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**CYPRUS**

**NATIONAL REFORM PROGRAMME 2023**

**APRIL 2023**



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## 1. INTRODUCTION

The National Reform Programme (NRP) for 2023 is submitted at a time of continued global challenges. The invasion of Russia to Ukraine and the sanctions imposed, created a highly uncertain environment. However, the Cyprus economy exhibited strong resilience, recording strong growth in 2022, with parallel reduction of unemployment. This positive outturn was largely due to even better than expected developments in the tourist sector and the continued expansion of exports in other services.

Although Cyprus is not an importer of Russian oil and does not depend on natural gas, nevertheless the substantial price increases of oil and gas in international markets, and the euro depreciation, inevitably raised the cost of electricity production and the level of inflation more generally. After the peak in 2022, inflation is now moderate reaching 8.1% (2022). In this context, the Government adopted temporary and targeted measures in order to alleviate the cost of high inflation levels to businesses and consumers.

In terms of public finances, after the Covid negative impact on Cyprus' budget, the implementation of prudent fiscal policies, turned the fiscal position of the country positive in 2022, as a significant reduction of public debt was recorded.

In this context, this year's NRP reflects the Government's reform and investment priorities, aimed to strengthen the economy's resilience and to enhance its long-term sustainable growth potential, whilst contributing to the achievement of the Union's goals for the green and digital transition.

The NRP has been prepared on the basis of the Guidelines issued by the European Commission in November 2022. It takes into account the priorities set out in the 2021 Annual Sustainable Growth Survey, published in November 2022, as well as the Commission Staff Working Document on the Analysis of the Recovery and Resilience Plan of Cyprus, which identifies the Commission's assessment of the main economic and social challenges and macroeconomic imbalances of Cyprus.

The NRP aims to outline Cyprus' response to these challenges, as well as the national policy priorities, by presenting the progress of the measures being taken, as well as the planned actions. It incorporates information on the implementation of the Recovery and Resilience Plan (RRP) as well as on policy actions outside the RRP to implement the Country Specific Recommendations for 2019, 2020, 2021 and 2022. It also includes information on actions financed by the European Structural and Investment Funds (ESIF), other EU funding sources, as well as through the national budget.

The measures set out in the NRP describe the holistic approach of Cyprus' efforts to boost growth and investment, achieve a competitive and diversified economy and maintain macroeconomic stability, and address the challenges identified in the context of the European Semester.

In summary, the main reform priorities presented in the NRP relate to improving the business environment, enhancing R&I to support productivity growth, promoting the diversification of the economy, safeguarding the soundness of the banking system and financial stability, addressing challenges and inefficiencies in the public sector, addressing labour market, education and skills and social challenges, strengthening the resilience and capacity of the health system and facilitating the green and the digital transition. These priorities and the policies and measures associated with them fall within the government's efforts to establish a new growth model aiming at sustainable long-term growth. They are in line with the new Long-term Strategy for Competitiveness and Sustainable Growth prepared by the Economy and Competitiveness Council, through support by DG Reform with the endorsement of the Minister of Finance. The current NRP also provides an overview of progress in the achievement of the Sustainable Development Goals in Cyprus, with reference to the main contributing measures.

The 1st payment request for the disbursement of €85 m from the Recovery and Resilience Mechanism, following the fulfilment of the first 14 milestones, was submitted to the European Commission in July 2022. The disbursement of funds took place on the 2nd of December 2022. The Coordinating Authority is currently working on the amendment of the Cyprus RRP and the drafting of the RePowerEU chapter that will be included in the Plan. At the same time, efforts and actions are undertaken for the satisfactory fulfilment of the milestones and targets of the upcoming payment requests.

## 2. MACROECONOMIC CONTEXT

Following the global pandemic and the gradual recovery of the Cyprus economy that started in 2021, the war of aggression of Russia against Ukraine has created new challenges, including high energy prices and further disruption of supply chains.

Despite this considerable geopolitical instability and uncertainty, the Cyprus economy exhibited noteworthy resilience in 2022, achieving economic growth of 5.6%, surpassing expectations. This positive outturn is largely due to even better than expected developments in the tourism sector and the continued expansion of exports in other services. More specifically, in the tourism sector, revenues reached 91% of the pre pandemic levels and expected to cover the remaining part in 2023.

This year 2023, is expected to be more challenging than 2022, with the ongoing war in Ukraine, the continued high inflation levels and the rising interest rates. In this context, economic growth is expected to continue on a positive path, albeit at a decelerated pace, with annual growth in 2023 expected at a rate of 2.8% in real terms, with significant risks to the outlook.

The positive GDP growth in 2022 on the expenditure side was mainly driven by higher exports and also by consumption, both private and public. Private consumption increased by 3.5% in real terms, whilst government consumption recorded an increase of 7.7%. Gross fixed capital formation recorded an increase of 6.6%. Imports in real terms increased at a rate of 19.5% following the increase in private consumption, and exports, in real terms, increased significantly at a rate of 14.3% reflecting the significant increase in tourist arrivals.

In the labour market, there was significant decrease of the unemployment rate to around 6.8% in 2022, compared to 7.5% in 2021. The labour market is expected to improve further in the outer years, with the unemployment rate expected to decrease to around 6.5% in 2023.

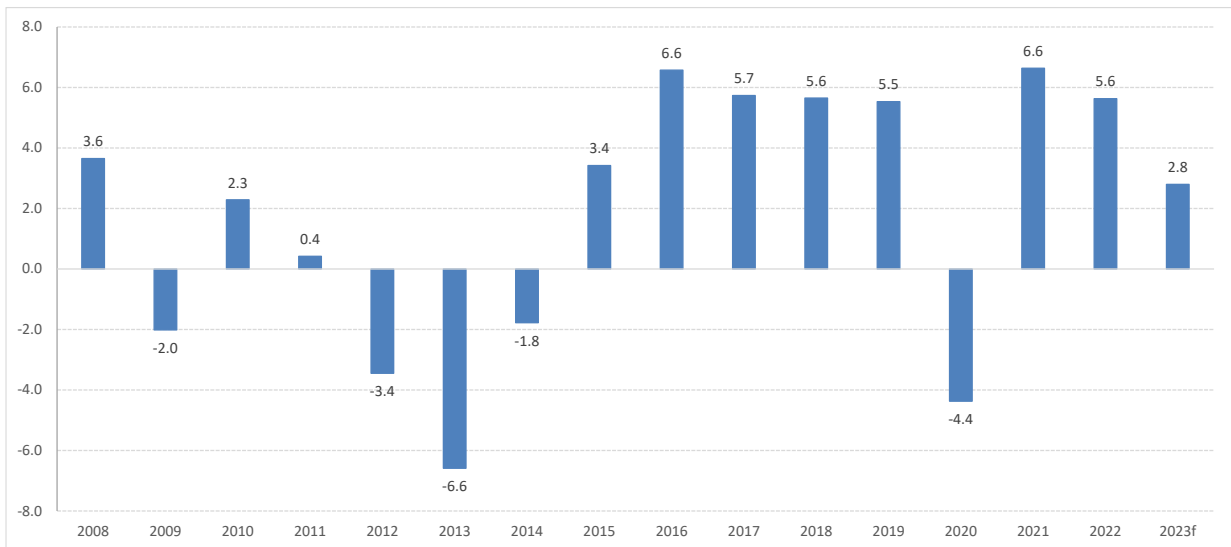
Regarding prices, inflation as measured by the HICP increased to 8.1% on average in 2022, mainly driven by energy and food prices. Inflation is expected to decline to around 3.2% in 2023, notwithstanding risks.

**Table:** Macroeconomic indicators

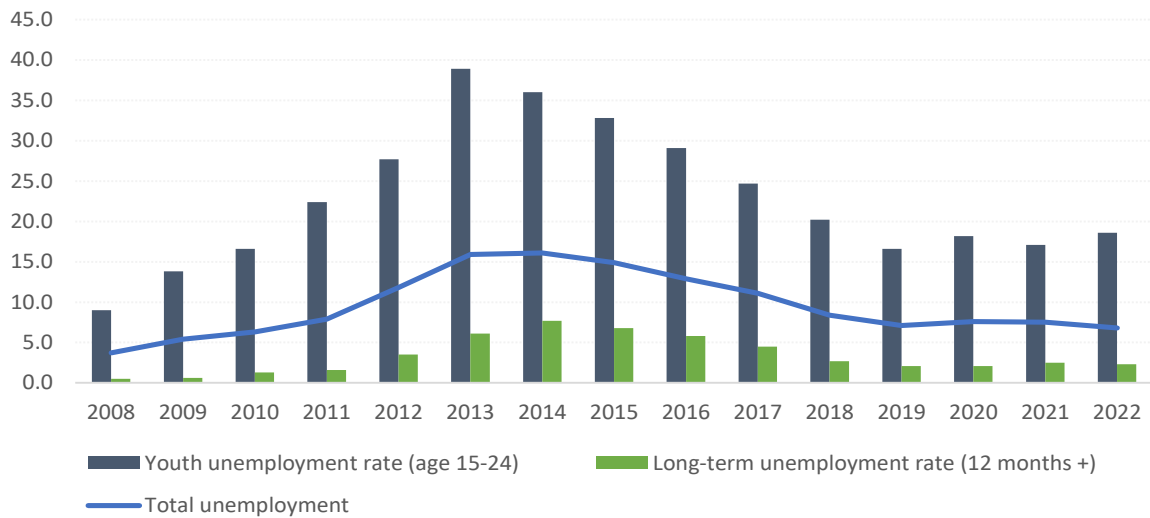
Indicator	2019	2020	20201	2022p	2023f
Real GDP (%)	5.5	-4.4	6.6	5.6	2.8
Inflation (HICP)	0.5	-1.1	2.3	8.1	3.2
Unemployment Rate (% of labour force)	7.1	7.6	7.5	6.8	6.5

*p: provisional, f: forecast*

**Graph: Real GDP growth, 2008-2022(%)**



**Graph: Labour market**





### 3. KEY POLICY RESPONSE TO MAJOR ECONOMIC, EMPLOYMENT AND SOCIAL DEVELOPMENTS AND CHALLENGES

#### 3.1. Improving the business environment

**Subsections:**

- 3.1.1 *Improving access to finance for small and medium-sized enterprises (SMEs).***
- 3.1.2 *Facilitating investments.***
- 3.1.3 *Fighting corruption.***

#### 3.1.1 Improving access to finance for small and medium-sized enterprises (SMEs).

The Ministry of Finance and the Ministry of Energy, Commerce and Industry implement 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 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.

#### **I. Main RRP Reforms and Investments:**

##### ***i. Equity Fund***

The Government of Cyprus has finalised a Funding Agreement with the EIF for the establishment and management of the state-funded Equity Fund which will support the government's efforts to enhance access to alternative sources of finance, both by supporting innovative SMEs and attracting private investments. The EIF, in accordance with its internal rules and procedures, will launch one or more Calls for Expression of Interest, addressed to fund managers. The proposed financial engineering instrument aims at supporting primarily SMEs in Seed (including pre-seed) and Start-up stages (as defined by Invest Europe); investments in eligible SMEs in Later stage venture and growth stage and Replacement capital (excluding strategies intended for asset stripping) may also be permitted. The selected Fund Manager is planning to set up the Fund by the end of April 2023.

##### ***ii. National Promotional Agency***

A technical assistance project was granted by DG Reform and started in Q4 2021 for the design and establishment of a National Promotional Agency (NPA) which will support businesses by providing financial instruments such as loans, guarantees and equity financing in a coordinated way, ensuring expertise and operational synergies. According to the timeline set in the RRP, by Q4 2023 a Roadmap for the creation and establishment of the NPA will be approved by the CoM, by Q1 2024 and following its approval by the HoR and by Q3 2025 it will start its operations.

##### ***iii. Upgrading the current Innovation Hub to a Regulatory Sandbox***

Cyprus Securities and Exchange Commission is working towards upgrading the current Innovation Hub to a Regulatory Sandbox, which will provide regtech and fintech companies with detailed guidance in a safe regulatory space. It is expected to promote fintech and alternative finance further. Call for tenders for the creation of a regulatory sandbox was announced on the 16th of December 2022. Tenders are currently under evaluation and the contract is expected to be signed in May 2023. The announcement for the launch of the regulatory sandbox is expected to be made by Q2 2024.

**iv. Scheme for modernisation and digitalisation of enterprises engaged in manufacturing and trading of agricultural products**

Following its approval by the Council of Ministers and notification to EC on State Aid issues, the Scheme was announced on 1<sup>st</sup> March 2022. The Scheme aims to support existing and newly established SMEs engaged in the manufacturing and/or trading of agricultural products. The main objectives are the creation of new and expansion of existing businesses, the improvement of manufacturing and trading procedures, the increase of the SMEs which use ICT, the development of new products with high added value, and the creation of new jobs, especially in rural areas.

**v. Scheme for the Enhancement of Large Enterprise's Competitiveness in the Manufacturing Sector**

The Scheme's main objective is to support existing and newly established large enterprises in the manufacturing sector. More specifically, the scheme aims to help the expansion of business in the manufacturing sector through investments that will enhance the technological level, the production process and productivity. The terms and conditions of the scheme are being finalized through consultation with all the Competent Authorities and key stakeholders and is planned to be launched by mid-2023.

**II. Main reforms and investments undertaken outside the RRP framework:**

**i. Cyprus Entrepreneurship Fund (CYPEF)**

CYPEF was founded to support and strengthen entrepreneurship in Cyprus by facilitating access to finance for SMEs. CYPEF's products were deployed in the market via selected financial intermediaries, with favorable terms, including reduced interest rates, reduced collateral requirements, extended loan maturities, along extended grace periods. CYPEF entered the 2<sup>nd</sup> phase of its implementation and the Cyprus Council of Ministers, within its policy to address the problems caused by the COVID-19 crisis, approved an additional contribution for CYPEF by up to EUR 400 million. At this point, European Investment Fund, as the fund manager of CYPEF, is carrying out a procedure for the selection of the appropriate financial intermediaries who are interested to participate in the 2<sup>nd</sup> phase of CYPEF.

**ii. 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 bring it in line with the best European and international practice for collective investment funds. The following legal changes have been promoted in order to introduce new features and specialization for the collective investment schemes in Cyprus: • A new law on Alternative Investment Funds (Law 128/2018) was enacted in July 2018, replacing previous legislation of 2014 and aiming at: the introduction of Registered Alternative Investment Fund (RAIF), whose supervision will be done through the AIF Managers Directive; the introduction of limited partnerships with legal personality as an alternative investment fund vehicle (proved to be a versatile and successful vehicle for funds in Europe); the introduction of arrangements for the establishment of Variable Capital Company under the Companies Law (expected to enhance the versatility of the limited company as a corporate vehicle for open ended funds). • A new Law aiming for the introduction of licensed and regulated mini-managers, for the fund managers below the AIF Managers Directive thresholds was enacted on the 3/7/2020. The Law aims also at providing specialization for below the threshold managers under an appropriate and proportionate regulatory regime.

**iii. Competitive Programmes**

Cypriot beneficiaries participating in EU Competitive Programmes secured for the year 2021 a total amount of €86 mln. The majority of these funds relate to the Horizon 2020 (€41.1 mln). Concerning Erasmus+ and European Solidarity Corps, for 2021 as per the Annual Financial Report, actual payments to Cyprus were €14.8mln. Moreover, the committed amount for decentralized actions of the Erasmus+ and European Solidarity Corps for the year 2021 were around €15mln.

**iv. 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.

**v. 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.

**vi. Scheme for the Enhancement of SMEs competitiveness in the Manufacturing Sector and other specific Economic Activities**

The aim of this grant is to improve the access to finance for SMEs and enhance 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 Scheme was announced in February 2021 and the call remained open until the budget has been exhausted. The budget of the scheme was €50mln. During the call 654 applications were submitted electronically for a total investment of €139 mln corresponding to a grant of € 72 mln. By the end of Dec 2022, 463 enterprises have been approved for a total grant of 49.8 mln and €3.8 mln (grant) has been paid to 15 enterprises.

**vii. Investments in wine enterprises**

The measure aims to encourage investments in regional wineries. The measure is included in the National Support Program for the Wine Sector and is 100% financed by the European Agricultural Guarantee Fund (EAGF). By the end of Dec 2022, 127 applications have been approved, for a grant amount of €15,3mln. Total amount of €13,8 mln was paid for the benefit of 44 wineries.

**viii. New Entrepreneurship Support Plan**

The Scheme aims to develop, support and promote entrepreneurship by focusing mainly on specific population groups such as young people and women. 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. (End submission calls: until the budget has been exhausted) The scheme was announced in May 2021 for a budget of €30 million. 820 applications were submitted corresponding to a total of €46.9 million and are in the process of evaluation. Until now 410 approvals have been given for a total of €23.3 million, while the evaluation process is coming to the end very soon.

**Cross-reference to CeSaR and Fenix Tables:**

**CeSaR Table:**

CSR 2020: 3, Subpart 1

**Fenix Table:**

Milestone CY-C[C3.3]-I[I6]-M[151]

Milestone CY-C[C3.1]-I[I7]-M[100]

Milestone CY-C[C3.3]-R[R4]-M[140]

Milestone CY-C[C3.3]-I[I2]-M[144]

**3.1.2 Facilitating investments**

In Cyprus the administrative burden on businesses, especially for obtaining necessary permits and licenses to invest, is high. Therefore, efforts are assumed in order to implement necessary structural reforms to improve the current procedures, aiming to create an integrated framework regarding the procedures related to Cyprus' investment activity. The overall objective is to develop a new system supporting strategic investments aiming at stimulating investment activity in the country through streamlined rules and mechanisms, with an expected positive impact on growth. The main measures are analysed below:

**I. Main RRP Reforms and Investments:**

***i. Operation of the Business Facilitation Unit (BFU)***

As of 1 January 2022, the current "Fast Track Business Activation Mechanism" upgraded into the "Business Facilitation Unit (BFU)". The Unit will be the single point of contact for foreign companies. The purpose of the new unit will be the fast and efficient processing of requests received from foreign companies for the establishment of a company in Cyprus or the expansion of activities of existing companies. The unit will provide services relating to the establishment of businesses, guidance regarding the necessary permits for the activation and establishment of businesses in Cyprus and the registration of companies in the Register of companies of foreign interests.

Next steps include the establishment of an online platform where investors can track their online application and interact with the competent authorities. The platform is expected to accept requests and applications by Q2 2023.

Additionally, 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 have been included under the RRP and are the following:

- (a) appointment of staff for all levels of the organisational structure of the Department of Insolvency, and delivery of trainings of 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 (CPD) for insolvency Practitioners.

Fully interactive platform is expected to be operational by Q4 2025.

**ii. Facilitation of strategic investments**

A revised version of the draft law, taking into account the outcome of discussions in the Parliamentary Committee of Internal Affairs, was submitted to the plenary of the House of Representatives in March 2023. The Bill envisages creating a new Sector at the Department of Town Planning and Housing that will facilitate the licensing of strategic investments. Further steps need to be undertaken for it to be operational upon its enactment. The project aims to prepare the operational guidelines, process flows, and other ISO 9001:2015 requirements for mainstreaming the process. It will draft MoUs with other Departments relevant to parts of the process in order to ensure the fast-track mechanism's feasibility. Moreover, it will include training of employees in the procedures to be introduced.

**iii. Enhancing the e-system for issuing building permits**

A digital platform is in the process of being completed, which will enable the process of applying, examining and issuing Planning and Building Permits digitally. It will have two components: an application management tool and a GIS system. The Platform is a component (module) of the information technology system of the Department of Town Planning and Housing ("Hippodamos"). The Platform will enable the interested parties to apply remotely. The Acceptance certificate of the upgraded platform is expected to be issued by the Contracting Authority by end of April 2023.

**vi. Strengthen administrative capacity and transparency through the professionalisation of public procurement and further digitalisation of its process**

This reform has two sub-measures, which are listed here-below:

**(a) New e-procurement system**

The new system will introduce a holistic approach to public procurement, adopt new and emerging technologies, and promote the participation of SMEs by removing administrative barriers, whilst enhancing transparency and availability of data to the citizen.

The tender procedure for the new e-procurement system is expected to be launched in Q1 2023 and the contract is scheduled to be signed in Q4 2023. The new system will be fully operational by the end of 2025.

**(b) Professionalization of Public Procurement**

The Treasury decided to initiate a reform for the introduction of a professionalization scheme for procurers, including academic and practical certification in the process of re-engineering the procurement structure in Cyprus. The end task is to create a pool of professional procurers able and competent to employ the right methodologies to horizontally undertake or support procurement activity for all contracting authorities, ensuring the horizontal coverage of the majority of Cypriot public procurement market. After inviting tenders in March 2022, the Contractor is in the process of proposing the route to professionalization that is suitable for Cyprus and deliver the training syllabus and material.

**v. Design and Development of a Legislation Preparation Platform (e-legislation platform)**

Cyprus Government is in the process of a major reform of the country's legislation process, which would make the law-making process entirely digital, including the drafting and the consolidation of legislation. The aim is to create an open data platform, accessible to citizens and businesses, which will enhance legal certainty and transparency and thus will enable possible investors have access to complete and credible information regarding Cyprus' legal and regulatory framework. The 1st phase of the project began in December 2021 (funded through the Technical Structural Instrument of DG REFORM) and will be completed in 16 months. The 2<sup>nd</sup> and 3<sup>rd</sup> phases will be financed through the RRP. The implementation of the project shall be completed by the end of 2025.

**Cross-reference to CeSaR and Fenix Tables:**

**CSR 2020: 3, Subpart 2**

**Fenix Table:**

Milestone CY-C[C3.3]-R[R2]-M[136]

Milestone CY-C[C3.3]-R[R1]-M[134]

Milestone CY-C[C3.3]-R[R1]-M[135]

Milestone CY-C[C3.4]-I[I4]-M[173]

**3.1.3 Fighting corruption**

The Republic of Cyprus took measures against corruption which are based on the Rule of Law, Transparency and Accountability. The implementation of these measures contributes towards addressing relevant CSRs and denotes the decisiveness of the government to combat this phenomenon. The foreseen planning purports to improve at the maximum the legal, political, financial and social environment through 27 specific actions that are divided in 3 pillars:

The most recent developments are enactment of three bills for the creation of a strong legal framework against corruption.

**i. Main RRP Reforms and Investments:**

**i. Law on the Establishment and Operation of the Independent Authority Against Corruption**

On March 4th 2022, the Law which provides for the Establishment and Operation of the Independent Authority against Corruption Law, Law 19(I)/2022, entered into force. In accordance with the provisions of the Law, on May 3, 2022, the names of the Members of the Authority were announced, while the assumption of duties of the Members took place on July 8, 2022.

The mission of the Authority is the undertaking of the necessary initiatives and actions for ensuring the coherence and effectiveness of the actions of the services of the public sector, the wider public sector and the private sector in matters of prevention and combating of acts of corruption, as well as for ensuring, in the best and most efficient manner, the implementation, progress, management and assessment of the National Strategy against Corruption from time to time. The Authority is the competent authority for the coordination of actions of the services of the public sector, of the wider public sector and of the private sector for the prevention and combating of acts of corruption at a national level and has a wide range of competencies and powers, provided in the relevant Law. The Authority will, furthermore, investigate, on its own motion, or upon submission of a complaint, any acts of corruption in the public sector, in the wider public sector and in the private sector.

**ii. The Law on Transparency in Decision-Making and Related Matters (Lobbying)**

The said Law which entered into force on 4.3.2022 aims to create a framework of transparency in the involvement of special interest groups in the public decision-making process, in order to prevent the creation of conditions of corruption. Individuals representing groups of special interest and who are involved in the decision-making processes pursuing financial and/or business interests are required by law to register in the Registry of Lobbyists kept by the Independent Authority Against Corruption. Moreover, the legislation establishes the conflict of interest, based on which public officials are obliged to report any conflict of interest that may appear at any stage of the process and to abstain from a decision-making process when they (or the persons connected to them) have a personal interest in the outcome of the decision.

The Regulations concerning the implementation of the Law on Transparency in Decision-Making and Related Matters, (the Law regulating Lobbying), have been drafted and have been discussed at the House of Representatives, at the Parliamentary Committee on Institutions, Merit and the Commissioner for Administration (Ombudsman). They were approved by the Plenary of the House of Representatives on the 6th April 2023 and are expected to be published in the official Gazette of the Republic of Cyprus, the latest by the end of April 2023.

**iii. Law on the Protection of Persons Reporting Violation of EU and National Law Relating to the Public Interest (whistle-blowers)**

The Law entered into force on the 04.02.2022. Its aim is to encourage the reporting of violations of EU and domestic law and especially acts of corruption, and also to provide for an enhanced system of protection. In particular, individuals who report information to the competent authorities enjoy extensive protective and supporting measures. Finally, the Law provides for mitigating circumstances for those who are involved in acts of corruption but voluntarily cooperate with the relevant authorities and give information resulting to the full investigation of the case and the prosecution of those holding hierarchical superior positions. The assessment for the 1st payment has been successfully made on December 2nd 2022.

**iv. Aid Scheme for the private and public sector for certification with ISO 37001 (Anti Bribery)**

The Ministry of Justice and Public Order aims to contribute to the fight against corruption by promoting the implementation of the above standard against bribery and corruption, through the subsidization of the relevant accreditation for organizations in the private and the public sector. With a total budget of €2mIn the subsidy will cover both the cost of consulting services and the cost of certification for at least 120 organizations being ISO 37001 accredited by Q4 2025.

The terms and conditions of the Aid Scheme are currently being finalized and it is expected to be announced in the 2nd half of 2023.

**v. Developing the final system solution of the UBOs register**

The project of developing the final system solution of the UBOs register has been included in the RRP of Cyprus (Setting up the Beneficial Ownership Registry in accordance with Directive (EU) 2015/849). The project is implemented by the Department of Information Technology Services (DITS) of the Deputy Ministry of Research, Innovation and Digital Policy (DMRID). The timeline of the above IT project is Q4 2023 (i.e. to conclude the final phase which involves interconnection with other national UBOs registers). A relevant contract was signed on 31st December 2021 for the development of the solution, between DITS and an economic operator. MECI in collaboration with DITS is working on finalizing the technical and functional requirements of the new system, capable of supporting all functionalities of the national UBOs Register as well as achieving interconnection with other Member States' Registers.

**Cross-reference to CeSaR and Fenix Tables:Fenix Table:**

Milestone CY-C[C3.4]-R[R10]-M[187]

### **3.2. Enhancing Research and Innovation to support productivity growth**

**Subsections:**

**3.2.1 Increasing R&I to support productivity growth** (e.g., through funding towards new smart specialization areas, innovative SMEs and start-ups etc.).

**3.2.2 Enhancing education systems to support productivity growth** (e.g., measures for academia-business cooperation, enhance STEM courses in secondary education etc.).

### 3.2.1 Increasing R&I to support productivity growth

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 tackling global challenges our society is facing such as climate change, energy, health etc. To this end and taking into consideration that R&I is lagging behind in Cyprus, efforts are made to increase public Research and Development (R&D) expenditure, while incentives are introduced to encourage private investments, in particular from abroad.

In the context of the formulation of the Comprehensive National R&I Strategy and following recommendations from the European Commission (DG RTD), the Deputy Ministry of Research, Innovation and Digital Policy (DMRID) in cooperation with the National Statistical Service is in the process of setting a new ambitious R&D target for 2030. For this exercise, various factors will be taken into account such as the capacity of the R&I community, the involvement of Cypriot businesses in R&D activities in terms of participation and investments, the impact of the Covid-19 crisis and of the war in Ukraine. It should be noted that R&D expenditure, as a percentage of GDP, has increased significantly over the past 3 years reaching 0.85% in 2020 (from 0.71% in 2019 and 0.62% in 2018), exceeding the national EU 2020 target (0.50% by 2020). For 2021, according to provisional data, R&D expenditure rose to 0.89%.

Another important development is the fact that, 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 new R&I national programmes under the 2021-27 programming period. Public R&I expenditure will primarily be financed by the RRF and the ESIF 2021-27.

#### **I. Main RRP Reforms and Investments:**

##### ***i. Comprehensive National R&I Strategy and its Action Plan***

The formulation of the **Comprehensive National R&I Strategy and its Action Plan** constitutes the flagship of all the Reforms promoted by Cyprus under the RRP. This is basically an umbrella initiative, the official political document to guide all related decisions and actions for the R&I sector in Cyprus. The National Strategy, under preparation by the DMRID, will address the needs, shortcomings and challenges of the R&I ecosystem taking into consideration National and European priorities and policies with emphasis on the green and digital transition. It will be complemented by a review of the Smart Specialisation Strategy of Cyprus (S3CY), to be commissioned to an external expert. The updated S3CY will be incorporated in the National Strategy under Pillar 4.

The National Strategy will consist of 4 Pillars:

- (1) Research Capacity and Excellence focusing on Human Resources, Research Infrastructures and Open Science.
- (2) Business Innovation and Entrepreneurship focusing on the Commercialisation of research results, the Participation of enterprises in R&I activities and Attracting investments and international innovative and high-tech companies.
- (3) Regional/International Cooperation – Extroversion of the R&I Ecosystem focusing on International and Euro-Mediterranean cooperation agreements and the Participation of Cyprus in European and international research infrastructures and programmes (with emphasis to Horizon Europe).
- (4) Thematic Priorities with high-added value to the economy and society focusing on the Review of the S3CY.

The National R&I Strategy and Action Plan are at the stage of final review by the Implementing Body and are expected to be approved by the Council of Ministers by the end of the first semester of 2023. The digital tool IGNITE has been launched.



**ii. R&I Schemes**

The first calls of several schemes of the National Framework Programme have already been announced by the RIF. The scope and objectives of the Programme are fully aligned with the vision and the priorities of the National R&I Strategy and with relevant European policies and initiatives like Horizon Europe, the European Green Deal and the Digital Strategy/transition.

The Programme, inter alia, aims to foster research excellence, to develop research and technology infrastructures, to increase the number of post-docs especially in the STEM fields, to attract human resources, to support the participation of Cypriot stakeholders to European programmes/initiatives, to enhance collaboration between business and academia, to support knowledge transfer/commercialization of research results and to facilitate the creation and further development of start-ups. Furthermore, targeted support schemes focus on sectors where Cyprus has a competitive advantage as well as, on addressing societal and emerging challenges, in particular the digital and green transitions and health.

The policy tools/schemes of the Programme fall under 5 pillars that cover the whole spectrum, from idea to commercialization: 1) Research, 2) Cooperation and Knowledge Transfer (includes Investment 1 of the RRP 'Set up and operate of central KTO'), 3) Innovation (includes Investments no. 2 'Innovation Programmes' and no. 3 'Thematic programme on Green Transition' of the RRP) 4) Strengthening structures and capabilities and 5) Internationalisation.

**iii. "Innovation funding programmes for start-ups, innovative companies and SMEs" under the RRP**

Following 3 calls (Pre-seed, Seed, Innovate) launched in July 2021, prior to RRP approval, 4 new calls were launched in December 2021 and in March 2022, all serving to the targets set in RRP under the above measure. More specifically, 3 calls were published in December 2021 (Pre-seed, Seed, Innovate) under a renewed "RESTART 2016-2020" Programme, incorporating additional requirements in compliance with RRF regulation and in line with the CID Annex, and 1 call was published in March 2022 (ICT-HEALTH) under a new "CO-DEVELOP" Programme (also aligned with RRP). An additional programme/call (innovation vouchers) serving to the above measure is also under development. It is expected that by Q3 2023 at least 70 projects will be completed.

**iv. "R&I funding program on green transition"**

With the aim to enhance the effective collaboration between enterprises and the research community, in order to jointly identify challenges in green transition areas, design and implement research and development projects to develop new cost-effective solutions to address these challenges the Research and Innovation Foundation (RIF) launched in March 2022 a new call under the "Green Transition" Thematic Priority of the "CO-DEVELOP" Programme. In line with the RRP, the scheme focuses in the sectors of Renewable Energy, Energy Efficiency and Sustainable Transport. Following the submission of proposals until May 2022, and relevant evaluation, an amount of €5.7ml (i.e. 95% of the total budget) has been committed through the signature (by the end of Feb 2023) of 10 agreements for projects to be implemented within the context of this measure.

**v. «Funding schemes to support organisations performing R&D activities on dual technologies, including the creation of new or upgrade of existing laboratories and the development of classified laboratories»**

A limited number of companies and research organisations in Cyprus deal with R&I activities on dual technologies as part of their core businesses. Similarly, very few research organisations and industries

deal with projects that require a certain level of classification in their laboratories or facilities. Thus, businesses are not oriented towards dual use classified projects. As an increasing number of goods transitions to everyday use, this sector offers great prospects for collaborations, new opportunities and important spill-over effects on the competitiveness of the whole sector. The funding schemes will enable the upgrade of the R&I capabilities and capacity of Research Centres of Excellence, academic institutions, research organisations as well as companies engaged in R&D on dual use technologies. In particular, they will enable these organisations to acquire security classification certificates in order to be able to participate in consortia for European funding as well as to enhance their R&I capabilities and competitiveness in the field of dual use technologies.

The evaluation process was completed. It is envisaged that 80% of the target will be fulfilled by Q2 2023.

## **II. Main reforms and investments undertaken outside the RRP framework:**

### **i. R&I Schemes**

Various R&I Schemes will be funded under the ESIF 2021-2027.

#### **I. Amendment of the Aliens and Immigration Law regarding scientific visa**

Cyprus amended the Aliens and Immigration Law legislation, in order to incorporate the provisions of the relevant Council Directive 2016/801, regarding the conditions of entry and residence of third country nationals for the purpose of research, 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. Currently the scheme is under review in order to simplify the process for applying and securing Scientific Visa. In this framework, DMRID is examining the possibility to introduce a digital service and an online application tool.

#### **II. Support to the 6 Centres of Excellence in Cyprus**

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 million euros) 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 million euros, for a period of 15 years. The DMRID, , has developed a Support and Monitoring Mechanism for the 6 Centers of Excellence for R&I (CoEs), established through the teaming action of the Strengthening Excellence and Widening Participation programme of Horizon 2020. The Mechanism comprises 2 Pillars with 7 categories of Actions. The mechanism will provide support services related to the operation and sustainability of the CoEs, focusing on the promotion of innovation, the commercialization 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.

### **III. Single Market**

The reforms and investments under this section are in compliance with Single Market rules and procedures. Furthermore, the programs and schemes announced by RIF are always in compliance with State-Aid Rules.

#### ***IV. Resilience and fairness dimension of the green and digital transitions***

The preparation of the new national programming period 2021-2027 for Research and Innovation, is based on priorities identified by the national Smart Specialization Strategy for Cyprus, namely Energy, Environment and ICT sectors. Furthermore, emphasis is given on the investments in Green and Digital Transition with focus among other, on clean and efficient production and use of renewable energy, waste and water management, development of Digital Skills and digital solutions to the population and the society.

##### ***Cross-reference to CeSaR and Fenix Tables:***

###### ***CeSaR Table:***

CSR 2020: 3, Subpart 8

###### ***Fenix Table:***

Milestone CY-C[C3.2]-R[R1]-M[120]

Milestone CY-C[C3.2]-I[I3]-M[130]

Milestone CY-C[C3.2]-I[I2]-M[127]

Milestone CY-C[C3.2]-I[I4]-M[132]

#### ***3.2.2 Enhancing education systems to support productivity growth***

Productivity growth is supported by initiatives promoted in various levels and types of education regarding the mismatch among the skills required by labour market and the ones provided in the education system (please see sub-section 3.6.5). Moreover, the enhancement of digital skills in schools and skills related to STEM education, will result to further support the productivity growth (sub-section 3.6.9). The upgrading and promotion of Vocational education and training (VET) will improve the relevance to labour market needs and thus, enhance the productivity growth (sub-section 3.6.10).

##### ***Cross-reference to CeSaR and Fenix Tables:***

###### ***CeSaR Table:***

CSR 2020: 2, Subpart 4

CSR 2019: 3, Subpart 2

### ***3.3. Diversification of the economy***

#### ***Subsections:***

***3.3.1 Enhancing the growth of other existing or/and new sectors/sub-sectors.***

***3.3.2 Strengthening the sustainability and diversifying of the tourism sector.***

***3.3.3 Transition towards a circular economy (with emphasis on waste management).***

#### ***3.3.1 Enhancing the growth of other existing or/and new sectors/sub-sectors***

Cyprus's key objective is to boost the resilience of the economy and strengthen its competitiveness through the diversification of economic activity and the transition to its new economic growth model. The Long-Term Strategy (LTES) identified the sectors that can drive future long-term growth in an environmentally and socially sustainable manner. For a small, open economy like Cyprus's these sectors were chosen with global trends in mind as well as domestic dynamics including skills, competencies and societal priorities.

**I. Main RRP Reforms and Investments:**

***i. Move agricultural practices from the 20th century to the 21st century by investing in a national centre for excellence in agri-tech***

The Reform aims to establish a nationally organised centralised operating model that provides a common mechanism for farmers and the agriculture sector, to access relevant information, services, funding options (grants, private investors, and other sources). Additionally, the reform has a strong emphasis on driving the agri-tech agenda and hence a strong digitalisation component, where farmers can access a centralised repository of resources and ultimately technologically-enable their operations for increased yield, productivity, and efficiency. The cooperation agreement will be signed by the Director of the Agricultural Research Institute, of the Ministry of Agriculture, Rural Development and Environment, and the Director of the Cyprus Institute of Neurology and Genetics in May 2023. The new Master's degree is expected to be announced in May 2023, through relevant media announcements and communication. Students' enrollment for the Master's degree is expected to be finalised by August 2023, while classes will begin in the fall of 2023.

***ii. On-line, cloud-based platform for improving the trade and information symmetry in the fresh produce supply chain***

The project, which will be coordinated by the Agricultural Research Institute, aims to utilise innovative cloud-based information technologies in order to develop an online trading platform that will record fresh produce entering the local market and moving along the supply chain. The investment has a strong emphasis on digitalisation and use of technology/emerging technology to make the primary sector more competitive. The project is expected to go-live with a new fully operational platform for recording transactions in the local fresh produce market by the end of June 2024. The legislation was published on the Official Gazette of the Republic on December 29<sup>th</sup> 2021 and entered into force on the same day.

***iii. Genetic improvement of the Cyprus sheep and goat population***

The reform will boost the economy of the agricultural sector and also promote the efficient use of feed produced on agricultural land by selecting more efficient livestock, with higher productivity per unit of feed consumed. In addition, more sustainable breeding practices will be implemented to support the entire small ruminant farming system. The reform has a strong digitalisation component, data collection and reporting via digital means that would significantly increase the digital skills of the sheep and goat community and related stakeholders. Implementing novel agri and biotechnology methods and know-how through genomic evaluation and selection of sheep and goats will be a breakthrough in transferring innovative research results to industry, with tangible benefits in the years to come. The Scheme was launched in March 2023. The submission of the proposal expected to be completed by end May 2023.

***iv. Upskill the existing farming community and professionalise future labour force by investing in human capital***

The investment has a strong emphasis on driving upskilling in the farming community through close coordination with the universities/academia and R&I communities as well as on designing and implementing tailored degrees, placements, and coordination between local universities/academia with the ultimate objective of increasing fit-for-future employment opportunities in the primary sector. The Scholarships were announced in November 2022. An Evaluation Committee has been set up by the implementing body, which is currently evaluating the applications submitted. The scholarships are expected to be awarded and signed by the end of May 2023.

**v. Initiating the setup of the first Eco-Industrial Science Park**

The Government's objective is to set the framework in place 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. The reform proposed has a strong emphasis on attracting new investment/FDI in the manufacturing of innovative products, hence a strong digitalisation, research & innovation, and strategic investment component. The eco-industrial zone will be designed specifically to create speed and efficiency for all investors to setup and conduct business, trade, and production in the zone. It is expected that the Action Plan will be delivered to the implementing body end of November 2023, and will be reviewed and submitted to the Council of Ministers for approval by January 2024.

**vi. Scheme for the enhancement of large enterprises competitiveness in the manufacturing sector**  
(Please see Sector 3.1.1)

**vii. Incentives to promote mergers & acquisitions**

The proposed reform consists of targeted incentives to promote the merging of enterprises in order to scale-up and become more competitive. An increase in the size of Cyprus enterprises will enable them, among others, to increase their productivity and achieve economies of scale. Given Cyprus' limited market size, the formation of large enterprises and medium-sized enterprises in the higher end of the definition, is expected to be particularly beneficial to export-oriented enterprises. The Action Plan is expected to be finalized and approved by the Council of Ministers by end of Q2 2023.

**viii. Support extroversion and openness of Cyprus firms to international trade through digital upgrading**

This grant scheme aims to provide funding for activities carried out by new and/or existing Cypriot firms. The proposed scheme will fund actions to strengthen the extroversion of new and existing, large, micro, small and medium-sized enterprises active in the fields of manufacturing/processing and marketing of agricultural and industrial products and service providers. Selectable funding expenditures might include consultancy and other eligible, under the state-aid regulations, expenses. The first call for submission of applications is expected to be issued at the end of 2023.

**II. Main reforms and investments undertaken outside the RRP framework:**

The Ministry of Energy, Commerce and Industry (MECI) prepared a New Industrial Strategy Policy of Cyprus up to 2030, that has been adopted by the Council of Ministers on May 6th 2019. The New Industrial Strategy Policy of Cyprus is a horizontal policy that addresses all sectors of the economy, including traditional industries and manufacturing. Strategically, it seeks to connect traditional industry with other sectors of economic activity, in order to create competitive value chains and transform the current growth model of Cyprus into a modern, combinational model of growth. This will be achieved through the gradual implementation of the program starting from 2019 ending in 2030.

The Industrial Strategy Policy recognizes the need to take action in the six strategic pillars:

1. Sustainable Development and Production.
2. Improvement of Industrial and Business Environment.
3. Digitalization of industry.
4. Development of New and Enhancement of Existing Skills for Human Resources.
5. Enhancement of Access to Finance.
6. Enhancement of Access to Markets.

In the framework of the implementation of the actions included in the Industrial Strategy Policy paper, the Government proceeded with the implementation of a series of actions including the organization of the Industrial Week, the agreement with the Cyprus Organization for Standardization for the free access of SMEs to standards, the operation of the grant scheme for digitization and also the promotion of the circular economy. Measures related to the areas covered by the industrial strategy is reflected in various parts of the NRP.

**Cross-reference to CeSaR and Fenix Tables:**

**Fenix Table:**

Milestone CY-C[C3.1]-R[R1]-M[85]

Milestone CY-C[C3.1]-R[R1]-M[86]

Milestone CY-C[C3.1]-R[R2]-M[87]

Target CY-C[C3.1]-R[R3]-T[89]

Target CY-C[C3.1]-I[I3]-T[95]

Milestone CY-C[C3.1]-I[I4]-M[96]

Milestone CY-C[C3.3]-R[R6]-M[143]

Target CY-C[C3.3]-I[I5]-T[149]

**3.3.2 Strengthening the sustainability and diversifying of the tourism sector**

The tourism sector exhibited an unexpected positive outturn with revenues reaching 91% of the pre pandemic levels and expected to cover the remaining part in 2023. This was due to the measures taken by the Deputy Ministry of Tourism in order to address the devastating consequences of the COVID-19 pandemic on the sector, and ensure the livelihood of local communities and population segments, which relied on tourism profits.

**I. Main RRP Reforms and Investments:**

**i. *Enhancing the added value of the tourism sector with emphasis on the countryside, mountainous and remote areas***

The following grant schemes are promoted under the above RRP measure:

- Financing for the renovation of accommodation establishments/hotels in countryside, mountainous and remote areas.
- Renovation of traditional restaurants and businesses selling traditional products, with their potential inclusion in the Label “Taste of Cyprus, launched in mid-April 2022, following approval by the Council of Ministers on the 13<sup>th</sup> April 2022.
- Repurposing of accommodation establishments/hotels to include medical and assisted living facilities in order to attract health, wellness and medical tourism.

**ii. *Enrichment of the tourism product in rural, mountainous and remote areas***

The revival of countryside, mountainous and remote areas are promoted through the creation of authentic experiences to enrich the tourism product and visual/aesthetic upgrade of infrastructures that have tourist aspects. This investment, planned to be launched by mid-2022, aims to provide targeted support to:

- local community boards for limited-scale restoration of public traditional buildings and mostly repurposing them in order to host micro and small businesses in the creative and manufacturing sectors, such as artists, handcrafts, traditional products.
- entrepreneurs active in the creative and manufacturing sectors to render their business adequate for live workshops open to visitors.

***iii. Promotion of circular economy in hotel establishments***

The objectives of the investment are to facilitate the transition of hotels' business model to circular. The investment consists of business diagnostics, training and tailored coaching for at least 50 hotels participating in the 1<sup>st</sup> phase of the scheme, as well as certification of at least 18 hotels as circular. The terms and conditions of the scheme have been finalized, after been examined by the Technical Committee for RRP schemes and the RRP Coordinating Authority. Following its approval by the Council of Ministers on the 20th April 2022, the scheme was launched on the 28th April 2022.

**II. Main reforms and investments undertaken outside the RRP framework:**

***i. Domestic tourism scheme***

The socio-economic consequences of the pandemic have had an uneven distribution across the country due to different specialisation patterns, in particular in areas markedly relying on tourism. To alleviate the negative impacts on the tourism industry, the Deputy Ministry of Tourism launched a domestic tourism scheme. In 2022, from January to July a total of 100.000 permanent residents made use of the scheme, generating a total of 240.000 overnight stays in the hotels and other tourism establishments.

***ii. Income replacement***

In July 2021, the Deputy Ministry of Tourist put in force the Law regulating the registration and operation of the self-service (sharing economy) Accommodation Establishments in an effort to regulate their operation in Cyprus. Additionally, the Law has provisions, which regulates the registration and offer of these establishments through international tourist accommodation platforms (as AirBnB platform). Albeit the fact that the registration period is ongoing, the legislation on Self-Service Accommodation Establishments in Cyprus is considered to come fully into force on 07/02/2023, after the completion of the grace period which was granted for the enforcement of the aforementioned Law. In other words, from that date onwards, whoever wishes to advertise/operate their property for short-term holiday lets legally, should first secure their license and registration number. This type of sharing economy supports alternative household income.

***i. Single Market***

All Schemes for the tourism sector are in line with the:

- Commission Regulation (EU) No 1407/2013 of 18 December 2013 on the application of Articles 107 and 108 of the Treaty on the Functioning of the European Union to de minimis aid, and
- Commission Regulation (EU) No 651/2014 of 17 June 2014 declaring certain categories of aid compatible with the internal market in application of Articles 107 and 108 of the Treaty on the Functioning of the European Union.

**Cross-reference to CeSaR and Fenix Tables:**

**Fenix Table:**

Milestone CY-C[C3.1]-I[I8]-T[103]

Milestone CY-C[C3.1]-I[I9]-T[105]

### 3.3.3 Transition towards a circular economy (with emphasis on waste management)

#### **Circular economy**

The National Circular Economy Action Plan was adopted by the Council of Ministers 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.

The Action Plan, with an implementation period up to 2027, includes 22 measures 10 of them to be funded by the RRF and the rest by national or EU Cohesion Policy funds. It 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.

#### **Waste Management Policy**

A new Municipal Waste Management Plan 2022 – 2028 was adopted by the Council of Ministers. The Plan aims to fulfill the obligations of Cyprus under Article 28 of the Waste Framework Directive (WFD) and identifies further measures and actions to be implemented for sustainable waste management and to transition Cyprus towards a waste circular economy. It includes an analysis of the current situation in waste management, an overview of the European obligations and the current situation of waste management in Cyprus, an analysis of existing waste management infrastructure, predictions of future waste quantities (mixed and separately collected waste) and the measures to be implemented over the next 6 years for the management of municipal waste. These include infrastructure measures for the appropriate management of waste, waste reduction and reuse measures, measures to improve extended producer responsibility systems, regulatory and economic measures, such as the establishment of deposit-refund systems and the introduction of a landfill tax and a tax on single use plastic products.

#### **I. Main RRP Reforms and Investments:**

##### **i. 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. The main objectives include:

- 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.
  - Assist in the achievement of biowaste reduction targets and contribute to the circular economy.
  - Reduce the amount of biowaste ending up in landfill.
  - Use of good quality compost in household gardens and agricultural fields.
- Implementation
- Study for the planning and design of the community composting systems in all 5 regions of Cyprus. Funded from other sources.
  - Preparation of the tendering documents prior the procurement of the equipment.
  - Procurement and installation of the composting units/systems.
  - Educational activities.

The study for the design and implementation of the project has been included in the LIFE IP Cy zero Waste project. The grant agreement was signed on 7/12/21 and is currently under implementation.



When the study is completed the Department of Environment will proceed with the tender process for the provision and installation of the necessary equipment. It is planned that the tender agreements will be concluded by the third quarter of 2023.

**ii. Construction and operation of Green kiosks for dry recyclables**

The main aim of this investment is the establishment of a Green Kiosk recycling system, that will help municipalities in remote areas to improve their waste management schemes. The objectives include the contribution to the overall reduction, reuse and recycling targets of Cyprus and the development of an innovative, efficient and flexible reuse system. The study for the design and implementation of this e project have also been included in the LIFE IP Cyzero Waste project.

**iii. 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 regions 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 study for the design and implementation of the project have been included in the LIFE IP Cyzero Waste project. The call for tender is expected to be procured in Q1 2024.

**iv. Improvement and extension of the Cyprus Green Points (GPS) Network and creation of a network of Collection Points and Recycling Corners**

Objectives/Actions:

- Solving operational problems of the existing Green Points (supplying the existing GPs with extra mobile/fixed equipment, including shredders, diggers, skips and containers and improving road access to existing/new GPs).
- Design/construction of new Green Points for which an Environmental Impact Assessment (EIA) study has been approved.
- Design/construction of new Green Points for which no EIA has been carried out yet.
- Design/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.
- Design/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 tender documents for the construction of the 4 Green Points in Avgorou, Troulloi, Eptagonia and Alambra have been completed and the Water Development Department will proceed with the tender call. The Water Development Department is looking for consultants to proceed with the studies for the design of the Recycling Corners. The completion of construction in Troullois is expected by Q1 2024, in Green Point of Avgorou and Alambra the completion of construction is expected by Q3 2024. Although an implementation study has been prepared for Green Point of Eptagonia, technical and design issues have arisen where making the project unsustainable. The completion of the additional 10 Green Points in Alambra, Aglatzia, Latsia, Dherynia, Sotera, Pelentri, Engomi, Lakatamia, Pano Platres, Kalo Horio Limassol and Souni Zanatzia are expected by end of 2024.

**v. Enhancement of circular economy in Industry**

The main objective of the measure promoted under the RRP is to enhance the circular economy in the country through the implementation of a number of actions included in the above-mentioned National Action Plan. The sub-measures to be implemented include (i) a grant scheme to enhance business investment in the circular economy, as well as actions such as (ii) raising awareness among the consumers and the business community regarding the benefits of circular products towards the environment and about the strengths and business opportunities that the circular economy offers and (iii) developing a sharing a marketplace platform for the circular economy to connect supply and demand

of materials, scrub and waste.

Whereas the grand scheme for the provision for financing the investment for the transitioning into a circular operational model will be available by the end of 2023. The Ministry of Energy, Commerce and Industry signed an agreement through the public procurement procedure regarding the design and implementation of a communication action plan for circular economy.

The implementation of the reform shall be completed by 30 June 2026.

***vi. 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. The objectives of the project are the following:

- Provide a mechanism which will upscale waste management towards prevention and separate collection.
- Provide a mechanism which will be flexible and efficient in supporting technically local authorities for the implementation of waste management obligations.
- Liaising central government with local authorities, facilitating implementation of waste management policy in both a top-down approach and vice versa.
- Create expertise in the field of waste management to support local authorities in an effective manner.
- Exploit and use funding opportunities and collaboration.

The study on the form and mode have been included in the LIFE IP Cyzero Waste project. The Grant agreement was signed on 7/12/21 and is currently under implementation. The Body will be established in 2025 and begin operations. The study for defining its structure and functions is under way.

***II. Main reforms and investments undertaken outside the RRP framework:***

***i. Establishment of a Separate Collection System for Municipal Waste Source and Implementation of a Pay-As-You-Throw Scheme by local authorities***

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 bill amending the waste Laws was adopted by the HoR on 21.10.2021 and was published in the Official Gazette of the Republic of Cyprus on 5.11.2021 giving local authorities full competence for the management of their municipal waste. Relevant regulations setting out the obligations of local authorities for the establishment of separate collection and PAYS systems were adopted by the HoR and published in the Official Gazette on 22.7.2022.

***ii. 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 separate collection of recyclable and organic waste from large waste producers, such as hotels, tourist complexes, restaurants, leisure centers, institutions, etc.

The study for the implementation of the program has been completed in July 2022. Following the study, the Department of Environment will proceed with the tenders for the supply of the necessary equipment. The tender documents have been prepared by the Department of Environment and will be

agreed with the local authorities which are responsible for the implementation of the program. At the moment, the tender documents for the waste compactors, balers and skips have been assessed and are in the process to be published.

**iii. 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 tender agreements have been signed for (a) the preparation of the necessary studies and (b) the implementation of an information campaign, of which the studies have been completed in September 2022 and the Contract of the information campaign are currently under implementation. At the moment, the tender documents of the necessary equipment are under preparation.

**iv. Program for the improvement of existing and the development of new infrastructure for the treatment of organic or other waste**

The aim of the programme will be to support improvements in existing infrastructure and promote the development of new infrastructure for the treatment of separately collected waste, with a priority on organic waste to ensure sufficient capacity for their appropriate treatment. The programme will be implemented in 2022 – 2027.

**v. 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 is funded under ESIF and 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 call of proposal of Phase C1 of the Larnaca Sewerage System was announced on June 2022, and the contractor assignment was signed on Jan 2023 and the project is estimated to be completed by the March of 2026.

**vi. Sewerage System of Pyrgos – Parekklesia**

The Project, which is funded under ESIF, 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.

**vii. Regulations on Waste:**

The Waste (Management of Municipal Waste by Local Authorities) Regulations (Act 292/2022): In July 2022 Regulations were adopted setting out obligations for local authorities for the management of municipal waste. The Regulations provide that by 31.12. 2023 local authorities must prepare local waste management plans and waste prevention programmes and that by 30.6.2024 they must establish separate collection systems for municipal waste, together with pay-as-you-throw schemes, as a financial incentive for separate collection.

**viii. Waste management policy - National Circular Economy Action Plan**

The National Circular Economy Action Plan, which is a prerequisite for its successful implementation 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 Growth and of businesses, as well as specialized experts where necessary, will participate in it.

**ix. Municipal waste Management Plan**

The MWMP 2022-2028 was adopted by the Council of Ministers on 28.7.2022. The focus of the revised Plan is on moving away from mixed waste disposal and towards sustainable waste management, including measures to further promote separate collection, reuse and recycling. With respect to infrastructure, it focuses on the need for the full utilization and improvement of existing waste management plants to ensure sufficient capacity for the proper treatment of mixed waste, taking into account the upcoming establishment of separate collection systems, and to develop infrastructure for the treatment of the separately collected waste.

**x. Resilience and fairness dimension of the green and digital transitions**

In order to ensure that the measure complies with the ‘Do no significant harm’ Technical Guidance (2021/C58/01), the eligibility criteria contained in terms of reference for upcoming calls for projects shall exclude the following list of activities<sup>6</sup> : (i) activities related to fossil fuels, including downstream use; (ii) activities under the EU Emission Trading System (ETS) achieving projected greenhouse gas emissions that are not lower than the relevant benchmarks; (iii) activities related to waste landfills, incinerators and mechanical biological treatment plants; and (iv) activities where the long-term disposal of waste may cause harm to the environment. The terms of reference shall additionally require that only activities that comply with relevant EU and national environmental legislation may be selected.

**Cross-reference to CeSaR and Fenix Tables:**

**CeSaR Table:**

CSR 2020: 3, Subpart 5

CSR 2019: 4, Subpart 2

**Fenix Table:**

Milestone CY-C[C3.1]-I[I12]-M[112]

Milestone CY-C[C3.1]-I[I11]-T[116]

### 3.4. Safeguarding the soundness of the banking system and financial stability

#### Subsections:

- 3.4.1 *Facilitating the reduction of non-performing loans including by setting up an effective governance structure of the State-owned asset management company.*
- 3.4.2 *Improving payment culture.*
- 3.4.3 *Improving the efficiency of the tax system by diversifying the tax structure<sup>1</sup> and tackle Aggressive Tax Planning.*
- 3.4.4 *Pursuing fiscal policies and ensure debt sustainability.*
- 3.4.5 *Addressing the inadequacies of the property transaction system (i.e. the issuance and transfer of title deeds).*

#### 3.4.1 Facilitating the reduction of non-performing loans including by setting up an effective governance structure of the State-owned asset management company

A significant improvement has been achieved in the management of Non-Performing Loans (NPLs). The level of NPLs in the banking sector fell to €2.3 bln at the end-2022 from €5.2 bln at the end 2020, mainly as a result of sales, write-offs and loan repayments. The NPL ratio declined to 9.5% at end -2022 from 18% at end-2020. NPLs are now a fraction of the peak of €29 bln in 2014.

#### **I. Main RRP Reforms and Investments:**

##### **i. Credit Servicers and Credit Acquiring Companies**

Given the considerable sales of loans to credit acquirers outside the banking sector and the increased use of assignment of the servicing of NPLs to specialized companies, a set of bills for the enhancement of the secondary market of NPLs was submitted to Parliament in March 2021:

- (a) The Sale of Credit Facilities and Related Matters (Amending) Law of 2022: Under this draft bill, the Law is amended to allow for the credit servicing companies to be licensed, assessed and supervised by the CBC
- (b) The Immovable Property (Transfer, Registration and Valuation) (Amending) Law of 2022: Under this draft bill the Law is amended so that credit acquirers and credit servicers can access the database of Department of Lands and Surveys (DLS) in order to assess the borrowers' creditworthiness for those loans under their management.
- (c) The Immovable Property (Transfer and Mortgage) Amending Law of 2022: 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 by the credit institutions and the DLS.

During the discussion, bill (c) was withdrawn following a suggestion by the Commissioner for Personal Data Protection as it was deemed to be in conflict with the provisions of the Regulation, (EU), 2016/679. The remaining bills are currently being discussed at the relevant parliamentary committee.

Furthermore, in order to improve the legal framework regulating credit acquiring companies the proposed bill named the Evidence (Amending) Law of 2022 aims to enhance the admissibility of statements of loan accounts presented by credit acquirers before Court, in the same manner as

statements by credit institutions are accepted before Court. Discussion at the parliamentary level is ongoing

All legislative amendments affecting credit servicers and credit acquirers will help improve the legal framework for managing NPLs outside the banking sector and thus strengthen the secondary loan market.

## **II. Main reforms and investments undertaken outside the RRP framework:**

### ***i. Recruitment of additional staff in the CBC Supervision Division***

The CBC Supervision Division was strengthened with new recruits on 1.9.2022. The competent departments of the Supervision Division carry out on sight inspection and offsite supervision of credit-acquiring companies.

### ***ii. Foreclosure framework***

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 EU<sup>2</sup>. 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. 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.

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<sup>2</sup>IMF Country Report No. 18/337 (2018 Article IV Consultation).

**iii. Sale of loans**

The Purchase and Sale of Credit Facilities and Related Matters Law of 2015 (N.169(1)/2015 as last amended in 2022) 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 of the order of €7 bln from the former Cyprus Cooperative Bank to KEDIPES, in September 2018. Moreover, a number of transactions exceeding €2 bln to mostly foreign-owned credit acquiring companies by both large and medium sized banks has been completed over the past years.

**iv. Facilitating access to data on debtors**

In order to combat high private indebtedness access to information on debtors is essential. A new legal framework and system of exchange of data and credit bureaus is currently investigated. The aim is to improve the assessment of credit risk for new lending through involvement of the credit registry, to enable the market to offer other services such as credit scoring in full conformity with data protection rules. In turn, this will lead to a better profiling of potential debtors and finally to better decision making in the loan-granting process.

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 overall aim of the reform is to provide better information for new lending regarding the debtor's financial profile. This should in turn contribute to low levels of non-performing loans

In parallel with the enhanced legal framework and the operation of the public credit registry, allowing the provision of credit scoring services, to both creditors and debtors, the creation of a liabilities/private debt monitoring register which will measure the amount of all debts, by the type of creditor, such as towards public sector, credit institutions, employees, will be promoted.

The liabilities monitoring register will allow competent authorities such as the Ministry of Finance, the Central Bank of Cyprus and the Department of Insolvency to design and implement targeted policies to prevent and manage the stock of private debt, taking into account existing financial data. Through the operation of this all-encompassing register a more thorough picture of the distribution of private debt would be obtained and its development would be monitored.

**v. Effective Governance of KEDIPES**

The effective governance of the Cyprus Asset Management Company Ltd (KEDIPES), aims at reducing the stock of NPLs under its ownership, even though these are recorded out of the banking sector's balance sheet. The Board of Directors and Risk, Audit, Nominations & Remuneration Committees is in place and fully functioning. Central Bank of Cyprus' (CBC) On-Site Inspection findings on governance matters is implemented and an Action plan for establishing conformity with the new guidelines from CBC on the governance of CACs is in place. Also, middle level management at Monitoring and Deleveraging and Risk Management functions with external hires is further strengthened and the Organisational structure is further enhancement with key change being the consolidation of certain functions under the Chief Operating Officer. Employee matters are pending approval by trade unions (the Board of Directors approved the Collective Agreement for 2019-22 (b) Launch of a Voluntary Redundancy Scheme to downsize staff numbers. (c) 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).

**vi. Addressing the most challenging portfolio of NPEs - ESTIA scheme**

The ESTIA scheme aims at 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.

**vii. Law for suspension of foreclosure proceedings**

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 affect 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 21 suspension period.

**Cross-reference to CeSaR and Fenix Tables:**

**CeSaR Table:**

CSR 2019: 2, Subpart 1

**3.4.2 Improving payment culture**

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 in improving payment discipline have been completed or are on-going.

**I. Main RRP Reforms and Investments:**

**i. Judicial reform**

The on-going judicial reforms cited in section 3.5 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.



## **ii. Insolvency framework**

Reinforcing and strengthening of the insolvency framework will also help towards the improvement of the payment discipline.

The national Action Plan for Insolvency, which aims to optimize the efficiency and effectiveness of the insolvency procedures with a set of reforms, is gradually being implemented since 2018. Implementation is ongoing for various components of the milestone.

## **iii. Support to digitalize the handling of Insolvency cases in Cyprus**

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 are 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 (4) countries that are widely deemed as European or international best practice in order to be mapped the 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.

## **iv. Increase Awareness about Insolvency Framework**

The Project “Increase Awareness about Insolvency Framework” which was concluded in September 2021 aimed to address the lack of sufficient awareness among the different target groups about schemes and developments in the area of insolvency.

Through the in-depth analysis that was done within the project, an Action Plan has been prepared for the **establishment of a Customer Service line (CSL)**. The CSL will address the need to strengthen the level of service provided to all stakeholder groups that contact the Insolvency within MECI Department and to ensure the effective implementation of all relevant laws. The sustainability of this reform, is being ensured through the provision made within the national budget of 2022, for extra positions on the organizational structure of the Department for the appointment of new staff for the CSL and the implementation of the Action Plan.

## **v. Strategy for Combating Financial Illiteracy**

Aiming at improving payment attitudes and stance, Cyprus aims to draft its first Strategy for Combating Financial Illiteracy. The proposal for a national Strategy includes (among other measures) awareness raising and information campaigns for the public, creation of internet tools (webpage etc.) to facilitate access to information supporting sound financial decision making, e.g. with regard to borrowing and pension planning. Taking into account survey findings that the financial literacy of students in Cyprus is rather low, the proposal includes the introduction of a financial literacy course in schools. Better informed, financially responsible citizens should be able to make better decisions as regards payment of debt and correct attitude towards contract obligations. The Strategy for Combating Financial Illiteracy was approved by the Council of Ministers on 28/6/2022. The CBC is in the process of implementing some short-term measures expected to be completed by the end of 2023.

vi. **Regulatory framework of Credit Acquiring Companies (CACs) and Credit Servicing Companies (CSCs)**

The bills for the regulatory framework of CACs and CSCs are expected to improve the working environment for these companies, thereby contributing towards a stronger payment collection from debtors.

II. **Main reforms and investments undertaken outside the RRP framework:**

i. **Public campaign for the promotion of alternative dispute resolution**

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.

ii. **Collateral foreclosure procedure**

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. Law 87(I) 2018.

**Cross-reference to CeSaR and Fenix Tables:**

**CeSaR Table:**

CSR 2019: 2, Subpart 2

**Fenix Table:**

Milestone CY-C[C3.5]-R[R6]-M[201]

Milestone CY-C[C3.5]-R[R7]-M[203]

**3.4.3 Improving the efficiency of the tax system by diversifying the tax structure and tackle Aggressive Tax Planning**

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.

I. **Main RRP Reforms and Investments:**

i. **Aggressive tax planning**

Enactment of legislation to tackle aggressive tax planning by (a) imposing a withholding tax on interest, dividends and royalty payments to jurisdictions, in Annex I of the EU list of non-cooperative jurisdictions on tax matters and (b) introduction of a further corporate tax residency test based on the incorporation of each entity. These two tax bills have been approved by the Council of Ministers on 25th of February, 2021 and on 8th of March, 2021 have been submitted by the Minister of Finance to the House of Representatives, for discussion and enactment. On the 21st of December, 2021 amendments of the Income Tax Law and Special Defence Contribution Law, were published in the official Cyprus Government Gazette. The Law amendments will enter into force on the 31<sup>st</sup> of December, 2022.

**ii. Additional tax provisions for ATP**

By Q4 of 2024 Cyprus shall enter into force additional tax provisions tackling aggressive tax planning via payments to low tax jurisdictions.

**iii. Effectiveness of tax measures related to ATP**

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.

**II. Main reforms and investments undertaken outside the RRP framework:**

**i. Exchange of information about individuals who have obtained residence rights**

The internal processes of developing the appropriate infrastructure to enable 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, are still ongoing.

**Cross-reference to CeSaR and Fenix Tables:**

CSR 2020: 4, Subpart 1

**Fenix Table:**

Milestone CY-C[C3.5]-R[R10]-M[209]

**3.4.4 Pursuing fiscal policies and ensuring debt sustainability**

According to the latest projections, and in line with the Budget 2023, the fiscal position is forecast to improve further from 2023 onwards, with the structural fiscal balance averaging at 1.6% during 2023-2025.

Furthermore, according to the latest projections, and in line with the Budget 2023, current expenditure in 2023 is expected to record a positive rate of growth, taking into account the impact from the latest inflation developments and mainly through increased expenses for wages and salaries, social payments and intermediate consumption. Over the medium-term, the growth of nationally financed primary current expenditure is expected to decrease significantly.

**II. Main reforms and investments undertaken outside the RRP framework:**

**i. Strategic Fiscal Policy Framework 2022 – 2024 (FSAP)**

The FSAP, includes the Government Strategy Statement which specifies the overall key strategic directions and economic policy priorities of the government that are taken into account for the preparation of the government budget for the next three years. The current FSAP was approved by the Council of Ministers on 19/5/21. The main priority of economic policy in the medium term is set to focus on implementing structural reforms and investments which aim at facilitating recovery and sustainable growth and implementing the green and digital transitions. These priorities are reflected in the Cyprus RRP where around 41% of the measures contribute to the green transition and around 23% to digital transformation. Furthermore, 45% of the investments/projects selected for funding under ESIF contribute to the green transition and 15% to digital transition.

**ii. Introduction of the requirement of a financial sustainability analysis for all medical equipment purchase requests above €100K**

The objective is to invest in areas that strengthen the health system and provide a real added value to each hospital. It also ensures prudent allocation of resources.

**iii. Facilitating the opening of bank accounts for seafarers**

Arrangements have been made by Cyprus financial institutions in order to facilitate the opening of bank accounts for seafarers affected in view of the gravity of the situation in Ukraine.

**Cross-reference to CeSaR and Fenix Tables:**

**CeSaR Table:**

CSR 2022: 1, Subpart 1 & 3

CSR 2021: 1, Subpart 2 & 3 & 4

CSR 2020: 1, Subpart 1

**3.4.5 Addressing the inadequacies of the property transaction system (i.e. the issuance and transfer of title deeds)**

Important reforms are promoted in this area, with the objective to address inefficiencies in the system of issuing and transferring title deeds, which results in property rights not being defined, complicates foreclosure procedures and hinders the liquidation of collateral.

**I. Main RRP Reforms and Investments:**

**i. Strategy for addressing inadequacies of the property transaction system**

The Department of Land Registry and Surveys in collaboration with the Ministry of Finance prepared a proposed bill entitled «The Sale of Property (Specific Performance) (Amending) Law of 2022» setting up a mechanism to safeguard the interests of real estate buyers by ensuring in advance that the transfer of real estate will be carried out immediately and as soon as the buyer fulfills his/her contractual obligations.

Through enhancement of transparency and introduction of new obligations, at the time of the sale of mortgaged property, for the seller and mortgage lender of the seller the bill empowers the new buyer, to attain legal ownership of the real estate, through property registration, even in the event that the mortgage lender does not transfer the property.

The proposed bill has emerged after the incorporation, to the extent possible, of the suggestions of the main stakeholders (Land Development and Large Development Associations, Association of Cyprus Banks and Central Bank of Cyprus), during the informal consultation.

Legal vetting by the Law Office of the Republic was completed in June 2022. The draft law was approved by the Council of Ministers end of September 2022 and submitted to the House of Representatives mid-October 2022. A revised draft law was submitted to the House of Representatives end of November 2022.

The measure includes three more milestones for which the implementing body is the Ministry of Interior and which concern:

**ii. Reduction of backlog of cases for issuance of title deeds**

The target included in the RRP is to examine the 80% of the 20,000 pending title deeds by the end of June 2023. The progress regarding the numbers of title deeds being issued is being monitored. At present, the number of title deeds issued has reached around 2,300. It is expected that a large number

of applications will be rejected due to serious irregularities.

***iii. Extension of the New Planning and Building Permit Policy for more complex developments***

The Ministry of Interior (MOI), since October 2020, has proceeded with the modernization and simplification of permitting procedures, through the electronic submission of applications and issuance of Planning and Building Permits within 10 working days. Up to today, more than 2500 new permits have already been issued using the new procedure, while from June 2022, the simplified permitting procedure will be applied to larger and more complex developments (for up to four residential units or twelve residential units in a row, or twenty residential units in an apartment building, or commercial or office or mixed commercial/office/residential development with a total usable area of up to 1000 sq.m., in conventionally sized plots, in various urban zones). MOI is working intensively for the preparation of the necessary legislative documents (Mandates, Ministerial Decree). The decree was issued on 9 September 2022 and entered into force on 15 September 2022.

***iv. Review of the Streets and Buildings Regulation in order to introduce the right incentives for the supervising engineer***

According to the Recovery and Resilience Plan for Cyprus, this measure includes 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). An amendment of Streets and Buildings Regulation Law is being prepared by MOI. The draft law is expected to be submitted to the Law Office of the Republic for legal vetting in May 2023.

***Cross-reference to CeSaR and Fenix Tables:***

***Fenix Table:***

Milestone CY-C[C3.5]-R[R3]-M[193]

Milestone CY-C[C3.5]-R[R3]-M[195]

Milestone CY-C[C3.5]-R[R3]-M[194]

Milestone CY-C[C3.5]-R[R3]-M[196]

### **3.5. Addressing the challenges and inefficiencies in the public sector**

***Subsections:***

***3.5.1 Improving the coordination between central and local government and tackling the fragmentation in municipalities***

***3.5.2 Adopting key legislative reforms to improve the efficiency in the public sector***

***3.5.3 Improving the efficiency (e.g. introduction of modern Civil Procedure Rules, time needed to resolve cases, limited information available to the public, upgrade the infrastructure of courts etc.) and enhancing the digitalization of the judicial system***

***3.5.4 Improving the digitalization of the public sector***

#### **3.5.1 Improving the coordination between central and local government and tackling the fragmentation in municipalities**

I. **Main RRP Reforms and Investments:**

i. **Modernising public and local authorities, making justice more efficient and fighting corruption.**

The intervention consists of the entry into force of three laws: Municipalities Law, Communities (Amending) Law and the Law on District Local Government Organisations). The House of Parliament voted for the three new laws on 3.3.2022. The entry into force will occur in 2024 (either June or July depending on the date of the consequent elections for local authorities) by a Council of Ministers' Decision. The Reform aims to improve the administrative independence and capacity and ensure financial autonomy for local administration. The reduction in the number of Municipalities becomes a necessity in order to ensure viability.

A series of thematic capacity building programmes for local administration, providing training to at least 500 participants (members and staff of local authorities) are promoted. The Ministry of Interior has signed an agreement with the Council of Europe for the implementation of the project. The project began in January 2023 and has a duration of 30 months.

**Cross-reference to CeSaR and Fenix Tables:**

**Fenix Table:**

Milestone CY-C[C3.4]

**3.5.2 Adopting key legislative reforms to improve the efficiency in the public sector**

Modernizing the public administration and improving its efficiency has been an important priority of the Government. As a result, legislative proposals for the reform of the public service were submitted to the House of Representatives (HoR) initially in 2016 and were enacted by the House of Representatives in January 2022 and are taking effect as of 2023.

II. **Main reforms and investments undertaken outside the RRP framework:**

i. **Governance framework of the SOEs**

In November 2022, Cyprus agreed with the International Monetary Fund ('IMF') to provide technical assistance on the matter. The 1st mission to Cyprus, is anticipated to take place by the end of March – early April 2023. A roadmap will be formulated during the mission, including the next steps.

ii. **Reform and Restructuring of the Department of Registrar of Companies & Intellectual Property (DRCIP): Consolidation/redesign/creation of the statutory forms and other legal amendments resulting from the BPR of the Companies Section**

The Action Plan for the Reform and Restructuring of the Department of Registrar of Companies and Intellectual Property (DRCIP) is being smoothly implemented. The 3rd bundle of forms (27 in total) will be implemented with the new system solution in 2025 (the project for the new system solution is included in the RRP nr.95 and its implementation began with signature of contract on 11/10/2022).

**Cross-reference to CeSaR and Fenix Tables:**

**CeSaR Table:**

CSR 2019: 1, Subpart 1

*3.5.3 Improving the efficiency (e.g. introduction of modern Civil Procedure Rules, time needed to resolve cases, limited information available to the public, upgrade the infrastructure of courts etc.) and enhancing the digitalization of the judicial system.*

The justice system 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 judicial performance, the Government of Cyprus has embarked on a very ambitious and holistic Courts' Reform plan. The overall aim is to build a modern, accessible and efficient system for administering justice. The reforms promoted are interlinked, forming parts of a coherent plan. Emphasis is given on measures to accelerate the delivery of justice and address the serious problem of backlog of cases. Important reforms include bringing the courts at par with technological development through the e-justice and digital audio recording projects, the implementation of which is currently underway. The introduction of the new Rules of Civil Procedure adopted by the Supreme Court in May 2021, for cases submitted as from September 2023, is also expected to have a significant impact on the efficiency of the courts. Through the establishment of an efficient court service, on the basis of the results of a study currently underway, the management structure of the courts and administrative processes of registries will be modernised and strengthened. Training of judges on a continuous basis, with emphasis on the implementation of the new Rules and the new e-justice system, is a prerequisite for the successful implementation of these reforms and for sustaining the quality of the justice system.

**I. Main RRP Reforms and Investments:**

**i. Civil Procedure Rules**

One of the most significant reforms promoted relates to the revision of the Civil Procedure Rules (CPR), which have been approved by the Supreme Court on 19 May, 2021. The Cyprus Judicial Training School has already provided the first set of training to judges, registrars, legal officers and other court staff on the new CPRs in 2021 whilst the CPR training Programme for 2022 is ongoing and is scheduled to take place in the second semester of 2022. The training curriculum has already been developed for 2023 as well. It is noted that a commitment has been undertaken by the Supreme Court within the framework of the Recovery and Resilience Plan (RRP), for the implementation of the new Rules of Civil Procedure for the new cases submitted to the court as from 1.9.2023.

**ii. Backlog project**

The clearance of the backlog of delayed cases which have accumulated in the courts, is a very critical and pressing task in the reform process. In order to facilitate this project, 32 new posts to increase the general capacity of the judicial system were approved by the House of Representatives as part of the State Budget for 2019. Following two recruitment procedures, 15 new judges were appointed in July 2020 and 6 new judges in July 2021. Currently, two procedures are underway for the appointment of 15 additional District Judges in total.

In September 2020, a pilot project was initiated in the District Court of Paphos through the temporary assignment of a "task force" of seven experienced judges to handle the backlog of cases. The project was expanded in September 2021 to cover all other districts.

Within the framework of the Recovery and Resilience Plan, a commitment has been undertaken for the reduction of 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, as verified by an annual progress report.

To this end, the Director of Reform prepared a detailed report on the Backlog of cases in the District Courts and the Supreme Court which was delivered in June 2021. On the basis of this report, an Action Plan with timelines was prepared with the assistance of the Council of Europe. Furthermore, a project manager – an ex-president of the Supreme Court - has been appointed for the Backlog project. By the end of May 2022, the digitalisation of the backlog of delayed cases is expected to be completed which will allow for the further elaboration of the annual reduction programme.

***iii. Ejustice***

The introduction of an electronic court administration system to digitalize the operations of courts is a prerequisite for increasing the efficiency of courts. The implementation of the e-justice system is now underway following a tender procedure to purchase a license for a web-based court administration system (eJustice system), including training of personnel, and the option to acquire the system by the government. It is noted that an interim solution, an “i-justice” system is used on a national basis as of 21 July 2021, which provides for digital filing, payment of fees and administration of Courts’ cases, while facilitating a two-way communication between internal (courts and court registrars, Law Office of the Republic, the police and other government authorities) and external users (lawyers, law firms and citizens). The contract for i-justice has been signed on 22/10/2020 and the system has been fully operational since 01/02/2022. As regards the e-justice system, the system’s design and development phase has been completed and currently, the Pilot Testing Operation of the system is taking place. Due to issues raised during the user acceptance testing period, adequate time to analyse and resolve all fundamental problems needs to be provided. Therefore, a delay in the implementation of this milestone is foreseen, of a total duration of one year.

***iv. Digital Audio Recording***

The introduction of Digital Audio Recording in courts will further enhance the efficiency and quality of operations. The project is included in the RRP and according to the commitment undertaken, the installation and full operation of digital audio recording in court proceedings is expected by Q1 2025. Currently, a study is underway for the preparation of all the necessary information/documentation/specifications to be included in the project’s tender documents for the purchase of the appropriate system. The study is expected to be delivered by August, 2022.

***v. Enhancement of the capacity of the Law Office***

This reform aims at providing an integrated electronic case and records/document management system. The aim of the system is the automation and modernization of all procedures as well as the management in fully electronic form of all records/documents of the Law Office, contributing to increasing the efficiency and productivity of the Law Office personnel. The relevant contract for e-LAW was signed on 01.09.2022 and the Project Initiation Document was submitted by the contractor on 17.10.2022. Development of the platform is expected to be finalized in September 2023, where the expert-users will receive training. By the end of December 2023, testing and acceptance of the system, as well as trainings of all users will be finalised. The digitization process of the files is expected to be completed in December 2023.

***vi. Training of judges***

The newly established Judicial Training School will in the coming years fill in the gap in judicial training, highlighted also by the EU justice Scoreboard. In 2021, training was provided to judges, lawyers, registrars and courts staff on the new Rules of Civil Procedure that are to be introduced. In the coming year the School will be providing further training to all Judges which will include Case and Time Management, with particular reference to backlog cases, and some core CPR provisions. A training seminar is also being organised for all Judges on Judgement Drafting. In addition, the School is providing



training on Judicial Ethics and other judicial skills (Judgecraft) for all newly appointed Judges. Specialized training on (i) new legislation and on (ii) children as vulnerable witnesses is offered to District Court Judges whilst training is being organized for the Judges of the two Administrative Courts. In co-operation with the Academy of European Law (ERA), the School will be organising a training seminar for Cypriot Judges on EU Competition Law and State Aid.

According to the commitment undertaken within the framework of the RRP, at least 110 judges have to complete by Q4 2025 annual trainings on New Civil Procedure Rules and/or other judicial trainings on various legal topics and judicial skills, according to the training needs of the judiciary and guidelines from the EC.

**vii. Court Buildings**

The construction works for the extension of the Famagusta District Court building in order to create a fully-fledged court in the district, trying in addition to criminal cases also civil cases have been completed.

**II. Main reforms and investments undertaken outside the RRP framework:**

**i. New Court Service**

A project is funded by DG Reform, for the establishment of a new Court Service, responsible for all aspects of management, administration and support of the courts. The new project covers, inter alia, aspects relating to the organizational and governance structure of the new Courts Service, the re-engineering of procedures and staffing requirements. The study was delivered in January 2023. The recommendations of the study will be examined by the relevant government Ministries and the Supreme Court and a decision will be taken as to the best organizational structure to be adopted.

**ii. Digitalisation of Insolvency Cases**

In order to implement Directive (EU)2019/1023, a DG Reform Project is currently underway. Its aim is to consider the digitalisation of all processes at the Insolvency Department and the Courts, in order to achieve a more efficient and speedy handling of insolvency cases, as well as specialisation of judges.

**iii. Commercial and Admiralty Courts**

New laws have been enacted for the establishment of a Commercial and Admiralty Court, to provide an appropriate forum for the determination of high-profile high-value commercial cases and admiralty cases respectively. 5 judges will be appointed as Commercial Court judges and 2 judges will be appointed as Admiralty Court judges.

The laws were published in the official gazette of the Republic on 2 June 2022:

- (i) Law on the establishment and operation of a Commercial Court and an Admiralty Court of 2022 (Law 69(I) 2022)
- (ii) The Courts (amendment) Law of 2022 (Law 70(I)/2022)

**iv. Reoperation of the Supreme Constitutional Court and the Supreme Court as per the Constitution and establishment of a new Court of Appeal**

New laws have been enacted (i) establishing of a Court of Appeal dealing with civil, criminal and administrative cases at second instance (16 Judges) and (ii) providing for the operation of the two supreme courts, namely the Supreme Constitutional Court (composed of 9 judges) and the Supreme Court (composed of 7 judges), granting of additional third-degree jurisdiction to these two courts. These courts will begin operations within the next year (1/7/2023). The implementation of these reforms,

especially in relation to the establishment of the Court of Appeal, will greatly facilitate the implementation of the backlog project and improve the length of proceedings as regards the appeal cases.

The laws were published in the official gazette of the Republic on 5 August 2022:

- (i) The Seventeenth Amendment of the Constitution law of 2022 (Law 103(I)/2022)
- (ii) The Administration of Justice (Miscellaneous Provisions) (Amendment) Law of 2022 (Law 145(I)2022)
- (iii) The Courts (Amendment) (No2) Law of 2022 (Law 146(I)/2022)

**v. Administrative Court for International Protection**

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. The Supreme Court is operating with 10 judges.

**vi. Resilience and fairness dimension of the green and digital transitions**

By increasing the effectiveness, efficiency of the judicial system and administration is contributing to the modernization of the public administration, and to its green and digital transition. The above referenced projects will enhance trust, transparency, streamline procedures, contribute to strengthening the business environment, and overall economic resilience. The digitalization of the courts is an important parameter of the reform agenda, allowing the judicial system to be fully operational and independent of external factors like the pandemic, which is also expected to contribute towards economic resilience.

**Cross-reference to CeSaR and Fenix Tables:**

**CeSaR Table:**

CSR 2020: 4, Subpart 2

CSR 2019: 5, Subpart 1

**Fenix Table:**

Milestone CY-C[C3.4]-R[R9]-M[183]

Milestone CY-C[C3.4]-R[R5]-M[163]

**3.5.4 Improving the digitalization of the public sector**

The relevant measures are presented in sub-section 3.9.2

**3.6. Addressing labour market, education and skills, and social challenges**

**Subsections:**

- 3.6.1 Taking measures to tackle labour market challenges (youth unemployment) and social challenges (minimum wage, parental leave).**
- 3.6.2 Increasing the quality and affordability of early childhood education and care.**
- 3.6.3 Supporting the labour market activation of persons with care responsibilities and mobility issues.**
- 3.6.4 Addressing the issue of gender employment gap.**
- 3.6.5 Improving labour market-relevance of education and training.**
- 3.6.6 Strengthening Social Services.**
- 3.6.7 Integrating asylum seekers into education.**
- 3.6.8 Increasing the effectiveness of the education system.**

**3.6.9 Improving digital education<sup>3</sup>.**

**3.6.10 Increasing employers' engagement and learners' participation in vocational education and training (VET).**

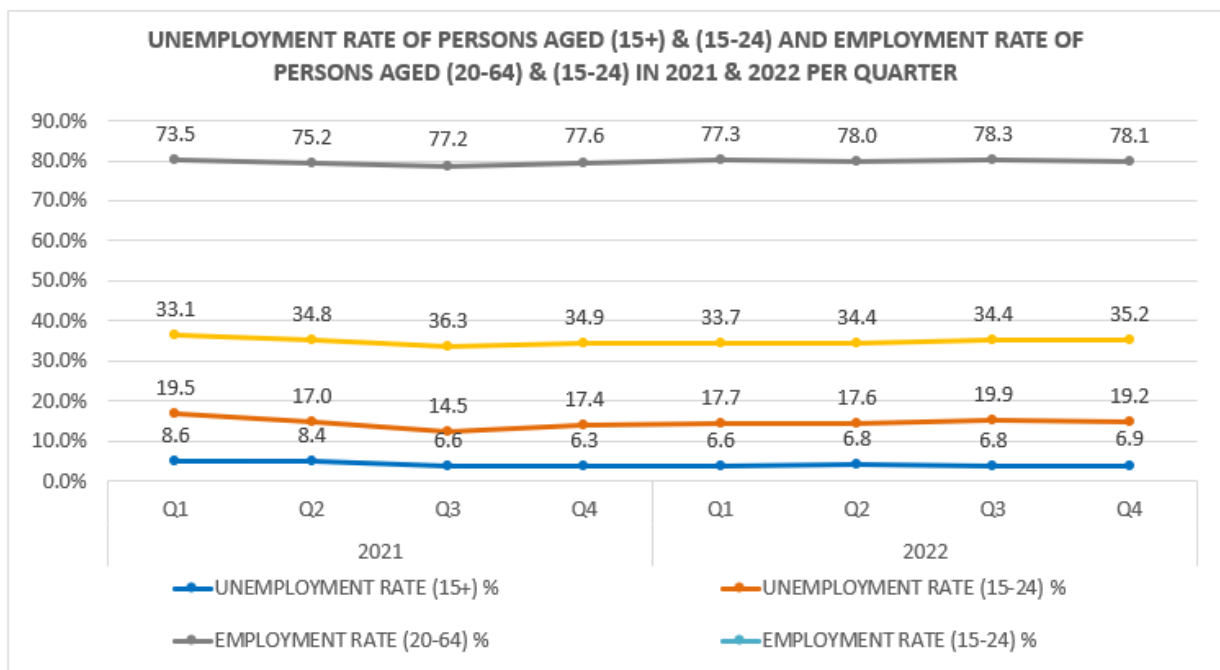
**3.6.11 Promoting training and strengthening skills (green, digital, blue) to low-skilled and unemployed people.**

**3.6.1 Taking measures to tackle labour market challenges (youth unemployment) and social challenges (minimum wage, parental leave).**

**Labour market situation (LFS)**

The unemployment rate in 2022 indicated a decrease to 6,8% from 7,5% in 2021. The male unemployment rate decreased to 5,9% from 7,0%, whereas female unemployment rate decreased to 7,7% from 7,9%. The Youth unemployment rate (15-24 years) increased to 18,6% from 17,1% in 2021, reflecting an increase of male youth unemployment rate to 18,7% from 17,8% and an increase of female youth unemployment rate to 18,5% from 16,3%. In the fourth quarter of 2022 the unemployment rate increased to 6,9% (males 6,0%, females 7,9%) from 6,3% in the corresponding quarter of 2021 (males 5,8%, females 6,7%) whilst the youth unemployment rate increased to 19,2% from 17,4% in the corresponding quarter of 2021.

In 2022, the employment rate for the persons aged 20-64 years increased to 77,9% from 75,9% in 2021. In particular, in the fourth quarter of 2022 the employment rate increased to 78,1% from 77,6% in the corresponding quarter of 2021. In 2022 the gender employment gap decreased slightly by 0.1 p.p. from its level in 2021 (men's employment rate was 84,2% and women's 72,1% from 82,2% and 70,0% respectively), reaching the level from 12.1 p.ps. The Youth employment rate for the age group of 15-24, in 2022 decreased to 34,4% from 34,8% in 2021, with women employment rate showing an increase to 33,5% from 33,1% and men employment rate showing a decrease to 35,5% from 36,5%. The NEETs rate in 2022 was 14,7%. The table below indicates the trend of unemployment rates and employment rates by quarter in 2021-2022.



The measures that follow aim at supporting young people and contribute to the 2019 CSR3.

**I. Main RRP Reforms and Investments:**

***i. Improving the effectiveness of the Department of Labour and Public Employment Services (PES) and reinforcing support for young people:***

The project consists of the following actions:

- ✓ **The development and operation of four mobile PES units for outreaching the NEETs and providing them with guidance, counselling and employment services.** These mobile units will promote outreach activities for NEETs in all districts of Cyprus with the purpose of minimizing the risks of social exclusion and increasing the opportunities for their integration in the labour market. In particular, for the purchase of the four automobiles a call for tenders was published in March and the tenders are currently under evaluation. In April a call for tenders was announced for the purchase of services of the operational team of twelve Employment Counsellors and one Coordinator which will staff the four mobile PES units for outreaching the NEETs.
- ✓ **The development of a digital performance management system (PMS) and a digital early warning system for NEETs.** Through the PMS efforts will be promoted for identifying room for improvement initiating continuous learning for the personnel. The digital early warning system will be an IT module connected to the Candidate Placement System of the PES that will promote preventative actions for minimizing the risks for the increase of the long-term unemployment of NEETs. An expert is currently assisting PES in the design of both systems through outsourcing. It is expected that the design of the two systems and the preparation of the tender documents will be finalized by the end of Q2 2022 and by Q4 2024 the systems will be in operation.
- ✗ **Scheme that provides incentives to employ Young People (aged 15-29) Not in Employment nor Education or Training (NEETs) with 2 months training.** This investment provides incentives to private sector employers to employ unemployed young people between 15-29 years old and the subsidy is payable to the employers. The budget of the investment is €7.8 m. and is expected to place in employment and train 815 unemployed from the target group. It is expected to be announced in the 1st quarter of 2023.
- ✓ **Coaching and career guidance for the labour market orientation and integration of NEETs.** Coaching career guidance will be provided through cooperation of PES with academic institutions and training centres. It is expected that coaching will be offered to at least 5.500 young people Not in Education, Employment or Training (NEETs) by Q2 2026.

The contract for the purchase and modification of the four mobile units was signed on October 24, 2022. The mobile units are currently being modified and have not yet been delivered to the Department of Labour. The contract for the purchase of services of Employment Counselors who will operate the four mobile units was signed on October 25, 2022. The first group of Counselors was not approved by the Department of Labour because the necessary requirements set in the contract were not being met. A second group of Counselors is currently being examined.

***ii. Addressing skills mismatch between education and labour market***

In conjunction with the expected results of the study on graduate tracking and specifically on the skills acquired at university and skills needed by the labor market, the Career Counseling and Educational Services (CCES) of MoECSY foresees to receive valuable information in relation to the current obstacles/limitations and future demands/necessities of the labor market. Thus, the CCES will gather powerful resources and information in order to support, empower, engage and reengage all the counsees including and not limited to the NEETS and the students at risk of dropping out. All of the above actions are estimated to be completed by Q4 2024.

## **II. Main reforms and investments undertaken outside the RRP framework:**

### **i. Introduction of National Minimum Wage**

According to the Minimum Wage Decree of 2022 which came into force on January 1, 2023, the national minimum wage is set at the amount of €940. The decree specifies that for the first six months of the employment, the salary will be fixed at €885 and further on, the salary shall rise to €940.

Moreover, a nine-member Committee consisting of 3 trade union representatives, 3 representatives of the employers' organizations and 3 academics or experts on labour issues is established for the adjustment of the National Minimum Wage. The first adjustment of the National Minimum Wage will take place on 01/01/2024 and from then on, every two years.

### **ii. Parental leave benefit and paternity benefit**

Within the framework of transposition of Directive 2019/1158 the Social Insurance legislation was amended in order to provide 8 weeks of parental leave benefit for each parent for each child until the child reaches the age of 8. In addition, the legislation was amended so that in the case where the mother dies at birth during maternity leave the paternity benefit is extended for as many weeks as the remaining weeks of maternity benefit to which the mother would have been entitled had she not died.

### **iii. Enhancement of PES capacity**

#### **Temporary recruitment of 30 employment counsellors extended until the end of 2029**

The capacity of the Cyprus PES is being strengthened with a temporary recruitment of 30 Employment Counsellors which will be extended until the end of 2029. The new qualified staff has a considerable positive and qualitative impact on the PES performance. In particular, the capacity of the PES has been enhanced 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. 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. New announcement to be made in 2023.

### **iv. More focused provision of guidance to employees and employers by the Employment Counsellors**

Employment counsellors focused in depth on quality issues such as provision of guidance and information about available training and employment opportunities, development of a productive dialogue with employers aiming to facilitate the recruitment of unemployed facilitating thus the recovery of the economy especially in those sectors affected most (e.g touristic, and the entertainment, recreation etc) increasing thereby the ability to recognize or capture needs.

### **v. Scheme that provides incentives to employ Young People (aged 15-29) Not in Employment nor Education or Training (NEETs)**

Three calls were announced for the scheme, which is similar to the one included in the RRP (described above) in 10/2020, 5/2021 and 9/2021 and 2082 applications were received. The third call ended on 21/1/2022. The scheme is at the implementation stage. It is expected to be co-financed by the European social fund plus (ESF+) & Youth Employment Initiative (YEI).

### **vi. 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 labor market. In addition, 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. The indicative target for the whole period is for 2.800 NEETs to benefit from the Scheme with a total budget of €5,0m. The Scheme has been included in the Cyprus Operational Program «THALIA 2021-2027» for ESF+ co-funding.

**vii. Lifelong Learning Strategy (LLL) 2021-2027**

The Cyprus LLLS 2021-2027 has been developed and approved by the Council of Ministers on September 30, 2022. The Strategy has the following strategic horizontal: (a) Digital transformation, (b) Green transition and sustainability, (c) Inclusion and equality, (d) Validation of non-formal and informal learning, (e) Health and wellbeing and (f) Lifelong learning culture. The Strategy will be monitored by the members of the National and Technical Lifelong Learning Committee and the social partners, with the help of an Action Plan that will facilitate the work of the two Committees in achieving the goals of the Strategy, based on the Key Indicators Performance.

**viii. Subsidy schemes of employment with flexible work arrangements for youth and women**

These schemes that will be financed by ESF+, are (a) the 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 (b) the 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. New legislation and the employment 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 dependents; will 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.

**ix. Subsidy scheme for the employment of unemployed people**

The Scheme aims to tackle unemployment by providing incentives to employers to hire the unemployed by subsidizing part of the salary cost of the person to be hired. The Scheme is included in the measures of active employment policy promoted by the Government for the integration of the unemployed in the labor market through their placement in subsidized jobs, including the provision of vocational training. 3 calls have been announced between Oct 2020 – Jan 2022 with a total budget of €25.000.000. Number of participating unemployed up to 31/1/2022: 4.018

**x. Subsidy scheme for the employment of unemployed people aged 15-29 (NEETs)**

The scheme aims to alleviate youth employment (aged 15-29) years neither in Employment nor in Education or Training (NEETs) and the sustainable integration of young people in the labor market, by placing them in subsidized jobs and further gaining work experience. The Scheme is included in the measures of active employment policy promoted by the Government for the implementation of the “Youth Guarantee”. 3 calls have been announced between Oct 2020 – Jan 2022 with a total budget of €15.000.000. Number of participating unemployed up to 21/1/2022: 2.297

**xi. Subsidy scheme for detainees**

The Plans aims to facilitate the social reintegration and rehabilitation of people who have been released from the Central Prisons of the Republic of Cyprus by providing incentives to employers for their recruitment. The grant to be provided is for 24 months of employment and the budget offered is €4.000.000. Number of participating unemployed up to 27/7/2022: 51

***xii. Monitoring and evaluation of ALMPs***

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. The project was financed by national resources. Upgrades are needed due to technical problems.

***xiii. Mapping of NEETs***

The second exercise of the mapping of NEETs was completed, indicating a decrease of 15% (1.110 persons). An informative leaflet will be prepared about the PES for support and guidance.

***xiv. Development of Employers' Unit***

The Cyprus Public Employment Service (PES) has already established/developed the services for the employers. The Employer's Strategy envisages to enhance the cooperation between the PES and Employers aiming to attract more and better candidates for their vacancies, taking into considerations the peculiarities of each category of employers such as the employers with family enterprises, the SMEs, the self-employed -small unit enterprise, the hotel 's industry employers, etc. Part of this strategy is the outreach of employers through visits to their places, the application of a questionnaire about their needs in personnel and an opinion survey for evaluating the services provided by the PES and through the online Platform for the self-service of employers. The Strategy will be implemented through the establishment of employers' units. In order to ensure the effectiveness of the operation of the units, a manual will be developed outlining the specific activities towards employers and defining the roles and responsibilities of the officers involved. Frequent monitoring will be implemented through the development of specific indicators and predefined statistics. Preliminary development of an Employers Unit in each District Labour Office is being promoted, with two Employment Counsellors each, dealing exclusively with employers' issues and vacancies.

***xv. A strategic document for the design and implementation of Active Labor Market Policies (ALMPs)***

A strategic document will define PES processes and set operational objectives and targets in district and local levels as well as performance indicators and targets for performance management purposes. It is currently under way. It is expected to be completed during th<sup>e</sup> 1st quarter of 2023.

***xvi. Preparation of a legislative proposal regarding PES operation***

Consultations for the legislative proposal are currently conducted with Social Partners. Legislative check has been carried out.

***xvii. Surveys – Questionnaires***

The design of four Opinion Surveys - Questionnaires is under preparation (for Employers, Unemployed, Social Partners and PES's Officers).

***xviii. Security Guards Services***

The outsourcing of Security Guards Services was promoted through ESF+ funding, 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.

**Cross-reference to CeSaR and Fenix Tables:**

**CeSaR Table:**

CSR 2020: 2, Subparts 2 & 3

CSR 2019: 3, Subpart 1

**Fenix Table:**

Milestone CY-C[C5.2]-I[I1]-T[257]

**3.6.2 Increasing the quality and affordability of early childhood education and care.**

A number of policies are being implemented on a national level from the Ministry of Education, Sport and Youth and the Deputy Ministry of Social Welfare, aiming to make Early Childhood Education (ECE) available and affordable to all families and their children, and identify and address financial and non-financial barriers to participation. Compulsory attendance in ECE remains one of the top priorities of the MoESY, a policy that targets to increase the participation percentage in ECE programmes, to guarantee equal opportunities and support families' employment opportunities. In line with the 2019 Country Specific Recommendations (CSR 3.3), which refers to the delivery of affordable ECE, a number of policies have already been implemented or introduced including the extension of the compulsory period of early childhood education. Ensuring equal opportunities for access to quality education programmes in ECE, is another important priority, whereas other policies are also being implemented addressing material deprivation and focusing towards an inclusive ECE providing support to children with learning difficulties to compensate for their linguistic, cognitive, and educational gaps.

**i. Main RRP Reforms and Investments:**

**i. Extension of free compulsory pre-primary education from the age of four**

The reform refers to the gradual 8 months extension of free compulsory Early Childhood Education. Attendance in compulsory pre-primary education from September 2025, will be 2 years (from 4 to 6 years old). The project is in progress regarding the amendment of the legislation (a draft Law has been submitted to the Law Office of the Republic for legal vetting), the procedure of the allocation of the children to public, community and private kindergartens and a grant scheme regarding fee payments. The reform will be gradually implemented in 2023 and 2024 and will be fully implemented in 2025. The law was approved by the House of Representatives (HoR) on December 2, 2022. The Grant Scheme is under preparation.

**ii. Establishment of Multifunctional Centres and Childcare Centres**

The investment consists of a Scheme targeted at non-governmental organizations and local authorities for establishing new or improving existing multifunctional centres and childcare centres for children aged 0 to 3yrs and 8months, as well as for school age children (6-13years). The Scheme is currently under preparation and is expected to be announced by the end of Q2 2022. It is expected that by Q4 2024 at least 10 local authorities/non-governmental organizations will be supported for establishing or enhancing Multifunctional Centres or Child Centres, while by the end of June 2026, it is expected that 27 organisations will be supported.

Furthermore, in the context of the above Investment the Government is promoting the implementation of a Project under the Technical Assistance Instrument of the EU for supporting the expansion and strategic development of ECEC in Cyprus. This Project is expected to provide recommendations for investments in the sector of ECEC that will feed into the development of a National Strategy on ECEC and an accompanying Action Plan, which will be adopted by the Council of Ministers by the end of 2024.



## **II. Main reforms and investments undertaken outside the RRP framework:**

### ***i. Accessibility and availability to Early Childhood Education***

A recent reform focusing on access to ECE, fully implemented during the school year 2021-2022, refers to the gradual extension of the entry age in primary education to 6 years old, and consequently, the extension of attendance in compulsory ECE from 1 year to 1 year and 4 months.

Another policy which promotes accessibility and availability to ECE is the allocation of vacant places in tuition to younger children. The allocation of the places is based on specific criteria which give priority to children at risk and socioeconomic deprivation. Younger children who take up vacant places in public pre-primary schools pay low fees. A full fee exception is given to poor families. Fee reduction is also given to families with four children or above.

### ***ii. Quality of ECE***

The Ministry is focusing towards an inclusive ECE providing support to children with learning difficulties to compensate for their linguistic, cognitive, and educational gaps. The Ministry has cooperated with the DG Growth to reform the legislation regarding special education. This process was finalized in June 2021. Children with special educational needs are granted rest periods or supervised breaks inside or outside the classroom, alternative ways of presenting the answers (e.g., using a transcriber), individual lesson's support or education at home, in case the child cannot attend the kindergarten due to health issues. In addition, the Ministry employs Special Education teachers and Speech Therapists to provide support to children with learning difficulties. It further educates mainstream teachers on how to support such children who attend mainstream schools. Specialized programmes provide support to children at risk of illiteracy and methodological approaches for teaching Greek as a second language to children with a migrant background. In 2020, the Ministry proceeded with the development of a syllabus for teaching Greek as a second language and is currently working on a project funded by the Asylum, Migration and Integration Fund and the Republic of Cyprus. The aim of the project is to support the attendance of children from third countries in pre-school education, to create the appropriate supporting material and the training of kindergarten teachers.

### ***iii. Schools and Social Inclusion Actions***

A number of public kindergartens participate in the co-funded (European Social Fund) programme "School and Social Inclusion Actions", which was first implemented in 2019. These kindergartens are provided with a second teacher in the classroom for extra support, as well as other teaching staff for implementing creative activities.

### ***iv. Special educational needs of children with disabilities***

The Ministry adapted facilities and educational materials of ECE to respond to the specific needs of children with special educational needs and of children with disabilities, using inclusive teaching and learning methods. It allocates funds for building adaptations to facilitate pupils with special needs. To meet children's needs, school assistants are employed, responsible for their safety and self-care. Most of the children with special needs attend the mainstream class and receive accommodation to meet their special educational needs. Teachers differentiate their teaching and assessment methods. Some of the children with severe problems attend special units and receive an individual educational programme. These children are integrated in the mainstream class for short periods. Each school has a

special education coordinator, who facilitates close working relationships between the school unit, families, other professionals, and the Ministry.

**v. Feeding pupils in need**

Policies to address material deprivation continue to be of top priority. The project "Feeding pupils in need" aims to provide free breakfast to children in need who attend public schools (at all levels of education), while also offers free meals to pre-primary and primary school pupils who choose to attend the all-day compulsory and all-day optional schools. In addition, in the all-day optional schools, an allowance for lunch to children that are of low socioeconomic status, or their families are entitled of the minimum guaranteed income is provided. The project is co-funded by ESF+.

**vi. State Aid Scheme, under the European Commission Regulation 360/2012 for the provision of services of general economic interest**

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 implemented by the Deputy Ministry of Social Welfare, NGOs and Local Authorities may receive state aid for the development and functioning of quality social care programs. The State Aid Scheme is published annually and NGOs and LAs submit their applications for operating social care programs (including childcare services) and after evaluation they receive state aid according to their needs, which covers part of their operational and other expenses. In 2022 an amount of about €3.9 mln euros was provided for the funding of 140 programs covering child care needs (Day Care Centres for preschool and school age children, care Centres for children with disabilities) covering the needs of approximately 6.000 children. The program is funded by the state budget.

**vii. Scheme for the Subsidisation of Care Services**

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. The Scheme is funded by the state budget.

**viii. Childcare Services Grant Scheme (0-4years)**

The Scheme aims to support families with young children, through the subsidy of Child Care Services for children up to 4 years, for all families with children based on income and property criteria. The total budget for the scheme is €48 mln with 27mln co-funded for the period 2022-2025 by the ESF+. The scheme is already implemented since Sep 2022 with 7.000 children already receiving up to 80% of monthly tuition supplement, which corresponds to 44% of the possible beneficiaries.

**ix. Modernization of the legislative framework concerning child protection and care**

Modernisation of the legislative framework concerning child protection and care: In addition, the SWS are responsible for the preparation and enforcement of the legislative framework for guaranteeing the minimum quality standards to social care services provided by the private sector (profit and non-profit). In this context, the SWS are responsible for the registration and the inspection of childcare services provided by the private sector (profit and non-profit). In particular they are responsible for the registration and inspection of child minders and of day care centres for preschool age children (0-6 years), as well as for day care centres for school age children (6-13 years) according to the specific Laws and Regulations. Currently, the SWS are in the process of modernising the existing Laws and Regulations covering the provision of childcare services, with the drafting of a new Law for child protection and care and of four new Regulations, which will cover the various types of care and protection provided

(childminders, day care centers for preschool age children, day care centers for school age children, private child protection homes).

**Cross-reference to CeSaR and Fenix Tables:**

**CeSaR Table:**

CSR 2020: 2, Subparts 2 & 3

CSR 2019: 3, Subpart 1

**3.6.3 Supporting the labour market activation of persons with care responsibilities and mobility issues**

Care responsibilities are mostly undertaken by women and this reflects in the significantly lower labour market participation of women compared to that of men (72,1 % Vs 84,2 % for the age group 20-64 in 2022). Responding to the CSR 3 of 2019 and CSR 2 of 2020, Cyprus is taking measures towards increasing the capacity and improving the affordability of care services and providing opportunities for flexible work arrangements that will improve work and family life balance and enhance employment.

**I. Main RRP Reforms and Investments:**

**i. Establishment of Multifunctional Centres and Childcare Centres**

Apart from the benefits of ECEC on children's development path and learning outcomes, as described in subsection 3.6.2, this project will also enable the entry of additional members of the population into the labour market, particularly women with children and will contribute to gender equality and equal opportunities for all.

**ii. Adoption of legislation regarding telework**

Through this initiative, the Ministry of Labour aspires to increase the use of telework so that Cyprus can benefit from the advantages it offers in the economic and social area. Social Dialogue in relation to the new legislation has been completed and the draft bill is under preparation. The legal vetting of the bill has been completed. It is expected that the bill will be submitted to the House of Representatives in May 2023.

**II. Main reforms and investments undertaken outside the RRP framework:**

**i. Subsidy scheme for the employment of unemployed people with chronic diseases**

The project aims to encourage employers to recruit people with chronic illnesses and is part of the active employment policies promoted by the government to combat poverty and social exclusion, in particular with regard to the active inclusion of vulnerable groups in the labor market. The grant will be provided for 24 months of employment. 2 calls between May 2019 until now. Total Budget of €4.000.000. Number of participating unemployed: (a) from May 2019 to Jan 2021: 126, (b) from Nov 2021 until the exhaustion of the total budget. Overall 49 applications were received up to 27/7/2022.

**ii. Subsidy Scheme for the Employment of unemployed people with disabilities**

The Scheme aims to encouraging employers to hire people with disabilities and to moderate their reluctance to hire people with disabilities either due to the impression that this will be not effective or because the salary is considered too high. It is expected that to join 100 people from the target group will benefit from the scheme. 2 calls between July 2017 until now. Total Budget of €3.200.000. Number of participating unemployed: (a) from July 2017 to Nov 2021: 135, (b) from Nov 2021 until the exhaustion of the total budget. Overall 29 applications were received up to 27/7/2022.

**iii. Childcare Services Grant Scheme (0-4years)**

The scheme, as described in subsection 3.6.2, also contributes to the activation of persons with care responsibilities in the labour market.

**iv. Program for guidance and support to vulnerable jobseekers**

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. The target groups of unemployed are decided according to the current unemployment conditions. Each Program sets different targets for each target group. Targets relate to the participation in individual counselling, job referrals, job placements and the preparation of individual action plans. Results are systematically evaluated and corrective action is taken when needed. So far, three Targeted programs have been implemented (1/10/2018-30/1/2019, 1/3/2019-30/6/2019, 1/10/2019-30/1/2020) with targeted groups the unemployed GMI recipients, young unemployed aged 15-29, long-term unemployed, unemployed with duration of unemployment up to three months.

**Cross-reference to CeSaR and Fenix Tables:**

**CeSaR Table:**

CSR 2020: 2, Subparts 2 & 3

**Fenix Table:**

Milestone CY-C(5.2)-R(R2)-M(255)

**3.6.4 Addressing the issue of gender employment gap**

As described in section 3.6.1, in 2022 the employment gap between the employment rate of men (84.2%) and the employment rate of women (72.1%) aged 20-64 was at the level of 12.1 p.p. indicated a decrease of 0.1 p.p. from its level in 2021. In particular, in 2022 the employment of women increased by 2.1% and the employment of men by 2% compared to their level in 2021. It is worth mentioning that for persons aged 15-24 the gender employment gap in 2022 was considerably smaller at 2.0 p.p. The gap in 2021, in this age group, was at the level of 3.3 p.p.

**II. Main reforms and investments undertaken outside the RRP framework:**

According to the gender unemployment levels and trends in 2022, women seemed to be more vulnerable than men, facing more difficulties regarding integration in the labour market. As a vulnerable group of unemployed, women have a priority in the provision of individualized guidance and support by the PES.

Two employment subsidy schemes targeted at women are expected to be announced in 2024:

- **Scheme providing incentives to employ unemployed women:** The total budget of the scheme is €7 m. and 820 applications are expected to be received for the employment of 820 unemployed women.
- **Scheme providing incentives for flexible employment arrangements of inactive women:** The Scheme is planned for the period 2022-2027 with ESF+ co-financing. The total budget of the scheme is €4 m. and 470 applications are expected to be received for the employment of 470 unemployed women based on various forms of flexible working conditions.

**i. Childcare Services Grant Scheme (0-4years)**

The scheme, as described in subsection 3.6.2, also contributes to the issue of gender employment gap.

**Cross-reference to CeSaR and Fenix Tables:**

**CeSaR Table:**

CSR 2020: 2, Subparts 1 and 3

**3.6.5 Improving the labour market-relevance of education and training**

At national level the skills mismatch is identified as a great challenge that needs to be urgently addressed (CSR3 of 2019 and CSR2 of 2020). Different types of mismatches (such as over-education – under-education, over-skilling – under-skilling, skill gaps, skill shortages, etc.) need to be identified as these call for different actions.

The Department of Higher Education (DHE) of the Ministry of Education, Sport and Youth has long realized the need for high quality national data about labour market needs and what graduates do after obtaining their degree in Higher Education. For this purpose, the DHE has submitted a proposal and has received funding from the Resilience and Recovery Facility (RRF) for the project entitled “Development of a National Graduate Tracking Mechanism and Design and Implementation of an Employers’ Skills Survey”.

**I. Main RRP Reforms and Investments:**

**i. Addressing Skills Mismatch between Education and the Labour Market**

The reform aims at: a) the design, development and implementation of a comprehensive National Graduate Tracking Mechanism that will generate high quality and comparable data on a longitudinal basis from graduates of all Higher Education Institutions (HEIs) in Cyprus, as well as data from administrative data sources (e.g. social insurance and tax data), and b) the design, development and implementation of a National Employers’ Skills Survey on a longitudinal basis regarding the current and anticipated needs in terms of knowledge and skills by the labour market. The following activities/measures are planned in the context of this project:

- Reports of findings from National Employers’ Skills Survey Studies (2022,2023 and 2025) regarding future demand for skills (such as green and digital skills etc.).
- Q3 2025-Q2 2026: A brief report regarding the needs identified for the design and development of upskilling and reskilling programmes based on the findings from National Graduate Tracking Surveys (2024 and 2025) and National Employers’ Skills Survey (2025).

The Department of Higher Education has issued a Call on eProcurement for tenders for the project. It is expected to have the tender by late summer 2022.

**II. Main reforms and investments undertaken outside the RRP framework:**

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 2022, covers the period 2022-2032 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.

- **Identification of employment and training needs**
- **Identification of green skill needs in the Cyprus economy**
- **Identification of blue skill needs in the Cyprus economy**
- **Funding of the practical training on board ships for Deck and Engine Cadet Officers:** The Shipping Deputy Ministry in order to promote the seafaring professions grants funding of the practical training on board ships for Deck and Engine Cadet Officers. The beneficiaries should be studying at a Merchant Marine Academy to enable employment as Officer on board Cyprus flag vessel; The funding is for a period of up to six months for each cadet officer each year and amounts to 600 euro per month per cadet officer.
- **Create a culture for Seafaring, Maritime and Blue Professions:** In 2021 the “SEA...your Horizon” campaign was launched in an effort to promote Blue Economy and shipping studies and professions through an interactive and innovative way to the secondary schools. A Mentoring Team of 16 young shipping professionals is established to provide guidance and share knowledge and experience with children, parents and teachers.

**Cross-reference to CeSaR and Fenix Tables:**

**CeSaR Table:**

CSR 2020: 2, Subpart 4

**3.6.6 Strengthening Social Services.**

The strengthening of Social Services is considered to be of the utmost importance for the established Deputy Ministry of Social Welfare (DMSW). Among the most recent actions is the creation of various social care structures through the Cyprus Recovery and Resilience Plan 2021-2026, as described below. Also, various benefits shall continue to be provided such as the Guaranteed Minimum Income and the Child (and Single Parent) Benefit, whilst various programs deemed to be successful will continue to operate such as the Children’s House and the Women’s House.

Moreover, in order to enable persons with disabilities to participate more effectively in the labour market and society (Principle 17 of the European Pillar of Social Rights) the Department for Social Inclusion of Persons with Disabilities under the Ministry of Labour and Social Insurance has coordinated in cooperation with other Ministries and Services and in consultation with the organisations of persons with disabilities the “National Disability Action Plan for 2021-2023” which was approved by the Council of Ministers in February 2022. A number of actions concern the development of a new legislative and institutional framework for the provision of social inclusion services and benefits to persons with disabilities. The impact expected is an expansion of the types and quantity of support services and benefits provided to persons with disabilities offering increased opportunities and enablement for social inclusion.

**I. Main RRP Reforms and Investments:**

**i. Establishment of home structures for children, adolescents with conduct disorders, persons with disabilities and people in need of long-term care**

The investment consists of the establishment of three state structures for children. The relevant document regarding the call for expressions of interest, is under preparation.

In addition, a Scheme targeted at local authorities and non-governmental organizations for the establishment of at least eighteen homes for children (mainly unaccompanied minors), adolescents with conduct disorders, and people in need of long-term care. Following its approval by the Council of Ministers, the scheme was launched by the competent Implementing Body - IB (Deputy Ministry for Social Welfare) on 24/2/2023. More details in the IB's website Following its approval by the Council of Ministers, the scheme was launched by the competent Implementing Body - IB (Deputy Ministry for Social Welfare) on 24/2/2023. More details in the IB's website (<http://www.dmsw.gov.cy/dmsw/socialwelfare.nsf/All/27A620D4D33CF1CCC22589600045BDD4?OpenDocument>). Moreover, five new structures to enhance the capacity of supported living programmes are to be purchased by Q2 2026.

## **II. Main reforms and investments undertaken outside the RRP framework:**

### ***III. Restructuring of the Social Welfare Services (SWS)***

Towards the modernization of the SWS, the Government is proceeding with the restructuring of the SWS by implementing for the programming periods 2014-2020 and 2021-2027 European Union funded projects.

The Project aims at the promotion of accessible, friendly and personalized social services in order to further enhance holistic support to the individual and the family, in a person-centred, multi-disciplinary and effective way.

Within this framework, public tenders have been announced and the relevant agreements have already been signed for the implementation of the following actions:

- (a) The hiring of services of various professionals (psychologists, psychiatrists, social needs assessors) to strengthen the multidisciplinary approach to service provision.
- (b) The provision of specialized monitoring services to children under the care of the Director of Social Welfare Services and children in high-risk families, as well as to persons with disabilities residing in the State Institutions of the SWS.
- (c) The operation of the Central and District Multidisciplinary Groups, which aim at the multidisciplinary support to vulnerable people with the participation of the SWS, the Cyprus Police, the Mental Health Services, the Educational Psychology Service and other competent authorities.
- (d) The hiring of professional supervision services. The nature and scope of work of the Social Services Officers require great mental endurance and make them a high-risk group for repetitive mental trauma. In order to be able to respond adequately to their duties, in addition to continuous training and strengthening of administrative supervision, professional supervision is required, in order to enhance their resilience and their ability to cope with increased stress conditions and minimise the risk of burnout.

Furthermore, within 2023, the following measures are expected to be launched:

- a) A tender procedure for the promotion of a study on the child protection system and needs in structures and programmes.
- b) An establishment of 24hour call centre which will operate and serve citizens 24 hours a day, 7 days a week and 365 days per year.
- c) A tender for the provision of Services by Experts for the modernization of the organization, methods and working principles of the SWS which will contribute to the:
  - optimization of the quality and efficiency of the programs implemented by SWS through better regulation, organization, operation, staffing, collaborations, etc.
  - optimization of a performance management system, through measurable (qualitative and quantitative) indicators and utilization of new technologies in a user-friendly and citizen-friendly way.

- evaluation of SWS' work environment and service provision environment.
- establishment and implementation of training programs for all staff in the context of work that will be formed and in the change of the organizational culture of the SWS and the training of the trainers (train the trainer), so that there is continuity of the training.

#### Provision of Benefits

- Honorary allowance is granted to mothers of multimember families: An honorary allowance based on income criteria is granted to mothers of multimember families, that raised four or more children which are all aged 18 or more and none of which is a beneficiary either of the Guaranteed Minimum Income and/or of the Child Benefit.
- Financial Assistance and Support Plan for Released Prisoners: The purpose of the scheme is to provide financial support and support services to persons who will be released from prison, in order to ensure the minimum standard of living and to facilitate their social reintegration.
- Project "Baby's Dowry": is co-funded by the Fund of European Aid to the Most Deprived and complements the efforts to combat child deprivation and poverty. Since the beginning of the Project, basic material assistance was provided to about 3100 cases of newborn babies from deprived families, along with social inclusion activities (2017-2022). This Project will also continue during the new programming period of the structural funds.
- State Aid Scheme (also mentioned in subsection 3.6.2): The State Aid Scheme is published annually and NGOs and Local Authorities submit their applications for the operation of social care programmes. In 2022, an amount of about €15.8 mln was provided for the funding of 290 social care programmes, including day care centers for pre-school and school age children, long-term social care services to the elderly and persons with disabilities (home care, day care, residential care), as well as specialized programmes for unaccompanied minors, for victims of trafficking, for victims of violence in the family, and programmes for social support and counselling.

Moreover, four projects are being run by the Department for Social Inclusion of Persons with Disabilities. Three of them are funded by the European Social Fund. In addition, a fifth new project will be implemented in the new programming period 2021-2027:

- The Expansion and Upgrading of the System for Disability Assessment  
The Disability Assessment System in Cyprus started its operation in 2014 as a project co-funded by the European Social Fund. Through the new System the disability, the needs and the eligibility of the applicant for social benefits and services are assessed and certified by scientific, objective and reliable mechanisms. The citizen receives a Disability Report certifying the rights for the social benefits and services that is entitled to.

The first phase of design and startup of the new System took place during 2010-2013 and concerned public procurement procedures and contracts for constructing the new assessment mechanism, the design of protocols and all documents at every stage of the assessment procedures, issue of manuals, rent of buildings of the first Disability Assessment Center in Nicosia, purchase of furniture and equipments, contracting the services of doctors and rehabilitation professionals, training of all human resources and start assessments on a pilot basis.

At the second phase during 2014 -2020 there was an expansion of the System by increasing the number assessments, increasing the number of Disability Assessment Centers up to three (Nicosia, Limassol, Larnaka), expanding the type of assessments and certification of benefits and services. The three Disability Assessment Centers offer a new point of reference in the life of the citizen with disability. In an accessible and friendly environment, they are a place where the citizen can be informed on social rights, to find and submit applications for social benefits and services, to have a disability assessment and receive a disability report and certification of social rights.



Until the end of 2022, assessments were performed for more than 22.000 persons with disabilities (2,4 % of the total population of Cyprus) and the results gradually create a National Disability Database. At the third phase of the project during 2021-2027 an upgrading of the System is targeted, after 9 years of operation by reviewing the protocols, tools and methods used and enhancing the quality control mechanisms.

- **Support of persons with disabilities to live independently in the community**

To implement the right of persons with disabilities to live independently in the community, away from the risk for institutionalization and social exclusion, according to Article 19 of the UN Convention for the Rights of Persons with Disabilities, the Department for Social Inclusion of Persons with Disabilities is implementing a project co-funded by the European Social Fund for “Support Services for Independent Living in the Community”. During 2021 and 2022, 9 homes in the community and 3 home services programs operated through public procurement and contracts with NGO’s or private companies offering support to 48 young adults with intellectual disability, autism or visual disability. The aim is for persons with disabilities to enjoy a safe, dignified and quality living with the necessary support services in the fields of care, personal assistance, psychological support, support in communication, training and skills development, entertainment, socialization. In the new programming period to 2027, an expansion with 20 more programs is targeted for persons with severe disabilities and high risk for institutionalization.

- **The Center for Family Intervention and Support for Autism**

The Center started its operation in October 2021, as a project co-funded by the European Social Fund, providing early intervention and support services to children of pre school age diagnosed at the Autism Disorder Spectrum and their families. The aim of the project is to enhance the social skills of the child and prepare for the school environment as well as to maintain family balance and cohesion. The Center has the capacity to provide its free services to 300 children and their families annually across Cyprus.

- **A new network of social inclusion services to persons with disabilities**

A new project included for funding by the European Social Fund for the new programming period 2021-2027 is a “New Network of Social Inclusion Services to Persons with Disabilities”. This new project aims to introduce new services like the Personal Assistant, the Councillor and the Trainer and strengthen Disabled Person’s Organisations in their role as professional providers of social services to persons with disabilities. The increase of provision in services in kind like personal assistance, counselling and training improve the opportunities of persons with disabilities to actively participate in employment and society.

***III. Resilience and fairness dimension of the green and digital transitions***

The Welfare Benefits Administration Service is planning the implementation of a Unified Computerized System of Benefits until 2027. As part of the Social Welfare Services Restructuring Project, the computerized system will be upgraded to support the operation of the Services, to effectively cover the full range of their actions and programs, and to assist the staff of the Services in carrying out their duties.

**Cross-reference to CeSaR and Fenix Tables:**

**CeSaR Table:**

- CSR 2020: 2, Subpart 1
- CSR 2020: 4, Subpart 3
- CSR 2021: 1, Subpart 4

### 3.6.7 Integrating asylum seekers into education

In response to 2019 sub-CSR 3.2, the MoECSY is undertaking actions which promote social inclusion of all students irrespective of their social and ethnic background.

#### **II. Main reforms and investments undertaken outside the RRP framework:**

##### ***i. School and Social Inclusion Actions + Program***

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 with an increasing number of schools participating every year: 2015-2016 42 schools, 2016-2017 89 schools, 2017-2019 96 schools, 2019-2021 102 school. The successful implementation of this 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 has started its implementation during 2021-2022 in 170 school units with the aim to cover about 25% of the student population. For the school year 2022-2023, 208 schools of all levels and types are participating, a number which represents 31.38% of the student population. The program includes, inter alia, the offer of remedial teaching programs 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 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.

##### ***ii. Policy of integrating pupils with migrant and refugee background***

###### ***School Network for the Support of Antiracist Policy Implementation***

Since 2018, the Cyprus Pedagogical Institute (CPI) continues to organize and facilitate a "School Network for the Support of Antiracist Policy Implementation", which supports teachers from schools of all levels wishing to participate in the network while their school implements the MoECSY antiracist policy.

#### **Cross-reference to CeSaR and Fenix Tables:**

##### **CeSaR Table:**

CSR 2019: 3, Subpart 2

### 3.6.8 Increasing the effectiveness of the education system.

In reference to sub-CSR 3.2 of 2019, the introduction of a new system for teacher and school evaluation is pursued. Its main aims are to:

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

**I. Main RRP Reforms and Investments:**

***i. A new teacher and school evaluation system***

The reform aims to enhance the quality of education and the improvement of educational outcomes. Discussions between the Minister and the teacher unions are under way based on a proposal, covering major aspects of the evaluation system which was tabled by MoECSY in July 2021. The provisions of the reform of Teacher Evaluation and Educational Work have been delivered to the Teachers' Trade Unions for discussion and consultation, and then to other stakeholders. The Law/Regulations and Impact Assessment for Pre-Primary/Primary Education were submitted to the Law Office of the Republic of Cyprus for legal vetting on January 3, 2023.

**II. Main reforms and investments undertaken outside the RRP framework:**

Several other reforms are being implemented for increasing the effectiveness of the education system (please refer in subsections 3.6.1, 3.6.2, 3.6.5, 3.6.7, 3.6.9, 3.6.10).

**Cross-reference to CeSaR and Fenix Tables:**

**CeSaR Table:**

CSR 2020: 2, Subpart 4

CSR 2019: 3, Subpart 2

**Fenix Table:**

Milestone CY-C[C5.1]-R[R2]-M[241]

**3.6.9 Improving digital education.**

Since the beginning of the pandemic there have been coordinated efforts between the Ministry of Education, Sports and Youth and the Deputy Ministry for Research, Innovation and Digital Policy to upgrade school infrastructure, make appropriate equipment accessible to all students and teachers and enhance teachers' capacity to implement distance learning. Basic digital skills are necessary and there is a need to improve pedagogies to unlock the potential of digital education.

**I. Main RRP Reforms and Investments:**

***i. Digital Transformation of school units with the aim of enhancing digital skills and skills related to STEM education***

The overarching objective is the transformation of the curriculum and the development of the educational material. The procurement procedure for the transformation of the existing curriculum of 120 content domains is underway and the development of the materials is expected to be delivered by December 2024. Moreover, the procurement procedure for the development of e-classes in 700 schools has started and the schools shall receive the equipment by June 2023.

***ii. E-skills Action Plan – Implementation of specific actions***

(Please refer to sub-section 3.9.1).

**II. Main reforms and investments undertaken outside the RRP framework:**

**i. Strategy for attracting Business and Talent**

The Council of Ministers approved on October 15th 2021, the “Strategy for Attracting Businesses for Activities or/and Expansion of their Activities in Cyprus”. The strategy includes a series of actions and reforms in several areas of intervention, aiming to enhance Cyprus position as an international high-growth business centre, especially for companies in the ICT sector. The careful and thorough planning ensures that the benefits derived from the successful implementation of the Strategy will significantly contribute to redefining the Cyprus growth model. The expected benefits extend to enabling digital transformation in both society and economy, through the increased activity of ICT companies and foreign talent in the country. Several of the short-midterm actions of the Strategy have already been implemented during 2022, such as (1) the further development of the Fast Track Business Activation Mechanism to the Business Facilitation Unit, (2) the entry into force of the new policy for the employment of skilled third-country nationals, (3) tax incentives for skilled third-country nationals and investments to R&D&I, (4) Introduction of the Digital Nomad Visa. Relevant url: <https://mof.gov.cy/en/strategy-for-attracting-businesses/strategy>

**Cross-reference to CeSaR and Fenix Tables:**

**CeSaR Table:**

CSR 2019: 4, Subpart 4

**Fenix Table:**

Milastone CY-C[C5.1]-R[R4]-T[246]

**3.6.10 Increasing employers’ engagement and learners’ participation in vocational education and training (VET).**

In order to improve the knowledge and 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 implementation of a System of Vocational Qualifications (SVQ).

**II. Main reforms and investments undertaken outside the RRP framework:**

**i. 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. The indicative target for the whole period is for 1.800 people to benefit with total budget of €5 mln. The project has been included in the Cyprus Operational Programme «THALIA 2021-2027» for ESF+ co-funding.

**ii. Training programmes for young people aged 15-29 Not in Education, Employment, or Training (NEETs) to acquire basic knowledge and skills**

(Please refer to sub-section 3.6.1)

**iii. 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.

**iv. 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.

**v. Training programmes for the unemployed, through national funds**

- **Scheme for the Employment and Training of Tertiary Education Graduates** (on-going scheme):  
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. As of 1/1/2022, the applications for participation in the Scheme are submitted electronically through the HRDA's new portal. During 2021, 767 unemployed graduates benefitted from the Scheme and total expenditure amounted to €4.539.827. During 2022, through the Scheme 1.104 graduates benefitted and total expenditure amounted to €6.613.604.
- **Scheme for the Training of the Long-term Unemployed in Enterprises/Organizations** (on-going scheme):  
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, organize and implement in-company training programmes to cover the training needs of newly employed persons who were long-term unemployed. As of 1/1/2022, the applications for participation in the Scheme are submitted electronically through the HRDA's new portal. During 2021, 94 long-term unemployed persons benefitted from the Scheme and total expenditure amounted to €348.441. During 2022, 78 long term unemployed people benefitted from the Scheme and total expenditure amounted to €293.234.
- **Training Programmes for the Unemployed** (on-going scheme):  
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. During 2021, 28 unemployed persons benefitted from the Scheme and total expenditure amounted to €14.952. During 2022, 38 unemployed people benefitted from the Scheme and total expenditure amounted to €46.578.
- **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. 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. During 2021, 601 unemployed persons benefitted from the Scheme and total expenditure amounted to €138.600. During 2022, 671 unemployed people benefitted from the Scheme and total expenditure amounted to €140.640.

**vi. Training programmes for the employed, through national funds**

- **Single-Company Training Programmes in Cyprus** (on-going scheme):

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 2021, there were 26.805 participations and total expenditure amounted to €4.253.637. During 2022, there were 29.576 participations and total expenditure amounted to €4.593.748.

- **Single-Company Training Programmes Abroad** (on-going scheme):

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 2021, there were 14 participations, and total expenditure amounted to €43.842. During 2022, there were 87 participations, and total expenditure amounted to €245.012.

- **Standard Multi-Company Training Programmes - Participation of the employed** (on-going scheme):

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 2021, there were 9.811 participations and total expenditure amounted to €3.713.636. During 2022, there were 14.725 participations, and total expenditure amounted to €4.442.464.

- **High Priority Multi-Company Training Programmes** (on-going scheme):

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 certified vocational training centres. During 2021, there were 1.397 participations and total expenditure amounted to €2.124.597. During 2022, there were 2.567 participations, and total expenditure amounted to €4.002.832.

**vii. System of Vocational Qualifications (SVQ)**

The System of Vocational Qualification (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 with total budget €4.412.000. During 2021, 286 certificates were awarded and total expenditure amounted to €215.874. In 2022, 229 certificates were awarded with a total expenditure of €246.704. ii. The second project concerns the “Development of Vocational Qualifications Standards (VQS)” through which the existing VQS developed during the programming period 2007-2013 will be revised and new VQS will be developed with total budget €1.180.000. The second project was completed in 2022 with the approval of 167 VQS. During 2021, total expenditure amounted to €292.526 and during 2022 to €196.881.

**viii. Memoranda of Cooperation with the Cyprus Chamber of Commerce and Industry and the Cyprus Employers and Industrialists Federation**

In order to achieve employers' engagement, the MoECSY has signed Memoranda of Cooperation with the Cyprus Chamber of Commerce and Industry (05/06/2019), and the Cyprus Employers and Industrialists Federation (22/07/2019). 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. A new program “Industry Technician” was developed in collaboration with the Cyprus

Employers and Industrialists Federation and it is offered by the Public School of Higher VET (MIEEK) beginning in academic year of 2022-2023.

**ix. Development of the Vocational Education and Training” project**

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 ended in December of 2021 with a 100% degree of funding absorption. The project renewed and it is co-funded by ESF for the period 2021-2027 with an increased overall budget of 38 million euros 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.

**Cross-reference to CeSaR and Fenix Tables:**

**CeSaR Table:**

CSR 2019: 3, Subpart 2

CSR 2020: 2, Subpart 4

**3.6.11 Promoting training and strengthening skills (green, digital, blue) to low-skilled and unemployed people**

Cyprus ranks 21st in the EU on Human capital, below the EU average. In terms of at least basic digital skills, Cyprus is below the EU average of 54%, with 50% of people between 16 and 74 years having at least basic digital skills. 21% of the population have more than basic digital skills and 60% have at least basic content creation skills against EU averages of 26% and 66, respectively.

Cyprus ranks 20th among 27 EU Member States in the 2022 edition of the Digital Economy and Society Index (DESI).

Positively, the country’s relative progress, considering its starting point, is above the expected rate, indicating that it is converging to the EU average. Cyprus has improved its performance in almost all DESI dimensions, although in most cases it still scores below the EU average. The most marked progress has been made in Connectivity, Integration of Digital technology and Digital public services.

The results of these studies strongly suggest the need for targeted actions. Therefore, the digital upgrade of the human capital of Cyprus is accorded high priority and in the framework of the RRF a number of actions and measures are included to promote e-government and digital skills to people aged 55 and over, as well as actions aimed at other age and occupational groups.

**I. Main RRP Reforms and Investments:**

***i. Skilling, Reskilling and Upskilling***

The project 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 to the completion of trainings for at least 25.600 participants by the end of 2025.

The Human Resource Development Authority (HRDA) training programmes (i.e. for digital skills, skills related to blue and green economy, entrepreneurial skills) are expected to start in April 2023.

The Cyprus Productivity Center (CPC) training programmes for people over 55 are on-going since the end of March 2022. These have been announced in the CPC's e-gnosis website. By the end of 2022, 57 programmes were completed with a total of 604 participants (288 men and 316 women).

**II. Main reforms and investments undertaken outside the RRP framework:**

The Cyprus Productivity Centre (CPC) in collaboration with the Department of Electronic Communications (DEC) of the Deputy Ministry of Innovation, Research and Digital Policy, supports and implements actions for the promotion of e-business since September 2017. The actions include the implementation of trainings for e-Governance and digital skills training programs aimed at private and public sector employees, the unemployed as well as people aged 55+.

**Cross-reference to CeSaR and Fenix Tables:**

**CeSaR Table:**

CSR 2019: 3, Subpart 2

CSR 2020: 2, Subpart 2

**3.7. Improving health and long-term care systems**

**Subsections:**

***3.7.1 Strengthening the resilience and capacity of the health system to ensure quality and affordable services, including long-term care services, taking also into consideration the deployment of challenges in recruitment and retention of health staff.***

***3.7.2 Supporting the digital transition of the healthcare sector***

**3.7.1 Strengthening the resilience and capacity of the health system to ensure quality and affordable services, including long-term care services, taking also into consideration the deployment of challenges in recruitment and retention of health staff**

The General Health System (GHS) operates today with the participation of approximately 75% of active doctors in Cyprus, 90% of the beds for inpatient care on a nationwide basis, 99% of pharmacies and 100% of laboratories. So far (7 April 2023), 933,000 beneficiaries have been registered in the System, whilst the healthcare package covers almost all of the services with only the integration of rehabilitation care services (phase B and C) still pending. The Health Insurance Organisation (HIO) continues the implementation of specific measures to safeguard the resilience and the financial sustainability of GHS Fund. For this purpose, HIO implements measures to address and minimize the misuse/abuse of the system by either healthcare providers and/or beneficiaries. Among others HIO is:

- Implementing a performance-based reimbursement for primary care and inpatient care. This is a promising measure for improving the quality of healthcare services and incentivizing



providers to perform at their best, providing high quality care that is effective, efficient, and patient centered. This can lead to better health outcomes for patients, as well as reduced healthcare costs and improved patient satisfaction. This reform has been included in the RRP.

- Cooperating with the National Institute for Health and Care Excellence (NICE) in the UK to implement clinical guidelines. These guidelines will be adapted to fit the healthcare reality in Cyprus so that patients receive the best possible care.
- Investing in data analytics to pinpoint potentially curious behaviour among healthcare providers. By analyzing data related to medical claim, the HIO will be able to identify patterns and anomalies that may suggest fraudulent or improper activity.
- Taking legal actions against healthcare providers who engage in improper activity. A number of providers has been suspended or had their contracts terminated due to suspicious behavior or fraudulent claims. HIO has also imposed fines against providers who have been found to engage in improper activity, in order to deter such behavior in the future.
- Implementing separate budgets for each specialty. This approach enables healthcare providers to be accountable for managing their budgets properly and ensures that they take responsibility for protecting their budget from any potential misuse by colleagues, and at the same time enables better monitoring.
- Implementing informative campaigns to improve the behavior of both providers and beneficiaries. Encouraging responsible behavior can help to prevent the misuse of healthcare services, reduce unnecessary healthcare costs, and ensure that resources are available for those who truly need them. To that end, a variety of channels will be utilised such as social media, television, radio and print media.

Also, the State Health Services Organisation (SHSO) has undertaken the responsibility for the operation of Public Hospitals towards their automatization. The hospitals operate with their own management team and organizational structure and this will further be enhanced with a special project implemented currently. This project aims to achieve the clear definition of the organizational needs of each clinic and will enable the organization to assess the areas from which savings can be achieved and the ones that need further investment. The structures and staffing requirements are going to be fully reviewed, with recommendations for further improvements to be communicated to all the key stakeholders. At the same time, SHSO continues with a plan for the upgrade of its facilities and equipment, that will enable the organization to enhance the provision of health services to its patients but also enter profitable areas of treatment such as digital health.

**I. Main RRP Reforms and Investments:**

**i. Gradually shifting the healthcare provision and reimbursement framework towards value-based models**

The project covers both primary and inpatient care. As of 1st of June 2022 primary care reimbursement will move from a 100% capitation reimbursement to introducing reimbursement based on quality indicators and by the end of March 2023 quality KPIs will be introduced as part of the reimbursement of inpatient care, moving away from 100% volume-based reimbursement using a pre-agreed unit price with each hospital. As part of process, the HIO, in March 2022, has assigned a contract to an economic operator to provide consultation services in designing the primary care and the inpatient care value-based reimbursement model as well as support in the introduction of the implementation. Value-based reimbursement for primary care was included in the Reimbursement Decisions of 2022 and will be reflected in the Reimbursement Decisions of 2023 expected to be published in Q2-Q3 2023. Value-based reimbursement for in-patient care will be reflected in the Reimbursement Decisions of 2023 expected to be published in Q2-Q3 2023.

**ii. Accreditation of public and private hospitals and upgrade of medical equipment**

Two Aid Schemes are promoted in this area, aiming to enhance the quality of provided healthcare services through the accreditation of health institutions and the upgrading of medical equipment in hospitals. Both schemes have been formulated, taking into account the results and recommendations from stakeholders' consultations and they have been examined by the competent authorities engaged in the RRP monitoring and control system. Both schemes are expected to be launched in Q2 2023.

***iii. Enhancement, modernization and upgrade of Cyprus State Hospitals***

Investments towards this goal will both serve the benefit of the patients and the operability of the hospitals and public health authorities. They will also 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. Some of the projects are underway, e.g., the new Mental Health Hospital, the Paphos Hemodialysis Unit, while some others have already been completed e.g., the construction of a COVID 19 Unit at the Famagusta Hospital. For the majority of the projects, the SHSO has procured a Tender Document for a Project Management Team who will be responsible for preparing the master plan for the additions and renovations of the hospital and also to prepare detailed drawings and tender documents for the construction.

**II. Main reforms and investments undertaken outside the RRP framework:**

***i. Economic Support Package***

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 €3.4 bln, with measures of fiscal impact on the accounts of the General Government of about 3.6% of GDP in 2020 and 3.6% 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. In order to support the recovery, the government aims at utilizing all available instruments, both at the national and EU level, that will promote investments and job creation.

***ii. Regularly updated measures for the prevention of the spread of Covid-19***

The Minister of Health issued Ministerial Orders for the determination of measures to prevent the spread of COVID-19, updated regularly based on the epidemiological status of the Country and following the guidelines of ECDC.

***iii. Acquisition of consumables and medical machines for addressing covid***

A stockpile of Personal Protective Equipment for addressing COVID-19 has been created and is closely monitored. Furthermore, investments were made in infrastructure (e.g., ICU beds) and medical machines (e.g., ventilators) of state hospitals.

***iv. Centre of ambulance control***

The COVID-19 4-digit telephone line which was operated by the Centre of ambulance control was terminated and citizens were redirected to the Ministry of Health or to a central call center (1474) which collaborated with the Ministry of Health

***v. New Vaccination Plan***

The vaccination plan was announced on the 27th of December 2020 and until the end of January 2023, the vaccination coverage is at 87.9% for adult's population (ages 18 plus) for 1st dose and 86.1% for 2nd

dose. The vaccination coverage both doses) for the ages 16-17 years is at 60.1% while for the ages 12-15 years is at 49.6%. A percentage of 77.5% of those eligible has received a booster dose. The immunization coverage for all ages is 75.3% for one dose and 73.7% for both doses.

***vi. Amendment of the Strategy for Health***

The Ministry of Health having recognized the structural challenges in the healthcare sector, proceeded with the inclusion of a respective objective within its Strategy, including the restructuring of the Health System of the Country. 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 of an ehealth Competent Authority etc., were to be addressed. Simultaneously, the outdated operation of primary healthcare centers has been recognised as well as the need for restructuring in terms of its organisational structure, working hours, processes, accessibility and efficiency. The Ministry issues its national health strategy on a 3 years' basis and is being updated yearly.

***vii. National Health System (NHS)***

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 qualitative healthcare services have been established. In addition, the capacity of providers of NHS has been increased on a continuous basis resulting in NHS participation exceeding 85% for most healthcare providers. More specifically, according to data at the end of Q2 2022, 1930 Outpatient Specialists, 578 Personal Doctors for Adults, 203 Personal Doctors for Children, 149 Laboratories, 1333 Allied Health Professionals, 674 Dentists, 8 A&E Departments, 54 Hospitals and 554 Pharmacies, have been offering services to NHS beneficiaries.

***viii. Measures related to health budget by NHS***

-The NHS, by design, is based on a Global budget:

- OS/Labs/AHP: price per points is adjusted monthly in order to stay within the global budget of each specialty/category
- Inpatient: discount factors are applicable in case the monthly agreed points per hospital are exceeded.
- Pharmaceuticals: Discounts and clawbacks are applicable
- Expansion of the implementation of separate global budgets per specialty for Outpatient Specialties. As a result, 22 outpatient specialties which account for more than 85% of the total OS activity, operate now under separate global budgets per specialty.
- Based on the actual recovery of the economy, the temporary cuts on Personal Doctors' reimbursement were terminated on 28/2/2022.

***ix. Minimize misuse/abuse of the NHS***

Measures to address and minimize misuse/abuse of the system by either healthcare provider and/or beneficiaries, including the following:

- Intensified audits on claims submitted by healthcare providers,
- Audit for referrals by PDs to outpatient specialists and clinical labs,
- 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,
- Introduction of KPIs and performance-based reimbursement for personal doctors
- Separate budgets for outpatient specialists
- Max number of points per doctor per month for each specialty that are reimbursed by HIO.
- Audits on claims submitted by healthcare providers is an ongoing measure. The responsible HIO team, continues such tasks and aims to make such audits as specific as possible, based on indications and assessment of risks,
- Restrictions and guidelines are being issued continuously based on findings from audits so as to mitigate risks of abuse/misuse.
- Penalties: these are levied depending on the severity of the breach of law/regulation as well.

**x. Awareness communication campaigns for the use of NHS**

Launch of several awareness communication campaigns targeted mainly at beneficiaries, with the aim to inform/educate about the “proper” use of healthcare services within NHS and about the importance of establishing a long-term relationship with PDs so as to, create the needed culture that will prevent mis-use/overuse of services and safeguard the long-term sustainability of the system.

**xi. Business Plan for the functioning of the public hospitals by SHSO**

SHSO has 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.

**Cross-reference to CeSaR and Fenix Tables:**

**CeSaR Table:** CSR 2020:1, Subpart 1

CSR 2020: 1, Subpart 2

CSR 2019: 3, Subpart 4

**Fenix Table:**

Milestone CY-C[C1.1]-R[R3]-M[16]

**3.7.2 Supporting the digital transition of the healthcare sector**

The Ministry of Health has proceeded with the adoption of respective Law in 2019, based on 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. The efforts extend to cover cross-border healthcare.

Also, the digital transition is in the center of basic projects developed by the Ministry of Health, the HIO and the State Health Services Organization, some of which are included in the sections below, addressing also the CSR1 of 2020 and CSR3 of 2019.

**I. Main RRP Reforms and Investments:**

***i. Deployment of generic cross border ehealth services in Cyprus***

The project aims at the implementation of cross-border healthcare and the secure access to patients records among European healthcare providers. It promotes the safety of patients by reducing the frequency of medical errors and providing fast information about patients' records, ePrescriptions abroad and correct information to medical providers in cases of emergency and avoidance of repetitive diagnostic procedures. The Board of Directors of National eHealth Authority has decided the signature of cooperation agreement with the University of Cyprus eHealth Lab for the implementation of the project. The starting date of the actions was the 4<sup>th</sup> of April 2022. By the end of 2023 the infrastructure will be prepared and the team will take part in the test event that will take place in the months of October - November 2023 based on Implementation Guidelines of Wave 7. The completion acceptance certificate will be issued by the end of December 2023.

***ii. Cyprus Innovative Public Health (ICT) system***

The aim of the project is to transform the existing paperwork processes to digital form by developing and implementing a collaborative data-centric ICT platform. The platform will enable the systematic collection, management and analysis of epidemiological and other sensing data using data analytics and dynamical systems theory. The proposed project aims at enabling a well-functioning, capable and resilient national public health ICT system which is a top priority and a necessary condition for the normal functioning of the country's Public Health services. The project started in 2022 and a Memorandum of Understanding has been signed with KIOS (Innovation and excellence Centre of the University of Cyprus) in the framework of the project implementation. The completion acceptance certificate was issued by the Contracting Authority on 24/11/22.

***iii. Design of an electronic platform for the surveillance of Nosocomial Antibiotic Consumption and Healthcare Associated Infections***

The aim is to introduce a reform in this area in order to broaden the scope, health establishments involved and administrative arrangements for data collection and also to create a platform that will enable the Ministry of Health to collect data on antibiotic consumption, antimicrobial resistance, healthcare associated infection and Plan measures to tackle the above problems and monitor their effectiveness. A tender has been announced in March 2022 for the purchase of consulting services for the preparation of specifications, tender documents and cost estimate for the project. A formal written commitment (letter) concerning the list of health care facilities that shall be providing information to the Ministry of Health on antibiotic consumption has been sent to the Ministry of Health on 22/07/2022, by the State Health Services Organization. The list of health care facilities has been prepared and adopted.

**II. Main reforms and investments undertaken outside the RRP framework:**

***i. Establishment of a team dealing with the issues related to the obtainment of the European Digital Covid Certificate***

A team was established at the level of the Ministry of Health, dealing with issues related to the obtainment of the European Digital COVID (EU DCC) Certificate in accordance to respective EU Regulation. At EU level, the participation of the Chairman of the National eHealth Authority to the eHealth Network continued. The meetings aim at approving the regulations and technical specifications of the EU DCC and liaising the efforts of the eHN and the national teams for continuous development of the application for the issuing the EU DCC. The team remained active throughout 2022.

ii. **COVID-19 CY National eHealth Platform of the Ministry of Health**

COVID-19 CY National eHealth Platform of the Ministry of Health for Inpatient and Home-monitoring and Treatment is designed to inform healthcare professionals towards administering healthcare for hospitalized Covid-19 patients in Cyprus. The Platform's workflow is dictated by the official Covid-19 Clinical Protocol Guidelines proposed by the Scientific Monitoring Advisory Committee and approved by the Minister of Health. It provides a detailed overview of a patient's current clinical status and associated health indicators that have been identified as crucial for Covid-19 patients' treatment. This system is intended to provide a support tool to the clinicians pertaining to the treatment of patients.

iii. **KPI data to Personal Doctors (PDs) and Outpatient Specialists (OS)**

Provision of monthly specific KPI data to PDs and OS with regards to their own actual activity (e.g., referral and prescription pattern) in comparison with the average KPIs of their segment. The aim is to 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 behaviour by healthcare providers.

**Cross-reference to CeSaR and Fenix Tables:**

**CeSaR Table:**

CSR 2020:1, Subpart 1

CSR 2020:1, Subpart 2

CSR 2019: 3, Subpart 4

**Fenix Table:**

Milestone CY-C[C1.1]-I[I6]-M[13]

Milestone CY-C[C1.1]-I[I2]-M[7] & Milestone CY-C[C1.1]-R[R2]-M[3]

### **3.8. Facilitating the green transition**

**Subsections:**

**3.8.1 Meeting the greenhouse gas emission reduction targets and diversifying energy supply.**

**3.8.2 Ensuring sustainable and green mobility.**

**3.8.3 Transition to renewable energy sources.**

**3.8.4 Improving the energy efficiency of buildings.**

**3.8.5 Encouraging water saving behaviour.**

**3.8.6 Improving the conservation status of habitats of community interest (biodiversity).**

**3.8.7 Promoting education, training and skills for the green transition.**

#### **3.8.1 Meeting the greenhouse gas emission reduction targets and diversifying energy supply**

The energy and climate objectives present opportunities, benefits and advantages of the national economy, the energy system and civil society, in general, as well as the challenges that need to be overcome.

The main objective of the development of the National Energy and Climate Plan and the Recovery and Residence Plan was to design, plan and promote cost-effective policies and measures that will help to achieve the medium- and long-term national energy and climate goals, will contribute to the economic development of the country and will also respond to the challenge of other environmental goals.

According to the National Energy and Climate Plan, prepared in 2020, the following targets have been

set, specifically for the year 2030:

- i. 21% reduction in non – ETS greenhouse gas emissions compared to 2005.
- ii. Ensure that greenhouse gas emissions from land use, land use change or forestry are offset by at least an equivalent removal of CO for the atmosphere.
- iii. 23% RES penetration into gross final energy consumption for the year 2030. Regarding the three indicative sub-targets for the promotion of RES in gross electricity consumption, (at least up to 26%, heating and cooling (up to 39%) and transport (up to 14%) by 2030 were set.
- iv. National indicative key targets set for energy efficiency: Final energy consumption of 2.0 Mtoe in 2030 and Primary Energy Consumption of 2.4 Mtoe in 2030. National obligatory target for achieving cumulative end use energy savings of 243.04 ktoe during 2021-2030.
- v. Introduction of Natural Gas by 2023 (due to some delays), as a bridging fuel that will reduce CO<sub>2</sub> emissions and increase the security of supply.
- vi. Cyprus to become a dynamic and competitive economy, driven by research, scientific excellence, innovation, technological development and entrepreneurship, and a regional hub in these fundamental areas.
- vii. Turning Cyprus into an energy hub in the East Mediterranean, developing a sustainable and fully functional NG/LNG market to provide cleaner and affordable energy to the end-user.
- viii. Regarding hydrocarbon activities, there are several major oil and gas companies (Chevron, Shell, ENI, Total) already operating in Cyprus' EEZ and in Israel and/or Egypt, as well. The presence of these major oil and gas companies could be leveraged to create the right synergies towards a sustainable regional gas market that could supply the EU with gas in the immediate future and with Hydrogen in a few years' time. Gas has a vital role to play in the security of supply and in the Energy Transition as the most environmentally friendly conventional fuel and a potential raw material for the production of hydrogen.
- ix. Furthermore, Cyprus is considering introducing Hydrogen into its energy mix, initially through the development of a national Hydrogen Strategy. Hydrogen is not in use today in Cyprus and there is no infrastructure fit for hydrogen, however, there seems to be a significant potential for hydrogen to decarbonize sectors where reducing emissions is otherwise challenging. This strategy will be developed through the technical support provided by the RePowerEU plan. When the strategy is completed (expected by October 2022), the results will be used for the development of the hydrogen market in Cyprus.

**I. Main RRP Reforms and Investments:**

**i. Ending energy isolation-Project of Common Interest "EuroAsia Interconnector**

The measure supports the overall onshore and nearshore infrastructure of the electricity Interconnection "EuroAsia Interconnector" in the territory of Cyprus. "EuroAsia Interconnector" is a cross border interconnector between Crete, Cypriot and Israeli power grids via a subsea DC cable and with HVDC onshore converter stations at each connection point. The project is an energy highway bridging Asia and Europe, with a total length of 1,208 km. Final implementation agreement/design (FID) was signed for the construction of HVDC converter station in Kofinou beginning of December 2022, however the signing of the final contract is expected by end of Q2 2023. Construction works of the HVDC converter station in Kofinou and the onshore infrastructure in Cyprus expected to start by the end of Q2 2023.

**ii. Introduction of a Market Management System to facilitate the opening of the electricity market to competition**

The project for the installation and roll-out of the Market Management System (MMS) is currently in the phase of the Site Acceptance Testing (SAT) of the hardware and software components. The installation of the system and training of personnel has been completed. The provisional Acceptance Certificate is expected to be issued by the end of May 2023.

***iii. Creation of a digital platform service for RES licensing***

This reform aims to establish a Digital Platform for One-Stop Shop for RES projects and Energy Renovation in Buildings. The Digital One-stop-shops for RES Projects and building renovation will be a part of a more significant reform project. The development of a new digital platform and e-procedures (e-forms) for the electronic, on-line submission of applications through the Point of Single Contact (PSC) Cyprus portal. The contract for the development of the platform was signed on 24/11/2022. The platform development phase is in progress. It is expected that the platform will be fully operational by end of June 2023. The project is expected to be implemented during the period 2021-2026.

***iv. Green Tax reform***

The implementation of the Green Tax will push forward all the actions that need to be taken in order to reach the National energy and climate targets. The proposed Green Tax reform is based on three piles:

- A carbon tax for fuels used in non-ETS sectors.
- A levy on water.
- A charge on household/landfill waste.

The enactment of the bill will take place in 2023. According to studies, Carbon Tax will act as a leverage for further GHG emission reductions with limited impact on the National GDP. The draft law is expected to be submitted to the Law Office of the Republic for legal vetting at the beginning of May 2023. Following completion of legal vetting, it will be submitted to the Council of Ministers and subsequently to the House of Representatives for discussion and approval.

**II. Main reforms and investments undertaken outside the RRP framework:**

***i. Installation of "Smart" electrical counters***

The aim of the measure is to fund a percentage of the total cost that will be passed to final customers for installing smart meters, as per the requirements of Annex II of the Directive (EU) 944/2019 on smart meter deployment. The project is expected to be implemented during the period 2021-2026.

***ii. "I plant for Climate" Campaign***

The Department of Forests is implementing a plan to increase forest tree production from its nurseries for planting in now non-forested lands. The campaign is titled "I plant for Climate" and is directed towards public or private organizations such as municipalities, churches, schools, NGOs and firms who wish to forest public or privately owned lands and who will agree to be responsible to provide the funds and care (i.e. water) of these areas for a minimum of three years. The Department of Forests, after evaluating the applications, will be providing the trees for free, taking into account the area of the plot and the specificities of the location, i.e. elevation. The plants supplied will be selected from a specific list of mostly indigenous, non-invasive species that are suited to the climatic conditions of Cyprus.

The scheme started from around 70,000 trees in 2020 and is planned to reach 300,000 trees planted per year in 2030.

***iii. Encourage and facilitate the use of biofuels on board Cyprus ships***

Encouraging and facilitating shipowners flying the Cyprus flag to take proactive action by conducting trials using alternative fuels such as Biofuels and Hydrogen.

In 2022 SDM approved the trial use of biofuels on 8 Cypriot ships.



**iv. Provision of Environmental Incentives in maritime transport**

The provision of Green Tax Incentives, which are part of the Cyprus Tonnage Tax System, aim to reward efforts to proactively reduce the greenhouse gas emissions in maritime transport.

The incentives provide for a reduction of tonnage tax up to 30% for the qualifying owners of Cyprus and Community ships that use mechanisms - equipment for the environmental preservation of the marine environment and the reduction of the effects of climate change.

These incentives apply as from the fiscal year 2021.

In addition, Green Achievement Awards for the proactive environmental ship performance will be granted.

**v. Project of Common Interest “EastMed Pipeline”**

The Project has entered the permit granting process in Cyprus and Greece in September 2020. The FEED phase is ongoing and includes the studies required to provide the technical/engineering details necessary to enable the Final Investment Decision.

**vi. Development of a National Hydrogen Roadmap Strategy for the introduction of Hydrogen in the energy mix**

Domestic production of 3,500 GWh of hydrogen is foreseen in 2030 from electrolysis, with a total capacity of 750 MW, which will be supplied by electricity generation from RES projects, with a capacity of 2 GW (80% photovoltaic and 20% wind). The project will be completed in 2030.

**vii. Construction and Operation of the LNG Import Terminal in order to supply Natural Gas to the country**

This project aims at the construction of the Liquefied Natural Gas (LNG) Receiving and Regasification Terminal in the area of Vasilikos, for the introduction of natural gas to the island of Cyprus and the facilitation of its use mainly for electricity production purposes but also for other future industrial and civil uses. Natural gas (regasified LNG) will be initially supplied to the EAC’s Vassilikos power station. The project is under construction and is expected to be completed by the end of 2023. The project includes the construction of a pier on piles/access beams that will serve the docking as well as the loading and unloading procedures of the LNG Floating Storage and Regasification Unit (FSRU) with a capacity of up to 137,000 m<sup>3</sup> of LNG and LNG Carrier (LNGC) in the Vassilikos area in Cyprus, as well as and associated land operations. The project is expected to completed by the end of 2023.

**Cross-reference to CeSaR and Fenix Tables:**

**CeSaR Table:**

CSR 2022: 4, Subpart 1 & 4 & 5

CSR 2020: 3, Subpart 4

CSR 2019: 4, Subpart 3

**Fenix Table:**

Milestone CY-C[C2.1]-I[I11]-M[49]

Milestone CY-C[C2.1]-I[I10]-M[48]

Milestone CY-C[C2.1]-R[R3]-M[22]

Milestone CY-C[C2.1]-R[R1]-M[19]

**3.8.2 Ensuring sustainable and green mobility**

All inland- domestic movements of people and goods rely fully on road transport, due to the absence of alternative modes, a fact which dictates the construction of a modern and safe road network for all

possible users.

This situation is reflected in the extensive road network, the high rate of private car ownership/use, the high modal share of cars and at the same time the low use of public transport. In this respect, transport emissions constitute significant share of the overall non-ETS green-house gas emissions. Furthermore, Cyprus, in the previous decades presented a significant improvement in road safety, nevertheless, still diverges from EU road safety average records.

The further development of the road network coupled with continuing and enhanced maintenance of the existing is essential not only to maintain the viability and competitiveness of the Cypriot economy but also to support policy for economic and social cohesion in all regions of the island and for all groups of the population. In this context, the State is responsible for the development of sustainable, safe and efficient road infrastructure for all users. At the same time, the State regulates and supports technically and financially the system of public passenger transport, procuring and managing PPP contracts for bus service and providing the necessary infrastructure (bus stations and stops, priority infrastructure like bus lane and relevant intelligent transport supporting systems (ITS)). In addition, further efforts were assumed to increase the use of other sustainable and clean modes like cycling and walking with all kind of measures (infrastructure, awareness campaigns, legislation). These actions are reflected in the Sustainable Urban Mobility Plans (SUMP), for all the main Cities of the island as well to the National Energy and Climate Plan.

The New National Road Safety Strategic Plan 2021-2030 adopts the pan European goals to halve road fatalities and serious injuries by 2030. The Strategic Plan recognizes the need for multidisciplinary approach and also identifies vulnerable users (pedestrians, cyclists, and motorcyclists) as well as the build-up areas as key action areas, based on the main deficiencies identified through a relevant impact assessment.

(CSR 4 2019, Recital 14, CSR 3 2020, Recital 23).

In the Long-term Strategy for Cyprus Shipping “Sea Change 2030” the Shipping Deputy Ministry (SDM) included actions for rewarding and incentivizing “greening” and sustainable investment in maritime transport through:

- a. the continuous evaluation of the Green Tax Incentives, which are already part of the Cyprus Tonnage Tax System, to reward efforts to proactively reduce the greenhouse gas emissions.
- b. the granting of Green Achievement Awards for the proactive environmental ship performance.

**i. Main RRP Reforms and Investments:**

**i. Implementation of Sustainable Urban Mobility Projects (SUMP) and accessibility enhancing measures**

DG REFORM of EU is providing technical support through EIB for the necessary preparatory studies in relation to Sustainable Urban Mobility Projects (SUMP) for Larnaca and Limassol. This project includes among others critical infrastructure for public transport (park and ride facilities), cyclists (all kind of cycling paths), pedestrians, disable persons as well road safety interventions.

In the case of accessibility enhancing measures project, preparatory studies as well as tender documents are underway. The project will be developed in phases (geographical division). This project includes among others critical infrastructure for cyclists (all kind of cycling paths), pedestrians and disable persons.

**ii. Establishment of an Intelligent Transport System using Digital Twin technologies**

In terms of the Cyprus Digital Twin the PWD is in the process of finalizing the Tender Documents for the supply and installation of more than 300 sensors and also is in the process of preparing a contract with the Centre of Excellence KOIOS of University of Cyprus which will progress elements concerning the evaluation of impact of new technologies on transport and implementing tools and processes relevant to the creation of the Cyprus Digital Twin. It is expected that 150 sensors will be implemented by end of 2023, which is 50% of the overall investment. The PWD of the MTCW, through this project shall pursue the digitization of the mobility and utility networks, underpinning that with a detailed geographical information system representing the physical environment of the whole island, and extending the coverage of network sensors and telematic technologies to create the Cyprus Digital Twin (CY DG Twin). DG Twin is a digital representation that essentially simulates a real object or space, process or system. The Tender is expected to be procured by Q2 2023, contract signature is expected by Q4 2023 and installations of sensors is expected to start by Q1 2024. Installation and connection to the National Access Point of at least 150 traffic sensors is expected by Q3 2024.

**iii. Progressively phase out the most polluting vehicles, especially in polluted urban areas**

The objective of the reform is to provide the regulatory framework to create impetus progressively phasing out the most polluting vehicles, especially in polluted urban areas.

Following its approval by the Council of Minister's on 26th January 2023 the legislation was submitted to the House of Representatives for discussion and approval. First discussion of the Parliamentary Committee of Transport, Communications and Works was held on March 2023.

**iv. Scheme for the Purchase of Electric Vehicles**

The Scheme concerns the sponsorship for the purchase of electric vehicles or electric bicycles, in the form of an "ecological reward" for the purchase of vehicles with zero CO2 emissions (pure electric vehicles). The first call announced on the 25<sup>th</sup> November 2021, with a budget of €8mln out of the total budget of €30mln allocated to this scheme in the context of the RRP. Also, a 2<sup>nd</sup> Call was launched in Jan 2023, with a budget of €7.07mln. and 3698 applications have been received, with the aim to serve to the first goal set under the RRP for at least 2,050 electric vehicles and bicycles been purchased by the end of 2023.

**v. Scheme of Withdrawal of High Carbon Emissions Vehicle and the Granting of Incentives for Alternative, Low Emissions Ways of Transportation**

The Scheme concerns the sponsorship for the withdrawal and scrapping of high emission vehicles and (i) their replacement by vehicles with low carbon dioxide emissions (with a CO2 emission limit of 50g/km), or (ii) the purchase of an electric bicycle, or (iii) the issuance of bus tickets. The withdrawal and scrapping of a high emission vehicle is a basic condition for participation in the Plan. The scheme is under implementation after the launching of its first call in November 2021, for a budget of €4mln. Out of the 3,145 applications received by the end of Dec 2021 (deadline), only 398 proposals were approved and around 112 grants were awarded by the mid Mar 2023. A 2nd Call was launched in Jan 2023, with a budget of €3.09ml. 647 applications have been received under this 2nd Call.

**II. Main reforms and investments undertaken outside the RRP framework:**

**i. Investments on the road TEN-T network, including new motorway network, dedicated projects on road safety and public transport**

Projects include among others the Lefkosia South Orbital Motorway (Core TEN-T Network, CEF co-funded project), a key TEN-T project identified on the Orient/East- Med Core Corridor, interconnecting three other motorways for enhanced accessibility to the external gateways of Cyprus (Ports & Airports). The Vasilikos Energy Centre Road Network supports relevant policies for lifting the energy isolation of Cyprus.

The Lemesos- Saittas Motorway (a CEF co-funded project) improves the accessibility to the southern isolated Troodos mountainous areas and provides enhanced road safety levels, by replacing the older road with extremely low road safety records. Dedicated road safety projects include the reconstruction of the Kornos Grade separated Junction with enhanced road safety levels including the installation of street lighting and the reconstruction of 19 Emergency Gates at Lefkosias- Lemesos Motorway's central reserves. Furthermore, in rural 76rbanized areas there are dedicated programmes for constructing road calming measures and walkways for enhanced road safety levels for venerable users. In the case of public transport in interurban areas a relatively big programme replaces the older bus shelters as well as new Bus Stations are underway, including the newly built Alambra Station interconnecting the Lefkosia-Lemesos Motorway and the Lefkosia- Larnaca Motorway and supporting the surrounding rural area.

**ii. ITS relevant infrastructure in urban and Interurban Road network including Trans- European Transport (TEN-T) network**

Investing approximately €2m between 2018-2022 for the creation of the Cyprus National Access Point and the upgrade of the Central Mobility Platform for managing field sensors in the mobility networks, analyzing information received from those and disseminating information to users.

**iii. Introduction of "SEA Change 2030", a long-term strategic vision for Cyprus shipping**

The Shipping Deputy Ministry (SDM) introduced and adopted the long-term strategy for Cyprus shipping "SEA Change 2030".

"SEA Change 2030" strategy sets out the vision which is Cyprus to be a significant and influential actor leading positive change in global shipping and an attractive maritime centre striving for sustainable growth and excellence. The Strategy contains 35 individual actions to deliver sustainable progress for shipping categorized under three main pillars: Sustainable, Extrovert, and Adaptable.

This strategy is focused on actions that will make Cyprus shipping even more safe and secure, as well as more sustainable, extrovert, and digital.

A new unit has been created within the SDM to implement these initiatives.

28 out of 35 actions have been completed or are in the process of implementation.

**iv. Passenger Maritime Link between Cyprus and Greece**

Maritime passenger link between Cyprus and Greece reinstating after a 21-year hiatus. Provides alternative connectivity and strengthens the potential of maritime tourism between Cyprus and continental Europe. Seasonal service subsidized by the Cyprus Government for at least 3 years (2022-2024) with a possibility to prolong the subsidy until 2027, with 22 return sailings from Limassol to Piraeus scheduled over the summer period from May/June to Sep/Oct. During the first period of service (June-Sep 2022) – 7412 passengers travelled with the CY-EL ferry link – 205 pets and – 1946 cars/motorbikes were transported.

**v. Regular Public Passenger Transport Services**

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.

**vi. Implementation of SUMP projects** (Larnaka, Limassol and Paphos and Limassol)

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, with 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 shall be completed by 31 March 2026. The–

As for the Famagusta SUMP, the project commenced on 23 February 2022 and will be completed by the end of May 2023.

**Cross-reference to CeSaR and Fenix Tables:**

**CeSaR Table:**

CSR 2020: 3, Subpart 4

CSR 2022: 4, Subpart 6

**Fenix Table:**

Milestone CY-C[C2.2]-R[R1]-T[52]

Milestone CY-C[C2.2]-R[R3]-M[55]

Milestone CY-C[C2.2]-I[I3]-T[62]

**3.8.3 Transition to 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 2021, the share of RES in the total final energy consumption reached 18,42%, exceeding the trajectory set in National Energy and Climate Plan -NECP (for 2021 the projection in the NECP was 14,80%). Compared to the share of RES in 2020 (16.88%) in 2021 there was an increase of 9.12%. In 2021 the share of the RES in electricity generation reached 14,84%, in the heating and cooling sector 41,34% and 7,29% in the transport sector.

**I. Main RRP Reforms and Investments:**

**i. 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 renewable energy sources and energy savings by the large stock of old dwellings, as well as to subsidize 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 two sub-measures: (i) a support scheme for promoting renewables (PV)

and/or individual energy efficiency measures (roof thermal insulation) in dwellings, including households of vulnerable electricity consumers such as poor households and households with people with disabilities and (ii) a support scheme for promoting the installation or replacement of Solar Water Heating (SWH) Systems of an existing dwelling.

More than 10,000 applications have been received under the 2021-2023 Calls, related to investments already completed by beneficiaries i.e. dwellings, incl. households with people with disabilities. More than 8,500 proposals have already been approved while financial support has already been provided to around 6,000 beneficiaries (incl. more than 400 vulnerable electricity consumers). The investment will be fulfilled in due time.

**ii. Encouraging the use of renewables and energy savings by local authorities and bodies of the wider public sector**

The Grant Scheme aims to provide financial incentives to encourage the implementation of energy upgrading investments by local authorities and semi-governmental organizations. The Scheme aims, in particular, to upgrade the existing building infrastructure of public entities and contribute to the achievement of national RES and energy savings obligations. For each building supported under the scheme, transformation into a Nearly Zero Energy Building must be achieved. Primary energy savings of at least 30% should be achieved for any other infrastructure.

The call of the scheme was announced on 16/03/2022, following its approval by the CoM. Submission of proposals was initiated in Feb 2023, the IB has already received proposals for more than 100 investments.

The aim of the Scheme is to lead to at least 580 investments by June 2026 for improving energy performance to be undertaken by local authorities and wider public entities.

**iii. Creation of electro-mobility infrastructure - Support Scheme (Grants) for Charging Electric Vehicles from Renewable Energy Sources**

The Support Scheme (operated by the 'RES and Energy Conservation Fund') aims to provide financial incentives for the installation/expansion of PV systems, in existing residences for the charging of electric or plug-in hybrid vehicles. The first call of this scheme under the RRP is expected to be launched during the 2<sup>nd</sup> quarter of 2022.

The 'RES and Energy Conservation Fund' will also launch a grant scheme within 2023 financing local/public authorities for the construction of public charging points for electric vehicles, where electricity will have to be generated (totally, or partially) from RES.

The aim of the above schemes is to lead by Q2 2026 to at least 460 photovoltaic charging points installed by local authorities and households.

**iv. Digital One-Stop Shops to streamline RES projects permitting and to facilitate Energy Renovation in Buildings**

(Please refer to sub-section 3.8.1)

**v. Energy Storage Regulatory Framework**

The reform concerns the entry into force of an amendment to the Transmission and Distribution Rules (TDRs) and Trading and Settlement Rules (TSRs) which shall provide the necessary regulatory framework (market rules) and technical modalities that shall allow storage facilities to participate in the wholesale electricity market, promote the development of an economically viable, efficient, safe and consumer-

oriented electricity market that prioritizes the generation of electricity from renewable energy systems. The TSRs and TDRs were amended by the Cyprus Transmission System Operator (TSOC) and approved by the Cyprus Energy Regulatory Authority (CERA). The amended rules entered into force through the publication of TSOCs and CERAs relevant announcements in the Official Gazette of the Republic in April 8, 2022. The project promoter for this measure is the Cyprus Energy Regulatory Authority.

## **II. Main reforms and investments undertaken outside the RRP framework:**

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

### **i. 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. The produced electricity is sold to the Electricity Authority of Cyprus at the respective purchase price of electricity from RES, as set by Cyprus Energy Regulatory Authority, up until one year after the operation of the competitive electricity market.

Under the Scheme, 120 MW of PV systems, a 12,5MW wind park and a 2,3MW biomass station were licensed. At 30/09/2022, 76 PV plants (101,42 MW) were in operation (the rest PV did not accept their connection terms and were removed from the Scheme). The Wind Farm and the Biomass project are expected soon to receive their final connection terms and enter the construction phase.

### **ii. 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. After the operation of the competitive electricity market, the RES systems will be transferred in the competitive electricity market.

The Scheme opened for applications in 2019 only.

A total of 145 projects of 256 MW were approved after assessing the grid conditions (and substation capacity) in their respective areas (238MW of PV and one wind park of 18MW approved). A total of 138 projects (237,29 MW) already received their connection terms and several have submitted Bank Guarantees for their implementation. At the end of 2022, 57 PV parks of 97,7 MW are in operation and 44 PV parks of 101 MW are in the construction phase. The wind park was removed from the Scheme.

### **iii. Revision of the National Policy for RES**

The national policy for the promotion of renewable energy is under revision. The new legislation bill has gone through the legal vetting by the Law Office of the Republic and approved by the Council of Ministers in January 2022. It was submitted to the House of Representative in February 2022. 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.

### **iv. Support Schemes for Energy Storage**

The measure refers to the development of funding schemes to facilitate the utilization of energy storage systems, to be funded under Just Transition Mechanism. 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 schemes are under final consultations with E.E and national authorities.

**v. Installation of smart compensation (SSSC — Static Synchronous Series Compensators) in number of Transmission Substations**

The installation of smart compensation will assist in redirecting generation into the transmission system without overloading lines as a result of a fluctuation in RES generation. It will facilitate RES investments and will aid with the full utilization of existing transmission infrastructure, therefore avoiding the construction of new expensive transmission lines, which necessitate lengthy permitting/planning procedures. Currently at preparatory stage between Managing Authority and Beneficiary.

**vi. Installation and upgrade of transmission substations**

Establish a number of new and upgrade existing transmission substations to enable further penetration of renewable energy sources. Digital equipment will be installed in these substations where smart grid technologies can be applied. Currently at preparatory stage between Managing Authority and Beneficiary.

**vii. Upgrading of Transmission Lines with the method of reconductoring**

Because of their composition, upgraded transmission lines will be able to function at higher temperatures (up to 200 °C) than standard transmission lines (up to 70 °C). The electricity transmission capacity will almost double as a result of the reconductoring, allowing for increased RES penetration into the transmission system without the need to build new transmission lines. Currently at preparatory stage between Managing Authority and Beneficiary.

**viii. Development of Fiber Optics Network in Distribution for the needs of the energy network (1<sup>st</sup> phase)**

The transformation of the existing “passive” distribution network into a modern Smart Grid is a necessary condition for further penetration of RES in the energy mix in order to achieve a zero-carbon economy. The extension of the Optical Fibers network to distribution is an investment that will meet the current and future needs of the Smart Grids. Currently at preparatory stage between Managing Authority and Beneficiary.

**ix. Automation of the Distribution System at Medium Voltage and installation of SCADA/ADMS**

A modern real-time distribution network management system known as Supervisory Control and Data Acquisition System/Advanced Distribution Management System (SCADA/ADMS) will aid the DSO to effectively manage and optimize/maximize the integration of RES into the distribution system through the more efficient and secure operation of the electricity distribution network via centralized monitoring and real-time control of the flow of energy. Currently at the preparatory stage between Managing Authority and Beneficiary.

**x. Geographic Information System (GIS) to support the digital transformation of networks, the transition to green energy and the operation of the digital one-stop-shop for the connection of ES to the electricity network**

The project will facilitate investments in RES through the development of the appropriate infrastructure, equipment, systems and applications, that will constitute the backbone of managing and supporting



sophisticated electricity networks with the appropriate automation of internal operations procedures, external involvement and management of green energy penetration. This will enable participation in the operation of the digital one-stop-shop for RES of the Ministry of Energy, Commerce and Industry and the Digital Platform “IPPODAMOS” of the Town Planning Department (co-financed by the Cohesion Policy Funds 2014-2020). Currently at preparatory stage between Managing Authority and Beneficiary.

***xii. Guidance Documents for Renewable Energy Sources (RES) applications***

The Department of Environment has prepared and published a number of guidance documents regarding the preparation of Environmental Impact Assessments (EIA) for RES, especially for photovoltaics. The documents are available on the website for public use.

***xii. Amendment of Annex I and II of the Environmental Impact Assessment (EIA) legislation***

The amendments target the acceleration of RES environmental permitting by introducing specific provisions for small RES installations (in line with the relevant EU Directive). The amendment has been submitted to the Minister of Agriculture, Rural Development and Environment with draft Decree.

**Cross-reference to CeSaR and Fenix Tables:**

**CeSaR Table:**

CSR 2022: 1, Subpart 2

CSR 2022: 4, Subpart 2

CSR 2020: 3, Subpart 4

CSR 2019: 4, Subpart 3

**Fenix Table:**

Milestone CY-C[C2.1]-I[I2]-T[28]

Milestone CY-C[C2.1]-I[I3]-T[31]

**3.8.4 Improving the energy efficiency of buildings**

In order for Cyprus to achieve the national targets for reducing greenhouse gas emissions and facilitate the energy upgrading and increased energy efficiency of government buildings, various measures are being taken, which also contribute towards CSR 4 of 2019 and CSR 3 of 2020.

The current minimum energy efficiency requirements are in force since 1<sup>st</sup> of July 2020. The requirements are in line with the requirement all new buildings to be Nearly Zero Energy Buildings (NZEB) and set new more ambitious requirements for buildings that undergo major renovation and building elements that are replaced or retrofitted. According to Long-Term Renovation Strategy the ‘realistic’ scenario is an annual renovation rate of 1%, taking into account economic and technical limitations. This rate, combined with the construction of new buildings that will now be NZEBs, will make a significant contribution to reducing energy intensity in the sector and will stabilize energy consumption over time. However, in order to achieve an ambitious target of decarbonizing the entire building stock by 2050, the annual renovation rate should be tripled. “Fit for 55” and the revision of NECP set the basis for accelerating renovation especially in low energy performance buildings.

RRF and Cohesion funds for the period 2023-2026 will be used for increasing the energy efficiency of existing buildings, including households, enterprises, schools, public and wider public buildings, hospitals etc.

Improving the energy efficiency of buildings has significant positive effect in reducing fossil fuel consumption and green-house gas emissions. In this respect this effort is unlocking economic, social and

environmental benefits. It should be noted that the big majority of buildings in Cyprus were constructed with no or low levels of thermal protection, which is a substantial source of energy inefficiency.

**I. Main RRP Reforms and Investments:**

***i. Energy Efficiency Upgrading of Government buildings***

• **Schools**

Thermal insulation and installation of photovoltaic systems in all 405 schools has been completed. To this date 363 photovoltaic systems have been connected to the grid and 42 photovoltaic systems are in the process of being connected.

• **Fire Service Properties**

The investment consists in the implementation of energy upgrades (photovoltaics, LED lamps) in 17 Fire Stations, including the Fire Brigade Headquarters. The implementation of the investment shall be completed by Q4 2025.

• **Nicosia General Hospital**

Tender has been launched on February 2023. Contract signing expected by the beginning of June 2023. Completion of set up and installation of PV System is expected by May 2024.

- It is also noted that the construction/upgrading of the Cyprus State hospitals, as described in sub-section 3.7.1, will be verified as class A to assure that the thermal installation materials will be used on the walls and roof top. All openings (windows, doors etc.) will also be thermal insulated and according to the regulations of the certifying office. Renovations/enhancements will result to, on average, at least 30% reduction on energy consumption compared to current buildings. The implementation of the project will be gradually and shall be completed by Q2 2026.

• **Water Treatment Plants and water pumping stations**

The investment consists in the installation of grid connected photovoltaic energy systems of total power of 2 MWp in water treatment plants and water pumping stations. The investment shall be completed by Q4 2025.

***ii. Mass installation and operation by the Distribution System Operator (DSO) of Smart Metering Infrastructure (Advanced Metering Infrastructure)***

The measure concerns the delivery and installation of 400 000 smart electricity meters to final electricity customers, including natural and legal persons. The evaluation procedure of the Tender has been completed. Following the selection of the preferred bidder, a hierarchical recourse to the Tender Review Authority was made by an unsuccessful Economic Operator and thus the award procedure is currently suspended. The completion of the measure involves the delivery and installation of at least 200 000 smart meters by Q3 2024 and the completion of the delivery and installation of all 400 000 smart meters by Q2 2026. The project promoter for this measure is the Distribution System Operator.

***iii. Promoting energy efficiency investments in SMEs and Non-Profit Organizations***

The Scheme aims to support energy efficiency investments in existing buildings, facilities and production processes of SMEs and Non-Profit Organizations. The Grant Scheme's main objective is to reduce at least 30% the primary energy consumption of buildings and/or, facilities owned and or operated by SMEs and NPOs. The Scheme was announced on 18 March 2022, following its approval by the CoM.

This objective is expected to be achieved by providing grants for the following type of investments:

- Energy upgrade of existing buildings (thermal insulation, replacement of windows and electromechanical equipment such as heating/cooling systems).
- Energy Audits.
- Integration of Renewable Energy Systems.
- Adoption of digital technologies (e.g. smart meters, automations, control systems etc.).
- Investments for energy conservation in production processes/operation facilities.

## **II. Main reforms and investments undertaken outside the RRP framework:**

### ***i. Installation of PV systems in the military camps***

The Ministry of Defence has been granted with 19 million euros from the European Structural and Investment Funds for the installation of PV systems in the military camps. For this purpose, the MoD initiated discussions with the Directorate General for Growth the Ministry of Energy, Commerce and Industry and the Electricity Authority of Cyprus. The installation of PV systems is expected to be completed by the year 2027.

### ***ii. Energy upgrading to small and medium sized enterprises, houses, municipalities and communities***

The measure aims carbon neutrality and stimulation of significant local investments to improve the energy efficiency of the building stock and other infrastructures, support green investments in SMEs, and the wider public sector. The project is expected to implemented during the period 2021-2026.

### ***iii. Replacement of High-Pressure Sodium luminaires in the military camps with LED luminaires***

The Ministry of Defence has signed an agreement with Electricity Authority Cyprus to replace 6600 High Pressure Sodium (HPS) luminaires by the year 2024. A minimum of 65% saving energy consumption on the perimeter and street lighting is expected. The replacement of the luminaires will be implemented from the Ministry of Defece's budget.

### ***iv. Cooperative Intelligent education & electromobility in Zero Energy Buildings***

The overall goal of the project is to create Intelligent School Buildings of almost zero consumption, in combination with charging and circulation of electric vehicles with pilot implementation. The project will be implemented through the programme Interreg V-A Greece-Cyprus 2014-2020. The implementation of the project will start in July 2022 and shall be completed by the end of October 2023.

### ***v. Implementation of new minimum energy performance requirements by 1st of July 2020 (Κ.Δ.Π. 121/2020)***

According, to the current requirements all new buildings have to be energy class A and cover at least 25% of their primary energy consumption from RES except for hotels, for which the requirement is 9%. Maximum primary energy consumption is set, while additionally for residential buildings a maximum heating demand must be obtained. Residential buildings that undergo major renovation have to reach energy class A, and non-residential buildings energy class B+. The new requirements are the result of the second calculation of the cost-optimal levels carried out in 2018, as well as the public consultation with all stakeholders.

### ***vi. Amendment of the Law that Regulates Energy Performance of Buildings in 13th of November 2020 to transpose Directive 2018/844/EU***

The amendment introduces the obligation for preparing and implementing Long-Term Renovation Strategy, for integrating electric vehicle infrastructure in buildings and measures to promote automation and control systems and "smartness" in the building sector.

**vii. Regulations for setting up an Energy Efficiency Obligation Scheme**

The national policy framework for setting an energy efficiency obligation scheme for energy distributors (KDP 488/2021) was published on 31/12/2021. It will oblige energy distributors (with more than 15 ktoe of energy sales) to achieve part of the national energy efficiency target, by implementing energy efficiency measures for reducing end use final energy. On 06/30/2022, the Energy Efficiency (Determination of Obligated Parties, Annual Cumulative Target and Methodologies and Eligible Measures) Decree of 2022 (Κ.Δ.Π. 259/2022) was published in the official Gazette of the Republic of Cyprus. In the Decree, is defined the Annual Cumulative Target for 2023, the Obligated Parties for the year 2023 and the Annual Cumulative Target of each Obligated Party. The Decree came into force on January 1 of 2023.

**viii. “Saving – Upgrading Houses” Program**

The programme aims at the extensive energy upgrade of existing houses 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 € 35 mln and will be co-financed by ERDF. On February 2021, the Ministry announced the first call of the Scheme, for the programming period 2021-2027. The submission period started on March 9, 2021 and finished on June 22, 2021. During this period the Ministry received 2.152 new applications for a total budget of €35mln. By the end of 2022, 2003 of these applications were approved for a total budget of €432.68mln. Out of these applications, 369 have already completed their projects and were paid the amount of €5.31mln.

**ix. 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. The selection process of 25 schools from all the educational levels out of 167 which have applied were selected in December 2021 and will be used as pilots for energy renovations to meet the Nearly Zero Energy Building (NZEB) standard and provide improved indoor conditions. The works started in 2022. 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 €250,000. The MOECSY (Unit of Education for the Environment for Sustainable Development and Technical Services) is responsible for the project and the coordinator of the project is the Cyprus Energy Agency. During 2022 the first call of public procurements prepared and announced aiming to begin the renovation of the first 5 out of the 25 schools that were selected through evaluation project for renovation.

**x. Improving the energy efficiency of school buildings**

The Technical Services of the Ministry of Education, Sports and Youth (MOECSY) aim to expand the use of renewable sources energy and thermal insulation installation, in order to further improve the energy efficiency of school 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+.

**Cross-reference to CeSaR and Fenix Tables:**

**CeSaR Table:**

CSR 2020: 3, Subpart 4

**Fenix Table:**

Target CY-C[C2.1]-I[I5]-T[35]

Target CY-C[C2.1]-I[I5]-T[36]

Milestone CY-C[C2.1]-I[I7]-M[40]

### **3.8.5 Encouraging water saving behavior**

Promoting the efficient use of water resources is one of the main strategic objective of the Ministry of Agriculture, Rural Development and Environment (MARDE) which is mainly implemented by the Water Development Department (WDD). Improving good practices of water consumption and reuse is essential aim of sustainable water policy and is in line with the Country's Specific Recommendations for focus investments in water management to address the challenges of draughts and water scarcity (CSR 4 2019, Recital 13 and CSR 3 2020, Recital 23).

All water projects proposed in the Recovery and Resilience Plan or in the Cohesion Fund as well as in the National Budget have as common goal the implementation of the Governmental Policy and Strategy in the management of water resources as it is formed for the next decade.

#### **I. Main RRP Reforms and Investments:**

##### **i. Water Resource Management Reform**

The Reform aims to promote actions addressing structural weaknesses in the water resource management in Cyprus. A High-level Working Party intends to serve as a body for cooperation between the various water management authorities with common purpose to improve efficiency and sustainability. At the same time, it will also serve as a coordination and monitoring body for the implementation of the investments and action to be proposed. The Working Party will try 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 four measure categories:

- Assist the merging of District Water & Sewerage Boards.
- Reduce non-revenue water.
- Improve water reuse.
- Enhance the safety and sustainable operation of WDD's infrastructure.

A significant number of studies have been included, including those required for compliance with regulation EU 2020/741 for potable water like Risk assessment and risk management of catchment areas and supply system and assessment of water leakage levels using the Infrastructure Leakage Index. The aforementioned studies will be completed in 2023.

##### **ii. New legal framework for Local Authorities and relevant support measures**

Part of this Reform is creating of five District Organizations for Local Administration which undertake the water supply, sewerage and solid waste management as well as issuing of urban planning and building permits on a district level. The relevant legal framework was adopted by the House of Representatives in March 2022.

The main investments are included in the following measure categories:

Measure Category 1: Improve infrastructure and water quality.

Investment 1: Choirokoitia-Famagusta Conveyor Replacement (Replacing of 50 years old potable water WDD's conveyor to minimize water losses, improve water supply security and efficiency). It is expected that within 2023 the required studies for the implementation of the project will have been completed.

Investment 2: Water Treatment Plants upgrade for water quality improvement (WDD will implement technological refurbishment to maintain the ability of the water treatment plants to produce top water quality water). Currently the WDD is in the Tendering Procedure for the implementation of an activate carbon unit at one of water treatment plants.

Measure Category 2: Improve water resource management efficiency and operational capacity of the competent authorities.

Investment 3: Integrated Monitoring and Control Management System (An integrated platform will be established in WDD's system aim to address various challenges, including water quality, flood management, water demand management and water allocation for irrigation purposes, energy efficiency as well as cyber-physical security). An agreement is jointly prepared between the Water Development Department and KIOS - Center of Excellence (University of Cyprus) that will undertake the preparation of the requirements analysis and system design document. The agreement is expected to be signed by end of April 2022.

Investment 4: Smart Water and Sewerage Networks Monitoring (Implemented to Water and Sewerage Boards The objective of the investment is to enhance operational and energy efficiency of water and sewerage organisations through the digitalisation of Larnaca Sewerage and Drainage Board, Larnaca Water Board and Water Board of Limassol. As regards the installation of photovoltaics at the Larnaca Wastewater Treatment Plant (which consists of two contracts of 150KW and 550KW), the photovoltaic system of 150KW has been procured and is expected to be installed by July 2022, whereas the photovoltaic system of 550KW is expected to be procured by July 2022.

Measure Category 3: Ensure water adequacy and adaptation to climate change

Investment 7: Eastern Nicosia infrastructure for wastewater treatment's effluent re-use (increase the use of treated wastewater to achieve the full utilization of the quantities of recycled water). The objective of the investment is to increase the storage capacity of a Wastewater Treatment Plant in the area Vathia Gonia to enable the utilisation of the whole treated wastewater amount. The tendering procedure is expected to be announced by Q1 2024, contract signature is expected by Q2 2024.

## **II. Main reforms and investments undertaken outside the RRP framework:**

### ***i. Main Investments in Water Sector funded by the Cohesion Fund***

- Vasilikos – Nicosia Conveyor Project. A two phases main water project which is under construction and is expected to be completed on 2024 (Phase A) and 2026 (Phase B).
- Kokkinokremmos Conveyor Project.
- Water supply network replacement in urban areas.
- Smart water and sewerage networks monitoring.
- Polis Chrysohous Sewerage System.
- Larnaca's Phase C Sewerage Collection System.
- Larnaca's re-use of treated wastewater.

**ii. Investments Funded by other sources**

- Western Nicosia infrastructure for the re-use of treated wastewater. Agricultural for Rural Development Fund (EAFRD).
- Aradippou anti-flood Dams.

**iii. The Water Development Department is currently planning (technical, financial and environmental evaluation) the following water projects to be included in the National Budget**

- New Water Treatment Plant at Choirokoitia.
- Choirokoitia – Famagusta Conveyors Replacement (Phases B & C).
- New Desalination Plant for eastern Limassol water supply.
- Polis Chrysohou’s area water supply project.
- Limassol’s re-use of treated wastewater.
- Agia Napa & Paralimni re-use of treated wastewater
- Sewerage systems in rural communities <2.000 population equivalent (p.e.).

**Cross-reference to CeSaR and Fenix Tables:**

**CeSaR Table:**

CSR 2020: 3, Subpart 5

CSR 2019: 4, Subpart 2

**Fenix Table:**

Milestone CY-C[C2.3]-I[I3]-M[71]

Milestone CY-C[C2.3]-I[I7]-M[82]

**3.8.6 Improving the conservation status of habitats of community interest (biodiversity)**

The Natura 2000 network adequately covers the terrestrial area of Cyprus. Some sites have been expanded and some have been newly designated to cover minor insufficiencies. At the same time efforts are focusing on offshore marine areas for the protection of marine habitats by designating a large marine area (Oceanid) as a as a Special Protection Area in 2022. Further research is currently underway to identify other possible areas for protection.

The competent authorities are now in the process of preparing Ministerial Decrees for all Natura 2000 sites to achieve specific targets, impose specific prohibitions and improve conservation status for the next Reporting period.

Additionally, significant steps have been taken to improve the implementation of Article 6(3) of the Habitats Directive, to ensure that all plans and projects undergo appropriate assessment and do not cause damage to habitats and species. Capacity building activities are underway to further increase knowledge and expertise.

A LIFE Nature Integrated Project that has a 10-year implementation period (2019-2029) and a budget of almost €17 mil. is aiming at directly improving the conservation status of species and habitats of community interest in the N2K network in Cyprus in the areas under the effective government control, based on the Prioritized Action Framework (PAF). The project includes actions affecting the whole network and other actions affecting certain species and habitats in 35 N2K sites. A total of 14 partners (Competent Authorities, Universities, NGOs and SMEs) joint forces in this long-term ambitious project, that is about to enter the 2<sup>nd</sup> phase (4 in total), progressing from Preparatory Actions (1<sup>st</sup> phase mainly) to the Concrete Conservation Actions.

## **II. Main reforms and investments undertaken outside the RRP framework:**

Competent authorities for the management of the Natura 2000 sites (Department of Environment, Department of Forests, and Department of Fisheries and Marine Research - Ministry of Agriculture Rural Development and Environment- and Game and Fauna Services -Ministry of Interior), designated and implement measures for the protection, conservation and improvement of habitats and habitats of the species. Currently measures are implemented mainly through national funds, LIFE and Interreg projects and the Rural Development Plan.

Measures are prioritized for those habitats and species with high pressures and threats. In order to achieve EU Biodiversity Strategy for 2030 targets MS are expected to develop a National Pledge for the 30% improvement targets for habitats and species. The CY National Pledge will include habitats and species with unfavorable conservation status and deteriorating trends in order to improve status, as well as sites with high pressures and threats.

### **Cross-reference to CeSaR and Fenix Tables:**

#### **CeSaR Table:**

CSR 2020: 3, Subpart 4

### **3.8.7 Promoting education, training and skills for the green transition**

Acknowledging the importance for the green transition the Government included in its priorities the implementation of various training programmes aiming at the education for farmers in the fields relevant to green intervention but also for young professionals and students in order to study agriculture related topics.

#### **I. Main RRP Reforms and Investments:**

##### **i. Upskill the existing farming community and professionalise future labour force by investing in human capital**

(Please refer to subsection 3.3.1).

##### **ii. Training programmes for the acquisition of knowledge and skills related to the green economy**

(Please refer to subsection 3.6.11).

##### **iii. Training programmes for the acquisition of knowledge and skills related to the blue economy**

(Please refer to subsection 3.6.11).

## **II. Main reforms and investments undertaken outside the RRP framework:**

#### **i. Educational programs for farmers and livestock breeders**

The Department of Agriculture has established an Advisory System through which it organizes and provides, among other actions, various educational programs aimed at farmers and livestock breeders.

These programs are organized mainly by the District Agricultural Offices and are financed from the State Budget. In the framework of these training activity, farmers are provided with programs relevant to the



Green Intervention. Examples include programs for the Usage of Plant Protection Products, the correct usage of sprayers, the development of alternative energy sources, the welfare of animals, the more effective and efficient usage of water, etc. The organization and implementation of training programs are carried out on a continuous basis.

**ii. Vocational training and skill development actions for existing and young first-time farmers**

The topics of the training programs include, among others, topics relating to the use of plant protection products, the correct use of sprayers, the development of alternative energy sources, the welfare of animals, the more effective and efficient use of water, etc. Everybody who is engaged in agriculture and animal husbandry, has the possibility to participate in these programs and a small financial support is provided to them. The programme will be offered for the next programming period 2023-2027.

**iii. Revisioning of the National Strategy for Green Transition and Education for Sustainable Development 2030 (Unit of Education for the Environment and Sustainable Development)**

The national Strategy for Education for Sustainable Development (ESD) which has been initially adopted in 2007, is the Cyprus strategic document that captures holistically all the actions for ESD in all levels and forms of education (formal, non-formal, in-formal) and permeates horizontally all the other national policies for Environment and Sustainable Development such as national strategy for climate change, SDGs, biodiversity etc). The decision for revising the national strategy for ESD is the result of the new evolutions in the field which is reflected in the new international Policies for ESD and Green Transition, which Cyprus agreed to implement. The revision of the National Strategy for Green Transitions and ESD 2030 was announced by the Minister of Education, Sport and Youth during the UNECE 9th Ministerial Meeting for Environment of Europe that took place in Cyprus 5-7 of October 2022. The objectives of the revised National Strategy for green transition and ESD are:

1. The schools to be at the center of green transition and transformed to communities of learning for creating just and sustainable societies,
2. The Education policies and investments to be oriented towards the inclusive green transition
3. The transition from knowledge-based curricula to competence based aiming to create literate citizens and professionals who will be able to support the green transition.
4. The interconnection of formal and non-formal education, the promotion of transformative learning, the strengthening of local action and the cooperation of the educational community with all social partners, NGOs, Companies, etc.,
5. The connection of the school with the labor market and the strengthening of experiential, practical and digital learning,
6. The support and strengthening of the teachers professional development as a requirement for the transition to a green, prosperous and resilient society.

The position paper of the revised national strategy for Green Transition and ESD2030, has been prepared in 2022 and includes the actions that will be implemented during the period 2023-2030. Also, a time line and cost of actions have been set covering initially the period 2023-2025. The national strategy will be finalized the first half of 2023 and will be discussed and agreed with the collaboration of social actors and other interested parties. It is estimated that in the second half of 2023, it will be submitted for approval to the Council of Ministers.

**iv. Aelia-Project Applying a multi-stakeholder and whole-institutional approach to education for sustainability-AELIA" Unit of Education for the Environment and Sustainable Development**

Aelia –project has been funded by the Erasmus (ERASMUS-EDU-2022-PI-FORWARD-LOTI-call) with €959.150,00. The project started on 1st of January and will be completed by 31st of December 2025 (36 months). The overarching aim of the project is to contribute to equipping all citizens with the skills and competences for the green transition.

The specific objectives of the AELIA project are to:

- Promote sustainability in all education sectors through designing and putting to the test guidelines for

sustainability plans

- Support educational institutions' management and leaders to apply sustainability plans including monitoring and evaluating their sustainability levels through capacity building on the guidelines for sustainability plans
- Increase the provision of quality educational resources by developing an educational framework based on a widened participation of all relevant stakeholders, based on excellence, expertise and a multitude of insights and perspectives
- Build the capacity of educators and equip them with knowledge, skills, attitudes and values to integrate sustainable development and green transition in their work and become change multiplier agents
- Strengthen the acquisition of knowledge and skills and empower all citizens to take action on climate, sustainable development and green transition
- Enhance policy learning and mainstreaming by strengthening transnational cooperation and multi-actor dialogue.

The Unit of Education for Sustainable Development is the partner of behalf of Cyprus to integrate the project.

**v. SUSEDI**

SUSEDI "Route to Transformation of Educational Institutions through a Whole Institution Approach to Sustainability" has been funded by the ERASMUS-EDU-2022-PI-(green transition in Education), with the amount of 800.000 euros. Its' duration is 48 months (starting day 1.1.2023). The aim of SUSEDI is to support Education institutions (EIs) to adopt the WIA through a series of transformational steps, and to certify them on achieving milestones. Additionally, SUSEDI aims to develop the sustainability competence of educators/leaders/administrative staff as their role is critical for institutions in terms of adopting WIA. The main deliverables of the project are an open educational resource for the development of the sustainability competence of EIs personnel, the methodology guide "Route map for the transformation of Educational Institutions into WIA to sustainability" that will include steps to transformation and proposed activities in the pillars and domains of the systemic framework for WIA to sustainability, as well as a certification standard aligned with ISO for EIs to certify their transformation into the WIA to sustainability in three different levels: Awareness, Into Action and WIA to Sustainability. Unit of Education for Sustainable Development is one of the partners from Cyprus side.

**Cross-reference to CeSaR and Fenix Tables:**

**CeSaR Table:**

CSR 2020: 3, Subpart 4

CSR 2019: 3, Subpart 2

**3.9. Facilitating the digital transition**

**Subsections:**

**3.9.1 Promoting education, training and skills for the digital transition.**

**3.9.2 Improving the digitalization of the public sector.**

**3.9.3 Ensuring adequate access to communication infrastructure.**

**3.9.4 Enhancing integration of digital technology in business activities.**

**3.9.5 Enhancing the level of online interaction between the public authorities and the general public**

**3.9.1 Promoting education, training and skills for the digital transition**

The Deputy Ministry of Research, Innovation and Digital Policy, under the National Digital Strategy for 2020-2025 and in regards to one of its four portfolios, the digital society portfolio has crafted the "Digital

Skills – National Action Plan 2021-2025”, taking into consideration the latest developments in the field, considerably, among others, the goals of Europe’s Digital Decade specifically in the area of digital skills and in full alignment and in support of the “Path to the Digital Decade” Policy Programme. The plan has been adopted by the Council of Ministers on 13.12.2021, with Decision Number 92.305 and is a comprehensive and dynamic plan, stipulating a decisive step in the country’s digital transformation.

The purpose of the Plan is to strengthen the digital fitness and capacity of citizens across the whole spectrum of demographics, social structure and economic activity. Digital skills are an essential prerequisite for learning, working and actively participating in a sustainable and competitive economy and an open and inclusive society. Emphasis is given on actions related to meeting the growing needs of the labour market – both in regards to broad-based digital skills and ICT specialists – but also on redesigning the education system to better utilize digital tools in teaching and learning processes, cultivate the skills of the future and promote the STEM (Science, Technology, Engineering, Mathematics) career path.

Digital education is clearly a policy focus. The enhancement of digital skills in schools and the facilitation of distance learning are promoted by the MoECSY through specific measures (please refer to sub-section 3.6.9).

## **I. Main RRP Reforms and Investments:**

### ***i. E-skills Action Plan – Implementation of specific actions***

The action plan was finalised after consultation with the main stakeholders involved, namely the Ministries of Labour, Welfare and Social Insurance, Finance (Cyprus Academy of Public Administration), Education, Culture, Youth and Sports, and the Human Resource Development Authority. Some actions have already been designed and are being implemented, while others are in the design phase.

A Governance Committee, consisting of relevant stakeholders, has been established in the context of the Plan, responsible for monitoring progress and accelerating the Plan’s successful and timely implementation, which will be based on set targets, those envisaged under RRP, and included by the interventions of the Ministry of Labour, and specifically by the Human Resource Development Authority and the Cyprus Productivity Centre in skilling, upskilling and reskilling the workforce and people over 55 years old in digital skills, and of the Ministry of Education regarding the digital transformation of schools.

Additionally, the DMRID, also through the function of the Digital Champion, title attributed to the Permanent Secretary of the Deputy Ministry, will re-activate the national Digital Skills and Jobs Coalition, with more than 50 members from the public and the private sector who commit to jointly achieve the objective of a digitally fit society, at all levels, maximizing impact, exploring synergies and collaboration and avoiding duplication of effort.

## **II. Main reforms and investments undertaken outside the RRP framework:**

As regards the public sector, the Deputy Ministry of Research, Innovation and Digital Policy, in collaboration with Cyprus Academy of Public Administration, have collected the training needs in basic and advanced digital skills of the ministries and other independent services. Based on these needs (both in numbers and fields), the two aforementioned bodies are working closely together in designing, delivering and promoting specific and targeted programs. Specifically, a project management course across different public sector bodies, is currently under implementation (with a target group of 420 public employees). Also, a series of targeted programs for upskilling and reskilling more than 13,000 public employees, in selected digital skills areas, such as Microsoft Office, collaboration tools, social

media, cybersecurity, teleworking and tele-education tools etc., are under implementation.

i. ***Digital education strategy***

The digital transformation of school units is promoted through the utilization of digital technology in Education with the support of the Ministry of Research, Innovation and Digital Policy (Decision of the Cabinet of Ministers dated 21.8.2020). 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. Partially funded by RRP.

**Cross-reference to CeSaR and Fenix Tables:**

**CeSaR Table:**

CSR 2020: 3, Subpart 4

CSR 2019: 3, Subpart 2

**3.9.2 Improving the digitalization of the public sector**

Cyprus ranks 20th among 27 EU Member States in the 2022 edition of the Digital Economy and Society Index (DESI). Positively, the country's relative progress, considering its starting point, is above the expected rate, indicating that it is converging to the EU average. Cyprus has improved its performance in almost all DESI dimensions, although in most cases it still scores below the EU average. The most marked progress has been made in Connectivity, Integration of Digital technology and Digital public services.

A new, holistic National Strategy has been completed and is currently at an execution stage, under the approval of the Council of Ministers and the Minister of Research, Innovation and Digital Policy (DMRID) as the competent executive sponsor for its deployment. A solid governance and KPI metrics for safeguarding proper execution are foreseen and 2021 is acknowledged as a pivotal year for enhanced digital fitness of the society, the entrepreneurial landscape and eGovernment transformation.

The national strategy for digital transformation includes the following pillars:

1. Promote eGovernment by redesigning the Ministry's enterprise architecture and governance model, optimizing our service delivery model, delivering a resilient, robust and secure ICT infrastructure;
2. Deliver a stronger digital economy and increasingly more digital and competitive industries;
3. Facilitate high speed network connectivity and increase take-up;
4. 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;
5. Ensure security in data and infrastructure and increase the trust of the public in the online transactions.

## **I. Main RRP Reforms and Investments:**

### **i. Digitalisation in various Central Government Ministries – Services**

This investment promotes digitalisation in the following Ministries/Deputy Ministries/Services of the Government:

- Deputy Ministry of Shipping, Ministry of Foreign Affairs,
- Road Transport Department of the Ministry of Transport, Communication and Works,
- Department of Town Planning and Housing of the Ministry of Interior, and
- Directorate General for Growth (specifically for the development of an Information System for the Monitoring of the Cyprus Recovery and Resilience Plan and the development and implementation of Cyprus' RRF Communication Strategy).

The execution of the contracts is in progress while some contracts have been completed. The implementation of the investment shall be completed by the end of 2025.

### **ii. Digital Services Factory**

The Cyprus Government has built a new delivery model for the development of end-to-end quality digital services – the **Digital Services Factory** (DSF) model - aiming to improve the quality of life for citizens and businesses by providing 100% of the public services online. The provision of digital services to the public, in a user friendly, efficient and effective way that will ultimately facilitate the interaction of citizens and businesses with public services, without the need for physical presence. The DSF will develop advanced digital services following an Agile/Scrum methodology, through redesigning and reengineering of procedures, and following a citizen journey that provides adaptability, response to change, based on user experience. In this context, a framework agreement with the Government Digital Service (GDS) of the UK has been signed for the establishment of this new delivery model based on the UK example gov.uk. Within the scope of the project a DSF multidisciplinary team has been established in the DMRID that works closely with GDS aiming to deliver all the required prerequisites that would allow for the efficient provision of high-quality and user-friendly digital services to the public.

The standards and procedures for the development of digital services have been defined and presented during the official Digital Services Factory Event which was held on 1st of March 2022, organised by the Deputy Ministry of Research, Innovation and Digital Policy. A number of stakeholders (approx. 500) from the private and public Sector participated in this event. During the conference the Digital Services Factory team and model was presented and the draft standards were shared with all the stakeholders. The target is to have the majority of public services online until 2026.

### **iii. New cloud policy with regard to government IT systems and services**

The objective of the measure **Definition and implementation of a new cloud policy with regard to government IT systems and services** is to elaborate the cloud policy of the government, notably the data classification, data residency, the hosting and operation of the government IT systems in the government GCloud (hybrid, public and private Cloud) environment. This will be accomplished through a strategic collaboration with Partnership Deutschland, in the context of a study for redesign and modernization of the architecture of digital infrastructure, data and public information systems. At the same time an Enterprise Architecture Team will be established. As regards implementation, it is noted that the tender documents to acquire Datacenter facilities are completed and the tender is expected to be launched in May 2022. Also, the tender document to acquire Consultancy Services for the definition and design of the G-Cloud has been prepared with the the project being currently under implementation and expected to finish by December 2025.

***iv. Integrated Information system for the Registrar of Companies and Official Receiver***

The overall objective is the design, development, implementation, maintenance and operation of an Integrated Registry Platform solution, supporting the processes and services of the Companies Section and Intellectual & Industrial Property Section, with upgraded online capabilities and outstanding customer service delivered by efficient internal processes and supported by flexible IT systems. The basis for the functional specifications of the solution is largely based on the results of the business process reengineering aimed at the streamlining of the procedures and the provision of efficient and faster services. It aims at increasing staff productivity through automation of end-to-end business processes and enhanced service delivery and provision of services via online channels for assistance, information and clarity. It is noted that appeals to the Tenders Review Authority caused delays to the tender evaluation procedure. The Contract is expected to be delayed by 12-15 months mainly due to supply chain delays. The equipment delivery time is estimated between 190 to 290 days resulting in a delay in the achievement of milestone of total duration of 12-15 months. Upon signature of contract, the technical specifications of system hardware, software and networking will be defined in collaboration with the contractor.

***v. Modernisation of Customs and Electronic Payment System***

The upgrade and digitization of the Customs Department envisaged through the project **Modernisation of Customs and Electronic Payment System**, will contribute to safeguarding fiscal stability, increased efficiency, simplification, automation, securing many processes and enhancing transparency, enabling effective policy making and tackling weakness of the past in the area of customs and customs collection. The objective of the measure is the installation and use of electronic customs systems in a single customs environment in the European Union, under the Union Customs Code, facilitating the exchange between Member States of the customs declarations, simplifying and expediting customs formalities and reducing the administrative cost for all stakeholders, thus making revenue collection more efficient. The project started in January 2022 and the target is to have the deployment of the three main systems by the end of 2025.

***vi. Development of a new integrated system for the Road Transport Department***

The project will facilitate the redesign of the electronically provided services, while taking advantage of B2G and G2G interfaces, and streamlining current processes. The new system will have new architecture, better design and the latest technologies incorporated. As regards implementation, the tender evaluation procedure was completed in December 2021. A hierarchical recourse was however submitted to the Tenders Review Authority in January 2022 and a decision was issued in March 2022. The project is expected to be fully developed by December 2025.

***vii. Police procedures digitalisation (“Digipol”)***

The objective of the reform is to eliminate the use of paper procedures and physical presence of the citizens by moving to digitalized procedures for Cyprus Police. This is expected to be beneficial for both citizens and police officers as procedures shall be simplified and efficient. The project started in corporation with KOIOS Centre of Excellence. The Implementing Authority has signed an Agreement with KIOS on 23/6/2022 for the implementation of the system prototype. The development of the system prototype will be concluded by Q1 2023 and a testing period will follow. The system prototype of Digipol will be operational by Q2 2023. It is noted that the software needs analysis is completed and the system design phase as well as the specification of the technical requirements are currently in progress (part of the operational requirements phase).

## **II. Main reforms and investments undertaken outside the RRP framework:**

### ***i. Reform of the Government's web presence on the internet***

This project consists of the complete redesign and adoption of a holistic approach to the development and management of government websites with a modern design and communication approach., by creating a content and governance structure horizontally for the entire government. It will be developed in two phases. Specifically: Phase A consists of (duration 18 months): (i) the design, development and implementation of a Unified Design System (UDS) to be used as a guiding framework for the design and implementation of government online presence and future services, (ii) the design, development and implementation of a Distribution on a Content Management System (CMS), through the application of the selected UDS, to be used as the core tool for the development of government online presence (Phase A – duration 6 months). (iii) the development of the GovCy Portal with - a. User focused content and service categories, based on life events, discovered through user research, design and analytics and agreed with the Contracting Authority b. 60 Government Web Sites (Type B- Subsite number of pages >50), c. 5 individual standalone Web Sites (Type B- Subsite number of pages >50) using the Unified Design System and GovCy Distribution. Phase B: has a duration of up to 36 months for Gov.Cy expansion Services with the addition of up to 200 web sites It is financed by ESIF 2021-2027 and the procurement of the tender procedure was 15/10/2021. The contract was signed on 4/8/2022, the project started on 1/9/2022 and is expected to be completed by April 2027. Currently it progresses on schedule and the UDS delivery is planned for early May 2023.

### ***ii. Ippodamus information system***

The overall objective of the “Ippodamus” systems project is the development and implementation of an Integrated Information System that will cover the IT needs and demands of all Town Planning and Housing Department Sectors as well as the management of Building Permits from the District Administration Offices. The Information system “Ippodamus” has been completed in February 2021. At this stage, as part of the Recovery and Resilience Plan for Cyprus, a number of new functions are under development (design and analysis) for the upgrade of the “Ippodamus” system. These functions are expected to be completed by the end of 2024.

### ***iii. New Integrated Information System for the Social Insurance System***

This project aims to Reform the Social Insurance System and Restructure of the Social Insurance Services. The implementation of the reform shall be completed by 30 June 2026.

### ***iv. Digitalization of applications for Social Insurance benefits of the Social Insurance Services***

The Electronic Application Submission Service for the Sickness Benefit was introduced on 7/2/22, while as of 9/2/2022 Sickness Applications can be examined in an automated mode (without human intervention).

The Child Benefit Application submission service went live on 13/7/2022. On 15/7/2022 the service for submitting maternity benefit applications electronically went live as well. As of September 2022, it is mandatory that all applications for Maternity benefit are being submitted electronically

On 19/9/2022 the service for application of Unemployment is being submitted electronically.

The Government is in the process of digitalizing other applications which are most widely used by citizens. It is expected that the Institutionalized pension application submission will go live in early February.

### ***v. Upgrade of the Payment system of the Social Insurance Services***

The Payment System for the Social Insurance Services “SISnet” was upgraded in January 2021. The upgrade included the implementation of the payment through VISA Card and the online registration of users through CyLogin. As of 10/2022, the System has been upgraded to include the mandatory electronic payment of current arrears of contributions of employees by the Employer. By the end of

5/2023 it is planned to proceed with the finalization of the functionality for the mandatory electronic payment of arrears, for which there is a (i) recommendation of criminal procedures, (ii) plan for overdue debts for repayment in installments, and, to include the functionality for the mandatory electronic payment of the debts of the insurable contributions of the employees by the Employer, after conducting an investigation and finding that there was Undeclared Work (undeclared employees). These new functionalities are expected to be fully completed by December 2023. This project is state funded.

***vi. Introduction of advanced digital technology for the Public Employment Services***

Cyprus PES is in the process of introducing advanced digital technology through ESF+ funding, to cover all the services provided to the clients. This transformation of services will be followed by changes in the processes of delivering the daily work. The change will entail modifications in the duties, responsibilities and the culture of PES staff and on behalf of the customers, redesigning of objectives and time schedules, organisation of workshops and training for all PES staff in order to provide the information and knowledge about new procedures and ensuring a high degree of commitment and understanding by the PES staff.

***vii. Electronic system for complete management of MECI subsidies***

The Ministry of Energy, Commerce and Industry is developing an electronic system for complete management of its subsidy-grants. The project, currently under way, aims to develop a dynamic electronic system that will operate as a central digital platform for the electronic administration of all the Ministry's funding applications.

The system has already hosted successfully the electronic submission/administration of several schemes, starting December 2019, and is now in progress with gradual development of consequent modules within its scope. The new system already incorporates electronic communication and data interchange with other Government systems through API's thus utilizing effectively the existing governmental ICT infrastructure (Ariadni e-gateway, Gov. data warehouse 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 funding schemes of the Ministry.

***viii. IT system of PES***

The upgrading of the IT system of the PES, with the technical support of the Department of Information Technology Services, 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.

***ix. Expansion of office automation system eOasis***

The electronic document management system (eOASIS system) concerns the electronic management of the official documents of the Departments / Services of the public service, as well as the automation of the procedures and regulations that govern the creation, the archiving, the security and the handling of the documents. It is currently used in 49 departments/ services and the aim is to be roll out to cover the whole government. Providing infrastructure and software to rollout eoasis system throughout the Public Service. There are currently 7000 users (49 Departments / Services). The final number of eoasis users after the rollout of the system throughout the Public Service is expected to increase to 13500. This measure is financed by ESIF 2021-2027 and it is an ongoing measure on a rolling out basis to cover all



public services.

**x. Expansion of Government Data Warehouse**

The Government Data Warehouse keeps data from the various public information systems, which can be used in the decision-making process, and in formulating policy. The said project includes the replacement of the Teradata Data Warehouse Engine, the implementation of a Teradata BAR (Backup Archive and Restore) System, ETL (Extract Transform Load Process) Revisit and GDPR (General Data Protection Regulation) Studies and enhancements and the creation of the Statistical Data Warehouse. It is financed by ESIF 2021-2027 and is expected to be completed by June 2024. The project started on November 2021, but due to a submission of a recourse to the Tenders Review Authority, the project is currently at a static status pending decision of the District Court on relevant appeals against the Tenders Review Authority decision to declare the relevant Contract inactive

Due to the submission of a recourse to the Tenders Review Authority, the Contracting Authority, following legal advice from the Law Office of the Republic of Cyprus on 19/8/2022, proceeded to a new public procurement for an open tender on 7/11/2022 for the installation of the equipment that has been received with Proposal submission deadline the 6/2/2023. This procedure is funded by the state budget and it's expected to be completed by end of 2023.

**xi. Counter Automation System (C.A.S) for the Department of Postal Services**

Implementation of an integrated information system for Counter Automation (C.A.S.) for the Department of Postal Services (DPS). This includes the supply, installation and configuration of the application software and the supply and installation of all the required computer and network equipment, system software and required services. The project is currently in the implementation phase. Next phase of the project is the testing and rollout phase. It is financed by ESIF 2021-2027 and is expected to be completed and in productive operation by December 2023 (15/12/2023).

**xii. Cyprus Integrated Land Information System for the Department of Land and Surveys**

The first Phase of the project regarding the Upgrade of GIS Subsystem of Land Information System, which it is under ESIF (co-funded by the European Development Fund by 85% and by National Resources by 15%), has been completed in October 2022. Phase B regarding the Legal and Fiscal aspects of the Land Information System, which it is under ESIF, is expected to be completed by October 2027. Phase C regarding the upgrade of the infrastructure of the Web Portal of the Department of Lands and Surveys "DLS Portal", which it is under ESIF, is expected to be completed by June 2024.

**xiii. Resilience and fairness dimension of the green and digital transitions**

The twin transition, green and digital, is an essential part of the reforms and investments previously referenced, as through a digitally upgraded and transformed environment, both the efficiency, effectiveness and speediness of the public sector is achieved, which is a decisive factor for economic growth, resilience and development. The measures are expected to improve the existing operating and regulatory framework, introduce new working methods through the use of modern technology, reinforce transparency and improving the overall business environment, with long lasting positive impacts on economic and social resilience, and above all will drive a cultural and mind set change.

**Cross-reference to CeSaR and Fenix Tables:**

**CeSaR Table:**

CSR 2020: 2, Subpart 2

CSR 2020: 3, Subpart 7

CSR 2020: 4, Subpart 3

CSR 2019: 1, Subpart 1

***Fenix Table:***

Milestone CY-C[C4.2]-I[I1]-T[233]

Milestone CY-C[C4.2]-R[R1]-M[224]

Milestone CY-C[C4.2]-R[R2]-M[227]

Milestone CY-C[C3.3]-I[I1]-M[153]

Milestone CY-C[C4.2]-R[R3]-M[229]

**3.9.3 Ensuring adequate access to communication infrastructure**

Cyprus fully shares the vision and the objectives of Digital Compass Communication (March 2021) and stresses the importance of the 2030 digital connectivity targets outlined therein, as well as of the recent follow-up proposal for a Decision establishing the 2030 Policy Programme “Path to the Digital Decade”. The accompanying new governance mechanism and its fundamental elements for monitoring its progress, will help the achievement of those 2030 targets and also the implementation of the Connectivity Toolbox, which undoubtedly contributes towards this direction. Cyprus allocated a significant part of the RRF funds to reforms for digital, including several broadband connectivity projects.

The performance of each EU member State as regards its digital transformation are expressed in the Digital Economy and Society Index (DESI) issued by the European Commission every year. In accordance with the latest DESI 2022 results, Cyprus is at the 12th position out of 27 Member States in connectivity scoring 58.8, compared to 59.9 the EU average, a classification which is deemed to be satisfactory compared to previous years. Cyprus still lags behind in Fixed Very High-Capacity Network (VHCN) coverage, at least 100 Mbps fixed broadband take-up and At least 1 Gbps take-up, and the broadband price index. The current situation in Cyprus demonstrates low fibre deployment for very high-capacity networks (mainly in urban areas and almost non-existing in rural). The spectrum auction for 5G (700MHz and 3.6GHz) was allocated in December 2020 and the first commercial 5G network was announced in February 2021 by the incumbent. Within 2022 we had two Telecom Providers operating 5G networks with a population coverage of almost 100%.

The Cyprus Competiveness Report 2021 also finds that connectivity is a weak spot for Cyprus, along with human capital (i.e. digital skills), which are both below the EU average. Potentially, this creates the possibility of a negative cycle, whereby low internet speeds, low broadband penetration and high prices create a barrier to digital adoption and acquisition of digital skills. Conversely, low digital adoption and acquisition of digital skills constrain demand for broadband internet and hence restrict incentives for suppliers to roll-out infrastructure investments and services.

**I. Main RRP Reforms and Investments:****i. Empower the National Regulatory Authority (Office of the Commissioner of Electronic Communications & Postal Regulations)**

To ensure that regulatory conditions are favourable to help bridge the gap with private investments, in particular by assuring regulatory certainty and contribute in addressing affordability of broadband services for the end-users. Secondary legislation has entered into force in 31<sup>st</sup> of March 2022, and will cover the main aspects related to surveys such as the type, the degree of analysis and the form of the required information, as well as the persons from whom the required information is requested. The geographical survey of the reach of electronic networks capable of delivering broadband networks and physical infrastructures based on Article 22 of the European Electronic Communications Code was also launched on 31/03/2022 on OCECPR's website at [https://ocecpr.ee.cy/sites/default/files/launch\\_of\\_survey.pdf](https://ocecpr.ee.cy/sites/default/files/launch_of_survey.pdf). The objective of the measure is to facilitate and accelerate investments in Very High-Capacity Networks (VHCN) by providing stakeholders with the relevant information to

improve transparency and enhance the incentives for market operators to invest faster in VHCN, thereby increasing connectivity in Cyprus.

**ii. Empower the national Broadband Competence Office (Department of Electronic Communications of the DMRID)**

The Department of Electronic Communication is the single point of contact for public investment and cooperation with private investors and facilitator of the necessary administrative procedures, as well as a primary contributor to the preparation and implementation of the common Union Toolbox for Connectivity. Given its vital role, in October 2021 a contract was signed between DG Reform and PWC for Technical Support to enhance its role. The implementation of the reform shall be completed by 30 June 2024. The technical support will also provide assistance regarding preparation work for the following:

- (i) **Expansion of Very High-Capacity Networks in underserved areas**, aiming to close the relevant investment gap in order to reach connectivity targets for very high-capacity networks, as set above for fibre and 5G, through a public tender addressed to telecom operators, in areas of no private interest. In this regard, the technical support will assist the Department of Electronic Communications of the DMRID - DEC for the successful preparation of the Investment, including state aid notification and preparation of the tender documents. The announcement of tenders is expected in July/ August 2023, signing of contracts is expected end of December 2023. The implementation of the investment shall be completed by 31 December 2025.
- (ii) **Enhance building cabling to be “Gigabit-ready” and promote connectivity take-up**, in order to encourage end users to connect with very high-capacity networks, deployed close to their residence, through the reduction of cost of (a) internal cabling and (b) connection fee (the once-off setup fee of broadband service). The technical support will also assist DEC for the state aid notification and the preparation of the implementation guide of this investment. The implementation of the investment shall be completed by 30 June 2025.

**iii. Submarine link to Greece**

By creating a new submarine link, the aims is to connect Cyprus with Greece, providing interconnection to the region’s most important internet exchanges (Athens, Sofia and Chania). The DEC has completed a Request of Interest (RFI) between all interested parties and currently is in the process of evaluating the responses and the next actions to be taken in order to proceed with the investment. The implementation of the investment shall be completed by 30 June 2026.

**iv. Smart Cities**

The Deputy Ministry of Research, Innovation and Digital Policy, pursuant to a relevant Council of Ministers’ decision on 13/11/2020, has been assigned the leading and coordinating role in developing a nation-wide strategy on smart cities, by orchestrating the existing on-going initiatives and including them in a nationwide plan, enhanced and complemented with additional initiatives. DMRID is currently conducting a study, which is being implemented by consultants with subject-matter expertise on smart cities strategic planning and architecture, whose outcome will be the framework, functional and technical specification for building a ‘CY Smart City Platform’, to support vertical solutions from various providers (vendor-neutral), as is required by each municipality’s needs, taking into account the various projects that certain municipalities have implemented or are in the process of implementing. It is mentioned that the study started in November 2021 and will be completed by May 2022. The implementation roadmap includes the following smart city solutions to run on the CY Smart City Platform: Smart parking, Smart lighting and Smart waste management, and is expected to be completed by June 2026.

## **II. Main reforms and investments undertaken outside the RRP framework:**

### ***i. Broadband Plan of Cyprus 2021-2025***

The Department of Electronic Communications of the Deputy Ministry of Research, Innovation and Digital Policy announced the Broadband Plan of Cyprus 2021-2025 in November 2021. The new Broadband Plan, funded by national funds, focuses on expanding ultra-high-speed networks coverage and demand by utilising EU funding and other State aid resources. It is a roadmap that aims to strengthen and develop new infrastructure, technologies and connectivity services. The plan includes a set of interventions at legislative and regulatory level currently funded by RRP, but also actions of practical support for the development of broadband infrastructure, and sets the following connectivity targets, to be achieved by 2025:

- Gigabit connectivity for all main socio-economic drivers,
- All premises in organized communities (urban or rural) to have access to internet connectivity offering a download speed of at least 100 Mbps, upgradable to 1 Gbps,
- 100% of the population living in organized communities (urban or rural), and all major terrestrial transport paths to have uninterrupted 5G coverage with a download speed of at least 100 Mbps,
- 70% of households to have an internet connection (take-up) with a download speed of at least 100 Mbps.

The Republic of Cyprus effectively transposed the European Directive 2018/1973/EU on establishing the European Electronic Communication Law into the national legislation in March 2022. The new legislation contributes to connectivity through VHC networks, faster time-to-market for spectrum resources and timely 5G deployment, alongside the take-up of 'Internet of Things' applications and innovative services. It ensures that connectivity for citizens and businesses is at affordable prices, through sustainable competition and universal service when needed. It also provides better protection for end-users, addressing new and emerging rights issues based on market developments.

### ***III. Single Market***

Cyprus is in line with the EU's 2025 5G and Gigabit connectivity objectives as set out in the "Connectivity for a Competitive Digital Single Market - Towards a European Gigabit Society" Communication and the "2030 Digital Compass: The European way for the Digital Decade" Communication. The European Commission presented the vision of European Society, Gigabit Society, where the availability and adoption of high-capacity networks will allow the wider use of products, services and applications in the Digital Single Market. The said communications confirm the significance of internet connectivity for the digital single market and the requirement of Europe to further develop the appropriate networks to ensure its digital future.

Thus, the main objective of the RRP proposal is to bridge divides and ensure an inclusive digital transformation. Ensuring adequate access to communication infrastructures for all citizens is essential for the realization 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:

1. Ensuring 5G and fibre coverage for 100% of the population living in organized communities, including deployment of 5G along the main terrestrial corridors, and
2. Enabling universal and affordable access to Gigabit connectivity in all urban and rural areas, including 5G and Gigabit connectivity.

#### **IV. Resilience and fairness dimension of the green and digital transitions:**

##### **Green Transition**

Digital applications and technologies can be powerful tools for advancing environmental protection, nature and biodiversity conservation, circularity, and climate action. Digital infrastructures and devices increasingly consume valuable raw materials and energy along global value and supply chains during design, development, manufacturing and use, and thus can contribute to greenhouse gas emissions, pollution, degradation of nature, biodiversity loss and waste generation.

Ubiquitous coverage with fibre-based networks allows copper switch-off and the replacement of old and dense copper-Central-Offices with modern and fewer fibre-Central-Offices, therefore contributing to the digital transition and the Green Deal, complementing the effort to replace other obsolete or less performant infrastructure by allowing lower energy consumption for broadband networks: optical fibre networks are more energy-efficient than copper networks (which use a much larger amount of active components requiring power), especially in view of increasing traffic volumes due to the data economy.

##### **Digital Transition**

The new National Digital Strategy and the new National Broadband Plan (2021-2025), will contribute to ensuring the coherence and reinforcement of the synergies between actions and investment in different areas of the digital economy. Digital connectivity reforms and investments will be structured as coherent actions, anchored into the wider local, regional and national digital transition plans. Investments in appropriate very high-capacity networks, in particular 5G and/or fibre infrastructure deployment projects, has important spillover effects on the competitiveness of the whole digital sector (supply of IT equipment, cloud technologies and solutions, data analytics, AI, high performance computing, etc.), across all sectors of the economy such as health, transport, education, agriculture, smart mobility and also for public administration.

Effective communications networks are very important in a modern society and are a prerequisite for digitalization. Technologies such as artificial intelligence, blockchain, data analytics, Internet of Things (IoT), automated driving, smart cities, robotics etc. require very high speed, almost latency free and secure networks. There are still large gaps in connectivity mainly due to the lack of effective policies, corresponding tools and investment. The deployment of Very High-Capacity Networks is both a prerequisite and an enabler for such services and applications making use of them.

##### **Cross-reference to CeSaR and Fenix Tables:**

###### **CeSaR Table:**

CSR 2020: 3, Subpart 7

###### **Fenix Table:**

Milestone CY-C[C4.1]-R[R1]-M[217]

Milestone CY-C[C4.1]-I[I2]-T[220]

#### **3.9.4 Enhancing integration of digital technology in business activities**

The integration of digital technology in business activities is identified as a challenge for Cyprus, as Cyprus has a mixed performance in this sector. Even though the percentage of SMEs having at least a basic level of digital intensity is above the EU average and Cyprus is doing well on Cloud, being above the EU average, the main challenge remains on the companies that do not yet take full advantage of the use of all state-of-the-art digital technologies. Thus, Cyprus is focusing on the introduction of digital technologies in business activities, acknowledging the benefits that follow, such as increasing the efficiency of systems, products and services.

## **I. Main RRP Reforms and Investments:**

### ***i. Scheme for the digital upgrade of enterprises***

This scheme was included in the Operational Programme 2014-2020 “Competitiveness & Sustainable Development” co-funded by ERDF and national funds, aiming to enhance the integration of digital technology in SMEs that are established or to be established in areas controlled by the Cyprus Government.

By the end of 2022, 371 enterprises have been approved, while 311 enterprises signed the Public Financing Agreement and continue the implementation of their investment proposal. 307 proposals have already completed and received the subsidy.

The Scheme has been extended and financed under ESIF for 2021-2027. The new scheme was announced in November 2022 for a budget of €10 mil. (Total budget €20 mil.) 365 applications were submitted for the total available budget and are in the process of evaluation.

#### **Cross-reference to CeSaR and Fenix Tables:**

##### **Fenix Table:**

CY-C[C3.3]-I[I4]-M[147]

### **3.9.5 Enhancing the level of online interaction between the public authorities and the general public**

eGovernment projects are developed by DMRID through a 2-tier approach, specifically through the rapid deployment of small-scale digital solutions (microservices) and the parallel long-term implementation of mega e-government projects. There is a holistic approach encompassing all governmental authorities. The ultimate goal is to create an end-to-end high-quality experience for citizens and businesses throughout their interactions and ‘touch-points’ with the public sector, drive cost efficiencies, enhance reliability, security and resilience, and draw genuine trust in the system and the technologies themselves. Flagship projects of this domain include the Digital Services Factory (through which efficient provision of high-quality online services will be deployed), the implementation of government Cloud-G Cloud, the digital transformation of Courts, the modernization of Customs and Electronic Payment System and the integrated information system of the Registrar of Companies.

## **II. Main reforms and investments undertaken outside the RRP framework:**

### ***i. Building Blocks:***

While deploying digital interventions the following tools are in place:

- Cy Login: provides unified and secured access to the government systems, through online identification process.
- eID: the national eID scheme according to the eIDAS, includes a series of legislations which have been voted by the Parliament in April 2021. According to this legislation, Trust Service Providers (TSP), who will be authorized by the Cyprus Government will be able to provide eID to the citizens above 18 years old. The TSP is obliged according to the legislation to follow a remote server solution using PKI infrastructure (the private keys are kept in an HSM server in the TSP premises). One TSP is already in the process of being authorized by the government (end of February 2022) and will start providing eID to Cypriot citizens during the year. The national eID scheme will be notified this year. The citizens will be able to use eID to access the public eServices through the Cy login mechanism. Cy Login has already integrated with one TSP provider.
- Payment Engine: utilization of the central government mechanism for conducting government payments, through two methods, account payment initiation and debit/credit cards.

- Notification Engine: provides for various communication channels by the government with the public like email, sms.

***ii. Digitalisation of application for Social Insurance benefits of the Social Insurance Services***

(Please refer to subsection 3.9.2).

***iii. Upgrade of the Payment system of the Social Insurance Services***

(Please refer to subsection 3.9.2).

***iv. Digitalization of PES services (substituting the traditional provision of physical services) and distant services (mostly via telephone)***

(Please refer to subsection 3.9.2)

**Cross-reference to CeSaR and Fenix Tables:**

**CeSaR Table:**

CSR 2020: 4, Subpart 3

CSR 2019: 1, Subpart 3

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

The multiple and interlocking crises facing the World are not conducive to achieving the UN SDGs. The war in Ukraine, the high energy prices with the resulting high inflation and the overall growing economic uncertainty are adding to the obstacles to advance the 2030 Agenda. As 2023 marks the halfway point to 2030, policies and innovative solutions are needed to accelerate SDG progress and cushion the impacts of the crises.

The Sustainable Development Goals (SDGs) offer lenses to help Cypriot Government and other stakeholders to monitor performance across all dimensions of sustainable development: from economy to social inclusion, environmental sustainability, governance, and partnerships. As part of the implementation of the project “Implementation and mainstreaming of the SDGs in the national policy framework in Cyprus” funded by the European Union via the Structural Reform Support Programme and implemented by UNITAR, a Cyprus’ SDG Action Plan has been developed which includes a series of measures that can help the country strengthen its governance, and take new or corrective policy measures to steer progress towards the SDGs. During the implementation of the project, four focus groups took place on governance, with government and non-government stakeholders respectively, as well as on green transition and on social inclusion. In addition, training workshops for civil servants, NGOs and a briefing for Permanent Secretaries were held, which introduced key recommendations of the report on monitoring mechanism, set targets on the reporting process, and review the joint reporting by SDGs by accounting for interlinkages with other indicators and areas.

Despite the adverse global environment, overall, Cyprus is performing well and improving on most SDGs, even though progress has been uneven. Cyprus scored below the EU27 average on EU SDG indicators for around 10 goals in 2022. When using Eurostat visualization tool, one can also see that the situation of Cyprus has been good and improving only for SDGs 1, 3 and 15. For SDG 10, Cyprus scored above the EU average but the situation over time has been worsening. For SDGs 4, 8, 11, 16, 7, 2, 9 and 5, the performance is below the EU average but is improving. For SDGs 17 and 12, it is below the average with no improvements. However, the above analysis relies on the overall view while in some indicators Cyprus may be underperforming even in SDFs that overall, it performs well.

### **Green transition**

The transition towards environmental sustainability is the area in which the performance of Cyprus suffers the most relative to the majority of EU countries. In particular, the main challenges that Cyprus faces concern sustainable agriculture, water scarcity and sustainable waste management, energy efficiency, sustainable mobility and the elevated level of greenhouse gas emissions. Nevertheless, Cyprus has overachieved the Renewable Energy Sources (RES) target for 2020, maintains the excellent water quality of its bathing sites, and is currently in the top 5 EU countries in the surface of terrestrial sites which are protected within the framework of Natura 2000. Despite the huge challenges Cyprus faces towards the green transition, it continues to make efforts for the improvement of all its environmental indicators, so as to reach the 2030 climate targets and decarbonisation by 2050.

Major investments have been planned and are scheduled in renewable energy, in the transformation of the network as well as the introduction of smart meters in power distribution. The import and use of natural gas will contribute towards energy efficiency in power generation, in households, businesses as well as in transport infrastructures. 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. The works were inaugurated in October 2022. The project received the second largest grant from the Connecting Europe



Facility (EUR 657 million in total) and it is also funded by the Recovery and Resilience Facility (EUR 100 million). Moreover, several support schemes started in 2021 to help citizens, public authorities and businesses to save energy, for instance by isolating buildings and producing energy from photovoltaics. By 2022, Cyprus adopted two laws and regulations that increase competition in the electricity market. These reforms will create conditions in the energy market for new investors to participate in the generation, storage and supply of electricity and will promote the participation of electricity storage facilities in the electricity market. In addition, there are efforts to impose green taxation and facilitate the take-up of electric vehicles.

At the same time, agri-environmental measures and eco-schemes will be introduced in order to significantly reduce Cyprus' underperformance in sustainable agriculture by promoting practices that reduce the need for pesticides, increasing the budget for organic farming, together with significant higher target for land under organic, measures that include the substitution of chemical fertilisers.

Regarding water reuse, two major recycled water schemes funded by various European funding sources 97 (including the European Investment and European Development Bank) are currently under way, while, by 2027, Cyprus aims to fully implement all necessary sewerage plans in order to comply with the EU Urban Waste Water Treatment Directive regarding the percentage of wastewater load collected and receiving secondary treatment. Additionally, through the implementation of the Action Plan for the Circular Economy, Cyprus is geared towards creating a sustainable consumption culture among citizens and the industry (manufacturers/entrepreneurs) as well as provide incentives to the industry to invest in the circular economy.

Data for 2021 on Cyprus' greenhouse gas emissions in the effort sharing sectors show that the country far exceeded its annual emission allocations. Current policies in Cyprus are projected to reduce these emissions by 7% relative to 2005 levels in 2030. The additional measures planned in the NCEP would bring the emission reductions to 17%. This is not sufficient to reach the effort sharing target set before it was raised in line with the EU's 55% objective, let alone the new target to reduce by 32%. With the revised recovery and resilience plan and a dedicated chapter on REPowerEU, Cyprus will allocate [41%] of its Recovery and Resilience Facility grants to key reforms and investments to attain climate objectives. Cyprus has set a greenhouse gas emissions reduction target for its effort sharing sectors of 21% to be achieved with domestic measures by 2030, compared to 2005 emissions. The NCEP is currently under revision so as to include measures that will enable the country to reach the new higher "Fit for 55" targets.

### **Social fairness**

Cyprus continues to make progress in reducing poverty in all its forms by decreasing unemployment and income inequality, increasing employment and incomes, and implementing targeted welfare schemes. Cyprus ensures high standards of healthy living and well-being, having recently rolled out its national healthcare system providing equal access to quality healthcare for all. Regarding gender equality, Cyprus ranks among the 10 countries with the smallest gender pay gap but falls behind in the representation of women in politics and women who hold leadership positions in the public and private sector. Focusing on the protection of vulnerable groups, increased efforts have been made to prevent and combat domestic violence and sexual abuse against women and children, and human trafficking. A major challenge that Cyprus faces is the integration of immigrants, due to the high volume of first-time asylum seekers. The percentages of Cypriot students underachieving in reading, mathematics, and science have raised concerns within the Cyprus Government, which has started making efforts towards improving in this field with the re-operation of the STEM education programme in nine All-Day Optional schools (Primary Education), the promotion of compulsory education from the age of four, the adoption of a Literacy Program (running in all Gymnasiums). The provision of second chance education and lifelong learning is also taking place with the functionality of five Evening Schools, which are addressed to adolescent students (Secondary Education). Concerning the promotion of gender equality, efforts are

focused on minimising inequality of opportunity via education with the adoption of Science, Technology, Engineering, the Arts and Mathematics (STEAM) and Science, Technology, Engineering and Mathematics (STEM) education projects and also training at the school level as well as centrally. At the same time, Cyprus continues to make progress in reducing poverty in all its forms. Measures for the reduction of prices on electricity tariffs have been implemented as well as financial incentives for upgrading the energy efficiency of houses and installation of Photovoltaics with the net metering method for the protection of vulnerable consumers. Contributing to gender equality and to the reduction of the risk of poverty are measures regarding the expansion of affordable childcare centres enabling the entry of care takers in the labour market, particularly women with children. Cyprus' growth of real gross disposable household income (GDHI) per person was one of the slowest in the EU in 2021. Its growth was below the EU average and was flagged as a 'critical situation' on the Social Scoreboard. To tackle this, Cyprus introduced a universal statutory minimum wage, which took effect on 1 January 2023. It is set at EUR 940 and is expected to have 40 000 direct beneficiaries.

### **Macroeconomic Stability/Digitalization**

Cyprus recognises the need for measures and actions that will accelerate performance in industry, innovation, and infrastructure. Thus, various Schemes have already been adopted and are planned for the modernisation and digitalisation of enterprises engaged in manufacturing and trading of agricultural products, the enhancement of Large Enterprises' Competitiveness in the Manufacturing Sector as well as the enhancement of Circular Economy in the Industry. Cyprus aims to boost the digital transformation of the country, covering a wide range of technological, economic and societal innovations. With the adoption of 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. Even though Cyprus showcases an increasing employment and decreasing long term unemployment rate, the percentage of young people neither in employment nor in education and training remains a challenge. To this end a scheme is promoted with a budget of a €10 million aiming to increase the employment opportunities of Young People (aged -15-29 years old) Not in Employment or in Education or Training (NEETs) through the economic support of employers, to create new jobs, and to support youth to upgrade their digital competence and efficiency. The Scheme for the Employment and Training of Tertiary Education Graduates also provides opportunities to tertiary education graduates who are under 30 years old to secure a suitable job and acquire work experience and specialised knowledge and skills.

Cyprus also makes considerable efforts towards the objectives of justice and strong institutions that will contribute to a strong business environment. To this end, a comprehensive Anti-corruption Strategy along with the necessary legislation has been prepared. The newly established Independent Authority against Corruption will undertake all necessary initiatives and actions to ensure the coherence and effectiveness of the actions of the public service, the broader public sector and the private sector in the prevention and fight against corruption. A very ambitious reform is also promoted to enhance the Judicial system with the introduction of an electronic court administration system to digitalise the operations of courts. This includes the creation of an open data platform (e-legislation platform), accessible to citizens and businesses, which will improve legal certainty and transparency and give investors access to complete and credible information on Cyprus' legal and regulatory framework.

Furthermore, reforms towards improving the administrative capacity, and the functioning of public administration for better policy making and implementation will serve towards more just and well-functioning public services, while supporting the sustainable growth of the economy of Cyprus. There are ongoing investments in the digitalisation of various central government services. In 2021-2027 the cohesion policy funds will invest EUR 90 million in the digital transformation.

### **Building Forward Better— Next Steps**

Cyprus' economic model is in the process of changing in order to reflect the ambitions of its society and to become more sustainable, liveable and more resilient to shocks. The adoption of a Long-Term Strategy focuses on introducing a robust new growth model reflecting the country's potential for economically, socially and environmentally sustainable long-term growth and welfare. Although economic performance is important for growth, the broader implications for competitiveness, productivity, innovation, skills and sustainability are equally important. As a result, the new growth model of Cyprus builds on the premises of diversification, resilience, self-sustainability, liveability, the green economy, digitalisation as well as inclusiveness. At the same time, a solid, secured, integrated and modern Government digital architecture is critical towards achieving the transformation to a digital Government and society. Digitalising the Government services will enhance the efficiency and/or enable the provision of online, secure and prompt services to citizens and society, in a user friendly, efficient and effective way which will ultimately facilitate the interaction with public services. Digitalisation is advancing and major RRP and ESIF resources will be allocated to it. In supporting the reduction of existing gender gaps in employment, pay and representation in decision making positions, measures will be promoted towards reskilling and upskilling, securing better education and life-long training as well as affordable early childcare services, providing the support and creating the conditions necessary to allow for better accessibility to a wider spectrum of employment opportunities. Cyprus government envisions towards the SDGs becoming a real policy and action agenda that will enhance the well-being of people everywhere. A preliminary overview of the sustainable development governance in Cyprus pointed to the need for strengthening the country's SDG coordination mechanism and utilize it as an effective tool not only for conducting regular reviews of progress at the national level, but also for informing sectoral policies and programmes with SDGs, improving horizontal coordination and coherence of policies across sectors as well as provide for regular engagement with other stakeholders outside of Government such as civil society organisations or local authorities.

## 5. UTILISATION OF EU FUNDS

### **Cohesion Policy Funds**

The utilization of the European Union's Cohesion Policy resources is based on multi-annual programming documents, prepared by each Member State and submitted to the European Commission for approval. This is the Partnership Agreement, which constitutes the broader strategic document and the Operational Programmes, which further elaborate the Partnership Agreement into specific priorities/actions.

### **Programming Period 2014-2020**

Regarding the programming period 2014-2020, it is noted that by the end of 2021, Cyprus has achieved its annual absorption targets for all Operational Programmes within the competency of Directorate General (DG) Growth as the Managing Authority for Cohesion Policy Funds in Cyprus: a) "Competitiveness and Sustainable Development b) "Employment, Human Resources and Social Cohesion" and c) "Food and/or Basic Material Assistance to the Most Deprived". According to the official statistics of the European Commission, Cyprus is among the best performing Member States in terms of Cohesion Funds absorption.

### **Programming Period 2021-2027**

In relation to the programming period 2021-2027 - and after the agreement reached in July 2020 on the new Multiannual Financial Framework 2021-2027 at European Council level - the European Commission has proceeded (September 2020) to calculate the exact allocations of the Member States under the Cohesion Policy Funds. In the context of this envelope, Cyprus will receive a total of € 968 million for the new programming period, under the framework of Cohesion Policy.

The distribution per Fund is as follows:

- € 467 million under the European Regional Development Fund (ERDF).
- € 222 million under the European Social Fund + (ESF +).
- € 178 million under the Cohesion Fund.
- € 101 million under the Just Transition Fund.

In addition to the allocations for Cohesion Policy for the period 2021-2027, Cyprus has also received in the context of Next Generation EU an additional allocation of € 132 million for the 2014-2020 Cohesion Policy Programmes, under REACT EU.

In terms of programming, DG Growth has formulated a single Operational Programme for Cohesion Policy funds entitled "THALIA 2021-2027" (Greek acronym for: Foundations for Change, Prosperity, Equality and Growth), which aims to support and enhance the competitiveness and robustness of the Cypriot economy through smart, digital and green investments, while promoting healthy employment and social cohesion.

The preparation of the Operational Programme was carried out in consultation with all stakeholders (Ministries, Governmental Services, Bodies/Organizations, economic and social partners, representatives of Civil Society, etc.) taking also into account the projects/actions channeled through the rest of EU funding sources namely: the Recovery and Resilience Facility, the Common Agricultural Policy, the Common Fisheries Policy and the Asylum, Border and Migration Policies.

Its structure is based on the five EU Policy Objectives for the period 2021-2027, which are in full alignment with the national development objectives, as described in the: a) Government Strategy Statement 2021-2023, b) Long-Term Strategy for Sustainable Growth of Cyprus, c) Cyprus

Competitiveness Report, as well as d) individual sectoral strategies. Furthermore, the Programme is further elaborated through sixteen (16) Priorities, which have been established through the selection of specific objectives, including Priorities referred to Technical Assistance.

Following a substantive dialogue/consultation process with the competent services of the European Commission, the "THALIA 2021-2027" Programme along with the Partnership Agreement were approved on 8 July 2022.

In terms of budget, the above mentioned Cohesion Policy allocation for Cyprus is translated to €1,5 bln of public investment (including national contributions of €519 mln ) in the context of the "THALIA 2021-2027" Programme. Specifically, the allocation per Policy Objective/category of investments is as follows:

**Policy Objective 1: Promoting Investments in the fields of Research, Innovation, Digital Transformation and Entrepreneurship (Budget: € 245 million)**

– Business Support Schemes:

Support of new entrepreneurship and enhancement of SMEs competitiveness.

– Research and Innovation Programs:

Upgrade and creation of new research infrastructures in research centers, universities and companies. Implementation of research projects by young researchers. Promotion of cooperation between companies and research organizations through specialized grants. Promotion of innovation.

– Digitization Projects in the public sector:

Public service digitalization, office automation systems, digitization of patient records, information systems for the Department of Land and Surveys, electronic connection of schools with the Ministry of Education in order to support the management of educational programmes and grading, creation of smart city infrastructure through digital networks and applications, subsidization of the cost of digital upgrading for existing SMEs and promotion of e-commerce.

**Policy Objective 2: Promoting investments in clean energy, cyclical economy and climate change adaptation (Budget: € 663 million)**

- Energy upgrade of public buildings, schools, houses.
- Renewable Energy Projects.
- Projects for reduction and recycling of municipal waste, purchase of relevant equipment, education and public awareness, restoration of uncontrolled waste disposal sites.
- Water management and natural disaster protection projects: drinking water pipelines, sewers, replacement of water supply network, smart water meters, flood protection projects and projects for the protection of coastal fronts from erosion (breakwaters).
- Urban mobility projects: creation of bicycle lanes and sidewalks, intelligent traffic light regulation systems, upgrading of bus stops /shelters, creation of priority lanes for busses.
- Biodiversity protection projects: interventions for the management of Akamas National Forest Park and other NATURA areas (forest protection, accessibility, observatories, cleaning).
- Just Transition Fund projects: Upgrading of transmission substations, automation of medium voltage distribution system and installation of SCADA/ADMS, GIS for support of digital transformation of networks, transition to green energy and operation of a digital one stop shop in RES connection.

**Policy Objective 3: Promoting investments for a more interconnected Europe (Budget: € 30 million)**

- Upgrading of Trans-European Transport Network (Nicosia South Orbital Ring).
- Intelligent highway and urban road transport systems (variable message signs, automatic traffic meters, cameras with sensors).

**Policy Objective 4: Promoting investments for a more social and inclusive Europe (Budget: € 338 million)**

- Employment:
  - o Modernization of Public Employment Service: Staffing, digitalization, application of new methods and use of modern tools for serving the public.
  - o Unemployment Schemes: Incentives in the form of employer cost subsidy.
  - o Youth Employment Schemes: Employment, training, mentoring, internship, entrepreneurship.
  - o Activating women in the labor market: employment, subsidizing infant care services, subsidizing tuition in public/community kindergartens.
- Education and Training:
  - o Development of Vocational Education and Training: Development – redesign of the curriculum, cooperation with the industry, laboratory equipment.
  - o School Social Inclusion Activities: psychosocial support, supportive teaching, creative employment.
  - o Workforce Training: Developing skills for unemployed persons (including digital skills).
- Social Inclusion and Fight against Poverty:
  - o Active Integration of vulnerable population groups: Incentive schemes for employing:
    - i) Minimum Guaranteed Income recipients, ii) Long-term Unemployed, iii) People with Disabilities and Chronic Diseases and iv) unemployed people over 50 years old.
  - o Improving Social Services: Reorganization of Social Welfare Services, cooperation with private sector professionals to provide social services, strengthening Local Authorities with social workers, financing the Welfare Benefits Management Service.
  - o Social Inclusion of People with Disabilities: Disability Assessment System, operation of an Autism Center, creation of shelters, provision of home care services to people with disabilities.
  - o Provision of Food and Material Assistance to deprived persons: provision of necessities and care for infants, provision of school breakfast for destitute students.

**Policy Objective 5: Promoting investments for sustainable development of urban, rural and coastal areas (Budget: € 133 million)**

- Integrated Territorial Development Strategies have been prepared by the Local Authorities for the implementation of actions concerning:
  - o upgrading of open public spaces (squares, parks, etc.).
  - o infrastructure for social services (e.g. multipurpose centers).
  - o upgrading of existing road network in order to promote urban mobility (bike lanes, sidewalks).
  - o infrastructure for promoting entrepreneurship (such as innovation and entrepreneurship centers).
  - o cultural heritage (amphitheatres/theatres).

Furthermore, an amount of **€75 million** has been allocated for **Technical Assistance** actions/projects.

It is noted that the role of the DG Growth as both the Managing Authority for the Cohesion Policy Funds and the competent body for the implementation of the Cyprus Recovery and Resilience Plan has been utilized in order to effectively select and allocate the proposed investments between the two

instruments, safeguarding consistency, synergies and complementarity and avoiding possible overlaps and double-funding. Consequently, the measures have a clear demarcation, whereas sectors with large investment needs are covered by both funding mechanisms.

More specific information as regards the RRP has been provided in the introduction.

## **6. INSTITUTIONAL PROCESSES AND STAKEHOLDER INVOLVEMENT**

### **Stakeholders' involvement in the context of RRP**

The involvement and active participation of the stakeholders, through continuous consultation, has been an instrumental element during the preparation of the RRP and remains so during the implementation phase. The aim of this approach has been to formulate and implement a national Plan widely endorsed by both the society and the country's economic actors.

Consultation has been sought at all levels. Starting from the RRP governance, this is mainly reflected in the set-up of an Inter-ministerial Committee, chaired by DG Growth and consisting of representatives of the Ministry of Finance, the Ministry of Agriculture, Rural Development and Environment (Department of Environment), the Ministry of Energy, Commerce and Industry (Energy Service), the Ministry of Transport, Communications and Works and the Deputy Ministry of Research, Innovation and Digital Policy, to support the preparation of the RRP. The first draft of the RRP resulted through intensive discussions and consultations with all the Ministries/Services, on the basis of their proposals. The involvement of Ministries/Services has been continuous for the finalisation of the Plan, with numerous meetings having been held both at technical level as well as at the higher political level with Ministers and Permanent Secretaries being actively engaged.

As regards the involvement of the political parties, given amongst others the very important role of the House of Representatives in the smooth implementation of the Plan's ambitious reform programme, a relevant technical committee was formed during the preparation of the Plan, on the basis of a CoM decision on the 16<sup>th</sup> December 2020. The aim of the technical committee, consisting of representatives of all Parliamentary Parties was to thoroughly discuss the content of the Programme and secure political consensus on it. The committee held six meetings between January and February 2021, discussing all Priority Axes and Components of the Plan. Following the meetings, political parties submitted written proposals, which were forwarded and further assessed by the competent authorities.

Furthermore, as it has been agreed, the political parties' technical committee will remain active throughout the implementation of the Plan in order to facilitate its implementation, especially with regards to the great number of reforms planned. The Committee has already met after the initiation of the RRP implementation, following its approval by the EU last summer, while continued dialogue with the House and its political parties, in the context of the RRP, seems to have already borne fruits with a number of bills having been approved after been pending for months or even years before the House of Representatives and having gone through quite lengthy discussions amongst the line Ministries and the competent Parliamentary Committees.

Beyond the political parties, consultation has been held with all key stakeholders during the preparation of the RRP, including local authorities, employers and workers federations and unions, commercial and technical chambers, environmental organisations, youth and other associations. Contribution was submitted by a number of stakeholders and it was duly assessed and taken into account in the final formulation of the RRP.

Finally, the continuous, active and substantial participation and contribution of the Cyprus Economy and Competitiveness Council (i.e. of the national productivity board), throughout the RRP preparation, should be noted. The common needs and targets towards resilience against unprecedented shocks and sustainable growth, led to the inclusion of a great number of reforms and investments in RRP that are fully aligned and consistent with the directions and strategic objectives of the Long-term Economic Strategy (LTES) initiated by the Cyprus Economy and Competitiveness Council.



Consultation remains an important aspect for the RRP, also during the implementation phase, mainly when it comes to the formulation of measures addressed to private sector bodies in order to mobilize additional funds into investments serving to the RRP goals. To this end, all the Implementing Bodies for Aid Schemes included in RRP are expected to consult with the key stakeholders in their sector/area of competence in order to appropriately formulate a scheme corresponding to their needs and better serve to the growth potential for the sector or sub-sector supported. Consultation with regards to RRP aid schemes is also undertaken, when appropriate, through a Technical Committee set up for the examination of these schemes. Finally, consultation is also undertaken for all RRP measures with Competent Authority (i.e. Department of Environment) to secure in advance compliance with environmental legislation, including the Do No Significant Harm (DNSH) principle.