- **Establishment of an Intelligent Transport System using Digital Twin technologies:** The objective of the measure is to enhance technological infrastructure, to enable better and more efficient monitoring of the infrastructure and to introduce smart features to it.

The reform consists in developing and implementing an Intelligent Transport System in order to improve the mobility management in urban areas and the Cyprus TEN-T network, also by improving the cooperation between various stakeholders. The reform shall include the delivery, installation and connection to the National Access Point of 300 sensors. This equipment is expected to constitute the basis for the digitalisation of the physical mobility networks in a geographical information system (GIS) database and the integration of mobility services.

The implementation of the reform will be completed by 31 December 2025.

- **Implementation of Sustainable Urban Mobility Projects (SUMP) and accessibility-enhancing measures:** The objectives of the measures are to create the necessary infrastructure to enhance urban mobility with more environmentally friendly options, improve the city environment and road safety in Limassol and Larnaca. The investment shall also include measures to enhance the accessibility and safe movement of pedestrians, cyclists and persons with disabilities in all urban centres.

More specifically, the investment includes the introduction of cycle ways, bus lanes and the relevant ITS equipment (i.e. smart traffic light system with bus

priority system), as well as the introduction of cycle stands, bus shelters and improvement of road safety conditions at selected junctions. It also includes the creation of Park & Ride stations and the relevant ITS equipment as well as upgrades on existing road network in the urban centres (such as walkways, crossings for pedestrians, cyclists and/or people with disabilities, warning systems for the visually impaired, bicycle parking hubs, walkway ramps).

The implementation of the investment will be completed by 31 March 2026.

- **Grant scheme for charging EVs from RES:** The scheme shall provide financial incentives to promote the development of the necessary infrastructure for electro-mobility especially through the charging of EVs from RES. The grant scheme will include the installation of photovoltaic systems and charging equipment in dwellings for the charging of electric private vehicles and the financing of local/public authorities for the construction of public charging points for EVs. The electricity for the public charging points is expected to be generated in large part from RES.

The implementation of the investment will be completed by 31 December 2025.

- **Replacing conventional street lamps with LED type lamps:** Technological developments in the area of street lighting, allow the transition to new lighting fixtures of LED type, of high performance, better light quality and longer lifetime. Replacing conventional street lamps with LED type results primarily to saving energy, significant reduction in carbon dioxide emissions as well as reduction of the annual expenses for local authorities (Municipalities and Communities).

Considering the above, the CoM approved in 2019 the replacement of about 100,000 conventional lamps used for street lighting in 350 Communities with LED light bulbs and with the cost of about €22 mln to be fully funded by the government. The environmental benefits expected are the following:

- i. reduction of carbon dioxide emissions and other air pollutants (11.000 tons CO₂ yearly),
- ii. energy saving of about 116 million KW in eight years, and
- iii. better lighting levels, and reduction of up to 60% of the relevant cost for the Community Councils.

As far as Municipalities are concerned, the CoM may approve a loan upon request by the Municipality, in order to replace street lamps with new LED light fixtures within their boundaries. During the last three years, 14 (out of 30) Municipalities have received a loan for this purpose for the total amount of €17 mln.

- **Cyprus Shipping:** The promotion of the sustainable growth of Cyprus Shipping and the development of the shipping ecosystem, are very important for Cyprus.

The Deputy Ministry of Shipping (DMS) is performing 'gap analysis' on the CY ecosystem with a view to enhancing the attractiveness of CY as a hub of shipping cluster activity. Moreover, the following measures are being promoted:

- Digital Transformation [automating processes, digital user experience, efficient operation and organization of SDM];
- Investment on personnel training [Forward looking training to capture the green (e.g. fuels) and digital transition (e.g. cybersecurity) as a means of assuming a competitive advantage as a Flag State];
- Registry Optimisation [optimize tonnage of CY flagged ships against limiting parameters such as staffing, Turkish embargo, etc.];
- Securing R&I funding for 'Green' projects in the shipping sector;
- Blue Growth initiatives [bridging the gap between academia and the shipping ecosystem] & Spatial Planning [growth opportunities].

(e) Sustainable Mobility

In the framework of the Concession Contracts for the Provision of Regular Public Passenger Transport Services with the use of buses that were announced in 2019 and will last for ten years, 2020-2030, minimum requirements have been set regarding the type (e.g. Euro VI or better) and age (e.g. bus age should be less than 5 years when are added to the fleet after the first year, average age of the fleet cumulatively shall result to an average age of fleet to less or equal to 10 years) of the buses which must be met by the entire bus fleet of Contractors. Also in the wider context of Energy Sustainability, investments will be made for the electrification of the bus fleet gradually within the next ten years.

(f) Digitalization

It is widely accepted that digital transformation will play an important role for the enhancement of competitiveness and the modernization of the Cyprus economy whereas digitalisation is expected to contribute substantially to economic growth and productivity. Investing in the digital economy and in improving works' force digital skills is essential for bolstering productivity. Therefore, a new National Digital Strategy for 2020-2025 has been developed by the DMRIDP (*described in section 3.1*).

Crucial constraints of the digital transformation are the lack of digital skills of the workforce and of the general population. In order to minimize the digital divide, and in addition to the effort of aligning educational curricula to meet current and future industry needs, Cyprus is investing in the upskilling of the workforce, from basic to advanced, as well as in training and certification programmes in cross-sectoral

competencies, such as business analysis and project management, both within the public and the private sectors.

In relation to the skillset and human resources of the DMRID the aim is to bridge the gap through the acquisition of services from the private sector (Chief Information Security Officer, Enterprise Architect etc.). In parallel, there will be on going and on the job training of DMRID staff to acquire the necessary competences in house. In this respect, a series of training programs/workshops has been organized for the whole Deputy Ministry in collaboration with the eGovernment Academy of Estonia, the Government Digital Service (GDS) of the United Kingdom, an external Public Consultancy firm, as well as other programs in cooperation with the Cyprus Academy of Public Administration in various disciplines (cybersecurity and project management, change management, etc.)

(g) Connectivity

Ensuring adequate access to communication infrastructures for all citizens is essential for the realisation of the opportunities of digital transformation. A number of divides exist in society including differences in access to broadband between rural and urban areas, and divides along gender, age, income and education. Bridging the gaps is needed to ensure an inclusive digital transformation so that the opportunities are harnessed by all. This will be achieved by:

- ensuring 5G and fibre coverage for 100% of the population living in organized communities, including deployment of 5G along the main terrestrial corridors, and
- enabling universal and affordable access to Gigabit connectivity in all urban and rural areas, including 5G and Gigabit connectivity, in line with the EU's 2025 5G and Gigabit connectivity objectives.

In order to accelerate investments in very high-capacity connectivity, so as to reach the EU's 2025 Gigabit and 5G connectivity objectives, it is also necessary to address the underlying root causes that may result in delays and/or extra costs, preventing smooth rollout of investments and efficient take up of connectivity services by households and businesses. The new National Broadband Plan which will include concrete measures to reach the EU's 2025 connectivity objectives, is at the final stages of completion (funded by national budget) and will address both reforms and investments in line with State aid rules. The Broadband Plan will provide a consistent framework of all actions to be undertaken by the public sector to facilitate private investments (including the assignment of the 26 GHz radio spectrum for 5G networks under investment-friendly conditions) as well as all public interventions in areas beyond the interest of private investors.

The following measures are included in the RRP:

- Empower the National Regulatory Authority (OCECPR), (implementation period 01/2022-12/2024).
- Empower the national Broadband Competence Office (DEC of the DMRIDP), (implementation period 01/2022-06/2024).
- Expansion of Very High-Capacity Networks in underserved areas, (implementation period 01/2022-12/2025).
- Enhance building cabling to be “Gigabit-ready” and promote connectivity take-up, (implementation period 03/2022-06/2025).
- Submarine link to Greece, (implementation period 10/2023-04/2026).

(h) Research and Innovation

The Government of Cyprus recognizes the pertinent role of Research and Innovation (R&I) as one of the main drivers for economic growth and in addressing global societal challenges. To this end and taking into consideration that R&I is lagging behind in Cyprus, substantial efforts are made to increase Research and Development (R&D) expenditure and set ambitious targets for the future. However, achieving more ambitious targets depends on various factors, such as the capacity of the R&I community to absorb the increase in R&D funding, the involvement of Cypriot businesses in R&D activities in terms of participation and investments, the impact of the Covid-19 crisis etc. It should be noted that R&D expenditure as a percentage of GDP has increased significantly over the past 3 years reaching 0.74% in 2019 (from 0.62% in 2018 and 0.55% in 2017), exceeding the national EU 2020 target (0.50% by 2020).

The Minister of Finance has decided to further support R&I in Cyprus, by providing additional funding to the Research and Innovation Foundation (RIF) for existing and new R&I national programmes and as a bridge between the programming periods 2014-20 and 2021-27. Public R&I expenditure will primarily be financed by the RRF and the ESIF 2021-27 for the period 2021 -2027.

A new R&I governance system was established in October 2018. It responds to the need for an integrated and effective governance for the design and implementation of a national R&I strategy. The system includes new institutions and bodies, such as the National Board for Research and Innovation (NBRI) - the principal advisory body for the development of the National R&I Strategy, the Chief Scientist and the Ministerial R&I Coordinators' Committee. The Research and Innovation Foundation (RIF) is the government's executive arm for R&I.

Moreover, DMRID was established in March 2020. The legislation for the establishment of the DMRID was complemented by a decision of the CoM for the

formal transfer of (political) competencies from the Minister of Finance to the Deputy Minister of Research, Innovation and Digital Policy and from the DG EPCD to the DMRID and for the revision of the allocation of responsibilities amongst the governance bodies.

A Directorate for Research and Innovation was created under the DMRID, with the following competences relevant to R&I: (a) design, promote and monitor the implementation of the National R&I Strategy and relevant policy measures, (b) supervise and support the operations of the national R&I governance system, (c) provide guidance and supervise the RIF, (d) represent Cyprus to the EU and design and promote of bilateral and multilateral S&T cooperation agreements.

- **Cyprus R&I Strategy Framework 2019-23 “Innovate Cyprus:** The Cyprus R&I Strategy Framework was adopted by the NBRI in May 2019. It aims to act as a driver for strengthening Cyprus' economy and for promoting Cyprus as a regional hub in the fundamental areas of research, scientific excellence, innovation and technological development. The R&I Strategy Framework revolves around three principal strategic pillars: (a) Research Excellence; (b) knowledge transfer and commercial exploitation; and (c) Innovative Entrepreneurship. Furthermore, six horizontal pillars act as enablers of strategic importance: (a) governance, (b) the National R&I Strategy; (c) cultural change; (d) international linkages; (e) communication and diffusion; and (f) the digital transformation.
- **Comprehensive National R&I Strategy:** The National Strategy, under preparation by the DMRID, will address the needs, shortcomings and challenges of the R&I ecosystem. The Strategy will be based on the Strategy Framework Innovate Cyprus, on the priorities of the DMRID and on EU priorities and policies with emphasis to green and digital transitions. It will be complemented by a review of the Smart Specialisation Strategy of Cyprus (S3CY). The adoption of the National R&I Strategy, of the S3CY and of their Action Plans constitutes the main action under Reform “Comprehensive national Research and Innovation Policy supported by data-driven policy tools to support the R&I Ecosystem and to enhance links between policy making and implementation” which is included in the RRP and is foreseen for Q4 2022. The National R&I Strategy will focus on Research Excellence, Business Innovation and Entrepreneurship, Thematic priorities with high added value, R&I budget and investments and the National Communication Policy for R&I.
- **Smart Specialisation Strategy (S3CY):** The Smart Specialisation Strategy for Cyprus (S3CY) was endorsed by the CoM on 26 March 2015. The priority areas identified through S3CY are: Tourism, Energy, Agriculture – Food, Urban Development, Maritime – Transport and Health. Information and Communication

Technologies, Environment and Key Enabling Technologies have emerged as horizontal priorities. S3CY envisages an innovation system characterized by strong international extroversion. S3CY includes an Action Plan, to be implemented over the period 2015–2023. The majority of the schemes are implemented by RIF through the National Framework Programme RESTART 2016-20 and seek to stimulate the involvement of the private sector in R&I activities and to foster academia-business cooperation.

RESTART 2016-20 has a total budget of €137.7 mln and is co-funded by the European Regional Development Fund (ERDF). Regarding implementation so far, approximately €108 mln have been committed via signed grants while the rest of the funding is expected to be allocated to the beneficiaries by the end of 2023.

The National Committee for the Monitoring and Evaluation of S3CY, established on 28 December 2015 and chaired by the Permanent Secretary of DMRID, is responsible for:

- Monitoring the implementation of S3CY and evaluating the effectiveness of the measures under the Action Plan.
- Submitting suggestions on the schemes, including for the revision or improvement of the existing schemes or the introduction of new measures and schemes.
- Approving the annual Progress Report of the implementation of S3CY, that is prepared by DG EPCD, in cooperation with the bodies that manage the relevant measures/schemes.

As mentioned above, the revision/update of S3CY and its Action Plan will complement the comprehensive national R&I Strategy and is expected to be completed by Q4 2022. The DMRID, in cooperation with RIF, will commission the revision/update of the S3CY to an external independent expert. For the revision/update, national developments and priorities in the field of R&I will be taken into consideration, as highlighted by the relevant reforms and investments under the RRP. The existing S3CY is extended until the revised/updated S3CY is in place. It has been decided that for the “Bridge” national R&I programmes 2021-22 with a budget of €15 mln, focus will be given to the thematic areas identified by the existing S3CY.

- **Support to the 6 Centres of Excellence in Cyprus (relates also to Action 1 under Reform):** Comprehensive national Research and Innovation Policy supported by data-driven policy tools to support the R&I Ecosystem and to enhance links between policy making and implementation (mentioned above), The Centres of Excellence for R&I (CoEs) are established through the Teaming action of the

Strengthening Excellence and Widening Participation programme of Horizon 2020. The CoEs contribute greatly to the enhancement of the extroversion of the Cyprus R&I system and provide a framework for fostering innovation and for deepening academia-business cooperation and with neighbouring countries. In addition to Horizon 2020 funding (€15 mln) and other funding from various stakeholders of the public and private sector, the 6 CoEs are co-financed by the Government of Cyprus (Government Budget) with €15 mln, for a period of 15 years.

The DMRID, in cooperation with the Chief Scientist, is developing a Support and Monitoring mechanism for the 6 CoEs. The mechanism, expected to be operational in Q1 2022, will provide support services related to the operation and sustainability of the CoEs, focusing on the promotion of innovation, the commercialisation of research results, the strengthening of cooperation with the private and public sectors and the promotion of their extroversion and international networking. Additionally, the mechanism will monitor the operation of the CoEs and promote the alignment of their actions/services with the priorities of the National R&I Strategy.

- **Central Knowledge Transfer Office:** The RIF is currently in the process of setting up a central Knowledge Transfer Office (KTO) that will provide knowledge transfer support to academic and research institutions established in Cyprus. The KTO will operate as a central hub providing knowledge transfer services in close collaboration with Knowledge Transfer Units, to be established within the main academic & research institutions. The KTO will engage in a variety of activities facilitating the process of bringing research findings to markets, often acting as a channel or 'bridge' between academia and industry. Within this context, the KTO will establish collaboration channels with enterprises and the industry at the local and international level, aiming to perform a match between technologies developed at the research organisation and the real needs of the industry and to improve local SMEs' access to innovation.

As part of the investment included in the RRP "Set up and operate a central knowledge transfer office", RIF has acquired the services of a high calibre expert on knowledge transfer to review the existing institutional framework on knowledge transfer in Cyprus, to provide recommendations/proposals for establishing a more effective institutional framework and to support the RIF in the design of national schemes and services aiming to support and encourage knowledge transfer and the commercialisation of research results.

The launch of the KTO Services is foreseen for Q2 2022.

- **Introduce policies and incentives to facilitate and foster access to publicly funded research infrastructures and laboratories (Reform included in the RRP):** An Action Plan is under development, by the DMRID, focusing on the optimal utilisation of publicly funded Research Infrastructures (RIs) and to adopt actions aimed at promoting and enhancing collaboration among Research Organisations, the academia and the private sector. The Action Plan will be based on the recommendations of a relevant study (“Optimal utilisation of research laboratories of organisations funded by the Government by the business community”) conducted by an expert panel appointed by the Policy Support Facility (PSF) and published in 2020. The Action Plan will focus, inter alia, on updating the mapping of RIs in Cyprus, including RIs from the private sector, on exploring the legislative and regulatory framework for the optimal utilisation of RIs and on examining the need for creating a platform for publishing information on RIs and facilitating access to RIs. The action plan is expected to be developed by Q2 2022.

The Deputy Ministry is in the process of preparing a tender for a study to explore the legislative and regulatory framework for optimal utilisation of RIs. It will also provide an update of the RI mapping in Cyprus, including RIs from the private sector. The study will also define the RIs Platform architecture and technical specifications.

The whole exercise is expected to be completed by Q4 2024.

- **Incentives to encourage and attract investments and human capital in R&I (Reform included in the RRP):** The Government of Cyprus is planning to extend the application of the tax scheme for investing in start-ups and innovative companies to legal entities and to examine tax incentives related to assets and equipment depreciation for R&D. Also, both the Start-up (for founders of innovative companies and their families) and the Scientific (for researchers and their families) Visa schemes are under review and will be amended, by Q3 2022, in order to simplify procedures and extend support mechanisms.
- The **tax scheme for investing in start-ups and innovative companies** (in operation from 2017) provides 50% tax relief, up to €150,000 per year, for private investors investing in innovative companies, certified by the DMRID. The tax relief framework is valid until 30/06/2021. An extension period until the end of 2023 is promoted, via an amendment to the Income Tax Law, while a Notification has been sent to DG Competition of the European Commission for approval of the extension of the tax exemption incentive to corporate investors.

- **Scientific visa (Legislation for the admission of 3rd country nationals for research purposes):** Cyprus, in line with the relevant Council Directive 2016/801, amended the national Aliens and Immigration legislation in order to incorporate the procedure for the admission of third-country researchers for more than three months for the purposes of carrying out a research project under hosting agreements with research organizations.

The “Scientific Visa” foresees procedures for the validation of Research organizations wishing to carry out hosting agreements with third country researchers and regulations for the facilitation of the submission of such requests through a fast track procedure. In the framework of this procedure, the RIF has been nominated as the national authority for the evaluation and validation of the hosting agreements.

The following National Funding Programmes corresponding to Investment priorities are included in the RRP:

- **Innovation funding programmes and funding schemes for the enhancement of growth and competitiveness of start-ups, innovative companies and SMEs:** It should be noted that the first round of the Innovation funding programmes is already being implemented in the context of RESTART Programmes 2016-20.
- **Thematic research and innovation funding programme on green transition.**
- **Funding schemes to support organisations performing R&D activities on dual technologies, including the creation of a new or upgrade of existing laboratories and the development of classified laboratories:** The funding schemes will be implemented by the Research and Innovation Foundation (RIF) aiming to support organizations performing R&D activities on dual technologies, including the creation of new or upgrade of existing laboratories and the development of classified laboratories. In particular, the schemes will enable these organisations to acquire security classification certificates in order to be able to compete and participate in consortia for European funding (e.g., Horizon Europe, European Defence Fund) as well as to enhance their R&I capabilities and competitiveness in the field of dual use technologies. These schemes cover topics that include, among others, critical infrastructure protection, the fight against crime and terrorism, border security and external security, general security issues, artificial intelligence and cyber security. The schemes will be announced by the end of 2022 and envisage to support 16 enterprises in developing classified Laboratories, by 2026.

- The **national framework programme for R&I** for the period 2021-2027 is under preparation and is expected to be announced early next year. The new Programme that will be financed by ESIF 2021-2027, will include, inter alia, programmes focused on the development of research capacity, on fostering networking of the R&I ecosystem and on the promotion of Innovation and entrepreneurial culture. Emphasis will be given to enhancing the collaboration of business with academia as well as to increasing the involvement of the private sector in R&I activities. Furthermore, targeted support schemes will focus on sectors where Cyprus has a competitive advantage as well in addressing societal and emerging challenges, in particular the digital and green transition.

3.4.2 Adopt legislation to simplify the procedures for strategic investors to obtain necessary permits and licenses (CSR 4.2, 2019)

- **Fast-Track Business Activation Mechanism:** It was approved by the CoM on 3rd of September 2020 aiming to further attract foreign investment in Cyprus as well as to provide fast and efficient procedures to foreigners wishing to establish their company in Cyprus.

As part of a package of incentives and services provided to promote foreign direct investment, new and existing businesses can also take advantage of a Fast-Track Business Activation Mechanism for setting up a business and establishing presence in Cyprus. This framework aims to facilitate businesses to re-locate or expand in the country, allowing company registration and incorporation to be completed in seven working days. It is also accompanied by a revised policy for temporary residence and employment permits to third-country nationals employed in companies of foreign interests operating in Cyprus.

Companies interested in the Fast-Track Business Activation mechanism should meet specific criteria and positively contribute to the country's economic growth. So far, 14 companies joined the Mechanism from Lebanon, Israel, Luxembourg, Ukraine, USA and the United Kingdom. These companies are active in the fields of Information and Communication Technology (ICT), such as the development and distribution of digital games for mobile phones, software development, IT consulting services, technical support, as well as digital marketing, digital and advertising services.

A related reform has been included under the RRP with the title "Enhancing Fast-Track Business Activation Mechanism". The reform shall consist in the establishment of an interactive digital platform, enhancing the Fast-track Business Activation Mechanism that is already in operation. Through the platform the investor shall be able to track his/her application but also the competent authorities will be able to interact, exchange documents and process the application. The implementation of the reform will be completed by 31 December

2025.

- **New Investment Facilitation Draft Law:** Acknowledging that investment is a key contributor to growth, Cyprus is developing a comprehensive strategy to promote investments and establish the necessary legal framework for facilitating strategic investments. After withdrawing a Bill pending before Parliament since November 2017, setting out a new procedural and legal framework for facilitating major investments, including the set-up of a fast-track mechanism, the MoI prepared an amended Bill providing amongst others for the relevant competency to be transferred under the MoI.

The new Investment Facilitation Draft Law was approved by the CoM in October 2019 and submitted to the HoR for voting in December 2019. The first reading of the bill was held in mid-January 2020 at the Parliamentary Committee of Internal Affairs. The discussion has been put on hold in April 2021 due to Parliamentary Elections to continue from October 2021 in the new Parliamentary Committee for Internal Affairs.

The new bill provides for the establishment of Strategic Investments Directorate at the Department of Planning and Housing of the MoI, which will be comprised of the Project Management Office for the process of defining an investment as a Strategic one and the Permitting Office for the process of permitting the Strategic Investment. The Director of the Department of Town Planning and Housing will also serve, according to the bill, as the Head of the Strategic Investment Directorate. As mentioned above, the Bill is still pending before the HoR, while the MoI is preparing the employee service plans for staffing the Strategic Investments Directorate.

In line with RRP the enactment of the relevant legislation by the HoR will be by the end March 2022.

3.4.3 Improve access to finance for small and medium-sized enterprises (CSR 4.3, 2019)

The 2020 Country Report for Cyprus notes that access to finance for SMEs is improving but still challenging. Acknowledging the limitations in bank credit supply, given amongst others the improved yet still relatively high NPLs level, the Government continues its efforts aiming at introducing alternative types of financial support for SMEs. Economic disruption caused by the pandemic has only increased the need for addressing financing challenges for SMEs. The significance attributed by the government in this policy area is indicated by the inclusion of a big number of relevant reforms and investments in the RRP. Increasing awareness on available funding is also ongoing, especially via seminars and information provided through the DG EPCD's Funding Programmes Portal.

The following measures are supported by national funds:

- **Interest subsidization for new business loans:** The interest rate subsidy scheme for new business loans is part of the package of measures to support the economy to deal with the effects of the pandemic of COVID- 19 adopted by Decision of the CoM dated 27/5/2020 and 28/5/2020 (Decision Number 657/2020), extended until 30/06/2021, through a new decision of the CoM dated 26/11/2020 and extended again until 31/12/2021, following a new decision of the CoM dated 17/02/2021.

The granting of interest rate subsidies for business loans to self-employed persons, SMEs, and large enterprises enhance the Government's efforts to support the economy during the ongoing outburst of COVID-19 and support businesses in their efforts to outlast this unprecedented crisis.

The scheme covers new business loans to Enterprises and Self-Employed Persons approved between 1/3/2020 to 31/12/2021 by participating Authorized Credit Institutions to cover liquidity needs, working capital, and investments, with the exemption of repayment of outstanding loans and restructurings. Beneficiaries of the Scheme are all enterprises that were not already in difficulty (within the meaning of the Temporary Framework on state-aid to counter the effects of the pandemic) on 31 December 2019 and are currently experiencing difficulties due to the pandemic. The duration of the interest rate subsidy is four years from the day of disbursement of the loans, which can be disbursed until six months after their approval. One of the scheme's requirements is that the beneficiaries cannot proceed to layoffs beyond 2% of their current workforce for six months from the time of approval of the European Commission's scheme, without replacement, unless it is for reasons justifying dismissal without notice.

- **Cyprus Entrepreneurship Fund:** The Cyprus Entrepreneurship Fund (CYPEF) has supported both working capital and investment loans to SMEs. According to the latest figures (Dec 2020), the loans disbursed via CYPEF to SMEs reached the amount of €136 mln (i.e. 97,3% of the committed total loan portfolio).

The following measures are supported by ESIF:

Since the economic crisis that erupted at the beginning of the last decade, financial schemes designed and implemented through the use of EU Structural Funds have been a key factor for the survival and the expansion of many Cypriot enterprises. The Government continues its efforts, during the 2014-2020 p.p., aiming at introducing more and new types of financial support for SMEs with the utilization of available resources from the ESIF and with additional assistance from the European Investment Bank (EIB), in the case of financial engineering instruments.

- **New instrument for energy efficiency and RES:** The use of financial instruments is also promoted in the context of the Operational Programme “Competitiveness and Sustainable Development 2014-2020” with an amount of €40 mln earmarked for this purpose, which is twice as much as the amount delivered in the 2007-2013 period. Based on the results of the above mentioned ex-ante assessment, it has been decided that a single loan instrument will be created in order to support projects in the fields of energy efficiency and renewable energy sources, both for the public and private sector (households and enterprises). The management of the financial instrument (and the respective fund) has been assigned to the EIB in December 2018, and deliberations for its deployment are currently being finalised. It is expected that end product will be available to final recipients – through the selected Financial Intermediary - before the end of 2021.
- **Grants:** MECI implements various measures and schemes aimed to improve the competitiveness of SMEs and create new job positions. These measures aim at improving the access to finance for SMEs and enhancing the entrepreneurial activity. The policies and actions are in line with the EU policies for enterprises and industry and the corresponding EU guidelines aiming to modernize and green the industrial sector. The measures announced during 2021, which will be financed under the ESIF for 2021-2027, are the following:

 - Scheme for the Enhancement of SMEs competitiveness in the Manufacturing Sector and other specific Economic Activities (end submission calls: 30/09/2021).
 - Investments in wine enterprises (end submission calls: 02/07/2021).
 - New Entrepreneurship Support Plan. The Scheme aims to develop, support and promote entrepreneurship by focusing on specific population groups such as young people and women (end submission calls: 30/12/2021).
- **Public Guarantee Scheme:** The Government has launched a public guarantee Scheme of €1 bln in order to counter the effects of the pandemic. Guarantees will be channeled through the granting of loans by credit institutions to large, medium and small enterprises as well as self-employed individuals to counter the liquidity shortage faced by undertakings because of the outbreak, and to ensure that the disruptions caused by the outbreak do not undermine the viability of the undertakings and thereby to preserve the continuity of economic activity during and after the outbreak. The Scheme is subject to prior law enactment by the Parliament.
- **Advice for small business facility:** Following the recommendations of a study on promoting export performance and building capacity within the SMEs, the Government signed in May 2017 an agreement with the European Bank of Reconstruction and Development (EBRD) for the implementation of the programme

“Advice for small business facility”. The programme aims to promote the sustainable development of SMEs in Cyprus through tailor-made advisory services and other non-financial support tools. The objective of the programme is to support Cypriot small businesses in order to improve their competitiveness, strengthen their performance and boost growth. The programme, co-funded by the ERDF, also aims to facilitate the development of the local consultancy market and to improve the quality of business advisory services. In addition, the programme aims to improve the financial literacy of SMEs.

The programme includes a series of tools addressing the needs of SMEs consisting of:

- **Business Advisory Services to SMEs:** The Facility has assisted SMEs in accessing business advice by engaging local consultants. Up to May 2020, 124 applicants received advisory services in various sectors.
- **International Advisory Projects:** In order to enhance the internationalization of larger SMEs the facility offers assistance through carefully selected international trade experts. Eight (8) enterprises received advisory services with international consultants.
- **Business Clinics Facility:** The tool will be made available to support start-ups and early stage enterprises with viable business ideas and business plans. It will aim at supporting them in areas such as access to credit, management and building leadership skills, digital marketing and financial literacy. Forty (40) companies participated in the Business Clinic.
- **Training Courses for SMEs and consultants:** the Facility offers training courses from the EBRD to build the capacity of local consultants and local SMEs. These training sessions will cover a wide range of topics including financial literacy, marketing and selling, business diagnostics and project management for consultants. More than 220 SMEs participated to the training sessions took place up to the end of 2020.

The programme was considered to be successful given the impact in the participating companies and also the feedback of the business community. The Government will relaunch the part of the consultancy provision through a new program within 2022 funded by the RRP.

The following measures are supported by RRP:

- **Advice for small business facility:** MECI will relaunch the Programme which will be funded by the RRP. The specific objective of the program with the title “Consulting Scheme for SMEs” is to increase the competitiveness of the enterprises through the

provision of advisory services to SMEs. The programme shall be implemented by Q4 2025.

- **Grants:**
 - Scheme for modernisation and digitalisation of enterprises engaged in manufacturing and trading of agricultural products. The implementation of the project shall be completed by Q1 2026.
 - Scheme for the Enhancement of Large Enterprises Competitiveness in the Manufacturing Sector. The implementation of the project shall be completed by Q2 2026.
 - Scheme for the digital upgrade of enterprises.
- **Tax relief investments in innovative SMEs: (for more details please see section 3.4.1).**
- **Equity Fund** will support the efforts of the Government to enhance access to alternative sources of finance. According to the timeline set in the RRP, by Q2 2022, alternative Investment Fund will be registered in CySEC, by Q4 2024, investment will be registered by the Fund to 6 start-ups and innovative companies and by Q2 2026, investment will be registered by the Fund to 12 start-ups and innovative companies.
- Design and establishment of a **National Promotional Agency (NPA)** which will support development and businesses by providing financial instruments such as loans, guarantees and equity financing in a coordinated way, ensuring expertise and operational synergies. A technical assistance project granted by DG Reform was started in Q4 2021 and according to the timeline set in the RRP, by Q2 2023 a Roadmap for the creation and establishment of the NPA will be approved by the CoM, by Q1 2024 it will be approved by the HoR and by it will start its operations.
- **Creation of a Regulatory Sandbox to enable FinTech** an approach that will allow time-bound testing of innovations under the regulator's supervision on new financial products, technologies, and business models under a set of rules and supervisory requirements with appropriate safeguards, thus developing a suitable and attractive regulatory regime on fintech and innovative technologies and strike a balance between the seamless deployment of innovative products or services and ensuring investors protection. According to the timeline set in the RRP, by Q3 2022 external consultant for designing and operating of the Regulatory Sandbox will be selected and by, Q2 2023 the Regulatory Sandbox will be launched and by Q3 2024 a one-year Operation Report will be released.
- **Investment Funds:** The establishment of a modern and competitive legal and regulatory framework regarding the industry of collective investment funds in

Cyprus remains a priority. In order to keep pace with developments and specialize and upgrade the current regulatory framework, developed from 2010 onwards, with the view to bringing it in line with the best European and international practice for collective investment funds, the following legal change has been promoted in order to introduce new features and specialization for the collective investment schemes in Cyprus. A new Law aiming at the introduction of licensed and regulated mini-managers, for the fund managers below the AIF Managers Directive thresholds was enacted on 3/7/2020. The Law aims also at providing specialisation for below the threshold managers under an appropriate and proportionate regulatory regime.

- **Crowdfunding:** Acknowledging that crowdfunding can serve as an alternative tool to bank financing, hence further facilitate and enhance SMEs access to finance, the Cyprus Securities and Exchange Commission (CySEC) has issued a Crowdfunding Directive relating to investment-based crowdfunding through transferable securities. This concerns a set of secondary rules for complementary obligations, including but not limited to: conduct of business rules; management of conflict of interests; holding clients' money and financial instruments and product governance. This set of rules is expected to be replaced by CySEC once the Crowdfunding Regulation (EU 2020/1503) starts to apply from the 10 November 2021.

The following measures are supported by other EU sources:

- **EIB direct lending/Government guarantee scheme:** Recognizing the success of the EIB Scheme, on 27 and 28 May 2020, the CoM approved the increase of the Government Guarantee Scheme from €1 bln to €1.5 bln, thus supporting the continuation of the EIB scheme.

Until end of 2020, 8 Cypriot banks signed 24 different Loan Agreements with EIB amounting to €930 mln in total, leading to €745 mln allocated by the banks to beneficiaries (SMEs and MidCaps) resulting in around 568 new investment projects.

- **European Fund for Strategic Investments (EFSI):** Between December 2016 and June 2017, the European Investment Fund (EIF) has signed two EFSI agreements of a total €10 mln each, with two commercial banks under the InnovFin SME Guarantee Facility of the Horizon 2020 Programme for R&I. A third counterpart is currently under appraisal by the EIF. Regarding the first two agreements, under which the two intermediary banks provide attractive loans to innovative SMEs and mid-caps, up to now, loan contracts for an amount of around €9.7 mln have been signed with eligible beneficiaries.

- **Competitive Programmes:** As per the Annual Financial Reports of the European Commission, the amount of €253.3 mln was allocated to Cypriot beneficiaries participating in EU Competitive Programmes during the first five years of the current programming period and up to 2018, while it is expected that Cyprus will reach the target of absorbing around €300 mln for the whole 2014-2020 period. The majority of these funds relate to the Horizon 2020 (€121.3 mln) and the Erasmus+ (€51 mln) Programmes. Part of the allocation from the H2020 resources is directed towards the entrepreneurial community, either through the participation of the SMEs in funded projects or through the financing of R&D activities with commercialization potentials.

Also, the National Contact Point of the LIFE Programme in Cyprus organized an Open Day Fair, in June 2019, in order to raise awareness to the public regarding the various and different funding opportunities from EU Funds, including for the SMEs.

3.4.4 Resume the implementation of privatization projects (CSR 4.4, 2019)

The MTCW has recently signed a Concession Agreement (December 2020) regarding the re-development of the Larnaka Port & Marina Area. Furthermore, the Ministry is exploring the possibility for a public-private partnership (PPP) project for the extension and development of Vasilikos Port.

3.4.5 Other policies and measures as regards investment focus:

(a) Circular Economy

The MECI in the framework of the implementation of the Industrial Policy and the Green Deal Strategy prepared a National Action Plan for the enhancement of Circular economy in the country. The action plan was approved by the CoM on the 16/6/2021.

The main measures include the following:

- Campaigns for the cultivation of circular culture.
- The provision of incentives to the entrepreneurial community to invest in circular economy.
- The set-up of the required infrastructure and the legal framework for the enhancement of the circular economy in Cyprus.

The Action plan is an umbrella for all the actions implemented by the Government, irrespective of the implementation body, aiming to increase circularity, thus including actions referring to the promotion of circular economy in the industrial sector mainly implemented by the MECI, actions aiming to waste management implemented by the MoI, the MARDE (Department of Environment and the Water Development

Department), as well as actions referring to circular economy among the Hotels in Cyprus implemented by the Cyprus Employers' and Industrialists' Federation (OEB). A number of the actions will be funded by the RRF, some by the ESIF and some others by national funds.

Furthermore, as the responsible Ministry for the Industrial Sector and within the Framework of the implementation of the Industrial Strategy 2019-2030, MECI is proceeding with the implementation of a reform aiming at the adoption of the circular economy in the industrial sector. The actions, which are to be funded through the RRP, under the project "Enhancement of circular economy in Industry", include the following:

- **Promotional Campaign:** The aim is to raise awareness among the consumers regarding the benefits of circular products towards the environment, about the strengths and business opportunities circular economy offers, dissemination of information about best practices and also information related to measures that are implemented.
- Operation of a **Grant Scheme to enhance entrepreneurial investment in circular economy:** The scheme will support the enterprises transitioning to a circular operation model. The Grant will cover equipment cost as well as software and knowhow necessary for circular operation.
- **Advisory services on the circular economy:** The scheme will provide consulting services regarding the business diagnostics, business coaching, training of the employees and preparation of a roadmap for transitioning to circularity.
- **Sharing Marketplace platform for circular economy:** The Ministry will set up a sharing marketplace platform aiming to connect supply and demand of materials, scrub or waste in a professional manner, in order to reduce waste.

All the above actions shall be implemented by Q2 2026.

(b) Industrial Policy

The MECI prepared an integrated national Industrial Strategy, accompanied by an Action Plan which was adopted by the CoM in May 2019. The Objective of the Government is to establish a robust, intelligent and technologically developed industry, that will contribute to the development and competitiveness of the economy and the welfare of its citizens through the Development of innovative products and high value-added services.

The new industrial strategy will include strategic actions in the areas of:

- i. Resolvment of industry's structural problems.

- ii. Infrastructure for Sustainable development/Sustainable Production.
- iii. Digitalization of Industry.
- iv. Development of new skills and enhancement of existing skills.
- v. Improvement of Industrial/Business Environment.
- vi. Enhancement of Access to Finance.
- vii. Enhancement/facilitation of Access to Markets/Extraversion, Commerce, Investment.

The Ministry is proceeding with the implementation of the actions included in the relevant Action Plan.

Also, MECI is proceeding with the preparation of an Action Plan for the establishment of an Eco- Industrial Science Park in order to encourage the growth of greenfield direct investment and host a cluster of light manufacturing entities that focus on renewables (emphasis on solar), agri-tech solutions, and ICT. This reform has been included in the RRP with a timeframe for the Action Plan to be approved by the CoM by Q3 2023.

(c) Facilitating and Promoting Export Performance

Enhancing the global reach of Cypriot companies as well as the promotion of domestic exports of products and services is of vital importance for economic growth and employment. The Trade Service of the MECI implements annually an action plan aiming at improving the global footprint of Cypriot companies and increasing exports of domestically produced products and services.

The plan includes actions such as: Grant Schemes for participation in trade fairs, promotional campaigns, business forums and trade missions, publication of advertorial in specialized magazines and digital media, tasting events in target markets and visits of journalists and business people to Cyprus. Furthermore, the Trade Service supports companies wishing to increase their exports through the activities of its Export Helpdesk and its Trade Centres abroad.

The unprecedented disruption caused by the COVID-19 pandemic has created challenges for the implementation of promotional activities. In an effort to align with the changing situation, the Trade Service has expanded its promotional strategy towards the use of digital technology and on-line promotional tools.

Currently, the Trade Service is in the process of implementing the following projects towards the objective of empowering export-oriented companies and enhancing their export potential.

The following measures are funded by RRP:

- Set up and implement a new Grant Scheme, “**Support extroversion and openness of Cyprus firms to international trade**” with the objective to strengthen the extroversion of new and existing enterprises in the fields of manufacturing, processing and marketing of agricultural and industrial products as well as service providers. At least 140 Cypriot firms should be benefited from the Scheme by Q2 2026.
- Establishment of a **National Visual Identity** (Branding) for Cypriot products (“Creation of a National Commercial Identity and promotion of the traditional product “halloumi”). The objective of the measure is to establish a brand name for the Cypriot products in order to promote their export. The implementation of the measure will be completed by Q1 2022.

The following measures are funded by National Funds:

- Establishment of a **National Visual Identity (Branding) for Cyprus wines**.
- Design and implementation of a short-to-medium term (2021-2023) **National Plan for promoting Cyprus wines**. The Action Plan is already under implementation.
- Finalizing a study for strengthening the exportability of the **four main Cypriot export products** (pharmaceuticals, cheeses, potatoes and juices).

3.5. Efficiency and digitalization of the Judicial system, legal enforcement of claims, issuance and transfer of title deeds, immovable property rights and anti-corruption reforms

2019 COUNTRY SPECIFIC RECOMMENDATIONS – CSR5

Sub CSR 5.1: Step up efforts to improve the efficiency of the judicial system, including the functioning of administrative justice and revising civil procedures, increasing the specialisation of courts and setting up an operational e-justice system. Take measures to strengthen the legal enforcement of claims.

Sub CSR 5.2: Ensure reliable and swift systems for the issuance and transfer of title deeds and immovable property rights.

Sub CSR 5.3: Accelerate anti-corruption reforms, safeguard the independence of the prosecution and strengthen the capacity of the law enforcement.

2020 COUNTRY SPECIFIC RECOMMENDATIONS RELATED TO THEMATIC AREA 3.5 – CSR4

Sub CSR 4.2: Improve the efficiency and digitalization of the judicial system.

3.5.1 Step up efforts to improve the efficiency of the judicial system, including the functioning of administrative justice and revising civil procedures, increasing the specialization of courts and setting up an operational e-justice system. Take measures to strengthen the legal enforcement of claims

Whilst the justice system is characterized by quality, credibility and impartiality, it faces structural problems which have led to the accumulation of a large number of backlog of cases pending before the courts. In order to improve the judicial performance, the Government has embarked on a very ambitious and holistic Courts' Reform project, which aims at building a modern, accessible and efficient system for administering justice. To this end, the Ministry of Justice and Public Order (MJPO) and the Supreme Court, in co-operation with the MoF and the Cyprus Bar Association, are implementing a detailed action plan for a total overhaul of the judicial system. The implementation of the action plan is currently ongoing.

Reforms promoted cover, inter alia, the following main areas: Courts restructuring/ increasing the specialisation of courts, enhancing the administrative capacity of courts, digitalisation of courts, addressing the backlog of cases and revision of the Rules of Civil Procedure.

- A major project relates to the **review of the Civil Procedure Rules**. The project was undertaken by a team of international experts who worked in close cooperation with the Rules Committee set up by the Supreme Court. The revised Rules underwent consultation with the Judge's association and the Cyprus Bar Association, before being approved by the Supreme Court on 19 May 2021. An intense training programme for all stakeholders is being implemented. It is noted that a commitment has been undertaken by the Supreme Court within the framework of the RRP, for the implementation of the new Rules of Civil Procedure for the new cases submitted to the court as from 1.9.2023.
- The clearance of **backlog of delayed cases** which have accumulated in the courts, is a very critical and pressing task in the reform process. Since September 2020, a pilot project is being implemented on in the District Court of Paphos through the temporary assignment of a "task force" of seven experienced judges to handle the backlog of cases. At present, the task force has cleared more than 50% of the backlog in Paphos. Within the framework of the RRP, a commitment has been undertaken for the reduction in the backlog of cases and appeals pending for over two years before the Districts Courts and the Supreme Court – by 20% by Q2 2024 from the 31 December 2020 level and by 40% by Q2 2026 from the 31 December 2020 level. To this end, an Action Plan will be prepared by December 2021 which will set out the various intermediate actions required for achieving these targets on a national basis.

Other measures promoted for addressing the backlog of cases include a bill drafted by the MJPO, which provides for the increase of the jurisdiction of the District Court Judges and the Senior District Court judges, with regard to the amount of disputes they can hear and adjudicate, in order to allow more flexibility to the system. The bill was discussed (16.10.2019 and 15.11.2019) in the Parliamentary Committee of Legal Affairs and is still pending for discussion at the plenary session.

- Furthermore, the Supreme Court assigned in February 2019 the **handling of financial disputes - judicial procedures relating to non-performing loans (NPLs)** - to 6 District Court judges, in order to expedite the process. Appropriate training of the judges took place in December 2019. Additionally, a bill providing for the creation of a new jurisdiction within the District Courts to hear and determine any application concerning disputes arising out of or in connection with credit facilities, was prepared by the MJPO and was submitted to the HoR (25.1.2019). The bill was discussed in the competent Parliamentary Committee in February 2021, but later, in April 2021, it was withdrawn by the Ministry, following the amendments made by members of Parliament which changed the scope and philosophy of the bill. Nonetheless, all other reforms currently under implementation will result to faster delivery of justice including the reduction of NPL cases. It is noted that the above-mentioned designation of judges to deal with these cases, is still ongoing.
- The introduction of new technologies in the Sector of Justice is of utmost importance. In this context, the **digitalization of the courts** is promoted, with the implementation of e-justice and the digital audio recording (DAR) of minutes during trials. The implementation of the e-justice system is underway following the award of the tender to a private sector company in September 2020. The project has also been included in the RRP. According to the project milestones, by Q4 2022, development and installation of the system will be completed and the e-justice system will go live. It is noted that the intermediate “i-justice” system is used on a national basis as of 21 July 2021 which provides for digital filing and administration of Courts’ cases.

In relation to the project for the introduction of DAR in courts, the commitment undertaken within the RRP relates to the installation and full operation of digital audio recording in court proceedings by Q1 2025.

- A major component of judicial reform which is expected to contribute significantly towards the enhancement of the efficiency of the courts, is the **restructuring of the courts and the establishment of specialised Courts**, namely the Administrative Court, the Administrative Court for International Protection, the Commercial Court and the Admiralty Court. The two first Courts are already

established while the bills for the establishment of the last two are pending before the HoR.

- In addition to the above and the most important of the structural changes is the **reoperation of the Supreme Constitutional Court and the Supreme Court** as per the Constitution, thus splitting the current Supreme Court into two distinct courts, now being given a limited third-tier jurisdiction for the first time in Cypriot judicial history, and the **establishment of a new Court of Appeal**. The latter will be the court dealing with civil, criminal and administrative cases at second instance. The MJPO prepared and submitted on 30 May 2019 to the Parliament four draft bills establishing the above Courts. The bills were thoroughly discussed in the Legal Affairs Parliamentary Committee. Pending the discussions, an ad hoc Committee was established for further consultation, with a view to finalize the texts. After the dissolution of Parliament on April 2021 in view of the legislative elections on 30 May, the pending bills will now be discussed by the HoR.

Furthermore, in relation to the two bills pending before the HoR concerning the establishment of a Commercial and Admiralty Court, to provide an appropriate forum for the determination of high-profile commercial cases, five judicial posts which are provided by the bills, have already been approved and are included in the state budget.

- **Strengthening of the Administrative Court:** The Administrative Court which is operational since January 2016, was strengthened with two additional judges as from September 2017 (total number of 7 judges) and continues its improved performance which is showing results with the reduced number of pending administrative cases, not forgetting the relief provided by this Court to the Supreme Court which was handling these cases previously.

The Administrative Court of International Protection is operational since June 2019 with 3 judges and was enhanced on 2020 through the recruitment of 2 new additional judges and 10 administrative officers to provide support to the judges. The Court will soon be strengthened with 5 additional judges.

- An important project in the reform programme, which has been completed, is the introduction by the Supreme Court of detailed and transparent criteria for the **selection/appointment and evaluation/promotion of judges**, a project which was carried out through technical support by DG REFORM. Following the study by the experts, the Supreme Court published in July 2019 new criteria for the recruitment of judges and in October 2019 criteria for the promotion of judges. All new appointments/promotions are now based on these new criteria.

- Another important development is the enactment of the law providing for the establishment of a **Training School for Judges** (101(I)/2020), which was published on 14/8/2020. This development formalises training and will contribute to the ongoing and regular training of judges, as it is now envisaged that Judges are obligated to go through life-long training. The establishment of the Training School for Judges is of vital importance for safeguarding the high quality of Justice system. The training programme is already running and a number of training sessions have already taken place. The training of judges has also been included in the RRP, according to which, by Q4 2025, at least 110 (out of 130) judges will complete trainings on New Civil Procedure Rules and other judicial trainings on various legal topics as well as judicial skills.
- To facilitate the effective implementation of the reform program, the capacity of Courts has also been strengthened through the **recruitment of new judges** - 15 new judges were appointed in July 2020 and 6 new judges in July 2021.
- There are new projects and developments under way, such as the E-Justice and the implementation of the new Rules of Civil Procedure, which require significant change in the way the courts are managed and operate. The capacity must be in place to fully exploit the potential, arising from these initiatives.

Thus, a new project is underway funded by DG Reform, for the **establishment of a new Court Service**. The objective is the establishment of an efficient Court Service, which will undertake all aspects of management, administration and support of the courts. The new project will cover, inter alia, (a) the organisational and governance structure of the new Court Service, (b) re-engineering of procedures (c) staffing requirements (d) transitional arrangements for the establishment of the new Court Service.

- In relation to the **enforcement of judgments**, the MJPO submitted a bill to the HoR amending the Civil Procedure Law, so as to strengthen the legal framework for the enforcement of judgments. The provisions of the bill include measures which facilitate the execution of writs concerning the seizure of movable property. On 6.3.2020 the bill was discussed in the Legal Affairs Parliamentary Committee and is still pending. It is noted that the provisions of the reviewed Procedural Rules provide for the execution of judgments.
- An important prerequisite for the implementation of the above reforms is the provision of adequate and modern facilities in order to ensure the safe and efficient functioning of the courts. To this end, the government has prepared and is currently implementing a very elaborate and expensive **court building**

programme that prioritises needs, ensuring that the courts will, in the short-medium term, have appropriate buildings.

3.5.2 Ensure reliable and swift systems for the issuance and transfer of title deeds and immovable property rights (CSR 5.2, 2019)

(a) Issuance of title deeds

Acknowledging that reliable and swift systems for the issuance of title deeds and the transfer of immovable property rights are key for addressing challenges faced in the economy, including in the property market as well as in the financial sector, the authorities are in the process of improving the effectiveness of the overall framework.

- Since September 2016, the DLS has proceeded with the identification of all cases that involve developments, where the owners did not follow the procedure of issuing the titles deeds. For all those cases, DLS started the procedure of the **compulsory update of the registrations**. The relevant applications were divided into two categories: (i) applications by the owner of the property (Developer), and (ii) compulsory applications that were initiated either by the buyers or by the Director of the DLS. Regarding the first category, the process is up to date (the number of applications completed within a year exceeds the number of new applications). Regarding the second category, applications have been initiated for all pre 2015 developments where the owners (developers) did not proceed with their responsibilities. Approximately 2.100 cases (about 35,000 title deeds) were initiated. Today, title deeds for around 1.000 developments are pending, corresponding to approximately 19.000 title deeds. Evidence shows that among these developments, are cases with serious irregularities. According to the RRP at least 80% of the pending cases will be resolved by end of June 2023.
- **Reform of the licensing policy:** In order to serve to the further improvement of the issuance systems in the future, the government is also proceeding with the reform of the licensing policy currently in place for developments. More specifically, the MoI, in cooperation with the Cyprus Scientific and Technical Chamber, prepared the document of the New Planning and Building Permit Policy aiming to minimize the problems in the permitting procedure and create a modern, concise and well-structured legislative framework. In this New Planning and Building Permit Policy document, a package of measures is proposed consisting short-term measures (e.g. introducing a new form of planning permit, categorizing types of development by risk analysis, reducing consultation, etc.) and long-term measures, such as the radical review of the legislative framework for building permits.

According to the New Planning and Building Permit Policy, the MoI as from the 1st October 2020, promoted the implementation of the new development permit

process in residential plots. This simplification mainly concerns the formulation of a timetable for granting the Planning and Building Permit and the introduction of an electronic platform for submitting an application. The time for granting planning and building permits has been reduced significantly for developments (up to 2 residential units) covered by the New Planning and Building Permit Policy procedures (10/20 days for granting permit). Subsequently, all the procedures concerning the development will be accelerated (including construction of the development and applying for the issuance of the title deed). From 1/10/2020 until 30/6/2021, 1723 applications for planning permits had been submitted to the 5 district offices of the Town and Housing Department, and 1301 planning permits were granted. The extension to up to 4 residential units, will add a significant number of developments to this new simplified procedure, mainly developments conducted by developers, where the issuance of the title deeds is more important for transferring the property to buyers. Based on the RRP, the extension of the new Planning and Building Permit Policy for up to four residential units in residential plots will be available by the end of 2022.

Other Actions that will improve and accelerate the permitting and title deeds issuance procedures are under examination by the authorities and include the following:

- Amendment of the Streets and Buildings Regulation Law by increasing the fine to the supervising engineer for oversight of the project development in accordance with the permit issued (in order not to allow irregularities that will result to the titles not being issued). Also provision in the Law that the supervising engineer receives the last 10% of his/her fee only when he/she submits to the competent authority a certificate confirming the completion of work in line with the permit issued.
- Amendment of the Streets and Buildings Regulation Law in order to link the Certificate of completion issued by the supervising engineer with Electricity connection.
- Review of the possibility of introducing self-assessment.

Finally, the proposals under discussion with regards to the local government reform (see Section 3.1.3) also provide for new and more efficient licensing arrangements, such as the establishment of single licensing authorities and the issuing of both planning and building permits, at district level.

(b) Transfer of Immovable Property Rights

The enactment of the Transfer and Mortgage Law 9/65, as amended by L.139(I)/2015 («Trapped Buyers Law»), which was designed to protect the “Trapped Buyers”, namely

those who had submitted their sale contracts at the Lands Registry up until 31st December 2014 (legacy cases), has led to positive progress in this area. Notably, in relation to the Legacy cases, 19,832 applications have been filed by DLS, out of which 12,084 have separate title deeds and 7,748 have no separate title deeds. Until now, 9,012 applications have been completed and the title deed has been transferred to the buyer (75% of the applications with title deed). Following a court ruling which declared the «Trapped Buyers Law» as unconstitutional, the Law Office has filed an appeal against this decision. In parallel, to address this issue, on the 26th of July 2019, the Transfer and Mortgage Law, has been amended by L. 118(I)/2019, by amending the basic provisions of the «Trapped Buyers Law», in order to overcome the shortfalls in the current law. Furthermore, the authorities have committed to promote legislation to deal with non-legacy and new property transactions. Currently, consultation is taking place with stakeholders in order to promote amendments to The Sale of Immovable Property (Specific Performance) Law L. 81(I)/2011.

3.5.3 Accelerate anti-corruption reforms, safeguard the independence of the prosecution and strengthen the capacity of the law enforcement

(a) Accelerate anti-corruption reforms

The President of the Republic of Cyprus along with the Minister of Justice and Public Order presented on the 29th of January 2021, measures against corruption which are based on the Rule of Law, Transparency and Accountability. The announcement of these measures contributes to the fight against corruption by asserting the decisiveness of the government to combat this phenomenon.

These measures are an addition to the legal framework for the protection against corruption. They holistically address transparency, accountability by reinforcing the existing institutions and by creating new further safeguards.

The foreseen planning aims at enhancing to the maximum level the legal, political, financial and social environment through actions that fall under three central pillars:

- i. Prevention, education and awareness.
- ii. Legislative and Structural Modernizations.
- iii. Risk supervision and assessment.

Relevant measures are outlined in each and every one of these areas aiming at cultivating a long-term anti-corruption culture.

With regard to the 1st pillar on prevention, the following actions have already been taken:

- Enhancement of the **internal control mechanisms in the Ministries**, after assessment of the existing procedures, as well as possible gaps, shortages and weaknesses by defining a concrete program for continuous supervision of the efficacy and effectiveness of the internal control systems.

For that purpose, the CoM approved a comprehensive proposal submitted by the Minister of Finance that provides for the reinforcement of the Internal Audit Units in all the Ministries, the substantial reinforcement of the Internal Audit Service, the further reinforcement of the audit control system within the public service, the continuous training of the personnel, and the preparation of a manual of procedures by each Audit Control Unit separately, based on the standard manual to be prepared by the Audit Service.

- Also, the CoM approved a proposal by the MJPO which provides for incentives provided to the private, public and broader public sector, as well as Local Authorities for the **adoption and implementation of ISO 37001**. ISO 37001 is a recognized standard that sets requirements and provides guidelines for the creation, implementation, maintenance, review and improvement of an effective management system against corruption. The benefits of ISO 37001 relate to transparency, the reduction of bribes, the foundation of an ethical business culture, the building of trust in maintaining reputation, preventing financial losses, increasing job efficiency and creating confidential communication channels for employees. For the implementation of the above standard, a subsidy will be provided to the interested parties for a period of 5 years starting from the second half of 2021 until 31 March 2026. The cost of applying the standard relates to the cost of consulting services and the cost of certification.
- Furthermore, **a new training cycle** has already commenced. This includes a number of training sessions for anti – corruption for a five years’ period. The first session took place on the 13th of May 2021 and was addressed to all Permanent Secretaries of the Ministries.
- In addition, measures are going to be implemented which aim at **invest in the awareness and active involvement of the civil society**. Investment in youth and in education will encourage citizens to demand and vindicate good governance and accountability.

In order to achieve the above, the following actions have been agreed and are expected to be signed soon:

- Memoranda of Understanding between the State and several Cyprus Universities.
- A Youth Declaration Against Corruption that makes the young people participants in the fight against corruption.

The 2nd Pillar includes measures for the enhancement and reinforcement of the legal framework against corruption:

- Enhancement of **the control mechanisms and the tools to fight corruption**, such as the following:
 - Strengthen the mechanisms for more effective collection and investigation of information, handling the investigation of cases and confiscation of assets in economic crime cases through the establishment of a specialized Economic Crime Unit.
 - Article 105 of the Criminal Code was amended by increasing the penalty for the offence of abuse of power by a public official from 3 to 7 years.
 - Establishment of a Unit for Combatting Corruption under the supervision of the Attorney General which will consist of experienced police officers in the area of investigations and public prosecutors. The Legal Service and the Police are in consultation with each other to implement the action.
 - Establishment of a National Integrity Agency that will monitor the assets' audit mechanisms as well as examine conflict of interest and possible incompatibility of offices. The action is being implemented by the MJPO in cooperation and with the contribution of the Commissioner for Legislation.
 - Convictions in corruption cases are now included in the criteria to be taken into account by the Attorney General of the Republic in his submissions to the President of the Republic for a pardon.
 - The Register of Beneficial Companies and other legal entities has been set up by the DRCOR where it is expected that more than 230,000 companies will be identified and register the required data in the system.

Furthermore, in the context of tackling tax evasion, the Republic of Cyprus has been harmonized with the European Directive with regard to the mandatory automatic exchange of information in the field of taxation on declarable cross-border arrangements. At the same time the following tax laws are promoted in order to criminalize the non-payment of income tax, without the need for proof of deceit, to strengthen the term 'tax resident' in the imposition of withholding tax on payments (dividends, interest and royalties) by a Cypriot company incorporated in a jurisdiction on the list of non-cooperative tax jurisdictions of the European Union, as well as in the updating of bilateral tax agreements to avoid double taxation. Two amending tax bills are promoted to strengthen the tax base, the Income Tax law and the Special Defence Contribution Law. These bills were submitted to the HoR in March 2021. They have been discussed in the Economic and Budgetary Committee of the HoR and are expected to be enacted by around the end of 2021. The date of entry into force will be 31/12/22, in accordance with the RRP indicative timeline.mk,

Additionally, with regard to money laundering legislation two amendments have been adopted by the HoR, in order to incorporate to the Law on Preventing and Combating Money Laundering the provisions of the relevant EU directive.

The 3rd pillar is concerned with measures relating to risk supervision and assessment:

- Establishment of the **Independent Authority against Corruption** provides the opportunity to the citizens of Cyprus to denounce or provide data or information, anonymously or not, against persons that may be involved in corruption offences.
- The creation of an **open internet government portal** aiming at better legislation implementation and also citizens' access to public documents, regarding public procurement contracts, especially in high-risk areas, such as General Health System, public procurement, planning board decisions, etc.
- Timely **publication at an internet portal, of all the findings and court decisions** regarding corruption phenomena, scandals, favorable treatment, conflict of interest for public servants and officials of the public or the private sector, with the exception of cases of ongoing criminal investigations.
- With regard to the establishment of structures to monitor the progress of the implementation of the Action Plan as well as the effectiveness of the measures, a **Scientific Council** was established. The Council is composed by academics and civil society figures appointed by the President of the Republic in order to monitor and contribute to the evaluation and enrichment of anti-corruption measures.

Further to the above, the following key legislative reforms promoted in this area are before the HoR for adoption:

- **The Law for the Establishment of the Independent Authority Against Corruption:** The bill which provides for the establishment of an Independent Authority against Corruption has been discussed extensively at the competent Parliamentary Committee on several occasions. The bill went through several changes. However, because of the parliamentary elections of the 30th of May 2021, it was decided to suspend further discussion of the bill. Thus, the bill is now under discussions by the newly elected members of the Legal Affairs Committee.

It should be noted that the Authority satisfies all the elements of independence required by the European and International Organizations, as well as the substantial elements and powers in order to fulfill its mandate.

The Authority is granted with the following responsibilities and powers:

- It is designated as the Competent Authority for the coordination of the actions of public sector, broader public sector and private sector to prevent and combat corruption.

- Coordinates and supervises the actions of public sector, broader public sector and private sector in matters of prevention and combating acts of corruption.
- Assesses whether the results of the actions of public sector, the broader public sector and private sector on the prevention and fight against acts of corruption are compatible with the expected and defined objectives on the basis of internationally recognized best practices and standards.
- Prepares reports with opinions, suggestions and proposals, if it finds that there is a need to cooperate with the relevant professional associations for the proper implementation of the internal control mechanisms that apply in the private sector.
- Informs the private sector of internationally recognized best practices and standards for preventing and combating corruption.
- Assesses the risks associated with corruption, sets assessment indicators and where necessary makes recommendations to the competent authorities.
- Cooperates with international and European organizations and represents the country in meetings and events.
- Receives complaints as well as information related to acts of corruption and proceeds with their investigation.
- **The bill entitled “Enhancement of Transparency in Public Decision Making through the regulation of lobbying”:** The bill has also been discussed extensively before the relevant Parliamentary Committee which decided to submit it to the Plenary for enactment. However, discussion was suspended due to the suspension of the bill on the establishment of the Independent anti – corruption Authority, since both bills are interrelated in the sense that the Independent anti-corruption Authority is the Authority for establishing and keeping a register for those who are obliged to register in order to engage in public-decision making processes.
- **The bill on the reporting of corruption offences (including provisions on the protection of whistle-blowers):** As regards whistle-blowers protection, the bill on Reporting Acts of Corruption provides supplementary provisions on the protection of persons reporting acts of corruption both in the public and the private sectors (persons not involved in the acts) i.e. further to the protection already provided for in the Protection of Witnesses Law 95(I)/2001.

Also 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, the bill provides that maximum penalty on conviction is half of the one provided for the offence.

The bill was intended to facilitate the investigation and prosecution of corruption offences, where law enforcement authorities are faced with more difficulties in detecting and bringing all those involved to justice.

It was discussed extensively at the Parliamentary Committee for Legal Affairs, on several occasions, and the MJPO had asked for its early enactment considering that the examination was completed. A matter had arisen that there should be a reporting mechanism included in the bill.

A comprehensive bill transposing EU Directive 2019/1937 on the protection of persons who report breaches of Union law has been prepared by the MJPO following once the consultation with all stakeholders within the public and private sector and was submitted to the competent Parliamentary Committee.

Also, a roadmap for passing legislation on matters indicated above has been drafted.

Other legislative measures that are pending:

- Limitation of parliamentary immunity in such a way that protection is granted only to activities relating to the performance of parliamentary duties (pending before Parliament).
- Amendment of the "United Nations Convention against Corruption Law of 2014". The amendment aims, inter alia, to increase the penalties provided for legal persons if convicted of corruption offences (pending before Parliamentary Committee).
- In addition, following the harmonization of national Law with the 5th EU Anti-money Laundering Directive (AMLD), voted by the HoR on February 2021 and published in the Official Gazette of the Republic on 23/2/2021, the DRCOR of MECI, has proceeded with the setting up of the **Ultimate Beneficial Owners (UBO) Register** for corporate and other legal entities.

The aim of the Register is to improve corporate trust and achieve full transparency regarding the natural persons who ultimately own or control companies in Cyprus by making it very difficult for criminals to hide their identities behind corporate structures. In this context, on the 12/3/2021 the DRCOR issued the 1st Directive (ΚΔΠ 112/2021) regulating the operation and maintenance of the UBO Register.

In addition, MECI has developed a 12-month interim system solution to facilitate the online electronic collection of data, which started operating on 16/3/2021. To achieve complete harmonization with the EU obligation, MECI is in the process of developing the interim solution into a complete system solution, capable of supporting all

functionalities of the national UBOs Register as well as achieving interconnection with other Member States Registers.

The project of developing the final solution of the UBOs register and its interconnection with the UBOs Registers of other member states has been included in the RRP of Cyprus (“Setting up the Beneficial Ownership Registry in accordance with Directive (EU) 2015/849 (Registrar of Companies)”. The UBO Register is expected to be developed and become available for use at national level and European level by Q4 2023.

(b) Safeguard the independence of the prosecution and strengthen the capacity of law enforcement

- The Attorney General considers the reform of the Law Office one of his priorities and he supports all initiatives in order to accomplish this goal. **The recruitment of new lawyers** in order to strengthen and at the same time enhance the management of the work load of the Law Office, the electronic management system of all legal documents and the upgrade of current building facilities, are among the main measures promoted by the Attorney General.

The Law office of the Republic recruited in June 2020, 39 new lawyers. A number of them will handle criminal cases including corruption cases, and another 18 new lawyers will be recruited after the completion of the procedure. At the same time, the recruitment of 5 new prosecutors, 13 prosecutor’s A’ and 17 counselors of the Republic is undergoing. These new recruitments, among all other measures, will contribute to the strengthening of the capacity of the Law Office of the Republic.

- In addition, **Ethical Rules** have been drafted recently by the Law Office of the Republic for Cyprus prosecutors and are available in a booklet.
- As already mentioned above, among the actions envisaged in the National Horizontal Action Plan Against Corruption under the Document entitled “Rule of Law-Transparency-Accountability” a **Special Unit for Combatting Financial Offences** is established within the Crime Combatting Department of the Police Headquarters in order to deal with financial crimes. This Unit consists of police officers as well as of specialized personnel such as accountants/auditors.
- Furthermore, the Attorney General is in cooperation with the Chief of Police for the establishment of a **Unit for the Combatting of Corruption** under the supervision of the Attorney General. This Unit which will consist of experienced police officers in the area of investigations and public prosecutors will deal with the investigation of all criminal cases of corruption.

3.6. Covid-19 pandemic and recovery and sustainability of the economy

2020 COUNTRY SPECIFIC RECOMMENDATIONS – CSR1

Sub CSR 1.1: Take all necessary measures to effectively address the pandemic, sustain the economy and support the ensuing recovery.

The pandemic has revealed profound conditions and needs within the healthcare sector. Decision making and respective actions have been addressed on a flexible and urgent manner, based on updated planning models.

In this framework, the MoH immediately after the confirmation of the first cases of COVID-19 in January 2020 has proceeded with the adoption of a series of measures, related to:

- The development and implementation of **National Vaccination Plan**. Having recognised the extreme usefulness of vaccinations against COVID-19 as a powerful weapon within the pandemic, the Ministry intensified its efforts for achieving the highest possible vaccination of the citizens. The vaccination plan was announced on the 27th of December 2020 and until the end of August 2021, the vaccination coverage in Cyprus was at 78.2% for the adults' population (ages 18 plus) for 1st dose, comprising one of the highest amongst the EU. In parallel, the vaccination coverage for the ages between 16-17 years is at the 35.6%, while the recently started vaccination of the ages 12-15 years has reached a coverage of 16.7%.
- The establishment of the **Action Group of the EUS & CID⁵** by health professionals for the systematic surveillance of the development of the epidemic, the taking of preventive measures and the evaluation of their effectiveness.
- **Easy access of all confirmed COVID-19 cases to health care** either through their personal GP or in case of moderate and severe symptoms directly to hospitals. A call center was also established to aid in the identification of cases that need health care. The identification of people at risk and their transfer to hospitals so that they can receive proper care as soon as possible may have aided in their prognosis.
- **Coordinating Centre for Ambulance Control** and interconnection with 4-digit telephone line.

⁵ EUS: endoscopic ultrasound and CID: combined immune deficiency.

- Determination of the **hospitals of State Health Services Organisation (SHSO) that will receive the COVID-19 cases** in their specially equipped Units.
- Establishment of a **referral Hospital** (Ammochostos General Hospital) for COVID-19 cases. The Hospital was further extended and refurbished in order to accommodate more COVID-19 beds and High Dependency Unit for COVID patients.
- Cooperation with private hospitals for **referring non-COVID patients** from the hospitals of SHSO, under the coordination of the MoH.
- Ministerial Decision of 15/03/2020 for allocation of **additional budget** of €100 mln for supporting public health.
- Implementation of control measures for the **rapid identification and disruption of the virus transmission chains**, such as:
 - Identification of cases through continuous testing of the population focusing on symptomatic cases via a General Practitioner (GP) referral system, on quick referral of close contacts, on periodic testing of Staff/residents in long-term care facilities (LTCFs) and health workers, but also on asymptomatic citizens via a large-scale population-wide testing program.
 - Border control measures and a specific testing strategy is also applied for travelers at points of entry. This focuses on testing of travelers from high-risk countries. A high-capacity laboratory operates within the airports facilitating minimal RT-PCR test turnaround time.
 - Identified cases are followed up with enhanced contact tracing and rapid isolation of close contacts to disrupt the transmission of the virus.
- **Awareness campaigns** for public, travellers and health professionals, with their specific components among from measures of physical distancing, cough etiquette and hand hygiene to the use of masks, restrictions on public gatherings or house visits, curfew etc.
- Purchasing of **Personal Protective Equipment**, other consumables and medical machinery (e.g. ventilators), Medical infrastructure investment (e.g. ICU beds and machines).
- The Minister of Health who is the responsible Minister for the implementation of the Law on Infection Diseases Contamination, has issued by the power of the Law, **Ministerial Orders for the determination of measures to prevent the spread of COVID-19**. These measures are updated regularly based on the epidemiological

status of the Country.

- The establishment of a team, at the level of the Ministry, dealing with issues related to the obtaining of the **European Digital COVID Certificate** in accordance to respective EU Regulation.
- In order to prevent the disruption caused by the pandemic from having a longer lasting impact on the economy and the society at large, the Cyprus Government adopted an **Economic Support Package**, consisting of a wide range of temporary and one-off measures, aimed primarily at maintaining income and jobs, providing liquidity for businesses and supporting the health care sector and other critical sectors of the economy that were particularly hit by the consequences of the pandemic.

The size of the Economic Support Package as a whole is estimated at around €2.6 bln, with measures of fiscal impact on the accounts of the General Government of 3.6% of GDP in 2020 and 3.4% of GDP in 2021.

Going forward, as the support package is gradually withdrawn, the impact of the measures related to the pandemic is expected to sharply decline, estimated at 0.2% of GDP in 2022 and less than 0.1% of GDP in 2023 and 2024, stemming mainly from the interest subsidy schemes.

In order to support the ensuing recovery, the government aims at utilizing all available instruments, both at the national and EU level, that will promote investments and job creation.

4. PROGRESS TOWARDS THE UN SUSTAINABLE DEVELOPMENT GOALS (SDGs)

Cyprus has drafted until now two Voluntary National Reports (VNRs) on the implementation of the Agenda 2030, one in 2017 and the last in 2021. The VNRs offer an overview of progress so far in the achievement of the Sustainable Development Goals (SDGs) in Cyprus. The first VNR reflected Cyprus' high level of commitment towards the Agenda 2030 and efforts were directed towards ensuring that the SDGs become a real policy and action agenda that will enhance the well-being of all citizens. The second VNR gave a cross-country outline of the actions taken, examples of overcoming adversity and showcased good practices supporting the 2030 Agenda in Cyprus. For the preparation of the second VNR an expert support was granted from DG Reform under the Programme SRSP4 in establishing a Governance and Monitoring Mechanism for the effective integration of SDGs into national policies and for their successful implementation. The relevant project was launched in December 2020, in cooperation with the United Nations Institute for Training and Research (UNITAR) and is expected to be completed in autumn 2022.

An Intergovernmental Commission has been established for the implementation of the SDGs under the coordination of the Directorate General for European Programmes, Coordination and Development (DGEPD) of the Ministry of Finance, while the responsibility for each SDG target remains with the competent Ministry. Under the adopted integrated policy framework, stakeholders from Civil Society, Active Citizenship, Volunteerism and Non-Governmental Organisations (NGOs) also play a pivotal role in the implementation of the SDGs.

In the period that elapsed since the first VNR in 2017, and given the five years of continuous high economic growth, Cyprus has shown progress in most SDG indicators, it however continues to rank low among the EU countries in a number of these. Cyprus performs very well with regard to reducing poverty (SDG1), securing good health (SDG3) and in high tertiary educational attainment, but falls behind in quality education (SDG4) as well as in affordable energy and challenges remain towards clean energy. It is ahead of many EU countries in terms of the gender pay gap and, while showing some improvement in the number of women in leadership positions (SDG5), continues to rank very low among EU27. Cyprus has the highest number in asylum applications, experiencing the highest influx of migrants in the EU per capita (SDG10). Finally, regarding the environment, Cyprus' performance is below the EU average in most SDGs. Severe challenges exist with respect to sustainable agriculture (SDG2), clean water and sanitation (SDG6) due to the extended drought periods caused by climate change. Cyprus continues to lack behind with respect to responsible consumption and production (SDG12) and climate action (SDG13). Notwithstanding the ground to be covered vis-à-vis other EU member states, the data show a continuous improvement towards most environmental goals, with the overall

implementation rate for all SDGs rising from 70.60% in 2017 to 75.21% in 2020, reflecting the fruition of targeted Government policies and initiatives. The emphasis placed in the RRP, ESIF and other EU funds, on tackling environmental and social sustainability and on other areas related to the SDGs, as well as in Cyprus's new long term strategy for competitiveness and sustainable growth, are expected to improve further Cyprus's performance.

| DEVELOPMENTS IN SDGs 2017-2020 | 2017 | 2020 | 2017-2020 Growth |
|--|--------------|--------------|-------------------------|
| 2020 SDG INDEX SCORE | 70.60 | 75.21 | 6.54% |
| RANK (WORLD) | 50 | 34 | |
| SDG01 – NO POVERTY | 99.93 | 99.88 | -0.04% |
| SDG02 – ZERO HUNGER | 55.43 | 53.88 | -2.80% |
| SDG03 – GOOD HEALTH & WELL-BEING | 92.43 | 90.84 | -1.72% |
| SDG04 – QUALITY EDUCATION | 93.28 | 97.11 | 4.11% |
| SDG05 – GENDER EQUALITY | 67.75 | 72.17 | 6.52% |
| SDG06 – CLEAN WATER & SANITATION | 89.85 | 77.31 | -13.96% |
| SDG07 – AFFORDABLE & CLEAN ENERGY | 85.92 | 92.40 | 7.54% |
| SDG08 – DECENT WORK & ECONOMIC GROWTH | 73.75 | 81.13 | 10.00% |
| SDG09 – INDUSTRY INNOVATION & INFRASTRUCTURE | 39.64 | 71.93 | 81.46% |
| SDG10 – REDUCED INEQUALITIES | 74.94 | 81.83 | 9.19% |
| SDG11 – SUSTAINABLE CITIES & COMMUNITIES | 92.81 | 77.34 | -16.67% |
| SDG12 – RESPONSIBLE CONSUMPTION & PRODUCTION | 39.62 | 54.61 | 37.85% |
| SDG13 – CLIMATE ACTION | 68.07 | 66.14 | -2.83% |
| SDG14 – LIFE BELOW WATER | 43.68 | 59.72 | 36.70% |
| SDG15 – LIFE ON LAND | 81.64 | 84.66 | 3.70% |
| SDG16 – PEACE, JUSTICE & STRONG INSTITUTIONS | 75.06 | 81.23 | 8.22% |
| SDG17 – PARTNERSHIP FOR THE GOALS | 26.37 | 36.47 | 38.30% |

Cyprus, in the pre-covid period was experiencing for a period of 5 consecutive years a growing Gross Domestic Product (GDP) per capita, decreased unemployment, a significant decrease in non-performing loans, and a decline in the already high private and public sector debts. Inevitably, the prohibitive measures adopted due to the pandemic adversely affected economic activity in all sectors, including the vital sector of tourism with value added contracting by 5.1% in 2020. The Covid-19 reality brought unprecedented challenges and changes to everyday life. Cyprus' Government top priority was the protection and health of its citizens as well as the support of the social

and economic fallout of the pandemic. The national actions targeted the focal areas of public health, economy, education, society, and the environment. Adhering to the leaving no one behind principle, Cyprus has implemented a set of noteworthy initiatives.

Cyprus is in the final stage of preparing a Long-Term Strategy in order to adopt a robust new growth model to strengthen the economy's resilience and the country's potential for economically, socially and environmentally sustainable long-term growth and welfare. This objective will be achieved through an appropriate country-specific mix of investments and reforms that will be financed through the national budget and the programming documents for the utilisation of European Funds, with an investment budget of about €3.5 bln in total up to 2030 or 16.6% of GDP. In particular, the Recovery and Resilience Plan (RRP), with an overall budget of €1.25 bln for reforms and investments for the period 2021-2026, takes into account the need to mitigate the economic and social impacts of the COVID-19 crisis and the need to strengthen the foundations and resilience of the economy.

The Government's reform and investment strategy aspires towards increasing the growth potential of the economy, improving international competitiveness and safeguarding the long-term sustainability of growth. The utilisation and further development of comparative and competitive advantages, the diversification of the productive base, the enhancement of the competitiveness and extroversion of the Cypriot enterprises and the promotion of economic sectors of high contribution to economic growth and sustainability, as well as the social and environmental transition are key objectives.

For the 2021-2027 period, a very large share of European Regional Development Fund (ERDF) investments of €1.8 billion will be geared towards a Smarter and a Greener Europe. Furthermore, the RRP's holistic approach and support of sustainable development in all its dimensions – economic, social and environmental, the implementation of reforms and investments is expected to contribute to the improvement of the country's performance in relation to the SDGs. Overall, a total amount of €1.2 billion has been budgeted to promote 179 investments/reforms in total in all sectors of the economy. Details of the financing of measures included in the RRP towards SDGs are presented in the table below.

| SDGS | Count | % of total reforms & investments (134 items) | Cost (in millions) | % of cost pool (€1.2 billions) |
|--|-------|--|--------------------|--------------------------------|
| Goal 1-No Poverty | 7 | 5% | €72.1 | 6% |
| Goal 2-Zero Hunger | 8 | 6% | €91.4 | 7% |
| Goal 3-Good Health & Well Being | 22 | 16% | €215.4 | 17% |
| Goal 4-Quality Education | 15 | 11% | €127.1 | 10% |
| Goal 5-Gender Equality | 8 | 6% | €89.3 | 7% |
| Goal 6-Clean Water & Sanitation | 9 | 7% | €93.7 | 8% |
| Goal 7-Affordable & Clean Energy | 16 | 12% | €292.2 | 24% |
| Goal 8-Decent Work & Economic Growth | 29 | 22% | €282.4 | 23% |
| Goal 9-Industry, Innovation & Infrastructure | 53 | 40% | €383.0 | 31% |
| Goal 10-Reduced Inequalities | 18 | 13% | €225.4 | 18% |
| Goal 11-Sustainable Cities & Communities | 30 | 22% | €357.7 | 29% |
| Goal 12-Responsible Consumption & Production | 22 | 16% | €230.5 | 19% |
| Goal 13-Climate Action | 29 | 22% | €450.7 | 36% |
| Goal 14-Life Below Water | 4 | 3% | €58.0 | 5% |
| Goal 15-Life On Land | 15 | 11% | €122.4 | 10% |
| Goal 16-Peace Justice & Strong Institutions | 33 | 25% | €84.3 | 7% |
| Goal 17-Partnerships for the Goals | 3 | 2% | €32.9 | 3% |

In the tables that follow information is provided on the evaluation of indicators per SDG, on the basis of the latest available indicator, whilst indicative reference to selected indicators is made in the text.

1. SDG 1 – No Poverty: End poverty in all its forms everywhere



All poverty indicators showed an improvement until 2019. As a result, Cyprus presents its best performance in this SDG.

In 2020, the percentage of people at risk of poverty or social exclusion reached 21.3%, which was lower than the EU average (22%). The percentage of people at risk of poverty after social transfers was 14.3%, which also compares favorably with the EU average (17.1%). However, 8.3% of the population in Cyprus are people who are severely materially deprived, exceeding the EU average (6.3%).

In regard to the basic needs indicators, Cyprus is the country with the lowest percentage of individuals living in overcrowded households (2.2% relative to 15.6% in the EU). 1% of Cyprus' population self-reported an unmet need for medical examination and care, relative to 2% in the EU, while 0.5% of population in Cyprus has neither a bath, nor a shower nor indoor flushing toilet in their household (1.5% in the EU).

However, Cyprus ranks last among the EU27 regarding the percentage of population living in a dwelling with a leaking roof, damp walls, floors or foundation or rot in window frames of floor (31.1% relative to 13.1% in the EU) and the percentage of population unable to keep their home adequately warm is far higher than the EU average (20.9% in Cyprus relative to 8.2% in the EU).

| SDG 1 | CY ⁶ | | EU AVERAGE | |
|--|-----------------|------|-------------|------|
| | Value | Year | Value | Year |
| MULTIDIMENSIONAL POVERTY | | | | |
| People at risk of poverty or social exclusion (% of population) | 21.3 | 2020 | 22.0 (b)(e) | 2020 |
| People at risk of poverty after social transfers (% of population) | 14.3 | 2020 | 17.1 (b)(e) | 2020 |
| Severely materially deprived people (% of population) | 8.3 | 2020 | 6.3 (b)(e) | 2020 |
| People living in households with very low work intensity (% of population aged less than 60) | 5.6 | 2020 | 8.5 (e) | 2020 |
| In Work at-Risk-of-Poverty Rate | 6.7 | 2019 | 9.2 | 2019 |
| BASIC NEEDS | | | | |
| Population living in a dwelling with a leaking roof, damp walls, floors or foundation or rot in window frames of floor (% of population) | 31.1 | 2019 | 13.1 (e) | 2019 |
| Self-reported unmet need | 1.0 | 2019 | 2.0 (e) | 2019 |

⁶ Source for CY and EU average: Eurostat Database, November 2021 (unless otherwise stated, data for 2019: EU28/ for 2020: EU27)

| | | | | |
|---|------|------|------------|------|
| for Medical Examination and Care | | | | |
| Population having neither a bath, nor a shower, nor indoor flushing toilet in their household | 0.5 | 2019 | 1.5 (e) | 2019 |
| Population unable to keep home adequately warm | 20.9 | 2020 | 8.2 (b)(e) | 2020 |
| Overcrowding Rate | 2.2 | 2019 | 15.6 (e) | 2019 |

b: break in time series, e: estimated.

2. SDG 2 – Zero Hunger: End hunger, achieve food security and improved nutrition and promote sustainable agriculture



Cyprus faces great challenges in the area of food security and nutrition with the overall implementation of this SDG being one of the lowest. Agricultural production is severely affected by climate change while intensive cultivation results in the substantial degradation of agricultural land, posing a threat on biodiversity.

The indicators showing the impact of agricultural production on the environment place Cyprus among the last countries within the EU. Specifically, in Cyprus we observe 51.9 kg (19.7 kg – EU) of ammonia per hectare of utilized agricultural area, 60.82 mg (21.98 mg – EU) of nitrate per litre and 6.5% (5.25% – EU) of (estimated) soil erosion by water.

It is important to note, however, that Cyprus Government supports agriculture research and development. The Cyprus Government spent €7.6 per inhabitant relative to the EU average of €6.9. This relatively high R&D expenditure is expected to ameliorate the position of Cyprus in the promotion of sustainable agricultural production. In addition, the Common Agricultural Policy (CAP) drives Cyprus towards sustainable food production, sustainable farm management and environmentally and climate-friendly practices and methods.

Obesity is a growing concern for children and adolescents due to unhealthy habits. Though adult obesity is consistent with EU levels (about 14%), the overweight and obesity level among six to nine-year-olds is extremely high, with about 43 % of children falling in this category.

| SDG 2 | CY | | EU AVERAGE | |
|---|--------|------|--------------------|-----------------|
| | Value | Year | Value | Year |
| MALNUTRITION | | | | |
| Obesity Rate (Overweight: BMI ≥ 25) | 49.8 | 2019 | 52.7 | 2019 (EU-27) |
| Obesity Rate (Obese: BMI ≥ 30) | 15.2 | 2019 | 16.5 | 2019 (EU-27) |
| SUSTAINABLE AGRICULTURAL PRODUCTION | | | | |
| Agricultural factor income per annual work unit (AWU) | 16 089 | 2018 | 16 695 | 2018 |
| Government Support to Agricultural Research and Development (euro per inhabitant) | 7.6 | 2020 | 6.9 | 2020 |
| Area Under Organic Farming (% of total utilised agricultural area) | 4.98 | 2019 | 7.92 | 2019 |
| Harmonised Risk Indicator for Pesticides | 140 | 2019 | 79 | 2019 |
| ENVIRONMENTAL IMPACTS OF AGRICULTURAL PRODUCTIONS | | | | |
| Ammonia Emissions from Agriculture (kg per hectare utilised agricultural area) | 51.9 | 2019 | 19.7 | 2019 (EU 27) |
| Nitrate (NO ₃) in Groundwater | 60.82 | 2018 | 21.98 ⁷ | 2018 |
| Estimated Soil Erosion by Water (%) | 6.5 | 2016 | 5.25 | 2016 |

3. SDG 3 – Good Health and Well-Being: Ensure healthy lives and promote well-being for all at all ages



In a major Government initiative, as of June 1st 2020, Cyprus introduced its National Healthcare System which gives every Cypriot citizen equal and unhindered access to high quality healthcare services.

Overall, Cyprus ensures high standards of healthy living and well-being and performs well in key indicators, including the standardized preventable and treatable mortality. The vast majority of Cypriots, 77.8%, perceive their health to be good or very good, compared to 69.3% for the EU, which places Cyprus in the 3rd place among EU countries in the relevant indicator. However, an exacerbation has been observed in the recent years in some indicators for chronic diseases, like Tuberculosis, Malaria, and HIV due to the arrival of asylum seekers coming from highly infected areas. The number of healthy life years at birth is 62.5% compared to 64.6% of the EU average.

A problematic area relates to the victims of accidents both on the road and at work. Particularly for the latter, Cyprus has more deaths caused by accidents at work relative to the EU, with 2.3 and 1.63 deaths per 100,000 employees, respectively. Once again

⁷ Aggregate changing according to the context

though, a positive trend can be observed with improvements in the indicators, mirroring the various work safety policies employed by Cyprus Governments over the years.

During these challenging times of the pandemic, the Cyprus Government implemented various policies and practices to mitigate the detrimental effects of COVID-19 on the health and well-being of the population and significant measures are included in the RRP for the health sector.

| SDG 3 | CY | | EU AVERAGE | |
|---|--------|------|------------|-----------------|
| | Value | Year | Value | Year |
| HEALTHY LIVES | | | | |
| Healthy Life Years at Birth | 62.5 | 2019 | 64.6 | 2019 (EU-27) |
| Share of People with Good or Very Good Perceived Health | 77.8 | 2019 | 69.3 | 2019 |
| HEALTHY DETERMINANTS | | | | |
| Smoking Prevalence (Total) | 28 | 2020 | 25 | 2020 |
| Obesity Rate (Overweight: BMI ≥ 25) | 49.8 | 2019 | 52.7 | 2019 (EU-27) |
| Obesity Rate (Obese: BMI ≥ 30) | 15.2 | 2019 | 16.5 | 2019 (EU-27) |
| Population Living in Households considering that they Suffer from Noise | 15.4 | 2019 | 17.5 | 2019 |
| Exposure to Air Pollution (Particulates <2.5Mm) | 13.4 | 2019 | 12.6 | 2019 (EU-27) |
| Exposure to Air Pollution (Particulates <10Mm) | 26 | 2019 | 20.5 | 2019 (EU-27) |
| CAUSES OF DEATH | | | | |
| Standardised Death Rate due to Tuberculosis, HIV and Hepatitis | 0.68 | 2017 | 2.37 | 2017 |
| Standardised preventable and treatable mortality | 185.41 | 2017 | 250.75 | 2017 |
| People killed in accidents at work | 2.29 | 2018 | 1.63 | 2018 |
| ACCESS TO HEALTHCARE | | | | |

4. SDG 4 – Quality Education: Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all



Cyprus’s education system has been undergoing major reforms during the past few years, aimed at modernizing pedagogical policies, upgrading structures and improving infrastructure. The main focus is placed on improving the quality of education and making better connections between school and the labour market. Moreover, in recent years state aid schemes provided funding of 131 programmes covering child care needs (Day Care Centers for preschool and school age children, Day care Centres for children with disabilities).

As shown in the table below, 90.1% of children between the age of 4 and the starting age of compulsory education participate in early childhood education compared to 93.6% in the EU, while the percentage of early leavers in the population aged between 18 and 24 years old is 11.5 in Cyprus, and 9.9 in the EU.

Under achievement in Reading (43.7%), Maths (36.9%) and Science (39%) compares very unfavorably to the EU average (21.7%, 22.4% and 21.6% respectively).

On the contrary, there is a high percentage (57.8%) of the population aged between 30-34 years old with a tertiary education degree, which exceeds the EU average of 40.5%. An upward trend is observed, which shows that tertiary education attainment has improved further.

However, school closures and the suspension of lifelong learning programmes due to the covid pandemic have negatively impacted the progress Cyprus was making towards achieving this SDG. The pandemic has brought forward new challenges like the need to speed up the digital transformation of schools, while making sure that no child is left behind. Distance learning highlighted certain gaps and challenges that need to be tackled to unlock the potential of digital education.

| SDG 4 | CY | | EU AVERAGE | |
|---|----------|------|------------|------|
| | Value | Year | Value | Year |
| BASIC EDUCATION | | | | |
| Early Leavers from Education and Training | 11.5 | 2020 | 9.9 | 2020 |
| Underachievement in Reading | 43.7 (b) | 2018 | 21.7 (b) | 2018 |
| Underachievement in Maths | 36.9 | 2018 | 22.4 | 2018 |
| Underachievement in Science | 39.0 | 2018 | 21.6 | 2018 |

| | | | | |
|--|------|------|------|------|
| Participation in Early Childhood Education (% of the age group between 4-years-old and the starting age of compulsory education) | 90.1 | 2019 | 93.6 | 2019 |
| TERTIARY EDUCATION | | | | |
| Tertiary Educational Attainment (% of the population aged 30-34) | 57.8 | 2020 | 40.5 | 2020 |
| ADULT LEARNING | | | | |
| Adult Participation in Learning (% of population aged 25-64) | 4.7 | 2020 | 9.2 | 2020 |

b: break in time series

5. SDG 5 – Gender Equality: Achieve gender equality and empower all women and girls



Coordinated national initiatives and actions placed particular efforts to prevent and combat domestic violence, human trafficking and protect chilled-victims of domestic violence or sexual abuse.

Cyprus shows an improvement towards reducing gender inequality, with the Office of the Commissioner for Gender Equality, responsible for the development, implementation, and monitoring of policies for Gender Equality being set up in 2020 with efforts focused on minimizing inequality of opportunity (e.g. via education) and inequality of outcome (i.e. gender pay gap). The gender employment gap in 2020 was 12%, relative to 11.1% in the EU and the gender pay gap was 10.1% relative to 14.9% in the EU.

Cyprus falls behind in the representation of women in leadership positions. In 2020, the percentage of seats held by women in national parliament was 22.2% while the percentage of seats held by women in national Government was 25%. These fall behind the corresponding average percentages for the EU which was 32.7% for both. However, an improvement took place within Cyprus, with the indicator for HoR and the government rising significantly from their levels of 12.5% in 2010 and 8.3% in 2016 respectively.

Efforts will continue to be made with additional measures promoted through the new National Action Plan for Equality between Men and Women which was adopted in 2020; non-governmental organisations greatly support and promote gender equality via the implementation of relevant actions and projects, while the RRP, via its various measures in all areas, contributes to gender equality.

| SDG 5 | CY | | EU AVERAGE | |
|--|----------|------|------------|-------------------|
| | Value | Year | Value | Year |
| GENDER-BASED VIOLENCE | | | | |
| Physical and Sexual Violence to Women (% of women aged 15 to 74) | 5.0 | 2012 | 8.0 | 2012 |
| EDUCATION | | | | |
| Early Leavers from Education and Training (Males) | 15.0 | 2020 | 11.8 | 2020 |
| Early Leavers from Education and Training (Females) | 8.4 | 2020 | 8.0 | 2020 |
| Tertiary Educational Attainment (Males) | 47.3 | 2020 | 35.2 | 2020 |
| Tertiary Educational Attainment (Females) | 67.8 | 2020 | 46.0 | 2020 |
| EMPLOYMENT | | | | |
| Gender employment gap (percentage points) | 12.0 | 2020 | 11.1 | 2020 |
| Gender pay gap in unadjusted form | 10.1 (p) | 2019 | 14.9 | 2019 ⁸ |
| LEADERSHIP POSITIONS | | | | |
| Seats Held by Women in National Parliament (%) | 22.2 | 2020 | 32.7 | 2020 |
| Seats Held by Women in National Government (%) | 25.0 | 2020 | 32.7 | 2020 |
| Positions Held by Women in Senior Management Positions (Board Members) | 11.5 | 2020 | 29.5 | 2020 |
| Positions Held by Women in Senior Management Positions (Executives) | 23.1 | 2020 | 19.3 | 2020 |

p: provisional

6. SDG 6 – Clean Water and Sanitation: Ensure availability and sustainable management of water and sanitation for all



Water scarcity has always been a major challenge for Cyprus, which is among the EU Member States with the least available water per capita. Being a small island, Cyprus faces additional challenges, compared to mainland countries, and is more vulnerable to climate change. Climate change is already affecting Cyprus in a number of ways. Statistical analysis reveals a stepped drop of precipitation in the early 70's, which persists, while climate models for this region also predict a rise in temperature and an increase in the intensity and frequency of extreme drought events. These conditions, coupled with increased water demands, mainly due to population growth, are worsening the water scarcity problem on the island.

The Water Exploitation Index (WEI) was 70.3% of the long-term average available

⁸ Euro-area 19 countries (from 2015)

water in 2017, compared to the EU average of 8.4%, placing Cyprus last among EU countries.

As regards sanitation, Cyprus fares well, as the percentage of the population in 2019 having neither a bath, nor a shower, nor indoor flushing toilet in their household was 0.5%, while the corresponding EU average was 1.5%.

| SDG 6 | CY | | EU AVERAGE | |
|---|-------|------|------------|--------------------|
| | Value | Year | Value | Year |
| SANITATION | | | | |
| Population having neither a bath, nor a shower, nor indoor flushing toilet in their household (% of population) | 0.5 | 2019 | 1.5 (e) | 2019 |
| WATER QUALITY | | | | |
| Biochemical oxygen demand in rivers | 2.04 | 2018 | 2.0 | 2018 ⁹ |
| Nitrate (No3) in groundwater | 60.8 | 2018 | 22.00 | 2018 ¹⁰ |
| Bathing sites with excellent water quality (%) | 99.1 | 2019 | 87.4 | 2019 |
| WATER USE EFFICIENCY | | | | |
| Water exploitation index, plus (Wei+) | 70.3 | 2017 | 8.4 | 2017 (EU 27) |

e: estimate

7. SDG 7 – Affordable and Clean Energy: Ensure access to affordable, reliable, sustainable and modern energy for all



Cyprus is among the Member States with the highest greenhouse gas emissions per person, with the majority of the emissions coming from the energy production sector, which is heavily relying on fossil fuel and highly exposed on oil prices.

A comprehensive approach towards cleaner and more affordable energy, renewable energy penetration and climate neutrality is delineated in the National Energy and Climate Plan (NECP), which was prepared in January 2020. The NECP includes costed measures, which contribute to Cyprus' transition to climate neutrality, through the achievement of the national targets in energy efficiency and renewable energy for 2030. Specifically, major investments have been planned and scheduled in renewable energy, in the transformation of the network and the introduction of smart meters in power distribution, in power transmission networks, in importing and using natural gas for increasing energy efficiency in power generation, in the energy efficiency in households, businesses, public sector and water sector, in transport infrastructures

⁹ Aggregate changing according to the context.

¹⁰ Aggregate changing according to the context.

and sustainable mobility as well as in technological research. It also targets the alleviation of energy poverty through reduced energy bills and to address Cyprus' energy isolation and thus its vulnerability to energy supply and price shocks. A significant number of these measures have been included in the RRP and the ESIF programming documents, whilst others will be financed through national funds.

Based on 2019 data, Cyprus ranks somewhere in the middle among EU countries, being 14th in the final energy consumption and 15th in the primary energy. More specifically, in 2019, the primary energy consumption was 2.88 tonnes of oil equivalent (TOE) per capita (while the EU average was 3.02 TOE per capita), and the final energy consumption was 2.14 TOE per capita (compared to 2.20 TOE per capita in the EU). Based on preliminary data, for the year 2020, the national indicative and obligatory targets deriving from the EU legislation will be achieved. It is noted that the EU Directive 2002/2018 amending Directive 2012/27/EU on energy efficiency, recognising the national circumstances of Cyprus, have set, by way of derogation, lower obligation to Cyprus for achieving end use energy savings for the period 2021-2030 (0.24% of final energy consumption instead of 0.8%).

In the area of clean energy, the share of renewable energy in gross final energy consumption in 2019 was 13.8%, with the EU average being 18.9%. The data shows a significant upward trend, from 6.2% to 13.8% between 2010 and 2019. Moreover, the share of renewable energy varies by sector. Cyprus underperforms in the use of renewable energy in transportation and electricity (3.3% and 9.8%, respectively), while it performs relatively well in heating and cooling (35.1%). The upward trend observed in the total index, also characterises the aforementioned sectors. It is recalled that the EU Renewable Energy Directive sets the national targets for each individual member state, taking into account the different starting points and potentials.

Cyprus is highly dependent on oil and petroleum products imports (CY 99.8% - EU 88.6%). Efforts to import liquefied natural gas are ongoing and the necessary infrastructure is expected to be completed by the end of 2022. This will help to diversify the energy mix in the country, reduce primary energy consumption and GHG emissions in the electricity production process (102.7% in Cyprus compared to 88.7% in the EU) and, also, reduce the price of electricity. The liberalisation of the electricity market in Cyprus (expected in 2022), will lead to increased production of electricity from renewables and reduce the price of electricity, for consumers. Moreover, both electricity storage and interconnections are highly important as they will enable the faster integration of renewables to the electricity system and the export of produced renewable electricity. For storage, the relevant legal framework is under preparation while funding schemes are in the pipeline. The EuroAsia Interconnector project for the electricity interconnection between Cyprus, Israel and Crete is planned to operate by 2025.

| SDG 7 | CY | | EU AVERAGE | |
|---|-------|------|------------|------|
| | Value | Year | Value | Year |
| ENERGY CONSUMPTION | | | | |
| Primary Energy Consumption (index 2005=100) | 102.7 | 2019 | 88.7 | 2019 |
| Final Energy Consumption (index 2005=100) | 103.0 | 2019 | 93.6 | 2019 |
| Greenhouse gas emissions intensity of energy consumption (index 2000=100) | 94.9 | 2019 | 82.6 | 2019 |
| ENERGY SUPPLY | | | | |
| Renewable energy sources (%) | 13.8 | 2019 | 18.9 | 2019 |
| Solid Fossil Fuels (%) | 117.2 | 2019 | 45.0 | 2019 |
| Oil and petroleum products (excluding biofuel portion) - (%) | 99.7 | 2019 | 88.6 | 2019 |
| Natural gas (%) | 0.0 | 2019 | 83.1 | 2019 |
| ACCESS TO AFFORDABLE ENERGY | | | | |
| Population unable to keep home adequately warm by poverty status | 20.9 | 2020 | 8.2 (b)(e) | 2020 |

b: break in time series, e: estimated

8. SDG 8 – Decent Work and Economic Growth: Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all



Following the financial crisis in 2013, economic recovery resumed by 2015 with a solid growth path over the period 2015-2019. However, there was a drop in real GDP by 6.1% in 2020 due to the pandemic putting an end to the five years of consecutive economic growth. The government adopted a support package of budgetary measures for income support and protection of employees and vulnerable groups, and direct support to enterprises.

For 2020, real GDP per capita in Cyprus was €23 770 relative to €26 380 in the EU. In terms of the total investment share of GDP, the percentage for Cyprus was 20% relative to 22.3% in EU. However, the percentage in household investment in Cyprus was 8.7% relative to 5.4% in EU.

Cyprus employment rate in 2020 was 74.9%, exceeding 72.5% in the EU. The long-term unemployment rate has been decreasing since 2015 and in 2020 stood at 2.1%, below the EU rate of 2.4%. The percentage of young people neither in employment nor in education and training remains a challenge at 15.3% with the EU average at 13.7%.

It is noted that a new ambitious Long-Term Economic Strategy (LTES) is currently at the final stage of preparation, aiming for a new growth model to transform Cyprus into a productive, green, and digitalized economy, resilient to external shocks, and at the same time encompassing a fair and inclusive society. In alignment to this vision, a specific Component of the Recovery and Resilience Plan is dedicated to reforms and investments that aim to boost the competitiveness and facilitate growth in key sectoral areas of the economy that have been identified through the LTES as potential drivers of future sustainable growth. At the same time, a series of horizontal and other area specific reforms and investments will also contribute to the successful transition to the new growth model and the empowerment of the future growth drivers in the context of the LTES.

| SDG 8 | CY | | EU AVERAGE | |
|---|---------|--------------|-------------|------|
| | Value | Year | Value | Year |
| SUSTAINABLE ECONOMIC GROWTH | | | | |
| Real GDP per Capita (growth) | - 5.1 | 2020 | - 6.0 | 2020 |
| Real GDP per Capita | 23 770 | 2020 | 26 380 | 2020 |
| Investment share of GDP (Total Investment) | 20.0 | 2020 | 22.3 | 2020 |
| Investment share of GDP (Household investments) | 8.7 (p) | 2020 | 5.4 | 2020 |
| Resource productivity and domestic material consumption (euro per kg) | 1.3 | 2020 (p) (s) | 2.1 (p) (s) | 2020 |
| EMPLOYMENT | | | | |
| Young People Neither in Employment Nor in Education and Training (% of population aged 15-29) | 15.3 | 2020 | 13.7 | 2020 |
| Employment Rate (% of population aged 20-64) | 74.9 | 2020 | 72.5 | 2020 |
| Long-Term Unemployment Rate (% of total active population) | 2.1 | 2020 | 2.4 | 2020 |
| Inactive population due to caring responsibilities | 43.8 | 2020 | 18.7 | 2020 |
| DECENT WORK | | | | |
| People Killed in Accidents at Work (number per 100.000 employees) | 2.3 | 2018 | 1.6 | 2018 |

p: provisional, s: Eurostat estimate

9. SDG 9 – Industry, Innovation and Infrastructure: Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation



Cyprus is making notable progress in its development towards a knowledge-based economy and digital technology, marking the highest improvement towards the SDG implementation, moving from the low 39.6% in 2017 to 72% in 2020 implementation overall.

However, Cyprus is among the last countries within the EU as regards R&D expenditures. The gross domestic expenditure on R&D was 0.6% of GDP in 2019, placing Cyprus 25th among EU members (the EU average is 2.1%). However, R&D expenditures show a positive trend between 2010 and 2019, as a result of Government efforts toward the increase of the stock of knowledge, which comes from R&D.

In terms of various other R&D and innovation indicators, Cyprus in most indicators ranks at the lower end among EU countries. In 2019, Cyprus ranks 26th in the percentage of persons employed directly in R&D (0.4% relative to 1.4% in the EU). In 2020, 72.7 patent applications per mln inhabitants have been submitted to the European Patent Office, while the estimated EU average number is 147.2.

It is noted that all indicators have a positive trend from 2010 onwards, indicating a continuous improvement in R&D and innovation in the country. Through its digital transformation agenda, Cyprus aims to implement a wide range of technological, economic, and societal innovations that will result from the overall policy and strategy of the newly established Deputy Ministry of Research, Innovation and Digital Policy which is responsible for enabling and accelerating Cyprus' digital transformation and innovation. Moreover, €282 mln will be allocated towards digitalization and €64 mln for Research & Innovation through the RRP.

| SDG 9 | CY | | EU AVERAGE | |
|--|----------|------|---------------|------|
| | Value | Year | Value | Year |
| R&D INNOVATION | | | | |
| Gross Domestic Expenditure on R&D (All sectors) | 0.6 (p) | 2019 | 2.1 (p) | 2019 |
| Gross Domestic Expenditure on R&D (Business Enterprise sector) | 0.3 (p) | 2019 | 1.4 (p) | 2019 |
| Gross Domestic Expenditure on R&D (Government sector) | 0.05 (p) | 2019 | 0.2 (p) | 2019 |
| R&D personnel (All sectors - % of active population) | 0.4 (p) | 2019 | 1.4 (p) | 2019 |
| Patent applications to the European Patent Office (number per million inhabitants) | 72.1 (p) | 2020 | 147.2 (e) (p) | 2020 |

| SUSTAINABLE TRANSPORT | | | | |
|--|-----------|------|-----------|--------------|
| Average CO2 emissions per km from new passenger cars | 126.8 (p) | 2019 | 122.2 (p) | 2019 (EU-27) |

e: estimated, p: provisional

10. **SDG 10 – Reduced Inequalities: Reduce income inequality within and among countries**



Income inequality in Cyprus decreased during the period of 2014-2018, however the pandemic is anticipated to exacerbate it. The Government has taken drastic measures to mitigate this effect, including wage and social protection policies and the enforcement of the Equality Law.

Cyprus ranks close to the middle among EU member states. With respect to inequalities within the country, Cyprus is below the EU average in regard to the Relative Median At-Risk-Of-Poverty Gap at 16% compared to the EU average of 24.2%. Cyprus falls slightly below the EU average as regards Income Distribution (Cyprus 4.6% and EU 5.1%) and exceeds somewhat the EU average in terms of Income Share of the Bottom 40% of the Population (Cyprus 21.5% and EU 21.1%). In particular, Cyprus ranks 15th in the income distribution indicator and 16th in the income share of the bottom 40% of the population. Both these two indicators show an improvement from 2010 to 2019. A positive note concerning the inequality within the country is the 4th position held by Cyprus in the relative median at-risk-of-poverty gap. The value of the indicator in Cyprus is 16% (stable from 2010-2019), while the EU average is 24.5%.

As regards inequalities between countries Cyprus' Purchasing Power Adjusted GDP per Capita was €25.800 in 2020, in relation to the EU average of €29.700. Both indicators follow a U-shaped trend, which reflects the crisis period (2010-2014) and the recovery period (2014-2019). Similarly, Cyprus' Adjusted Gross Disposable Income of Households per Capita was €21.401 in 2019, compared to the EU average of €23.599.

Cyprus has the highest number of first-time asylum applications. In particular, for 2019 Cyprus had 14,394 applications per million inhabitants, while the EU average for the same year was 1,315.

| SDG 10 ¹¹ | CY ¹² | | EU AVG | |
|---|------------------|------|--------------------|------|
| | Value | Year | Value | Year |
| INEQUALITIES BETWEEN COUNTRIES | | | | |
| Purchasing Power Adjusted GDP per Capita | 25.800 | 2020 | 29.700 | 2020 |
| Adjusted Gross Disposable Income of Households per Capita | 21.401 | 2019 | 23.599 | 2019 |
| INEQUALITIES WITHIN COUNTRIES | | | | |
| Relative Median At-Risk-Of-Poverty Gap | 16.0 | 2019 | 24.2 (e) | 2019 |
| Income Distribution | 4.6 | 2019 | 5.1 | 2019 |
| Income Share of the Bottom 40% of the Population | 21.5 | 2019 | 21.1 | 2019 |
| MIGRATION AND SOCIAL INCLUSION | | | | |
| Asylum Applications - First Time Applicant (number per million inhabitants) | 14.4 | 2019 | 1.3 (b) (e) (p) | 2019 |

e: estimated, b: break in time series, p: provisional

11. SDG 11 – Sustainable Cities and Communities: Make cities and human settlements inclusive, safe, resilient and sustainable



Cyprus is the country with the lowest percentage of its population living in an overcrowded household (2.2% relative to 15.6% in the EU).

The quality of life is negatively affected by air pollution which, to a great extent is due to the impacts of climate change. Exposure to air pollution reached 13.4 µg/m³ in 2019 relative to 12.6 µg/m³ on average in the EU. In terms of crime, violence or vandalism being reported, Cyprus was at 2.7% in 2019, slightly above the EU average of 2.5%. Finally, the country faces considerable challenges with respect to municipal waste recycling, with only 15% of the total municipal waste produced being recycled, relative to 47.6% in the EU.

Cyprus, via the absorption of relevant EU funds, the development of targeted measures and policies, and the implementation of various projects, is focusing on making urban and rural communities more inclusive and sustainable. Strategies like the “Integrated Sustainable Urban Development Plans” and the “Strategy for the sustainable development of rural communities and municipalities” drive key initiatives like urban mobility projects and the revitalisation of main historic centres suffering from broad degradation and socioeconomic challenges. New housing policies aim to provide more affordable housing options both in urban and in rural areas. Finally, the

¹¹ A number of indicators under SDG10 have been included in SDGs 1, 4 and 8 and are not repeated in this table.

¹² Source: Eurostat Database.

local government reform Bills currently discussed in the HoR, aim to help local communities tackle inefficiencies, become more sustainable, and provide a higher quality of life for its citizens.

| SDG 11 | CY ¹³ | | EU AVG | |
|--|------------------|------|------------------|------|
| | Value | Year | Value | Year |
| QUALITY OF LIFE IN CITIES AND COMMUNITIES | | | | |
| Overcrowding Rate (% of population) | 2.2 | 2019 | 15.6 (p) | 2019 |
| Population Living in Households Considering that they Suffer from Noise (% of population) | 15.4 | 2019 | 17.5 (e) | 2019 |
| Exposure to Air Pollution - Particulates <2.5Mm (mg/m3) | 13.4 | 2019 | 12.6 (EU-27) | 2019 |
| Population Living in a Dwelling with a Leaking Roof, Damp Walls, Floors or Foundation or Rot in Window Frames of Floor | 31.1 | 2019 | 13.1 (e) | 2019 |
| Population Reporting Occurrence of Crime, Violence or Vandalism in their Area | 12.7 | 2019 | 12.5 (e) | 2019 |
| SUSTAINABLE MOBILITY | | | | |
| Settlement Area Per Capita | 939.0 | 2018 | 667.6 | 2018 |
| Road traffic deaths (rate) | 5.6 | 2018 | 4.9 (dep) | 2018 |
| Share of buses and trains in total passenger transport (trains, motor coaches, buses and trolley buses - %) | 18.5 (e) | 2019 | 16.6 (e) | 2019 |
| ENVIRONMENTAL IMPACTS | | | | |
| Recycling Rate of Municipal Waste (% of total waste generated) | 15.0 (p) | 2019 | 47.7 (s) (EU-27) | 2019 |

e: estimated, p: provisional, s: Eurostat estimate

12. SDG 12 – Responsible Consumption and Production: Ensure sustainable consumption and production patterns



Cyprus is promoting a new growth model aiming at the diversification of economic sectors, including a competitive agricultural sector, a competitive light manufacturing sector that includes production in areas of green-tech, agri-tech, and a sustainable tourism sector.

It also aims at promoting a circular economy in an effort to cope with the significant challenges pertaining to effective waste management. Significant investments are foreseen in the new investment plan that will be greatly financed through the RRP, that aim to help reach the goals set in the latest EU Directives on Waste Management. Targeted government initiatives, among others, aim to enhance the coordination

¹³ Source: Eurostat Database

between different administrative levels and the eminent reform of the local authorities will empower their imperative shift towards higher levels in the waste management pyramid towards a more sustainable model of consumption.

Emissions from new passenger cars are 126.8g CO₂ per km in Cyprus, relative to 122.2g CO₂ per km in the EU, whereas, as regards energy productivity Cyprus reaches €7.44 per kg of oil equivalent, relative to €8.76 per kg of oil equivalent in the EU.

The waste generation and management in Cyprus lags behind the EU average. In particular, the rate of Circular Material Use is only 2.9, compared to the EU average of 12.4. The Generation of Waste Excluding Major Mineral Wastes (per capita) is lower in Cyprus at 930, compared to the respective EU average of 1828.

| SDG 12 | CY ¹⁴ | | EU AVG | |
|---|------------------|------|----------------------|------|
| | Value | Year | Value | Year |
| DECOUPLING ENVIRONMENTAL IMPACTS FROM ECONOMIC GROWTH | | | | |
| Resource Productivity and Domestic Material Consumption | 1.30 (p) (s) | 2020 | 2.09 (p) (s) | 2020 |
| Average CO ₂ Emissions per Km from New Passenger Cars (g CO ₂ per km) | 126.8 (p) | 2019 | 122.2 (p) (EU-27) | 2019 |
| Energy Productivity (euro per kg of oil equivalent) | 7.4 | 2019 | 8.8 | 2019 |
| WASTE GENERATION AND MANAGEMENT | | | | |
| Circular Material Use Rate | 2.9 (s) | 2019 | 12.4 (s) | 2019 |
| Generation of Waste Excluding Major Mineral Wastes (per capita) | 930 | 2018 | 1.828 | 2018 |

p: provisional, s: Eurostat estimate

13. SDG 13 – Climate Action: Take urgent action to combat climate change and its impacts by regulating emissions and promoting developments in renewable energy



Cyprus' efforts to combat climate change have been accentuated since 2018, given the new legally binding obligation for lower GHG emissions adopted through the relevant EU Regulation. Cyprus is focusing on implementing the ambitious Strategy adopted in the National Energy and Climate Plan, with measures on promoting RES, energy efficiency, sustainable transport, the introduction of natural gas, the opening up of the electricity market, and increasing energy security. There has been a considerable improvement in the share of RES reaching 13.8% in 2019. Despite all efforts CO₂ emissions grew during the last four years due to increased economic activity and Cyprus falls behind in climate mitigation, with the greenhouse gas

¹⁴ Source: Eurostat Database

emissions index at 156.2 tones CO2 equivalent in 2019, compared to 72 tones in the EU.

A new structure for the Green Deal implementation has been adopted to enhance coordination. Cyprus aims to achieve the mitigation targets for 2030, and decarbonisation by 2050 as set by the targets and objectives of the National Climate and Energy Plan (NECP). A positive development is that a significant amount of more than €1.5 billion has been included in the programming cycle for the period 2021-2030 with considerable amounts coming from EU funds, supporting Cyprus' efforts towards the green transition.

| SDG 13 | CY ¹⁵ | | EU AVG | |
|---|------------------|------|-------------------|------|
| | Value | Year | Value | Year |
| CLIMATE MITIGATION | | | | |
| Greenhouse Gas Emissions (index, 1990 = 100) | 156.2 | 2019 | 72.0 | 2019 |
| Share of Renewable Energy in Gross Final Energy Consumption (%) | 13.8 | 2019 | 18.9 | 2019 |
| Average CO2 Emissions per Km from New Passenger Cars (g CO2 per km) | 126.8 (p) | 2019 | 112.2 (p) (EU-27) | 2019 |
| SUPPORT TO CLIMATE ACTION | | | | |
| Population Covered by the Covenant of Mayors for Climate and Energy Signatories | 0.498 | 2020 | 190.419 | 2020 |

p: provisional

14. SDG 14 – Life Below Water: Conserve and sustainably use the oceans, seas and marine resources for sustainable development



Cyprus is strongly linked to marine life, as an island-state, and it is affected by the adverse effects of the misuse of marine resources. It therefore seeks to enhance its efforts aimed at the protection and sustainability of the Mediterranean through cooperation with neighbouring countries, and by adhering to EU efforts.

The national priorities and targets set for Cyprus are based on objectives set by EU legislation and regional and international conventions. Cyprus carries out continuous monitoring programmes on marine and oil pollution, the sustainable management and protection of marine and coastal ecosystems, harvesting, overfishing, illegal, unreported, and unregulated fishing. In addition, it has declared 19% of its areas as protected, double the share set by international conventions, in an effort to preserve and exhibit significant Natura sites, which are also very important tourist attractions.

¹⁵ Source: Eurostat Database

Cyprus is one of the countries with the best beaches. In particular, Cyprus is 2nd among EU members with 99.1% of its bathing sites being characterised as having excellent water quality. Furthermore, 8.464 square km of the marine protected sites of Cyprus are designated under Natura2000.

| SDG 14 | CY ¹⁶ | | EU AVG | |
|---|------------------|------|---------|------|
| | Value | Year | Value | Year |
| OCEAN HEALTH | | | | |
| Bathing Sites with Excellent Water Quality (coastal water excellent %) | 99.1 | 2019 | 87.43 | 2019 |
| MARINE CONSERVATION | | | | |
| Surface of Marine Sites Designated Under Natura 2000 (km ²) | 8.464 | 2019 | 573.131 | 2019 |

15. SDG 15 – Life on Land: Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss



Cyprus has natural beauty, composed of diverse ecosystems. It is among the top 5 EU countries in the surface of terrestrial sites designated under Natura 2000, with 29% of terrestrial protected area being designated under Natura 2000, relative to 18% of the EU.

Concerning its ecosystem status, the share of Cyprus' forest area to total land area reaches 43.2%, in relation to the EU average of 42.3%. As regards soil erosion by water, the soil erosion index of Cyprus is 6.5, in relation to the EU average of 5.25.

| SDG 15 | CY ¹⁷ | | EU AVG | |
|---|------------------|------|-------------------|------|
| | Value | Year | Value | Year |
| ECOSYSTEM STATUS | | | | |
| Share of Forest Area (% of total land area) | 43.2 | 2018 | 42.3* | 2018 |
| Biochemical Oxygen Demand in Rivers | 2.0 | 2018 | 2.03 | 2018 |
| LAND DEGRADATION | | | | |
| Soil Sealing Index | 122.9 (b) (p) | 2018 | 108.3 (bp) (EU27) | 2018 |
| Estimated Soil Erosion by Water - Area Affected – Erosion Rate of More 10 Tonnes/Hectare Annually (%) | 6.5 | 2016 | 5.25 | 2016 |
| BIODIVERSITY | | | | |
| Surface of Terrestrial Sites Designated Under Natura 2000 (% of terrestrial protected area) | 29 | 2019 | 18 | 2019 |

*: aggregate according to the context, b: break in time series, p: provisional

¹⁶ Source: Eurostat Database

¹⁷ Source: Eurostat Database

16. SDG 16 – Peace, Justice and Strong Institutions: Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels.



Regarding the peace and personal security measures, Cyprus' total standardized death rate due to homicide is above the EU average of 0.61, reaching 1 homicide per 100,000 persons.

As regards the percentage of population reporting the occurrence of crime, violence, or vandalism in their neighbourhood Cyprus reaches 12.7%, slightly above the EU level of 12.5%.

The Justice system in Cyprus has been faced with inefficiencies and the government initiated a comprehensive reform programme in 2016, the implementation of which is ongoing. In 2021, the courts and the judges in the country are perceived by 48% of the population as independent, whilst the EU average is 54%.

Cyprus falls below the EU average regarding trust in institutions. As reflected in the Corruption Perceptions Index, 57% of the population believes that corruption is highly prevalent. It is noted that a comprehensive Anti-corruption Strategy including the preparation of the necessary legislation is under implementation, which among others foresees the establishment of an Independent Authority against Corruption.

Cyprus ranks 10th among EU countries regarding the population's confidence in the European Parliament, the European Commission and the European Central Bank as reflected in the Eurobarometer, with the percentage of confidence in these institutions reaching only 41%, 36% and 34%, in relation to the EU average of 50%, 47% and 47%, respectively.

Through the RRP, a set of targeted investments and reforms is promoted to both enhance the effectiveness of the judicial system and tackle corruption.

| SDG 16 | CY ¹⁸ | | EU AVG | |
|---|------------------|------|----------|------|
| | Value | Year | Value | Year |
| PEACE AND PERSONAL SECURITY | | | | |
| Standardised Death Rate Due to Homicide (Total) | 1.00 | 2017 | 0.6 | 2017 |
| Population Reporting Occurrence of Crime, Violence or Vandalism in their Area | 12.7 | 2019 | 12.5 (e) | 2019 |
| ACCESS TO JUSTICE | | | | |
| General Government Total Expenditure on Law Courts (euro per inhabitant) | 34.5 | 2019 | 105.4 | 2019 |

¹⁸ Source: Eurostat Database

| | | | | |
|---|----|------|--------|------|
| Perceived Independence of the Justice System | 48 | 2021 | 54 (b) | 2021 |
| TRUST IN INSTITUTIONS | | | | |
| Corruption Perceptions Index | 57 | 2020 | N/A | |
| Population with Confidence in EU Institutions (European Parliament) | 41 | 2021 | 50 | 2021 |
| Population with Confidence in EU Institutions (European Commission) | 36 | 2021 | 47 | 2021 |
| Population with Confidence in EU Institutions (European Central Bank) | 34 | 2021 | 47 | 2021 |

e: estimated, b: break in time series

17. SDG 17 – Partnership for the Goals



Cyprus had achieved significant progress in terms of addressing the macroeconomic imbalances escalated by the 2013 financial crisis, prior to the outbreak of the Covid-19 crisis. It falls around the middle of EU member states regarding the two indicators on financial governance within the EU.

The general Government gross debt in Cyprus was 115.3% of GDP in 2020, while the EU average is 90.1%. Cyprus compares well as regards the share of environmental taxes in total tax revenues, which reached 7.3% relative to 6.04% in the EU. The government is committed to implementing policies towards the resolution of the high public debt.

| SDG 17 | CY ¹⁹ | | EU AVG | |
|---|------------------|------|----------|------|
| | Value | Year | Value | Year |
| FINANCIAL GOVERNANCE WITHIN EU | | | | |
| General Government Gross Debt (% of GDP) | 115.3 | 2020 | 90.1 | 2020 |
| Share of Environmental Taxes in Total Tax Revenues (% (current prices)) | 7.3 | 2019 | 6.04 | 2019 |
| Official development assistance as share of gross national income (%) | 0.08 (p) | 2020 | 0.50 (p) | 2020 |
| EU imports from developing countries (€ mln) | 1.023 | 2020 | 851.791 | 2020 |

¹⁹ Source: Eurostat Database

5. UTILISATION OF EU FUNDS

For the Programming Period 2014-2020 Cyprus has been allocated a total amount of €998,4mln from the European Structural and Investment Funds (ESI Funds), as follows:

- European Regional Development Fund (ERDF), European Social Fund (ESF), Cohesion Fund (CF) and Youth Employment Initiative (YEI): €826,5mln.
- European Agricultural Fund for Rural Development (EAFRD): €132,2mln.
- European Maritime and Fisheries Fund (EMFF): €39,7mln.

For the effective utilisation of the abovementioned resources, Cyprus has prepared a comprehensive strategic document, the Partnership Agreement (PA). The PA aims at securing the synergy and coordination among the ESI Funds allocated to Cyprus, so as to achieve effective results that will enhance growth and job creation in Cyprus. The main strategic objective of the PA is the restructuring of the economy, the preservation and creation of new jobs and the safeguarding of social cohesion. This objective will be attained through the following three funding priorities:

1. Supporting the restructuring and strengthening the competitiveness of Cyprus economy,
2. Upgrading human resources, promoting employment and social cohesion, and
3. Protecting the environment and promoting the efficient use of resources.

At the same time, the promotion of sustainable local development constitutes a horizontal priority of the PA.

The funding priorities set out in the PA were derived primarily from the analysis of the country's development needs and perspectives, the country-specific recommendations issued by the European Commission, and the national targets set in the context of the Europe 2020 Strategy.

In order to attain the aforementioned priorities, Cyprus decided to allocate its ESI Funds to the following Thematic Objectives (TOs):

| Thematic Objective | ERDF (€mln) | ESF/YEI (€mln) | CF (€mln) | EAFRD (€mln) | EMFF (€mln) | Total (€mln) |
|---|------------------------|---------------------------|----------------------|-------------------------|------------------------|-------------------------|
| 1. Research & Innovation | 87,5 | 0 | 0 | 1,31 | 0 | 88,81 |
| 2. Information and Communication Technologies (ICT) | 33,5 | 0 | 0 | 0,32 | 0 | 33,82 |
| 3. SME Competitiveness | 67 | 0 | 0 | 33,89 | 13,90 | 114,79 |
| 4. Energy | 27,6 | 0 | 95,24 | 5,82 | 0,17 | 128,83 |
| 5. Climate Change | 11,8 | 0 | 0 | 29,57 | 0 | 41,37 |
| 6. Environment | 51,15 | 0 | 113,83 | 36,69 | 19,59 | 221,25 |
| 7. Transport | 0 | 0 | 34,25 | 0 | 0 | 34,26 |

| | | | | | | |
|--|--------------|---------------|---------------|---------------|--------------|----------------|
| 8. Employment | 0 | 59,44 | 0 | 7,95 | 4,93 | 72,32 |
| 9. Social Inclusion and Poverty | 15 | 103,33 | 0 | 14,26 | 0 | 132,58 |
| 10. Education-Life Long Learning | 0 | 11,28 | 0 | 1,06 | 0 | 12,35 |
| 11. Institutional Capacity and Public Administration | 0 | 11,11 | 0 | 0 | 0 | 11,11 |
| Technical Assistance | 6,35 | 1,43 | 15,53 | 1,38 | 1,13 | 25,82 |
| TOTAL | 299,9 | 186,59 | 258,86 | 132,25 | 39,71 | 917,31* |

*Additional €32,7mln of ERDF was allocated to European Territorial Cooperation, whilst €48,4mln of Cohesion Fund was allocated to Connecting Europe Facility.

As regards the relevance of ESI funding to the Europe 2020 targets, it is noted that most of the TOs selected for investment during the 2014-2020 programming period do contribute to the national targets set for Europe2020 strategy, as illustrated in the table below:

| National Targets | Thematic Objectives | Indicative Percentage of ESI funds contributing to the National Target |
|-------------------------------|---------------------|--|
| Employment target | TO3, TO8 | 21% |
| R&D target | TO1 | 7% |
| GHG emission reduction target | TO4, TO5, TO6 | 47% |
| Renewable energy target | TO4 | 15% |
| Energy efficiency target | TO4 | 15% |
| Early school leaving target | TO9, TO10 | 11% |
| Tertiary education target | TO10 | 2% |
| Poverty target | TO9 | 9% |

Due to the pandemic outbreak of COVID-19 in 2020, an additional amount of €111,4 mln was allocated to Cyprus from REACT-EU (Recovery Assistance for Cohesion and the Territories of Europe). Cyprus decided to use most of this amount for the support of workers to maintain their job by implementing short-term working arrangement schemes (to be co-financed by the European Social Fund – ESF REACT-EU) and also to support enterprises affected by the pandemic (to be co-financed by the European Regional Development Fund – ERDF REACT-EU).

Moreover, in the context of EU decision to expand for two years the implementation period of the Programmes co-financed by the European Agricultural Fund for Rural Development (EAFRD), Cyprus was allocated an additional amount of €52,8 mln for the years 2021 and 2022, whilst another €11,46 mln was allocated to Cyprus from the European Union Recovery Instrument (EURI). This extra amount of €64,26 mln was incorporated in the Rural Development Plan of Cyprus 2014-2022, mainly in the sectors of Energy, Climate Change and Environment (TO4, TO5 and TO6).

Further to the overall/general correlation between the funding priorities set in the PA and the country-specific recommendations, support from ESI funds affects certain aspects of the CSRs. More explicitly:

- With respect to CSR 3 *“Complete reforms aimed at increasing the effectiveness of the public employment services and reinforce outreach and activation support for young people. Deliver on the reform of the education and training system, including teacher evaluation, and increase employers' engagement and learners' participation in vocational education and training, and affordable childhood education and care. Take measures to ensure that the National Health System becomes operational in 2020, as planned, while preserving its long-term sustainability”*, ESI funding in the context of the Operational Programme “Employment, Human Resources and Social Cohesion 2014-2020” has been allocated to targeted interventions aiming to create synergies and complementarity in order to maximize the effectiveness of the funding.

With regards to the increase of the capacity and effectiveness of the Public Employment Services (PES) and the reinforcement of the outreach and activation support for young people who are not in employment, education or training (NEETS), a dedicated project for the modernisation and enhancement of PES capacity is being implemented. In the course of the project, 30 PES counsellors have been hired (temporary staff) and an integrated monitoring and evaluation system for the Active Labour Market Policies (ALMPS) has been developed. Moreover, two aid Schemes for the employment of unemployed youth of up to 25 and from 25 - 29 years old respectively have been implemented. Two additional projects cover traineeship opportunities for young graduates in order to obtain the necessary professional qualifications, facilitating their entry into the labour market.

As far as the reform on the education and training system is concerned, a dedicated project (through ESF funding) for the development of the Technical and Vocational Education and Training System is being implemented aiming to upgrade the attractiveness, the quality and effectiveness of VET System at all levels in Cyprus.

In addition to the above, measures have been taken in order to ensure that the National Health System becomes operational in 2020, as planned, while preserving its long-term sustainability. In this context, an IT project for the Health Insurance Organisation has been developed with the support of ERDF funding, through the Operational Programme “Competitiveness and Sustainable Development 2014-2020”. All basic functions relating to the provision of services within the General Health System are carried out through the aforementioned System. The System covers the operating functions of the Health Insurance Organisation, as well as those of the providers and the beneficiaries.

- With respect to CSR 4 *“Focus investment-related economic policy on sustainable transport, environment, in particular waste and water management, energy*

efficiency and renewable energy, digitalisation, including digital skills, and research and innovation, taking into account territorial disparities within the Member State. Adopt legislation to simplify the procedures for strategic investors to obtain necessary permits and licenses. Improve access to finance for small and medium-sized enterprises, and resume the implementation of privatisation projects.”, ESI funding is targeted towards the improvement of access to finance especially for SMEs. Specifically, in order to support the competitiveness of Cypriot SMEs and facilitate their access to finance, several Grant Schemes have been promoted through ESIF financing in the context of the Operational Programme “Competitiveness and Sustainable Development 2014-2020”, the most relevant being: The Grant Schemes for youth and women entrepreneurship, the Grant scheme for the enhancement of competitiveness of manufacturing SMEs, the Grant Scheme on Energy Upgrading, Grant Schemes within the scope of RESTART/Research projects and the Grant scheme for strengthening business innovation.

Furthermore, the use of financial instruments is also promoted in the context of the Operational Programme “Competitiveness and Sustainable Development 2014-2020”. An amount of €40mln has been earmarked for this purpose, which is twice as much the amount delivered in the 2007-2013 period. Based on the results of the ex-ante assessment for the potential use of such instruments, it has been decided that a single loan instrument will be created in order to support projects in the fields of energy efficiency and renewable energy sources, both for the public and private sector (households and enterprises). The management of the financial instrument (and the respective fund) has been assigned to the EIB and deliberations for its deployment are being finalised. It is expected that end product will be available to final recipients before the end of 2021.

In addition, ESI funds also supported the Advice for Small Business Facility - implemented by the EBRD on behalf of the Ministry of Energy, Commerce and Industry, with a budget of €2mln - which provided expert assistance, business advice and targeted training to new and existing SMEs.

As regards the **overall implementation** of ESI funds, it is noted that by September 2021, 99% of ESF funding and 84% of ERDF funding has been reimbursed to Cyprus. The said percentages have rendered Cyprus first in terms of absorption for ESF funds and second for ERDF funds. As regards CF funding, around 69% has been reimbursed, enabling Cyprus to rank sixth among the 15 Member States receiving support by the Cohesion Fund.

So far, ESI funding has paved the way for over 100 enterprises to be supported in introducing new products and over 300 enterprises have been supported in the manufacturing sector. In addition, 125 enterprises have been supported in order to

upgrade the energy efficiency of their building - including the use of Renewable Energy Systems - and 480 young people and women have been approved to receive financial support in order to create and develop their own enterprises.

As regards **waste management**, a new solid waste plant has been completed and the capacity for the utilization of biodegradable materials is expected to reach 210,000 tons per year by the end of the current Programming Period. Furthermore, in order to enhance prevention, reduction and separate collection of solid waste, a pilot project for the areas of Larnaca and Ammochostos has been implemented, with a total budget of €7,0 mln. In this context, another project is currently being designed for the establishment of a separate collection at source system which will include a pay as you throw system to be implemented by local authorities, in order to put in place, the necessary mechanisms and regulatory framework that will enhance the separate collection of solid waste in line with the “polluter pays” principle. Similarly, Green Points in Limassol, Alambra and Paphos have been completed.

Aiming at the enhancement of **water management**, the Water and Flood Management Plans (€0,4mln) and the Athienou Sewerage System (€11,5mln) have been completed, whereas, the Solea Sewerage System, the Kokkinochoria Sewerage System, the West Limassol Sewerage System of total budget of €150mln are being implemented as Phased Projects and various other sewerage projects, of about €20mln, are being initiated. The construction of a dam in Tersephanou (€24 mln) that will be used to store recycled water from the Larnaca sewage treatment plant to irrigate cultivations in the area has been signed. Further, the projects of Vassilikos and Kokkinokremos that will carry drinking water from desalination plants to Nicosia and Ammochostos areas with a total budget of over €70mln are also being implemented.

As regards the measures taken to reduce the effect of climate change, it should be noted that 32 breakwaters with a total budget of €15,0 mln, have been constructed in order to protect coastal areas from **erosion**. The areas protected through these projects are Larnaca, Pervolia, Germasoglia, Yeroskipou and Polis Chrysochous.

Furthermore, in order to protect the **environment and biodiversity**, a budget of €8mln has been allocated for projects in the area of Natura 2000 Network. These projects aim at protecting and restoring the biodiversity (habitats and species of the Natura 2000 network), and the ecosystem. In this context, actions of €0,4mln have been implemented for the preservation of the Akamas National Forest Park.

Regarding the field of **sustainable transport**, the major project of the Vertical Road – Primary Road connecting the Limassol Port with the Limassol-Paphos highway has been completed. The road has been implemented over two Programming Periods and it has contributed significantly to both the construction and the reconstruction of Trans-European Networks. It aims to reduce traffic within the Limassol city centre,

increase travel speed and reduce travel time for Heavy Goods Vehicles. Further, the upgrading of Aglantzias and Larnakos Avenues (€18mln.) which includes dedicated bus lanes has also been completed. Other indicative measures include the introduction of a Telematics System for Busses (€5,5 mln), which has been completed and the Network of Cycle Paths in Nicosia (€10 mln) and the Regeneration of the Commercial Triangle Makariou - Stasikratous (€24,0 mln) which are under implementation.

In the field of **sustainable urban development**, projects of over €120 mln are promoted in the 4 major city centres of Cyprus, based on respectively 4 Integrated Strategies for Sustainable Urban Development designed by the Municipalities. Aiming to develop and revitalize their urban areas, the Municipalities are expected to build and renovate 7 buildings of culture interest, to create cycling infrastructure/routes of 6,5km, to build/renovate 6 social infrastructures and improve/create 85.000 sq. meters of open spaces. By the end of 2020, 26 projects were approved for €117 mln (7 by Paphos Municipality, 7 by Nicosia Municipality, 7 by Limassol Municipality and 5 by Larnaca Municipality).

Regarding the **ICT sector**, by the end of 2020, 8 projects have been approved for a total budget of €73,5mln, aiming to enhance the access to and use of information and communication technologies by citizens, businesses and public administrations. Examples of approved projects that are under implementation are: a) the Development and Implementation of the Information System of the National Health Insurance System (€19,3 mln), b) the Information System for Town Planning and Housing Department "Ippodamus" (€6,5 mln), and c) the Governmental Unified Network Project (€6,7 mln).

In the **fisheries sector**, three Community-led Local Development Strategies for €6,6mln are being implemented aiming at the improvement of the fisheries areas. In addition, €44,5 mln are being channelled for grant schemes and projects.

Furthermore, by the end of 2020, over €70mln have been invested for improving the conditions of **social inclusion** for vulnerable groups, in addition to € 2 mln for providing food/material **assistance to the most deprived**.

6. INSTITUTIONAL ISSUES AND STAKEHOLDER INVOLVEMENT

The NRP has been prepared in close cooperation with all competent Ministries, Deputy Ministries and other Services.

Stakeholder involvement is an inherent element of the procedure for the initial formulation of most policy measures and initiatives at Departmental and Ministerial level. Hence, the active engagement of the parties affected has been safeguarded from the initial stages in the large majority of areas covered by the NRP such as labour, education, health, tourism, public administration, tax system, justice, environmental sustainability, entrepreneurship etc.

It is emphasised that prior to the preparation of the NRP, an extensive consultation with all the relevant stakeholders took place for the preparation of the National Recovery and Resilience Plan. Throughout the preparation of the RRP the Minister of Finance carried out discussions with all political party leaders analysing the importance and scope of the RRP, inviting them to submit tangible proposals and requesting their support for implementing the reforms and investments. Furthermore, the Minister discussed with social and economic partners including employers' associations, workers trade unions and environmental organisations the proposed reforms and investments of the RRP. The Directorate General for European Programmes, Coordination and Development (DG EPCD) in cooperation with the Ministry of Finance, made a series of consultations with all Ministries/Services/Organisations/Local Authorities and numerous meetings were held at the higher political level with Ministers and Permanent Secretaries as well as meetings at technical level.

Additionally, in view of the very important role of the House of Representatives in the smooth implementation of the Plan's ambitious reform programme, the Council of Ministers (CoM) decided on the 16th of December 2020 (dec. no 90.549) to form a technical committee, chaired by the Permanent Secretary of DG EPCD and consisting of representatives of all Parliamentary Parties, with the aim to discuss the content of the RRP. The Committee had numerous meetings in which the reforms and investments covered by the RRP were presented and discussed. By the same CoM decision, the Cyprus Economy and Competitiveness Council was invited to provide its opinion and suggestions on the draft Plan which has been drafted in the context of the directions specified by the project for the formulation of the new Long-Term Economic Strategy.

Extensive consultation was also carried out for the preparation of the Cohesion Policy Programming Documents. Throughout the planning period, there was very close communication and cooperation with all relevant Ministries/Deputy Ministries/Local Authorities, as well as with a number of stakeholders in the areas of their responsibility.