



Questions and answers: European Commission endorses Cyprus's €1.2 billion recovery and resilience plan

Brussels, 8 July 2021

How did the Commission assess Cyprus's recovery and resilience plan?

The Commission is assessing the recovery and resilience plans based on eleven criteria set out in the Regulation itself. The 11 criteria require an assessment of whether:

- the measures have a lasting impact;
- the measures address the challenges identified in the country specific recommendations or a significant subset of it;
- the milestones and targets which allow for monitoring the progress with the reforms and investments are clear and realistic;
- the plans meet the 37% climate expenditure target and the 20% digital expenditure target;
- the plans respect the do no significant harm principle;
- the plans provide an adequate control and audit mechanism and set out the plausibility of the costing information.

The Commission has summarised its assessment in the proposal for the Council Implementing Decision. The accompanying staff-working document provides detailed documentation on the assessment.

Does Cyprus's recovery and resilience plan effectively support the green transition?

The Cypriot plan's contribution to the green transition amounts to 41% of its total allocation of €1.2 billion. This exceeds the minimum of 37% required by the RRF Regulation.

This includes a number of key reforms to underpin the green transition. The measure with the largest contribution to the climate target is the 'EuroAsia Interconnector' project, which, when completed, is expected to connect the electricity network of Cyprus to the Greek network in Crete. There are also measures aiming to make a substantial contribution to the achievement of the national targets in energy efficiency and renewable energy, to address existing challenges in the transport sector and to improve water and waste management. Regarding biodiversity, Cyprus proposes a measure aiming to protect the marine ecosystem from hazards and improve the level of efficacy as regards oil spills prevention and response mechanisms.

Does Cyprus's recovery and resilience plan effectively contribute to the digital transition?

The Cypriot plan's contribution to the digital transition amounts to 23% of its total allocation of €1.2 billion. This exceeds the minimum of 20% required by the RRF Regulation.

The plan includes considerable investments in connectivity, through a series of measures aiming to ensure coverage with very high-capacity broadband and a submarine cable to Greece to further enhance very high capacity networks. It further promotes digital education and skills enhancing digital infrastructure and curricula in schools and training of teachers as well as investing in digital skills training programmes across Cypriot society. By modernising the ICT system of the National Health System and deploying cross border e-health services the Cypriot plan enables the digital health transition. It also contains digital projects expected to promote e-government and to result in a digital transformation of courts.

Does the recovery and resilience plan represent a balanced response to the economic and social situation of Cyprus?

The Cypriot plan represents a comprehensive and adequately balanced response to the economic and social situation of Cyprus, thereby contributing appropriately to all six pillars referred to in the RRF Regulation.

Smart, sustainable and inclusive growth is expected to be fostered by measures improving access to finance of companies, targeted research and innovation reforms and investments, and support to a cleaner energy mix and lower carbon footprint of the economy in a fair and inclusive manner. In parallel, a component dedicated to financial and fiscal stability aims to strengthen the soundness of the banking sector, improve the functioning of the insolvency framework and prevent high private debt, along with a more effective and fair tax system, thus improving the resilience of the economy.

The plan also contributes to addressing challenges of the Cypriot economy with regard to competitiveness, productivity and its diversification through reforms and investments in the agri-food sector, light manufacturing, sustainable tourism and circular economy.

The plan includes specific measures to increase the quality of education and training. It provides for the reform of the teaching profession and secondary schools' curricula, the establishment of modern vocational education and training schools and the introduction of a higher education graduate tracking system. These measures will help prepare the next generation for the future labour market and the digital and green twin transition. It also supports early childhood education and care by extending free compulsory pre-primary education from the age of four, investing in childcare centres accompanied by a national action plan on early childhood education that will foster equal opportunities for all children and fulltime labour market participation of carers, especially women.

The plan supports social cohesion with measures to foster youth employment by improving the effectiveness of the Public Employment Services (PES), providing coaching and career guidance for young people not in employment, education or training and an incentive scheme for employers to hire young people. It strengthens access to social protection and community-based home care structures for people in need of long-term care. The plan supports health and social resilience with measures to enlarge the capacity and efficiency of hospitals and by providing equal access to quality and affordable services.

Do the reforms presented by Cyprus effectively address a significant part of the country-specific recommendations issued to it in the context of the European Semester?

The Commission considers that Cyprus's plan includes an extensive set of mutually reinforcing reforms and investments that contribute to addressing all or a significant subset of the economic and social challenges outlined in the country-specific recommendations (CSRs) addressed to Cyprus.

The introduction of withholding taxes to outbound payments of dividends, royalty payments and interest, particularly to low tax jurisdictions, is expected to address features of Cyprus's tax system that facilitate aggressive tax planning, in particular by multinationals. The plan foresees the establishment of an anti-corruption authority that is expected to help fight corruption more effectively, which should also contribute to preventing, detecting and correcting irregularities in the use of public funds.

The establishment of a national graduate tracking system and the update of secondary schools' educational curricula to improve digital literacy, soft skills and entrepreneurship skills, along with several training schemes to enhance entrepreneurship skills are expected to improve the quality and labour market relevance of education and training.

The education and training system is expected to be improved by a new teacher and school evaluation system, by the implementation of a national action plan addressing skills mismatches, by the extension of free compulsory pre-primary education from the age of four and by the construction of two model technical schools further strengthening vocational education and training.

The adoption of a national strategy and action plan and related investments are expected to improve quality and affordability of early childhood education and care.

The implementation of the plan is expected to strengthen the capacity, quality and resilience of the health and civil protection systems through measures aiming at upgrading equipment and setting up dedicated information systems, next to promoting investments in communication systems and e-Health.

The establishment of a National Promotional Agency and the introduction of funding programmes and schemes are expected to improve access to finance and liquidity, especially for small and medium-sized enterprises. Grant schemes for research and innovation as well as the establishment of a central knowledge transfer office are expected to increase investments in research and innovation.

The plan aims to reduce risks in the banking sector related to legacy non-performing loans through a dedicated action plan as well as through measures to improve the working environment for credit acquirers and credit services

For More Information

[Press release: European Commission endorses Cyprus's recovery and resilience plan](#)

[Recovery and Resilience Facility: Questions and Answers](#)

[Factsheet on Cyprus's recovery and resilience plan](#)

[Proposal for a Council Implementing Decision on the approval of the assessment of the recovery and resilience plan for Cyprus](#)

[Annex to the Proposal for a Council Implementing Decision on the approval of the assessment of the recovery and resilience plan for Cyprus](#)

[Staff-working document accompanying the proposal for a Council Implementing Decision](#)

[Recovery and Resilience Facility](#)

[Recovery and Resilience Facility Regulation](#)

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