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COMMISSION IMPLEMENTING DECISION

of 25.11.2022

on the authorisation of the disbursement of the first instalment of the non-repayable support for Cyprus

(Only the Greek text is authentic)

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THE EUROPEAN COMMISSION,

Having regard to the Treaty on the Functioning of the European Union,

Having regard to Regulation (EU) 2021/241 of the European Parliament and of the Council of 12 February 2021 establishing the Recovery and Resilience Facility¹, and in particular Article 24(5) thereof,

Whereas:

- (1) According to Article 4(2) of Regulation (EU) 2021/241, the specific objective of the Recovery and Resilience Facility is to provide Member States with financial support with a view to achieving the milestones and targets of reforms and investments as set out in their recovery and resilience plans.

Council Implementing Decision of 28 July 2021 on the approval of the assessment of the recovery and resilience plan for Cyprus² (the ‘Council Implementing Decision’) provides that the Union is to release instalments in accordance with the Financing Agreement conditional on a decision by the Commission, taken in accordance with Article 24(5) of Regulation (EU) 2021/241, that Cyprus has satisfactorily fulfilled the relevant milestones and targets identified in relation to the implementation of the recovery and resilience plan.

- (2) On 28 July 2022, Cyprus submitted a request for payment, accompanied by a management declaration and a summary of audits. The request concerned the first instalment of the non-repayable support. Pursuant to Article 24(3) of Regulation (EU) 2021/241, the Commission assessed on a preliminary basis whether the relevant milestones set out in the Council Implementing Decision had been satisfactorily fulfilled. For the purpose of this assessment, the operational arrangements concluded between the Commission and Cyprus³ in accordance with Article 20(6) of Regulation (EU) 2021/241, were taken into account.
- (3) The Commission made a positive preliminary assessment of the satisfactory fulfilment of all 14 relevant milestones related to the non-repayable support and, in accordance with Article 24(4) of Regulation (EU) 2021/241, provided its findings to the Economic and Financial Committee asking for its opinion on the satisfactory fulfilment of the relevant milestones. In accordance with Article 25(4) of that Regulation, the

¹ OJ L 57, 18.2.2021, p. 17.

² ST 10686 2021 INIT and ST 10686 2021 ADD 1, not yet published.

³ Recovery and Resilience Facility Operational arrangements between the European Commission and Cyprus, entered into force on 02 June 2022.

Commission provided the competent committee of the European Parliament with an overview of its preliminary findings concerning the satisfactory fulfilment of the relevant milestones. The Economic and Financial Committee agreed with the Commission positive preliminary assessment and was of the opinion that Cyprus has satisfactorily fulfilled all the milestones associated with the payment request. The Commission has taken the opinion of the Economic and Financial Committee into account for its assessment.

- (4) Section 2(1)(1.1) of the Annex to the Council Implementing Decision provides the relevant milestones that are to be satisfactorily fulfilled for the first instalment of the non-repayable support for an amount of EUR 97 701 149.
- (5) Milestone 21 provides for the entry into force of the law for the regulation of the electricity market. Cyprus provided a copy of the law (L.130(I)/2021) published in the Official Gazette of the Republic n. 4850 of 7 October 2021. The evidence provided demonstrates that the Law has entered into force and that it ensures the independence of the Cyprus Transmission System Operator (TSOC) from the Electricity Authority of Cyprus (EAC) in terms of governance, financial and personnel management and it facilitates supplier switching, which is expected to reduce the cost of electricity for domestic and commercial/industrial customers in line with the requirements of the milestone. On the basis of the due justification provided, the milestone should be considered as satisfactorily fulfilled.
- (6) Milestone 23 provides for the publication on the website of the Cyprus Energy Regulatory Authority of the Amendment of the Transmission and Distribution Rules (TDRs) and the Trading and Settlement Rules (TSRs). Cyprus provided copies of the Announcements no. 1859 and no. 1860 of the Cyprus Energy Regulatory Authority (CERA) regarding the amendment and entry into force of the TDRs and TSRs published in the Official Gazette of the Republic no.5356 of 8 April 2022 and links to the published amended rules. The evidence provided demonstrates that the TDRs establish the regulatory framework for promoting the participation of storage facilities in the electricity market by laying down the operational procedures and principles governing the relationship between the transmission system operator of Cyprus (TSOC) and all users of the transmission system, including storage facility operators, and by determining the technical aspects of the relations between the distribution system operator of Cyprus (DSOC) and all users of the distribution system, including storage operators. The TSRs also contain the changes that allow storage facilities to participate in the wholesale electricity market. Based on both rules, renewable energy operators can engage in all markets (Forward, DAM, Reserves, RTBM) in which their economics secure competitive bids and can only be prohibited for technical reasons only as a last resort for the system's security in line with the requirements of the milestone. On the basis of the due justification provided, the milestone should be considered as satisfactorily fulfilled.
- (7) Milestone 24 provides for the publication of the call for proposals for the support scheme for promoting energy efficiency investments in SMEs, municipalities, communities, and the wider public sector. Cyprus provided the call of grant scheme and the scheme guide that includes all the terms and conditions of the grant. The evidence provided demonstrates that the call for proposals was published on 18 March 2022 and that the scheme guide includes the selection criteria that ensure (i) compliance with the 'Do no significant harm' Technical Guidance (2021/C58/01), and (ii) that the scheme aims at achieving on average at least a 30% primary energy demand reduction. For building renovations, the Scheme Guide specifies that the

primary energy demand reduction of at least 30% on average will be verified through Energy Performance Certificates by an energy expert or by an energy auditor. For production processes, the primary energy demand reduction will be verified through energy audits by an energy auditor. The evidence provided also demonstrates that the call complies with the provisions of the Directive 2008/50/EC on ambient air quality and cleaner air for Europe, the Renewable Energy Directive 2018/2001/EU and relevant national legislation on air pollutant emissions in line with the requirements of the milestone. Whilst this call only covered SMEs and non-profit organisations and the call under Measure C2.1I3 covered municipalities, communities, and the wider public sector, thereby resulting in two calls rather than one and constituting a minimal formal deviation from the requirement of the Council Implementing Decision, given the similarities between Milestone 24 (connected to Measure C2.1I1) and Milestone 30 (connected to Measure C2.1I3), which both relate to calls for proposals encouraging energy efficiency measures but targeting different final recipients, the Cypriot authorities deemed it more efficient to target the calls to separate groups of recipients. As such, the content and objectives of the evidence provided are in line with the requirements of the milestone and the main goal of the investment. On the basis of the due justification provided, the milestone should be considered as satisfactorily fulfilled.

- (8) Milestone 27 provides for the publication of the first call for proposals for promoting renewables and individual energy efficiency measures in dwellings. The objective of the measure is to encourage the use of renewable energy sources and energy savings as well as to subsidise the implementation of small-scale energy renovations in energy poor households. Cyprus provided the call of grant scheme, the scheme guide including the terms and conditions for the use of renewable energy sources and energy efficiency measures in dwellings, the scheme guide including the terms and conditions for the installation of solar hot water production systems in dwellings and a summary document, duly justifying how all the constitutive elements of the milestone were satisfactorily fulfilled. The first call for proposals was published on 14 April 2021 and concerned investments in roof thermal insulation, installations of photovoltaics and net metering. The second call for proposals was published on 13 July 2021 and concerned solar hot water production systems in residences. Both calls were aimed at dwellings, including vulnerable electricity consumers defined in Decree of the Minister for Energy, Commerce and Industry No RAA 289/2015. For both calls, the energy savings resulting from the individual investments will be calculated by the implementing body (Ministry of Energy, Commerce and Industry, and the RES and Energy Conservation Fund). According to the scheme guides, the level of total energy savings will be monitored with a view of achieving on average reduction in primary energy demand of at least 30%. The content and objectives of the evidence provided are in line with the requirements of the milestone. On the basis of the due justification provided, the milestone should be considered as satisfactorily fulfilled.
- (9) Milestone 30 provides for the publication of the call for proposals to support local authorities in energy efficiency measures. Cyprus provided the call of grant scheme and the scheme guide which includes all the terms and conditions of the grant and a summary document. The evidence provided demonstrates that the first call for proposals was approved by the Council of Ministers and published on 16 March 2022. It includes energy upgrading of the existing building infrastructure. The scheme guide includes the selection criteria that ensure that the scheme aims at achieving on average at least a 30% primary energy demand reduction. Section 10 of the call sets out the minimum energy saving requirements per type of investments, namely the conversion

of buildings into Near Zero Emissions Building and the primary energy savings of at least 30% for other infrastructure as certified by an energy auditor on the basis of Energy Performance Certificates issued before and after the completion of the investment, in line with the requirements of the milestone. Whilst this call only covered municipalities, communities and the wider public sector and the call under Measure C2.1I1 covered SMEs and non-profit organisations, thereby resulting in two calls rather than one and constituting a minimal formal deviation from the requirement of the Council Implementing Decision, given the similarities between Milestone 24 (connected to Measure C2.1I1) and Milestone 30 (connected to Measure C2.1I3), which both relate to calls for proposals encouraging energy efficiency measures but targeting different final recipients, the Cypriot authorities deemed it more efficient to target the calls to separate groups of recipients. As such, the content and objectives of the evidence provided are in line with the requirements of the milestone and the main goal of the investment. On the basis of the due justification provided, the milestone should be considered as satisfactorily fulfilled.

- (10) Milestone 93 provides for the purchase and installation of a new Liquid Chromatography-Isotopic Ratio Mass Spectrometer (LC-IRMS) equipment. The evidence provided demonstrates that the new LC-IRMS equipment for isotopic characterisation was purchased and installed. The installation was completed on 30 November 2021. The signed contract and its Annexes include the technical specifications of the tender documents, which defined the requirements for the provision, installation and maintenance of the LC-IRMS for the State Government Laboratory, and against which the contracting authority issued the certificate of acceptance on 7 December 2021. The content and objectives of the evidence provided are in line with the requirements of the milestone. On the basis of the due justification provided, the milestone should be considered as satisfactorily fulfilled.
- (11) Milestone 109 provides for the approval of the National Action Plan for the Enhancement of Circular Economy in Cyprus. The evidence provided demonstrates that the Council of Ministers approved the National Action Plan for the Enhancement of Circular Economy in Cyprus on 16 June 2021 (decision no. 91.390). Cyprus provided a copy of the National Action Plan for the Enhancement of Circular Economy and a copy of the decision by the Council of Ministers approving the National Action Plan. The Action Plan lays down a comprehensive list of concrete actions and policy measures to promote and develop the circular economy in Cyprus. The content and objectives of the evidence provided are in line with the requirements of the milestone. On the basis of the due justification provided, the milestone should be considered as satisfactorily fulfilled.
- (12) Milestone 160 provides for the entry into force of legislation for the evaluation and selection process for public service vacancies and regulations for employees' performance evaluation. Cyprus provided a copy of Public Service (Amendment) Law L.1(I)/2022 (Official Gazette of the Republic n. 4870), a copy of The Evaluation of Candidates for Promotion, Interdepartmental Promotion and First Entry and Promotion in the Public Service Law L.2(I)/2022 (Official Gazette of the Republic n. 4870) and a copy of the Public Service (Evaluation of Employees) Regulations No.28/2022 (Official Gazette of the Republic n. 4870). The legal acts provided as evidence demonstrate that they have entered into force in line with the milestone requirements, while most of the provisions of the legal acts enter into force. The legal acts establish a new framework in the public service for the evaluation and selection of candidates for promotion posts, including managerial posts, based on merit, a new performance

appraisal system to be used for development and promotion purposes in order to make appraisal and promotion more transparent, fair, skill-based and effective, and legislation for the evaluation and selection process for public service vacancies and regulations for employees' performance evaluation. The implementation of this framework is enshrined in milestone 161, which requires the effective implementation and entry into use of the new framework by 31 March 2025. The laws and regulations, which have already entered into force, include relevant transitional provisions in order to allow time for preparatory measures and for the new framework for evaluation of civil servants' performance and for filling public service vacancies to enter into use. Against this background, the content and objectives of the evidence provided are in line with the requirements of the milestone. On the basis of the due justification provided, the milestone should be considered as satisfactorily fulfilled.

- (13) Milestone 186 provides for the extension of the Famagusta District Court building with five additional court rooms to try civil cases in addition to criminal cases. Cyprus provided a copy of the signed contract, including the tender documents and the successful bids for the construction and a copy of the taking over certificate issued by the Contracting Authority in accordance with the national legislation demonstrating completion of the works in line with the requirements of the milestone. On the basis of the due justification provided, the milestone should be considered as satisfactorily fulfilled.
- (14) Milestone 188 provides for the entry into force of the law on Transparency in Decision-Making and Related Matters L.20(I)/2022 published in the Official Gazette of the Republic n. 4876 of 4 March 2022. Cyprus provided a copy of the Law L.20(I)/2022 as published in the Official Gazette of the Republic n. 4876 of 4 March 2022. The evidence provided demonstrates that the law entered into force on 4 March 2022 and that it creates the obligation to publicise contacts made between persons interested in being involved in public decision-making procedures and officials or members of the State service or of the wider public sector or with employees for the benefit of officials who, by their very position, have competence or possibility of initiating such procedures or formulating their content or contributing or determining the outcome of such procedures. Information on such a contact, as well as its content and purposes, shall be officially recorded and be publicly available, in line with the requirements of the milestone. On the basis of the due justification provided, the milestone should be considered as satisfactorily fulfilled.
- (15) Milestone 189 provides for the entry into force of the law to protect whistle-blowers reporting fraud and corruption from internal sanctions. Cyprus provided a copy of L.6 (I)/2022 published, published in the Official Gazette of the Republic n. 4872 of 4 February 2022. The evidence provided demonstrates that the law entered into force on 4 March 2022 and includes provisions on the protection of persons reporting acts of corruption both in the public and the private sectors (whistle-blowers, persons not involved in the acts), further to the protection already provided for in the Protection of Witnesses Law 95(I)/2001. The law also provides measures of leniency for those who are involved in acts of corruption, but voluntarily report to the police and/or offer cooperation with the authorities resulting in the full investigation and prosecution of the case in line with the requirements of the milestone. On the basis of the due justification provided, the milestone should be considered as satisfactorily fulfilled.
- (16) Milestone 192 provides for the entry into force of the package of amending laws regarding credit acquiring companies (CACs) and credit servicers to improve the working environment for non-performing loans (NPLs) management. Cyprus provided

a copy of amending Law L. 129(I)/2022 “The Credit Facilities Purchase and Related Matters (Amending) Law of 2021” (Official Gazette of the Republic n. 4906) and a copy of amending Law L. 130(I)/2022 “The Immovable Property (Transfer, Registration and Valuation) (Amending) Law of 2021” (Official Gazette of the Republic n. 4906). The evidence provided demonstrates that the legal acts entered into force on 27 July 2022. The two amending laws put credit servicers under the Central Bank's regulation and supervision, give CACs and credit servicers digital access to the Land Registry, and grant credit servicers unrestricted access to the data of debtors held in Cyprus's Credit Register (Artemis Database). Overall, they provide for CACs and credit servicers the required tools to better work out legacy non-performing loans. Whilst the milestone also required aligning notification requirements in case of purchase of a loan by a credit acquiring company, which was intended to be enacted through a dedicated third law which was eventually not adopted, thereby constituting a minimal deviation from the requirement of the Council Implementing Decision, Cyprus introduced provisions related to the notification requirements in the first amending law. As such, the content and objectives of the evidence provided are in line with the requirements of the milestone and the main goal of the reform. On the basis of the due justification provided, the milestone should be considered as satisfactorily fulfilled.

- (17) Milestone 232 provides for putting in place and making operational a repository system for monitoring the implementation of the Recovery and Resilience Facility. Cyprus provided an audit report on the repository system by the Internal Audit Service (IAS) of Cyprus, which tested the ability of the repository system to collect, record, store and ensure access to the information necessary to monitor the implementation of the recovery and resilience plan. The report assessed the system as adequate and fully complying with the requirements of the Regulation (EU) 2021/241. The report also provided corrective actions for the identified weaknesses. The follow-up audit carried out by the IAS confirmed that all critical findings previously identified have been resolved and implemented. Cyprus also provided evidence related to 50 contracts and 15 grant agreements, confirming that the system in place is able to link the contracts and the grant agreements selected with measures of the recovery and resilience plan and that the data on contractors, subcontractors and beneficial owners can be properly collected and stored, in line with the requirements of the milestone. On the basis of the due justification provided, the milestone should be considered as satisfactorily fulfilled.
- (18) Milestone 249 provides for the adoption of the National e-Skills Action Plan by the Council of Ministers. Cyprus provided a copy of the decision adopting the National e-Skills Action Plan (Decision Number 92.305), adopted by the Council of Ministers at its meeting on 13.12.2021 and a copy of the National e-Skills Action Plan. The evidence provided demonstrates that the Action Plan includes (i) the development of an e-learning platform; (ii) programmes and interventions for professionals within the public sector; (iii) investment in digital infrastructure to support digital learning; (iv) reskilling and upskilling interventions for the workforce in the private sector and the general population including unemployed persons, women and vulnerable groups; as well as (v) a communication strategy to promote lifelong learning in line with the requirements of the milestone. On the basis of the due justification provided, the milestone should be considered as satisfactorily fulfilled.
- (19) Following the fully positive assessment concerning the Cyprus' payment request, in accordance with Article 24(5) of Regulation (EU) 2021/241, the disbursement of the

financial contribution for the first instalment of the non-repayable support should be authorised.

- (20) In accordance with Article 2(3) of the Council Implementing Decision, as specified in the Financing Agreement, the pre-financing of the financial contribution shall be cleared by being proportionally deducted against the payment of the instalments. As Cyprus received 13% of the financial contribution as pre-financing, an amount of EUR 12 701 149 of the payment should be utilised to clear the pre-financing, equal to 13 % of the instalment.
- (21) This Decision should be without prejudice to procedures relating to distortions of the operation of the internal market that may be undertaken, in particular under Articles 107 and 108 of the Treaty on the Functioning of the European Union. It does not override the requirement for Member States to implement the measures in accordance with Union and national law and, in particular, to notify instances of potential State aid to the Commission under Article 108 of the Treaty on the Functioning of the European Union.
- (22) The measures provided for in this Decision are in accordance with the opinion of the Committee established by Article 35(1) of Regulation (EU) 2021/241,

HAS ADOPTED THIS DECISION:

Article 1

Authorisation of the disbursement of the non-repayable support

The disbursement of the first instalment of the non-repayable support as laid down in Section 2(1)(1.1) of the Annex to the Council Implementing Decision of 28 July 2022 on the approval of the assessment of the recovery and resilience plan for Cyprus for an amount of EUR 97 701 149 is authorised.

In accordance with the Financing Agreement concluded pursuant to Article 23(1) of Regulation (EU) 2021/241 between the Commission and Cyprus, EUR 12 701 149 shall be utilised to clear the pre-financing of the financial contribution and EUR 85 000 000 shall be provided to Cyprus by means of payment to the bank account indicated in the Financing Agreement.

Article 2

Addressee

This Decision is addressed to the Republic of Cyprus.

Done at Brussels, 25.11.2022

For the Commission

Paolo GENTILONI

Member of the Commission