

# SGI

Sustainable  
Governance  
Indicators

## 2015 Cyprus Report

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## Executive Summary

In 2011, Cyprus entered into a period of grave economic problems that grew into a danger of outright collapse by early 2013. The government of communist President Demetris Christofias applied to the European Stability Mechanism (ESM) in June 2012, but a final agreement was reached only after conservative Nicos Anastasiades assumed power, in March 2013. The failure of the economy and of policies that had proved successful since the 1980s demonstrated the deficiencies of a system that was based on unsustainable structures, an oversized financial sector, and the lack of strategic planning and policy-implementation capacity. A more in-depth examination reveals systemic problems and a failure by successive governments to reform and act innovatively. A sustained sidelining of meritocracy in place of partisan favoritism has contributed to a weakening of the state's operation.

The period under review, which runs from March 2013, when a new government took office, to November 2014, marks a decisive turn in the country's history. Actions and policies that successive governments failed to undertake have been enforced through the memorandum of understanding (MoU) concluded with Cyprus' creditors. This was considered a warrant for enabling the country to pay back what was due, but also a requirement for reaching a sustainable development path. While current financial indicators show performance better than originally forecast, long-overdue reforms of the system and its structures have only just begun, and progress has been slow.

Democratic processes and institutions functioned in a satisfactory way during the review period, albeit with persisting significant weaknesses that have impeded the enhancement of democracy. Problems are in part related to the system's slow functioning and low level of efficiency, but also to decisions regarding implementation of the MoU. In some cases, these decisions have been implemented in defiance of established democratic practices and without concern for fundamental rights. Patron-client relations continued, while despite public debate and other pressures, very little progress was made in ensuring transparency in the funding of political activity, parties and elections. The enforcement of anti-corruption mechanisms attracted a little more attention, but was not convincing overall, and cases of corruption were brought before the courts. Government and political-party continued to interfere with institutional functions. As of the time of writing, measures

seeking to address long delays in court procedures awaited the vote of the parliament. Thus, judicial review as a remedy to administrative decisions continues to be hampered by delays.

In cases where legal frameworks were already in place, some progress with regard to implementation was evident. Some measures improving banking supervision have been adopted, although influence struggles and poor communication in the sector's oversight bodies emerged. The country's fiscal performance was better than forecast. The unemployment rate, which jumped from 4.0% in 2010 to 14.2% in early 2013, was contained at slightly above 15% in fall 2014. Further cuts took place to salaries, pensions, allowances and family-support measures, as well as within education and other sectors. With new taxes also introduced, living conditions for groups such as pensioners and families have been negatively affected. However, various targeted measures including a guaranteed minimum income have attempted to mitigate the impact on vulnerable groups.

The rate of persons at risk of poverty and social exclusion has declined within some groups. However, the overall trend was one of increase, with EU and non-EU immigrants appearing particularly vulnerable. The quality of measures and policies for the social inclusion of migrants and asylum seekers remains below international standards. The same is true of environmental sustainability policies, where small solar-energy production efforts have not sufficed to raise Cyprus' last-place ranking within the EU in some environmental fields.

During the period under review, political confrontation alternated with instances of agreement between the political forces, in some cases guided by the forceful provisions of the MoU. With a broader consensus lacking and blame-casting common, parties' positions were seen to change with some frequency, in part because access to creditor funds was predicated on the adoption of certain laws. However, impasses caused by laws passed by the parliament on the issue of non-performing loans and foreclosures were resolved by Supreme Court decision.

Favoritism and politically motivated interference with institutional functioning persisted along with lack of proper planning. This remains a quite serious problem, and has been targeted by the MoU. The government laid the first foundations for the development of strategic-planning capacity that ultimately should embrace most institutions, including the parliament. Academics and experts also began to be integrated, if somewhat timidly, in policymaking processes. Achieving tangible results in these areas will require massive reforms and sustained efforts over the course of years, however.

## Key Challenges

The main challenges facing Cyprus in the 2015 – 2017 period consist in short-term and long-term actions necessary to achieve sustainability, beyond simply preventing the recurrence of a crisis similar to the present one. In some cases, they relate to implementing policies addressing problems caused by the economic and financial crisis. However, some are measures that fulfill terms of the MoU with creditors. Along with simply meeting its MoU obligations, the government should anticipate and confront their repercussions. However, since the crisis ultimately transcends the merely financial, formulating policies addressing the fiscal, structural and other endemic problems identified in the MoU must extend to other issues, including those related to democratic values and practices and the rule of law.

In the financial sector, stability and confidence in the economy must be restored, a more significant short-term target than fiscal soundness. This is also necessary to enable a return to the bond markets, and for reestablishing full rights as a euro zone member. A proper regulation of non-performing loans, still unresolved at the time of writing, would have a positive effect on banks and the market. The full lifting of credit constraints would be a testing point for banks and the economy, as well as for the system's credibility.

In the short term, social and environmental sustainability could be supported by replacing the previously excessive emphasis on favoring businesses and financial interests with a broader societal focus. The development of social infrastructure such as reliable public transportation would benefit the economy by reducing imports and energy consumption, but would primarily benefit society and the environment (by reducing pollution). Restructuring the economy by reducing its reliance on deeply business-cycle-dependent sectors such as tourism, and investing instead in productive sectors such as technology or light industry instead of land development and finance, is a major challenge. In this respect, creating planning capacity in the short term, and managing the issues of hydrocarbons as a mid-term target, will be of crucial significance for restructuring the economy.

The taxation system must be further reformed for to improve tax-collection efficiency, and in ways that lead to equitable treatment of legal and physical persons. Tax enforcement and incremental scales for the liberal professions and companies must be comparable to those of salaried employees. Reforms could ensure that funding for families, the pension system, health services,

social inclusion and integration policies work to enhance societal equity. A mid-term target could aim at a gradual return to the welfare state, not just reducing short-term poverty risks.

Over the long term, a sustainable recovery will require greater transparency and law enforcement able to limit the margin of discretion that makes corruption possible. Greater transparency and respect for corporate-governance rules are particularly needed in the area of financial transactions. The country's legal framework should provide for clear supervision and oversight mechanisms, and focus on effective implementation. Swiftly ensuring transparency in politics, political-party funding and elections is crucially important for restoring citizens' trust in the system and protecting social cohesion. Transparency in fields such as media ownership, in criteria and procedures for appointments to public bodies, in the appointment of justices, and indeed in all aspects of life, is urgently required. Achieving this will entail eliminating the processes and decisions that today undermine meritocracy and weaken the state's capacity.

In order to attain these goals, the state needs to proceed with no delays with its plans to develop a strategic-planning capacity, as well as the ability to implement its policies effectively. The immediate challenge is to find the means and mechanisms to act swiftly, to define roles and competences, and enable an effective coordinating body. State structures need to be fundamentally changed at the central and local government levels, as well as in semi-governmental organizations (SGOs). Creating efficient and capable planning and implementation units at all administrative levels, a goal already in place, would greatly enhance overall work capacity. While the development of strategic capacity will necessarily be a long-term project, a detailed, timeline-driven plan is required to speed up the process. At this stage, establishing basic units at the presidency level with the capacity to effectively examine the adequacy of laws and policy proposals, along with their overall impact and compliance with strategic policy plans, is a top priority

Overcoming administrative weaknesses caused by the prevalence of favoritism will require intensive training of existing managerial and other personnel as well as the implementation of meritocratic principles for all kinds of appointments and promotions. Achieving a satisfactory level of strategic-planning capacity will be possible only if meritocracy prevails.

# Policy Performance

## I. Economic Policies

### Economy

Economic  
Policy  
Score: 4

Cyprus has applied an economic model that until 2011 ensured sustained growth. Founded on a market-oriented economic system and macroeconomic policies, this model enabled the country to overcome the socioeconomic disaster associated with the Turkish army invasion of 1974. A dynamic, flexible, entrepreneurial-minded and highly educated labor force, as well as collective-bargaining procedures between businesses and trade unions that secured labor-market stability, contributed to its success. Additional factors attracted a large number of foreign firms to Cyprus' shores, included an advanced technological infrastructure, advanced legal and accountancy-support services, the taxation system and double-taxation agreements, and efficient telecommunications networks. Cyprus' geographic location and EU accession in 2004 offered additional advantages as a business center.

However, the above-noted policies ultimately relied too heavily on sectors affected by seasonality, unproductive investments and increasing labor costs that were not matched by productivity gains. Criticism of an oversized offshore sector and recommendations to implement structural reforms and balance the country's public finances were ignored. The already vulnerable economy was critically affected by the overexposure of Cyprus' two major banks to Greek debt, which compromised their viability and increased the state's borrowing costs. When Cyprus was ultimately cut off from international money markets (May 2011), the government's response was slow and inadequate. It sought the European Stability Mechanism's (ESM) assistance in July 2012, but an agreement was signed only nine months later by a newly elected government.

Severe credit constraints still in effect as of the time of writing in practice relegated Cyprus to the margins of the euro zone, while gravely affecting market activities. New policies have aimed at implementing extensive reforms as required by the MoU with Cyprus' creditors. However, if it is to regain a path of sustainability, the

government must also address problems associated with the implementation of the MoU and reestablish confidence in the system. A downsized financial sector is emerging characterized by stricter rules and enforcement mechanisms, along with measures to ensure the viability of a banking sector damaged by the bail-in and a major bank closure.

Strict conformity to the MoU has resulted in lower-than-forecast deficits and a milder recession than expected. Modest growth was expected for 2015. However, major challenges lie ahead, including the implementation of non-performing-loan regulations, further changes in fiscal policy, the restructuring and privatization of semi-governmental organizations, and lowering unemployment rates.

Reaching a new social consensus remains a crucial factor for success. However, social actors and political forces have been called upon to support important measures and policies that have been decided without their involvement.

Citation:

1. EU assessment of the reform program, 2014, [http://ec.europa.eu/europe2020/pdf/csr2014/swd2014\\_cyprus\\_en.pdf](http://ec.europa.eu/europe2020/pdf/csr2014/swd2014_cyprus_en.pdf)

2. European Economic Forecast on Cyprus, 4 November 2014,

[http://ec.europa.eu/economy\\_finance/eu/forecasts/2014\\_autumn/cy\\_en.pdf](http://ec.europa.eu/economy_finance/eu/forecasts/2014_autumn/cy_en.pdf)

## Labor Markets

Labor Market  
Policy  
Score: 5

Before the crisis, Cyprus' labor market was characterized by near-full employment (76.5%), with an unemployment rate of 3.7% in 2008. An oversized public sector with high salaries is in the process of being reformed. Services accounted for 79% of the labor market in 2014. The economic crisis led to a sharp increase in unemployment rates, from 4% in 2010 to 14.2% in March 2013. Following the agreement with the Troika, the jobless rate reached a peak of 17% in August 2013.

The regulatory framework protects labor rights, and includes provisions preventing unlawful dismissal from employment. However, serious shortcomings are evident in its implementation in the private sector. Over the years, "tripartism" in the form of agreements between the state, businesses and employees have made the labor market less flexible. The crisis has made this situation less tenable. Automatic cost-of-living adjustments that protected incomes against inflation have been suspended since 2011 – 2012. Salaries have been cut, while in some cases, very low salaries, a lack of access to social insurance, and other relevant phenomena can be observed. The coexistence of large public and banking sectors offering generous benefits and considerable job security with a relatively small private sector offering comparatively minimal opportunities has led to labor-market distortions. These are today being addressed by reforms. Unions have a strong voice particularly within the public sector, but migrant labor from the EU and elsewhere is often exploited, widening the

economic gap. The migrant workforce, made up mostly of EU nationals, has kept growing mainly since 2007, reaching an estimated 30% (2011) of the active labor population.

The persistently high unemployment trend during the period under review led to the implementation of active labor-market policies, including counselling services and more efficient mechanisms for job seekers, as well as subsidized employment programs. Unemployment rates were thus stabilized after August 2013, and brought down to 15.4% a year later. The 2014 year-long average was forecast at 16.2%. While remaining very high, the unemployment rate among young people also decreased, from over 40% to 37.2%, while the unemployment rate among women is three percentage points lower than that for men. Increases in short-term and part-time employment contributed to curbing the trend. However, long-term unemployment rose to over 6% in 2014, with an annual rate of growth of 35%. The expected return to overall economic growth in 2015 could improve prospects in the labor market.

Citation:

1. Labor force survey, Cyprus Statistical Service, September 2014,

[http://www.mof.gov.cy/mof/cystat/statistics.nsf/All/75F22FCE3441C971C2257752003A3990/\\$file/LAB-LFS-Q213\\_Q214-EN-260914.xls?OpenElement](http://www.mof.gov.cy/mof/cystat/statistics.nsf/All/75F22FCE3441C971C2257752003A3990/$file/LAB-LFS-Q213_Q214-EN-260914.xls?OpenElement)

2. On the impact of immigration on unemployment and labor force,

<http://www.ucy.ac.cy/data/ecorece/FullTextChristofidesetal.pdf>

3. EU assessment of the reform programme, 2014,

[http://ec.europa.eu/europe2020/pdf/csr2014/swd2014\\_cyprus\\_en.pdf](http://ec.europa.eu/europe2020/pdf/csr2014/swd2014_cyprus_en.pdf)

4. Unemployment in detail, October 2014, Cyprus Statistics Service,

[http://www.mof.gov.cy/mof/cystat/statistics.nsf/All/E50C4A739B49CBEB2257CD00035F6C3/\\$file/UNEMP-M-0914-EN-061014.xls?OpenElement](http://www.mof.gov.cy/mof/cystat/statistics.nsf/All/E50C4A739B49CBEB2257CD00035F6C3/$file/UNEMP-M-0914-EN-061014.xls?OpenElement)

## Taxes

Tax Policy  
Score: 6

Cyprus' tax system is comparatively uncomplicated, both with respect to individual provisions and structure. The floor for taxable individual income is €19,501, with tax rates gradually increasing to 35% for sums above €60,000. Tax developments included an increase in VAT from 17% to 18% in 2013, and to 19% in 2014; a special levy on salaries above €2,500 per month, and a new real-property tax. The tax on interest income for bank deposits rose to 30% in April 2013. Some tax deductions and benefits are provided, alleviating the weight of taxation. Equity is negatively affected by tax evasion and avoidance. A reform of services and tax-collection mechanisms is in progress, including an integration of the VAT and inland-revenue departments in 2014. Income tax, which is primarily collected from salaried employees,

proportionally represents a higher contribution than that coming from self-employed or liberal professionals.

Benefits provided to businesses have made Cyprus very attractive to international companies. These include deductions for equipment and a corporate tax that remains the lowest in the European Union, though it rose from a standard 10% rate on profits to 12.5% in 2013. Bilateral treaties also prevent double taxation.

Tax equity is to some extent achieved through the progressive increase in individual income-tax rates from 20% to 35%. However, the favorable flat rate for companies can lead to distortions, where liberal professionals can benefit by creating their own company, thus paying only 12.5% on their corporate profits. In addition, the flat rate for businesses means that highly profitable companies do not pay a higher tax share as individuals do.

Though the tax system appears successful in general terms, the ongoing process of reform aims at filling loopholes, addressing institutional and regulatory weaknesses, and tackling tax evasion and avoidance. A more efficient system of tax collection would ensure the collection of sufficient public revenues and better achieve equity goals.

Citation:

1. <http://www.eoi-tax.org/jurisdictions/CY#peerreview>.

## Budgets

Budgetary  
Policy  
Score: 5

Cyprus' balance of payments in 2008 was positive, with a significant amount of reserves. However, the financial crisis and structural economic imbalances have affected budgetary stability. Previously, at a time when state income depended strongly on unpredictable factors, expenditure was steadily increased. Tax revenue subsequently declined as a result of the economic slowdown, the shrinking tourism industry, fluctuating oil prices and other developments. The volume of unpaid or uncollected taxes exceeded €1 billion in 2012. Meanwhile, expenditure increased due to inflated public-service salaries and rising social outlays associated with higher unemployment rates, severance payments and other costs.

The increase in government deficits, domestic banks' losses due to exposure to Greece, the increase in the public debt-to-GDP ratio, and the consequent exclusion of the country from the bond markets led to the April 2013 agreement with the Troika. As a consequence, Cyprus bound itself to meeting obligations included in a MoU.

Budgets for 2013 and 2014 reflected compliance with deficit and public-debt reduction commitments made as a part of the MoU. This included cuts to salaries and

benefits in the public sector, new tax policies, and a restructuring of public subsidies and other public expenses. As a result, deficits and the debt-to-GDP ratio were effectively contained, indeed performing better than projected.

As of the time of writing, the latest GDP estimates for 2014 were for a decline of 3.0% (government forecast) or of 2.8% (EU forecast), as compared to an earlier -4.2% forecast by the EU. According to the new ESA 2010 system, the debt-to-GDP ratio reached 102.2% in 2013. It was expected to reach 107.5% in 2014 and 115.2% in 2015 before receding to 111.6% in 2016. The primary fiscal deficit was expected to fall 1.3% of GDP in 2014, compared to a 1.7% estimate.

Most important is that future budget design gradually conforms fully with the provisions of a new law and framework on fiscal responsibility, and be founded on strategic planning at all levels. Achieving sustainability and real growth will require more reforms and time.

Citation:

1. Law on Fiscal Responsibility and Fiscal Framework, L. 20(I)/2014, available, [http://www.cylaw.org/nomoi/arith/2014\\_1\\_20.pdf](http://www.cylaw.org/nomoi/arith/2014_1_20.pdf) (in Greek)
2. European Economic Forecast on Cyprus, 4 November 2014, [http://ec.europa.eu/economy\\_finance/eu/forecasts/2014\\_autumn/cy\\_en.pdf](http://ec.europa.eu/economy_finance/eu/forecasts/2014_autumn/cy_en.pdf)

## Research and Innovation

R&I Policy  
Score: 4

Cyprus did not have a tradition of research and development within state-owned non-academic institutes until the 1990s. The creation of the first university (1992) and subsequently of other tertiary-education institutions with accredited programs, often drawing on EU funds, marked the beginning of research projects. The share of R&D expenditure accounted for by higher education today (49.6%) remains larger than that of businesses- or state-owned research centers, in contrast to the higher business-funded share EU-wide.

With regard to output and innovation, a substantial share of Cypriot companies have introduced innovations, while proportionally more enterprises receive public funding for innovation-oriented activities than the EU average. However, the country's scores on indicators such as R&D spending, number of research personnel and quality of Internet access are among the EU's lowest. Generally, the weakness of the private sector and the small size of most companies provide little opportunity for R&D activities. With respect to government expenditure on R&D, Eurostat ranked Cyprus 23rd among the 28 EU member states in 2013.

Project funding was negatively affected by the economic crisis in the period under review. Providing tax incentives for profits and royalties from exploitation of intellectual property rights could indirectly help research. According to a 2013

country report from the European Commission for 2013, businesses have limited demand for R&D and little propensity to innovate, while the number of high-tech companies is limited. This is another sign that research should be given a higher priority. A National Committee for Research, Innovation and Technological Development was created in fall 2013 to study ways of promoting research.

Citation:

1. Budget spending on R&D,

<http://epp.eurostat.ec.europa.eu/tgm/table.do?tab=table&init=1&language=en&pcode=tsc00007&plugin=1>

2. ERA report on Cyprus for 2013,

[http://erawatch.jrc.ec.europa.eu/erawatch/export/sites/default/galleries/generic\\_files/file\\_0512.pdf](http://erawatch.jrc.ec.europa.eu/erawatch/export/sites/default/galleries/generic_files/file_0512.pdf)

### Global Financial System

Stabilizing  
Global  
Financial  
Markets  
Score: 4

Cyprus has developed as an important financial center since the 1980s, and effectively monitoring the market and enforcing international standards has been a major challenge. The country has introduced a regulatory framework and created bodies assigned with specific tasks, such as the Securities and Exchange Commission, the Unit for Combating Money Laundering (MOKAS), and others. The money-laundering risks have not changed since 2005 and are considered to be low; risks and vulnerabilities mainly emanate from international business activities, in particular banking or real-estate transactions. Legal constraints regarding dealers in foreign currency, restrictions on foreign ownership of property and the limited role of cash in transactions minimize laundering risks.

Extensive provisions in the April 2013 MoU are relevant to the banking and financial sector, obligating the government to strengthen oversight laws and mechanisms, limit individual institutional and system risk, enhance transparency, and improve cooperation with international bodies and other countries.

A law on money laundering and terrorist activities (Law 188(I)/2007) was amended in 2013 to strengthen the preventive regime further, and vest the financial-sector supervisory authorities with sufficient powers to ensure compliance with the laws. In compliance with international standards and recommendations, amendments included a risk-based-approach to client identification, as well as due-diligence procedures.

Gaps in effective supervision of designated non-financial businesses and professions (DNFBPs) that existed prior to April 2013, particularly with regard to trust and company-service providers and the real-estate sector have been reviewed for remedy.

Bank-oversight mechanisms have also been enhanced so as to avoid problems common in the past, when institutions simply failed to follow rules governing large

exposures, minimum capital and liquidity, taking on unsustainable levels of non-performing loans. Newly implemented measures aim at protecting depositors and minimizing systemic risks.

Citation:

1. Unit against money laundering, Cyprus

[http://www.law.gov.cy/law/m\\_okas/mokas.nsf/dttindex\\_en/dttindex\\_en?OpenDocument](http://www.law.gov.cy/law/m_okas/mokas.nsf/dttindex_en/dttindex_en?OpenDocument)

2. Council of Europe Report on anti-Money laundering, 2013,

[http://www.coe.int/t/dghl/monitoring/moneyval/Evaluations/Cyprus%20special%20assessment/CY\\_eurogroup\\_rep2013.pdf](http://www.coe.int/t/dghl/monitoring/moneyval/Evaluations/Cyprus%20special%20assessment/CY_eurogroup_rep2013.pdf)

3. <http://www.spiegel.de/international/business/deloitte-audit-prevention-of-money-laundering-in-cyprus-is-inadequate-a-900593.html>

## II. Social Policies

### Education

Education  
Policy  
Score: 7

Cyprus' educational system is mainly public. It has undergone various reforms since the 1990s, and new plans and policies are today under study, with a similar project launched by the previous government being abandoned. The content of education has been primarily knowledge-based, with comparatively less focus on research, experimentation and critical thought. However, the latter subjects have gained ground since 2000. The high level of literacy (near 100% for youth) and high rate of upper-secondary attainment are indicative of a culture that places a high value on education. Cyprus has a high rate of participation in tertiary education, shared almost equally between Cyprus-based and overseas educational institutions; in 2013, it ranked 6th in the EU with respect to tertiary educational attainment (47.8%) for the 30-34 age group.

The few public kindergarten-level facilities are provided mainly by communal authorities. Schooling from the pre-primary level to the age of 15 is compulsory. Vocational schools, apprenticeship programs and other education and professional training schemes also exist, mostly funded by public authorities but also by educational institutions and other organizations. Tertiary education including postgraduate coursework is provided by public and private universities as well as several private colleges and other institutions. However, a recent EU assessment have observed that tertiary students have lower literacy and mathematical skills than recent upper-secondary graduates in the best-performing EU countries.

Despite recent reductions, Cyprus was among the top three EU members in terms of

expenditure on education as a share of GDP in 2011 and 2012, a statistic partly attributable to the country's relatively high teachers' salaries. A modest student allowance offered to all tertiary-level students has since 2012 been based on income criteria. The financial and economic crisis has also driven a shift from (paid) private to public education.

Citation:

1. Tertiary education attainment, 2013,

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3. Public finances and grow-friendly expenditure in EU,

[http://ec.europa.eu/europe2020/pdf/themes/01\\_public\\_finances\\_growth\\_friendly\\_expenditure.pdf](http://ec.europa.eu/europe2020/pdf/themes/01_public_finances_growth_friendly_expenditure.pdf)

## Social Inclusion

Social  
Inclusion  
Policy  
Score: 7

Until recently, poverty rates in Cyprus have been lower than the EU average (7.80% in 2011), with the elderly showing the highest at-risk rates. The country's social-welfare system has been routinely improved through the identification of and provision of support for vulnerable groups. The state's approach to combating social exclusion focuses on the risk of poverty, participation in the labor market, assisting children and young persons, and adapting the responsible institutions and relevant mechanisms when necessary.

During the period under review, a restructuring of public-aid policies, allowances and targeted measures was carried out, including existing programs such as public-sector-employment quotas for persons with disabilities, housing programs for young families and other needy populations, and special pensions and allowances for specific groups. New policies were put in place aimed at assisting young people and other groups affected by the restructuring, benefits reductions, or the loss of employment and income. However, larger groups are today at risk of poverty and exclusion (AROPE), with the general share of the population falling into this category rising from 24.6% in 2011 to 27.8% in 2013. Non-Cypriots, in particular non-EU citizens, are at significantly higher risk. Despite the trend, a sharp decline in AROPE rates was evident for elderly people, with this figure falling from 33.4% to 26.1% between 2012 and 2013.

A guaranteed minimum income was introduced in summer 2014, and is expected to benefit a significant portion of the country's households. Documents related to income, property and other criteria must be attached to applications, a bureaucratic requirement that may negatively affect less-informed beneficiaries.

## Citation:

1. At-risk-of-poverty indicators 2008-2013, Cyprus Statistics Service, 2014,

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[http://ec.europa.eu/europe2020/pdf/csr2014/swd2014\\_cyprus\\_en.pdf](http://ec.europa.eu/europe2020/pdf/csr2014/swd2014_cyprus_en.pdf)

3. [http://epp.eurostat.ec.europa.eu/cache/ITY\\_PUBLIC/3-04112014-BP/EN/3-04112014-BP-EN.PDF](http://epp.eurostat.ec.europa.eu/cache/ITY_PUBLIC/3-04112014-BP/EN/3-04112014-BP-EN.PDF)

## Health

Health Policy  
Score: 6

High-quality medical services are provided by the public sector, which is the main system available, as well as by private clinics and individual doctors. Various health-insurance schemes also cover professional groups. A shift toward private health care in the early 2000s has now been reversed due to the recent income decline. Despite constraints and deficiencies in infrastructure and human resources (see OECD statistics) that lead to long queues, waiting lists and delays, the quality of services offered by the public system is acknowledged by the World Health Organization (WHO) to be high. A very low infant-mortality rate (3.5 per 1,000 in 2012) and a high life expectancy at birth (79 years for men, 82.9 for women in 2011) are indicative of this high quality. Preventive medicine is specifically promoted, with Cyprus ranking high worldwide with respect to expenditure in this area.

Access to public health care services has been subject to reform, leading to exclusion of groups with high income, those who own significant property, and some others, amounting to 20% – 25% of the population. A special income-based contribution to the system has been imposed on beneficiary groups, while minimum rates for services and medicines have also been introduced. For the first time, all employees and pensioners of the public service, who were previously eligible for free health services, are also required to pay contributions into the system. Public health care is available both in hospitals in the main towns and townships, and in rural medical centers.

The provisions of the MoU require that Cyprus cease being the only EU member lacking a national health system (NHS). Provision of basic NHS services are thus slated to start in 2015, and be completed in 2016. In its early stages, the ongoing reform of the Health Ministry and the health system is making the system less inclusive. However, the shape of the final outcome remains unclear, both in terms of service quality and cost in the public and the private sectors.

## Citation:

1. Eligible for public health services reduced, <http://www.philenews.com/el-gr/koinonia-eidiseis/160/211347/meiothikan-kata-130000-oi-dikaiouchoi-dorean-perithalpsis> (in Greek)

## Families

Family Policy  
Score: 4

The low rate of enrollment in nurseries and child-care centers is one symptom of Cyprus' lack of adequate family policies. This creates obstacles to combining motherhood with employment, which in turn may help account for the very low birth rate of 1.144% (2014 est.). However, the employment rate for women between 25 and 54 is high (74% in 2014 Q2). Families seek care for children five years old and under primarily in the private sector, and in a small number of community centers under the supervision of the Ministry of Labor.

Other solutions are sought to compensate for the state's lack of adequate family policies and facilities for mothers with dependent children. Help through the extended family, which typically retains strong bonds, is a common phenomenon. Family members, in particular grandparents, assume the responsibility for child care, which has the beneficial effect of lowering child-poverty rates. Kindergartens, in which more than 80% of children are enrolled, represent additional family expenses. Further difficulties for parents and especially young mothers relate to the need to provide transportation for their children, as the public-transportation infrastructure remains largely insufficient despite recent efforts. The relatively recent establishment of full-day primary schooling in many communities has helped some families, but more is needed to resolve problems.

Special allowances for multi-member families and the guaranteed minimum income is likely to alleviate difficulties posed to families by the economic crisis. However, it is more important that nursery fees are paid, and other related problems solved, so that young mothers are not forced to leave their jobs in order to take care of their young children.

## Pensions

Pension  
Policy  
Score: 5

Statistics released in September 2014 by the government show significant improvements in some age groups, particularly in those over 65, the demographic that used to be at highest risk of poverty in Cyprus and had the EU's lowest relative median income. Changes to various benefits schemes between 2012 and 2014 were expected to modify the ratio of pensions expenditure to GDP, which was the EU-27's second-lowest until 2012. However, the broad variety of pension programs and rules means that some groups, such as public employees, may be in a better position than others. The public-service pension system provides for different retirement ages for employees in various sectors. Debate is underway on prospective changes to employer-based and social-insurance pensions, as well as on a gratuity that employees of the public sector receive upon retirement. Private-sector workers typically have

access only to the government social-insurance program, as well as private-sector provident funds in some cases. A number of funds were drastically affected by the bail-in of 2013, but mismanagement has also taken a toll. The social-insurance scheme, which has not been able to offer an adequate, secure or sustainable pension income, is also being reformed with regard to retirement age, contributions and more.

The guaranteed minimum income (GMI) scheme and special allowances have offered some remedy for the economic crisis' worst ills, and have compensated for benefits and pensions cuts affecting vulnerable groups. Pensioners are expected to benefit significantly from the GMI, in particular people living alone, a category that includes more women than men.

Citation:

1. <http://www.socialwatch.eu/wcm/Cyprus.html>
2. The Cypriot Pension System: Issues and Reform Options -Alejandro Sergio Simone- International Monetary Fund-Cyprus Economic Policy Review, Vol. 5, No. 2, pp. 3-34 (2011)
3. <http://epp.eurostat.ec.europa.eu/tgm/table.do?tab=table&init=1&language=en&pcode=tps00103&plugin=1>
4. At Risk of Poverty Statistics 2008-2013, Cyprus Statistics Service, 2014, [http://www.mof.gov.cy/mof/cystat/statistics.nsf/All/FC36371E3D9CE0B4C2257893002FF33A/\\$file/EUSILC-POVERTY-A2008\\_13-EL-160914.xls?OpenElement](http://www.mof.gov.cy/mof/cystat/statistics.nsf/All/FC36371E3D9CE0B4C2257893002FF33A/$file/EUSILC-POVERTY-A2008_13-EL-160914.xls?OpenElement) (in Greek)

## Integration

Integration  
Policy  
Score: 4

Cyprus' original guest-workers program (1989) provided temporary permits for workers mainly from Southeast Asia. It offered access only to specific labor sectors, and did not provide long-term visas. In the early 1990s, immigration by Pontian (Black Sea) Greeks from the former Soviet Union was encouraged, along with Russians and Central Europeans, which prompted some policy changes. Migration figures rose substantially following Cyprus' accession to the European Union, with strong flows of immigrants from Bulgaria and Romania. Today, EU nationals form a considerable part of the labor force. Despite policy changes, the Council of Europe's European Commission on Racism and Intolerance (ECRI) report noted in March 2011 that "Cyprus has no integration policy."

Cyprus is under pressure to comply with EU standards, but its policies discourage long-term integration. Indeed, they score poorly on most indicators, including labor market access, culture and education, family reunion, political participation and access to citizenship. The Migrant Integration Policy Index (MIPEX) ranks Cyprus fourth-last among 35 countries.

Laws are not favorable to workers' market access or long-term labor-market integration. Non-citizen workers are often limited to market sectors that do not attract Cypriots. In addition, foreign workers have limited rights in many areas. For non-EU immigrants, time limits on working permits preclude any ability to obtain long-term resident status.

In recent years, new policies have aimed at providing education to all children as part of the compulsory education scheme, including access to language classes that may assist in integration. Timid family-reunification policies are based on restrictive eligibility criteria such as the need to show full-time employment, high fees and limited access to the labor market by dependents. Opportunities for migrants to participate in democratic life or to attain citizenship are limited, although special legal provisions offer citizenship to very rich depositors.

Cyprus remains hesitant in confronting issues related to integration. In addition, the economic crisis has led to official support for prioritizing the employment of Cypriots, increasing pressures on immigrants in the labor market.

Citation:

1. Cyprus assessment by MIPEX, <http://www.mipex.eu/cyprus>
2. Council of Europe, ECRI report on Cyprus, published 31 May 2011, available at, <http://www.coe.int/t/dghl/monitoring/ecri/country-by-country/cyprus/CY-P-CbC-IV-2011-020-ENG.pdf>

### Safe Living

Safe Living  
Conditions  
Score: 7

Cyprus is generally considered to be a safe environment. A low incidence of serious crime, assaults and homicides place it in very good position compared to other EU countries and the world more generally. As an island, it has developed adequate monitoring of the coast and entry points. Its only relatively vulnerable points are the line dividing the government-controlled areas and the Turkish-occupied north, as well as the portions of the British bases that abut the north. Cyprus is not part of the Schengen Area. The Green Line, or demarcation between the Greek Cypriot and Turkish-controlled areas, provides peculiar problems with respect to border protection. Burglaries and robberies of houses and businesses are by far the most common crimes, with a relatively stable occurrence in the period under review. Illegal drug activity is comparatively minimal overall, but an increase in the amount of illegal drugs confiscated at entry points has been evident.

The country's police force collaborates closely with Interpol and cooperates with the United States in the fight against terrorism. The number of police officers per 100,000 people is among the highest in the world. However, in a 2014 survey of residents, 28% of respondents reported feeling unsafe when walking alone in the dark, which is above the EU-28 average (22%).

Citation:

1. Police force per 100,000, [http://en.wikipedia.org/wiki/List\\_of\\_countries\\_by\\_number\\_of\\_police\\_officers](http://en.wikipedia.org/wiki/List_of_countries_by_number_of_police_officers)
2. Feeling safe in EU, Eurobarometer 2014, [http://ec.europa.eu/public\\_opinion/archives/eb/eb81/eb81\\_vie\\_en.pdf](http://ec.europa.eu/public_opinion/archives/eb/eb81/eb81_vie_en.pdf)

### Global Inequalities

Global Social  
Policy  
Score: 4

Cyprus participates and contributes in development-cooperation programs within the context of its membership in the European Union, United Nations and other international organizations. Its main policy is tied to that of EU, and is manifested through international-cooperation and bilateral agreements in various fields. The country is a contributor to UNITAID, participates in financing mechanisms for climate change, and provides assistance for infrastructure development, social services including health and human development, and environmental protection. However, the country's total official development assistance (ODA) amounted to only 0.16% of GDP in 2011. To reach its individual ODA target of 0.33% of gross national income by 2015, Cyprus would need to increase its annual provision of aid by €38 million, which is highly unlikely given the country's condition of post-crisis austerity.

Actions and policies do not appear to form part of a specific national strategy; rather, they take place primarily within existing international frameworks. The country appears to have little agenda-setting ambition in terms of pursuing specific initiatives of its own design.

Citation:

1. Data on ODA, Cyprus,

[http://www.cyprusaid.gov.cy/planning/cyprusaid.nsf/all/DAB6D9BBCC7DEF8DC2257C36003CD833/\\$file/2012%20-%20ENGLISH.pdf?openelement](http://www.cyprusaid.gov.cy/planning/cyprusaid.nsf/all/DAB6D9BBCC7DEF8DC2257C36003CD833/$file/2012%20-%20ENGLISH.pdf?openelement)

## III. Environmental Policies

### Environment

Environmenta  
l Policy  
Score: 4

Environmental issues took a place on the public agenda in the late 1980s, initially through awareness-raising focusing on the negative effects that tourism-related development had on the environment and residents' quality of life. However, the country still lacks a comprehensive and coherent environmental policy, and fails to meet EU obligations. In order to make swifter progress in this area, ministerial responsibilities must be integrated, more information efforts are required, and administrative coordination must be improved. Environmental-information centers have been created with the aim of raising citizen awareness on the issue.

The country's response to the demands for climate protection has been insufficient in many respects. Exploitation of solar energy, which was long a low priority, has begun to improve in recent years, but progress in using renewable resources remains slow

overall. Energy-consumption levels are high, and the deficient public-transportation infrastructure results in an overuse of private cars. As a consequence, Cyprus is typically rated low on environmental-policy indexes. Urgent action is needed to meet time-sensitive obligations to contain emissions and create an efficient waste-management infrastructure.

Water is a problem for Cyprus, an island, due to substantial dependence on (scarce) rainfall. The country has turned to desalination as a potential solution. Waste water is insufficiently exploited, as rural areas are just beginning to install sewage systems. Drilling for water – in some cases without permits – has led to depletion of groundwater sources. Water conservation and sustainable management remain big challenges.

Forest protection is governed by a national program for the 2010 – 2020 period, which aims at reforestation and a reduction of fire hazards. Other measures seek to protect forests from pollution and other problems caused by visitors. A number of areas, even those included in the Natura 2000 project such as the Akamas peninsula, continue to be placed at risk by government decisions and private developers' activity, as well as by neighboring communities and land owners seeking to profit without considering the demands of environmental protection.

In December 2012, on the occasion of its European Council presidency, Cyprus presented a strategic plan for biodiversity policy looking forward through 2020. In this area too, policy gaps and a deficient implementation of plans and regulatory enforcement measures are evident. Ecosystem protection measures, including the Natura 2000 program, have not been effectively promoted. The economic crisis is likely to lead to a relaxation of rules governing land development, a major cause of ecosystem destruction. In the past, such development has been frequently promoted in ostensibly protected zones. Hunting poses another threat to protected species, especially trapping with nets and other illegal practices. Politicians and authorities appear to lack the will to implement existing rules or take effective measures to protect the environment.

Overall, despite some efforts to promote solar and renewable energies, major challenges persist with regard to waste management and the development of a comprehensive environmental-policy framework.

Citation:

1. Cyprus: No fall in gas emissions between 2009 - 2012, <http://cyprus-mail.com/2014/10/28/cyprus-falls-short-of-climate-goals/>
2. Cyprus Strategy for Biodiversity, 2012, available in Greek at, [http://www.moa.gov.cy/moa/environment/environment.nsf/All/CE0747F45EB24725C2257B2F002D1685/\\$file/Biodiversity%20Report%20Final-Draft.pdf](http://www.moa.gov.cy/moa/environment/environment.nsf/All/CE0747F45EB24725C2257B2F002D1685/$file/Biodiversity%20Report%20Final-Draft.pdf)

### Global Environmental Protection

Global  
Environmenta  
l Policy  
Score: 4

Cyprus has ratified many international conventions and protocols related to environmental protection, and participates in numerous international organizations and meetings. However, authorities responsible for environmental issues appear almost exclusively concerned with meeting local obligations to the European Union and other bodies. Cyprus does not act as an agenda setter either in the European Union or internationally, although it occasionally takes an active ad-hoc role in international meetings. It has contributed to the shaping of EU policies in areas such as an integrated maritime policy.

Citation:

1. Website of the ministry of Agriculture, Cyprus,  
[http://www.moa.gov.cy/moa/agriculture.nsf/index\\_en/index\\_en?OpenDocument](http://www.moa.gov.cy/moa/agriculture.nsf/index_en/index_en?OpenDocument)
2. Events related to environmental policies during Cyprus presidency of the European Council,  
[http://www.cy2012.eu/en/political-calendar?from\\_date=2012-12-13&to\\_date=2012-12-13](http://www.cy2012.eu/en/political-calendar?from_date=2012-12-13&to_date=2012-12-13)

# Quality of Democracy

## Electoral Processes

Candidacy  
Procedures  
Score: 9

Candidates for elected offices must meet minimum requirements that relate to citizenship, age, mental soundness and criminal record. Candidates for the presidency of the republic must belong to the Greek community. Citizens of other EU states are eligible to serve as members, heads or deputy heads of local elected bodies. In 2014, voting and eligibility rights in European parliamentary elections were conditionally extended to Turkish Cypriot citizens residing in the areas not under the government's effective control. Citizens from non-EU states cannot vote or stand for electoral office. No one can simultaneously hold a public office and/or a post in the public service and/or a ministerial portfolio and/or an elected office.

The constitution sets the minimum age for the president of the republic at 35 years, and 25 for members of the parliament. Legal changes in 2013 lowered the age of eligibility for members or heads of municipal and community councils and the European Parliament from 25 to 21 years. Procedures for the registration of candidates are clearly defined, reasonable and open to media and public review. Candidacies can be proposed and supported by a small number of registered voters: two for local-office candidates, four for parliamentary candidates, and nine for presidential candidates.

A financial deposit is also required to run for office, ranging from €85 (community elections) to €1,710 for presidential candidates. This sum is later returned to candidates who meet thresholds specified by law.

### Citation:

1. The Constitution of the Republic of Cyprus, available at, [http://www.presidency.gov.cy/presidency/presidency.nsf/all/1003AEDD83EED9C7C225756F0023C6AD/\\$file/CY\\_Constitution.pdf](http://www.presidency.gov.cy/presidency/presidency.nsf/all/1003AEDD83EED9C7C225756F0023C6AD/$file/CY_Constitution.pdf)
2. The Law on the Election of the members of the House of Representatives, L.72/1979, available in Greek at, [http://www.cylaw.org/nomoi/enop/non-ind/1979\\_1\\_72/full.html](http://www.cylaw.org/nomoi/enop/non-ind/1979_1_72/full.html)
3. The Municipalities Law, 11/1985, unofficial English translation available at, <http://www.ucm.org.cy/DocumentStream.aspx?ObjectID=966>
4. The Communities Law, 86(I)/1999, available in Greek at, [http://www.cylaw.org/nomoi/enop/non-ind/1999\\_1\\_86/full.html](http://www.cylaw.org/nomoi/enop/non-ind/1999_1_86/full.html)
5. OSCE/ODIHR Election Assessment Mission Final Report, Republic of Cyprus, Parliamentary Elections 22 May 2011, Warsaw, 7 September 2011, available at, <http://www.osce.org/odihr/elections/82242>
6. The Law on the Election of Members of the European Parliament 10(I)/2004, available in Greek at

[http://www.cylaw.org/nomoi/enop/non-ind/2004\\_1\\_10/full.html](http://www.cylaw.org/nomoi/enop/non-ind/2004_1_10/full.html)

Media Access  
Score: 7

No legal framework governs parties and candidates' access to print and online media. However, almost all newspapers and their online editions offer coverage to all parties and candidates.

The Laws on Radio and Television 7(I)/1998 and on the public-service broadcaster (Cyprus Broadcasting Corporation, RIK) require equitable and non-discriminatory treatment of the executive and legislative powers, the political forces and other actors in society. Equity must be respected in particular during pre-election periods, three months before election day. Air time must be allotted in accordance with political parties' share of parliamentary seats and territorial strength.

Broadcasters are required to produce a "code of conduct" and comply with its terms. Monitoring of commercial broadcasters is performed by the Cyprus Radio Television Authority (CRTA), while the RIK governing body oversees the public broadcaster. Codes of conduct and compliance reports have almost never been publicly available. Paid political advertising is allowed on broadcast media for the 40 days preceding elections.

Although reports are not available to the public, the rules on media access appear to be in practice respected. All political groupings and candidates are given coverage, free air time on public and commercial media, and sometimes paid advertising. Claims by small parties and candidates seeking more access have failed when brought before the courts. Although the laws in this area could be improved with regard to terminology or specific provisions, no notable cases of discrimination have been evident.

More generally, women candidates have a worrisomely low level of participation and visibility in the media, while the parties with greatest access represent only a narrow ideological spectrum.

Citation:

1. The Law on Radio and Television Stations, L. 7(I)/1998, available at [http://www.cylaw.org/nomoi/enop/non-ind/1998\\_1\\_7/full.html](http://www.cylaw.org/nomoi/enop/non-ind/1998_1_7/full.html) (in Greek).

2. The Law on the Cyprus Broadcasting Corporation, Ch. 300A, available at <http://www.cylaw.org/nomoi/indexes/300A.html> (in Greek).

3. Regulations on fair treatment of parties and candidates, Normative Administrative Acts (NAA) 193/2006 available at [http://www.cylaw.org/nomothesia/par\\_3/meros\\_1/2006/1641.pdf](http://www.cylaw.org/nomothesia/par_3/meros_1/2006/1641.pdf) (in Greek), and NAA 207/2009 (on European Parliament Elections), available at [http://www.cylaw.org/nomothesia/par\\_3/meros\\_1/2009/1087.pdf](http://www.cylaw.org/nomothesia/par_3/meros_1/2009/1087.pdf) (in Greek).

4. On candidates claims for equal treatment, see, Supreme Court - Revisional Jurisdiction, Case 128/2013, Praxoula Antoniadou v. Radio Broadcasting Corporation, Decision 13 January 2014, available at [http://www.cylaw.org/cgi-bin/open.pl?file=/apofaseis/aad/meros\\_4/2014/4-201401-128-13apof.htm](http://www.cylaw.org/cgi-bin/open.pl?file=/apofaseis/aad/meros_4/2014/4-201401-128-13apof.htm) (in Greek)

Voting and  
Registrations  
Rights  
Score: 8

Electoral-roll registration and voter participation in all elections are mandatory. No means of e-voting or proxy voting exist. The second amendment of the constitution in 1996 lowered the voting age from 21 to 18. Special arrangements enable various groups such as prisoners and others to exercise their rights. In some cases, the enrollment of displaced voters in polling stations at some distance from their actual residence apparently leads to abstention. Overseas voting has been possible since 2011 in a limited number of cities in Europe and the United States. The voting rights extended to all Turkish Cypriots in the 2014 European parliamentary elections were largely voided due to the limited response and legal hurdles to such participation.

In recent years, many young citizens have failed to register, and electoral-participation rates have declined sharply since 2009. The legal sanctions for abstention and non-registration (which in any case exclude European parliamentary elections) are no longer enforced.

Prior to the 2013 presidential election, the OSCE reported no significant concerns called for special oversight.

Citation:

1. Ο περί της Δεύτερης Τροποποίησης του Συντάγματος Νόμος του 1996 (106(I)/1996), available at [http://cyllaw.com/nomoi/enop/non-ind/1996\\_1\\_106/full.html](http://cyllaw.com/nomoi/enop/non-ind/1996_1_106/full.html).
2. Turkish Cypriots and Right to vote, <http://cyprus-mail.com/2014/05/27/turkish-cypriots-will-resort-to-court-over-voting-foul-up>.
3. OSCE/ODIHR Cyprus, Presidential Election, 17 February 2013: Needs Assessment Mission Report, 16 January 2013, available at, <http://www.osce.org/odihr/elections/98755>.

Party Financing  
Score: 3

Political parties have been eligible for state funding since 1989. Parties and their affiliated organizations can also receive financial or in-kind donations from physical persons or legal entities (up to €50,000), or be sponsored by legal entities (up to €20,000). Anonymous donations are allowed up to €1,000. All party accounts (i.e., income, expenditure, assets and debts) must be audited annually by the Auditor General. Parties' election-related accounts are also subject to audit, but there is no standard form for reports required. Election-related accounts of political parties and candidates must be submitted to the registrar of political parties, the DG of the Interior Ministry. Parliamentary candidates have an electoral expenditure cap of €30,000; moreover, they must avoid activities that constitute corruption. However, the time frame governing these expenses is vague, as are other crucial details and procedures. Non-compliance and corruption are subject to fines and/or imprisonment, depending on the offence.

In early 2014, the Auditor-General informed the Interior Ministry that none of the major parties had submitted their financial statements and that they were

not properly audited, or did not follow international standards. Parties and candidates had thus failed to fulfill their electoral-expenses reporting obligations. The oversight agency urged that legal action be taken where appropriate. However, because the governing legislation contains serious gaps by not requiring separate disclosure of full electoral accounts, donations received, and expenditures related to elections, and because there are many unclear provisions regarding procedures and deadlines, the system as a whole remains inefficient.

The caps set for anonymous and other donations, as well as per-candidate expense limits, seem excessively high given Cyprus' small size (550,000 voters). The criteria used in setting the level of state subsidies provided to political parties are not public.

A European Commission anti-corruption report released in 2015 noted “a particular area of concern, the practice [by banks] of writing off loans as a form of financial support for political parties.” Pressure from the Council of Europe, the European Union and civil-society groups, as well as media reporting on alleged political-party corruption, has prompted national discussion and sparked a new effort to respond adequately to international concerns. Debate over a new financing law was still ongoing in October 2014.

Citation:

1. COE - GRECO, Third Evaluation Round, Compliance Report, on Cyprus, published 5 April 2013, available at [http://www.coe.int/t/DGHL/Monitoring/Greco/evaluations/round3/GrecoRC3\(2012\)24\\_Cyprus\\_EN.pdf](http://www.coe.int/t/DGHL/Monitoring/Greco/evaluations/round3/GrecoRC3(2012)24_Cyprus_EN.pdf)
2. Laws on the Registration and Funding of Political Parties and other relevant matters, L. 175(I)2012, official English text at <http://www.legislationline.org/topics/country/36/topic/16>.
3. European Commission Anti-corruption Report 2013 on Cyprus, available at [http://ec.europa.eu/dgs/home-affairs/what-we-do/policies/organized-crime-and-human-trafficking/corruption/anti-corruption-report/docs/2014\\_acr\\_cyprus\\_chapter\\_en.pdf](http://ec.europa.eu/dgs/home-affairs/what-we-do/policies/organized-crime-and-human-trafficking/corruption/anti-corruption-report/docs/2014_acr_cyprus_chapter_en.pdf).
4. <http://cyprus-mail.com/2014/02/21/parties-fail-to-comply-with-law-on-finances/>.

Popular Decision-Making  
Score: 2

The constitution makes no provision for referenda, and does not grant citizens the right to make binding decisions. Law 206/1989 provides that the Council of Ministers can initiate such a procedure, and ask the House of Representatives to decide on whether a referendum should be held. Thus, citizens cannot initiate such a process. The Interior Ministry must call and organize the vote. The only general referendum held to date took place in April 2004, and was focused on a United Nations plan for settling the Cyprus problem. A special law (L.74(I)/2004), enabled members of the Greek Cypriot community to vote. In that case, the outcome was binding. Referenda are also held when local communities wish to become municipalities.

Citation:

1. Law on organizing referenda, L. 206/1989, available in Greek at, [http://www.cylaw.org/nomoi/enop/non-ind/1989\\_1\\_206/full.html](http://www.cylaw.org/nomoi/enop/non-ind/1989_1_206/full.html).

2. Law on holding a referendum for the Greek Cypriot Community, on 24 April 2004, L. 74(I)/2004, available in Greek at [http://www.cylaw.org/nomoi/enop/non-ind/2004\\_1\\_74/index.html](http://www.cylaw.org/nomoi/enop/non-ind/2004_1_74/index.html).

### Access to Information

Media Freedom  
Score: 7

In general, the media do not suffer from direct governmental interference. Legal requirements for starting a publication are minimal. Provisions of the Press Law (Law 145/1989) that provide for a Press Council and Press Authority have been inoperative since 1990. In 1997, media owners, publishers and the Union of Journalists collectively signed a code of journalistic ethics and entrusted its enforcement to a media complaints commission.

The public-service broadcaster RIK, a public law entity, is governed by a council appointed by the Council of Ministers. Appointments are often politically motivated, often involving party officials. Political parties use budgetary decisions and public statements to exert pressure on the broadcaster, with each major party calling for “more equitable” access. Despite a competition for influence between the government and political parties, pluralism generally prevails.

A different law, introduced in 1998 as part of the EU accession process, governs private audiovisual media services. Oversight here is performed by the Radio Television Authority, whose members are appointed by the Council of Ministers. This authority has extensive powers, and a broadly independent status. No high-level party officials can be members or chairperson of the authority, but appointments are often based on political criteria rather than competence. This, along with the fact that its budget is subject to modifications and approval by the administration, the Council of Ministers and the House of Representatives, affects the quality and efficiency of the regulator’s work.

In the period under review, there were several incidents where the (new) government officials complained about media coverage, and blamed the media for social and other problems. This kind of overt criticism is rare, however. At a different level, the Attorney General’s constitutional powers to seize newspapers or printed matter constitutes a threat to the freedom of expression.

Citation:

1. European Parliament, The Citizen’s Right to Information: Law and Policy in the EU and its Member States (<http://www.statewatch.org/news/2012/nov/ep-study-citizens-right-to-information.pdf>)
2. President’s comments about media, <http://cyprus-mail.com/2014/05/03/president-tries-to-mend-anti-press-blunder/>

Media Pluralism  
Score: 7

In recent years, media companies have grown in size, extending their hold on the press and broadcasting (mainly radio) sector, and operating Internet news portals. An increasing number of publications publish solely online, and face financial challenges. Strict ownership rules, focusing primarily on capital concentration rather than voting power, disallow cross-media conglomerates and limit capital shares to 25% for audiovisual media-services organizations. This is not an absolute warrant for pluralism. Moreover, the lack of reliable ownership data from the media themselves or the Radio Television Authority lead to problems with transparency.

Over the years, the public dialogue and public opinion have been influenced by a deliberate focusing of attention on the Cyprus problem, and dominance of rhetoric over real debate. This focus has remained despite an increasing national openness and the emergence of critical new themes such as the financial crisis and the need to address hydrocarbon use. Issues of social concern such as multiculturalism, the need for transparency, and governance quality remain marginal or absent from media agendas. Financial difficulties also constrain media reporting.

Government and political-party officials, along with the leaders of major interest groups such as trade unions, largely monopolize media access, in all media and at all times. This further restricts the spectrum of both the themes and views expressed. The country's critical problems have increasingly been obscured by partisan or other confrontations.

Citation:

Report on Cyprus in "The Citizens' Right to Information: Law and Policies in the EU and its Member States," 2012, pp. 163-182, available at <http://www.europarl.europa.eu/com mittees/fr/studiesdownload.html?languageDocument=EN&file=75131>.

Access to  
Government  
Information  
Score: 3

No comprehensive legal framework regarding the right to access official information exists. Reference to the issue is made in various legal documents; the constitutional clause on free expression (Article 19); and individual laws on personal-data processing, access to environmental data, the reuse of public-sector information (PSI), the public service, the press, and more. Article 67 of the Law on Public Service (L. 1/1990) characterizes as "confidential" all information that comes to the knowledge of employees in the exercise of their duties, and prohibits disclosure without authorization. In the absence of specific and coherent legislation on the issue, decisions on information access are left to the discretion of officials, which leads to contradictory attitudes that ultimately affect transparency.

Mechanisms for administrative appeal are provided in connection with the reuse of public-sector information, environmental information and data

protection. Recourse to an independent authority, the Commissioner for Data Protection, is also possible for relevant issues. Another option is recourse to courts, though no direct legal provision on this issue exists.

Research findings have shown a lack of official respect for this right, and a failure to comply with relevant Council of Europe standards. Restrictive measures on access and a lack of response to information requests continued to be the norm during the review period, with little in the way of public debate or positive steps by authorities.

Citation:

<http://www.accessinfocyprus.eu/en/research.html>.

### Civil Rights and Political Liberties

Civil Rights  
Score: 7

The law guarantees and protects the civil rights of all individuals. This applies to citizens as well as migrant groups from other EU and non-EU countries. Cyprus needs more cohesive and efficient measures in order to address issues related to asylum seekers and economic migrants, and to enable it to abide by European and international rules and standards.

In 2014, Cyprus was relegated to a Tier 2 status with regard to human trafficking, with a 2010 EU report placing the country in last place among member states on this issue. Policymakers have sought improvements on the issue with a new policy framework and an EU harmonization law (2014). The detention of migrants and asylum seekers, and the exploitation of migrant workers who in some cases receive low wages and no social insurance, remain serious problems. Measures aimed at eliminating labor exploitation and employment outside the social-insurance system, including higher penalties for employers or even for owners of properties rented to undocumented migrants, have proved ineffective. Language and other barriers limit migrants' access to legal protections when in need, and constrain the efficiency of enforcement. Societal and official complacency are also blamed by NGOs and other critics for problems in this area. NGO initiatives seek to provide compensation for existing gaps or omissions in official law-enforcement efforts. During the period under review, crisis-related employment and income pressures have further affected vulnerable groups, dissuading some individuals from seeking legal protections.

Citation:

1. EU report on Human Trafficking, 2013, available at [http://ec.europa.eu/dgs/home-affairs/what-is-new/news/news/2013/docs/20130415\\_thb\\_stats\\_report\\_en.pdf](http://ec.europa.eu/dgs/home-affairs/what-is-new/news/news/2013/docs/20130415_thb_stats_report_en.pdf).

2. USA State Department 2014 Report on Trafficking, Cyprus, <http://www.state.gov/j/tip/rls/tiprpt/countries/2014/226710.htm>

3. Law on the prevention and Combating Human Trafficking and for the Protection of Victims [Περί πρόληψης και καταπολέμησης εμπορίας προσώπων και προστασίας θυμάτων] L.60(I)2014, available in Greek at, [http://www.cylaw.org/nomoi/arith/2014\\_1\\_60.pdf](http://www.cylaw.org/nomoi/arith/2014_1_60.pdf)

4. Amnesty International on Detention of Migrants - Asylum Seekers <http://www.amnesty.org/en/news/cyprus-abusive-detention-migrants-and-asylum-seekers-flouts-eu-law-2014-03-18>

Political Liberties  
Score: 7

Political liberties and protection of fundamental human rights are enshrined in the constitution and protected by relevant laws. Political, trade unions, environmental and other NGOs and groups flourish in Cyprus. In addition, new channels and means of expression made available by new media have enlarged traditional channels of petitioning, of demonstrations and rallies. Rare cases of official interference with the exercise of these rights and liberties have been properly addressed by courts. Non-Greek Orthodox and non-Christians have their respective places of worship, and are not subject to interference by the authorities.

Strong professional associations, trade unions and other groups have comparatively good access to authorities and government officials. In contrast, others such as immigrant groups often need the assistance of NGOs or other third parties to put forward their demands.

The 2010 use of the law on telecommunications data retention to access communications content instead of metadata, following the amendment of Article 17 of the constitution, allowed interference with the secrecy of communications in specific cases. This, along with police seizures of personal computers during crime investigations, is an issue of concern, as it can be considered a breach of the secrecy of communications.

Parliamentarians' handling and disclosure of personal data related to banking operations or other matters has also interfered with the right to privacy, while incorrectly exposing individuals and legal entities to accusations of having breached the laws.

The high incidence of libel/defamation cases filed by politicians and other figures against media organizations or even individuals continues to threaten scrutiny of those in public life. However, the decriminalization of libel (2003) and courts' compliance with the ECHR case law act as a protective shield for free expression.

Political parties' nominations and appointments to various bodies and public-service posts represent a serious threat to political liberties and rights. Appointments based on clientelistic partisan relations negatively affect individuals who lack party affiliation, and harm meritocracy.

Thus, though liberties are in principle protected, flaws do exist, due in part to persistent “ambient” pressures on citizens to accept a clientelistic role within the system, and the need to remind parliamentarians and other officials to abstain from practices that harm fundamental rights.

Citation:

1. Decision by the Supreme Court on cases of retention /access to telecommunications data, report available at <http://www.edri.org/edriagram/number 9.3/data-retention-un-lawful-cyprus>
2. On the sixth amendment of the Constitution (art. 17), see the report on Citizens’ Rights to Information, available at, <http://www.europarl.europa.eu/committees/fr/studiesdownload.html?languageDocument=EN&file=75131>
3. On House of Representatives work, <http://cyprus-mail.com/2014/05/03/our-view-fall-of-grace-for-ethics-report-on-financial-meltdown/>

Non-discrimination  
Score: 8

An extensive body of laws and measures aiming at protecting the rights of various groups are effectively implemented and serve to dissuade discrimination. The Constitution protects human rights, with Article 18 guaranteeing equality of all and non-discrimination. It explicitly prohibits discrimination based on factors such as gender, race or religion, while specific laws proactively protect the rights of minority groups in various ways.

Gender equality is promoted through specific anti-discrimination laws, updated since EU accession; these provide for equal treatment in employment and occupations, for measures combating racism and other forms of discrimination, and for measures protecting persons with disabilities. The laws make provision for proactive measures, but also for sanctions if these standards are violated by employers or others. Disabled persons are given guarantees against unlawful dismissal and quotas for entrance in higher-education institutions.

The Office of the Ombudsman supervises enforcement of the law combatting and other forms of discrimination. The latest report published online on this issue dates from the year 2010. Recourse to the courts – a costly and often lengthy procedure – is also an option.

Critics have pointed out gaps and weaknesses in the implementation of anti-discrimination laws, including the insufficient provision of information to affected groups, a lack of or non-enforcement of sanctions, and limited resources available to supervising bodies.

Citation:

1. <http://www.stop-discrimination.org.cy/en/>
2. Migrants and the Right to equal Treatment, a Workshop Report 2013, <http://picum.org/picum.org/uploads/publication/Migrants and the Right to Equal Treatment in Cyprus.pdf>.
3. A Study on Sex Orientation Job Discrimination, [http://world.einnews.com/article/217266071/yWY5eqqHvg\\_kG09l](http://world.einnews.com/article/217266071/yWY5eqqHvg_kG09l).

### Rule of Law

Legal Certainty  
Score: 5

Cyprus inherited well-organized and functional administrative structures from the period of British colonial rule. Though the foundations of the state apparatus have been somewhat weakened over the years, operational capacities and adherence to the law have remained largely consistent. Some imbalances exist with regard to the powers of the executive and the parliament; this is in part due to peculiarities of the constitution initially designed to balance power between Greek and Turkish communities. This left a very powerful executive (president) when bi-communality collapsed in 1964.

The decisions of the Eurogroup following Cyprus' descent into financial crisis led to the bail-in and radical changes to the banking system, most of which lacked sound legal basis. The adoption of a number of laws required to meet MoU obligations produced tensions between the executive and the legislative powers. In several cases, deadlocks were referred to the Supreme Court for review. The effect on citizens has diminished legal certainty. For these reasons, the scope of discretion left to the government may be considered as being too broad vis-a-vis the parliament, but extremely narrow when seen in connection to fulfilling obligations toward the country's debtors.

As in the past, government actions have sometimes avoided or delayed in ways inconsistent with the rule of law. Pressures on and/or the outright dismissal of state officials including the governor of the central bank, delays in appointments, the clientelistic selection of appointees, and other practices have affected state bodies' independence, decision-making capacities and efficiency. If legal certainty is to be achieved, more sustained efforts to abide by the principles of meritocracy and consistent law enforcement are necessary in various areas.

Judicial Review  
Score: 8

Judicial review is effective and efficient in all fields of administration, but can it be affected by procedural delays. Well-organized and professional courts protect citizens' rights through judicial review of administrative decisions. Decisions by trial courts, administrative bodies or other authorities can be reviewed by the First (Revisional) and Second (Appellate) Instance Supreme Court. Appeals are decided by panels three or five judges, with highly important cases requiring a full quorum (13 judges).

In a 2014 survey of lawyers and justices, 90% said they considered delays to be a severe problem. In January 2014, the government sent draft laws amending the constitution and creating an administrative court to the parliament. The draft, which aims at combating court delays, is still pending before the House of Representatives.

Citation:

1. Results of a survey on the judicial system of Cyprus,

<http://www.cyprusbarassociation.org/v1/index.php/el/news/announcements/201-2014-10-15-12-43-55> (in Greek)

Appointment of  
Justices  
Score: 7

The judicial system essentially functions on the basis of the 1960 constitution, albeit with modifications to reflect the circumstances prevailing after the collapse of the bi-communal system of government in 1964. The Supreme Council of Judicature, composed of all 13 judges of the Supreme Court, appoints, promotes and places justices, except those of the Supreme Court. The latter are appointed by the president of the republic upon the recommendation of the Supreme Court. By tradition, nominees are drawn from the ranks of the judiciary. The judicial appointment process in general raises questions of transparency, as details regarding the procedure, the selection criteria and the interaction between the Presidential Palace and the Supreme Court are not made available. The gender ratio within the judiciary as a whole is approximately 60% male to 40% female, but only three out of 13 Supreme Court justices are women.

Corruption  
Prevention  
Score: 4

The retirement age is 68 for Supreme Court justices and 63 for other judges.

The Auditor General's office, a respected and trusted institution, audits state expenditure and compliance with rules and procedures. A report on the public administration's accounts, including misdoings, is produced annually. Corrections in response to these comments, observations and recommendations are rare. However, in 2014, cases of corruption were brought before the courts.

Oversight rules and mechanisms dealing with issues such as income and asset declarations by public-office holders, public-procurement transparency, or the prosecution of attempted favoritism or bribery are either deficient or incompletely implemented. The concept of conflict of interest in public life has been given a prominent role by politicians or oversight bodies.

Generally, anti-corruption measures and the existing code of conduct for public servants (imposed in July 2013) appear either inadequate or not effectively implemented. Official investigations seeking responsibility for the economic crisis and additional parliamentary debates on the issue have done little to reestablish public trust.

# Governance

## I. Executive Capacity

### Strategic Capacity

Strategic  
Planning  
Score: 3

General strategic planning, institutionalized under the Planning Bureau and directorates of the Ministry of Finance, was neglected until recently. The practice was integrated more deeply into the country's administration as a result of the reforms imposed through the MoU of April 2013. The Planning Bureau was renamed as the Directorate General for European Programs, Coordination and Development, and given new tasks. Its new mission includes managing EU funds and issues related to the Lisbon Strategy, as well as planning, monitoring and coordinating government work. This shift will allow the body to supplement the Ministry of Finance's primarily budgetary planning, and expands the spectrum of planning performed to include more aspects of development.

Most administrative units still fail to set action plans and identify goals. Indeed, the current crisis is tangible evidence of chronic problems in this regard. However, a new law officially makes strategic planning, coordination and performance monitoring the foundations of economic policymaking and budget design. Creating the mechanisms, procedures and services required to achieve this will take some years, however. During the period under review, contradictions between government officials' statements and announcements indicated that planning and coordination gaps still exist. Nevertheless, the fact that small improvements in planning have produced better results than forecast is indicative of the country's potential.

Citation:

1. The new structure of former Planning Bureau,

[http://www.dgepcd.gov.cy/dgepcd/dgepcd.nsf/index\\_en/index\\_en?OpenDocument](http://www.dgepcd.gov.cy/dgepcd/dgepcd.nsf/index_en/index_en?OpenDocument)

2. The Law on Fiscal Responsibility and Fiscal Framework,

[http://www.cylaw.org/nomoi/arith/2014\\_1\\_20.pdf](http://www.cylaw.org/nomoi/arith/2014_1_20.pdf) (in Greek)

Scholarly Advice  
Score: 3

Cyprus has a tradition of advisory bodies that include academics and specialists in various disciplines. However, their tasks and scope of work have been limited to very specific topics. They have primarily served to inform the public on specific issues, or have drafted reports and made proposals that are generally ignored given their non-binding character. Hardly any of these bodies has had a role in strategic planning or top-level decision-making. In some cases, the administration has sponsored research by institutes or universities. A recently created Advisory Committee for Natural Gas, coordinated by a deputy minister to the president, involved academics; however, this group had a limited role (i.e., to provide advice in specific fields rather than to offer long-term strategic proposals). Generally, consultation between government and external academic experts has not been an established practice.

In the period under review, three consultative bodies were created, including a committee for economic issues headed by Cypriot Nobel laureate Christophoros Pissarides, a committee for energy policy, and a committee for geostrategic studies. Although all three included academics, their role and influence is still not well defined, which has led to criticism. Academics were additionally appointed to the governing bodies of semi-governmental organizations in 2014.

Citation:

1. Membership selection and role of consultative bodies, <http://cyprus-mail.com/2014/09/20/our-view-will-anyone-even-take-notice-of-new-geostrategic-and-energy-councils/>

### Interministerial Coordination

GO Expertise  
Score: 2

Under Cyprus' presidential system, draft bills are prepared by the responsible ministry and sent to the secretariat of the Council of Ministers for inclusion on meetings' agenda. Advice, limited to the constitutionality of the draft, is provided by the Attorney General's Office. The secretariat of the Council of Ministers is expected to check proposals for consistency with previous decisions and prevailing laws.

The creation of a body with sufficient sectoral expertise or capacities to evaluate draft laws related to fiscal and strategic planning is still pending.

GO Gatekeeping  
Score: 6

The agenda of the Council of Ministers is prepared by the president "at his discretion," which means he has the ability to withhold action on an item. Decisions are made by the Council of Ministers as a whole, with the president chairing the meeting and having only the right to take part in the discussion. The cabinet can decide to send a proposal back to a line ministry. When

Council decisions are communicated to the president by the secretariat of the Council of Ministers, the president has the right to return a decision for reconsideration or to veto decisions on specific matters (security, foreign affairs, defense). If the Council of Ministers insists on their initial position on a matter returned for reconsideration, the decision must be promulgated through publication in the official gazette. Despite this theoretical course of decision-making, no specific cases of discord have ever been reported between the president and the Council of Ministers. The extent to which decisions echo the views of dissenting parties in case of actual differences is unclear.

Line Ministries  
Score: 3

The structure of functions within the presidential palace has an ad hoc character, determined by each president for the duration of his or her mandate. The secretariat of the Council of Ministers is part of the state administration, tasked with offering support and services to the cabinet. However, this body has no capacity to draft laws or review proposed policies. The Attorney General's Office is the sole body involved in the examination of policy proposals and draft laws, providing no more than legal advice. Ministries tasked with drafting laws can refer to policies formulated by the government, or to frameworks proposed by inter-ministerial committees or issued by the cabinet. Draft laws are discussed only during the deliberation process in the Council of Ministers.

There is no reliable evidence regarding systematic consultation between line ministries and the presidential palace or the secretariat of the Council of Ministers prior to the proposal of draft laws. However, new strategic-planning structures and mechanisms slated to be created under the law on fiscal responsibility are expected to entail a central coordinating body, enabling compliance with the government's strategic plan to be achieved.

Cabinet  
Committees  
Score: 5

Interministerial committees are regularly formed in Cyprus. Committees are established on ad-hoc basis, on procedural and sector-specific matters (e.g. promoting road safety, combating fire hazards, and on defense and other topics). Their work is to formulate general policy frameworks, and are supported by services or technical committees mainly from within ministries, though in some cases contributions from external experts are sought. The scope of work and the degree of efficiency in the committees' coordination are not easy to assess, as their reports are rarely made public. However, in the period under review, more coordination has taken place, albeit mostly on specific topics and on a short-term basis, rather than as a sustained procedure of strategic planning and implementation.

Ministerial  
Bureaucracy  
Score: 5

Line ministries appear as fiefdoms, with each claiming sovereign rights within its area of responsibility. Ministry officials and civil servants may participate in ad-hoc bodies assigned to deal with specific issues, or seek coordination with other ministries in drafting proposals or implementing policies if this is deemed useful.

Informal  
Coordination  
Score: 4

In the period under review, executive and ministry staffers have interacted more closely than in the past in dealing with policy proposals. Line ministries sometimes consult with other ministries on policy matters or attempt to coordinate implementation of decisions.

The post-2010 economic difficulties led to a number of meetings at various levels and between a variety of actors. This continued in the period under review, and included (mostly informational) meetings between the president and his ministers and party leaders, as well as meetings solely between ministers and party leaders. The aim was to explain the government's policies or to convince other influential figures of the need to adopt specific legal acts. Consultations have not always resulted in a consensus regarding the issues or specific measures, or in their subsequent adoption by the parliament. However, this type of meeting does not take place on a regular basis.

#### Evidence-based Instruments

RIA Application  
Score: 5

Since 2007, a Ministry of Finance committee has led a project aimed at developing better regulation, with liaison officers in all ministries. Regulatory impact assessment (RIA) is one key focus of the project. Every new regulation is required to include an RIA. In the absence of an overall method of analysis, a questionnaire is filled out by the department drafting the new measure. Even with this minimal requirement, reports attached to draft laws sent to the Attorney General's Office or Legal Office for legal review have gaps, are too general, or in many cases are simply absent. A new oversight mechanism created in 2011 is officially deemed to be insufficient. No reports on its operation have so far been released. The matter seems to have lost momentum overall.

A typical means of assessing the impact of new laws consists of line ministries seeking the views of other ministries on a proposed measure. When draft laws reach the legislature, the House of Representatives invites stakeholders likely to be affected to present their views during committee sessions.

#### Citation:

1. National Action Plan for Better Regulation, revised August 2014, <http://www.better-regulation.org.cy/Portals/0/Ethniko%20Sxedio%20Drasis%20SR%20Aug%202014.pdf> (in Greek)

Quality of RIA  
Process  
Score: 4

In its present form, impact assessments appear to be performed by bills' authors and reviewed by a Ministry of Finance body before being forwarded to the Legal Office for legal advice. Though the current arrangement was communicated to all government bodies in January 2012, no details on its functioning have subsequently been made available. Stakeholders have no role in the assessment procedure at any stage, and it remains unclear as to precisely

Sustainability  
Check  
Score: 3

how the RIA report is used. This means that the policy-proposal process has no integrated impact-assessment mechanism or reliable means of analysis.

The questionnaire on which assessments are based asks whether proposed regulations might have a positive or negative impact on the country's economic, social and environmental aspects of life. This assessment is based on a limited number of specific factors, with just 10 social and eight environmental issues addressed. The questionnaire asks for yes or no answers, while also soliciting detailed explanations. The extent to which information sufficient to substantiate the yes or no responses is provided remains unclear. There is no mention of time horizons in the assessment, which may mean the idea of sustainability is effectively ignored.

Assessment as a whole appears to be in a transitional stage, given the ongoing and pending reforms in the public service, the creation of strategic-planning and supervision mechanisms in all administrative bodies, and other relevant changes.

Citation:

1. Better Regulation Website,

<http://www.better-regulation.org.cy/%CE%91%CF%81%CF%87%CE%B9%CE%BA%CE%B7.aspx> (in Greek)

### Societal Consultation

Negotiating  
Public Support  
Score: 5

Consultation with societal actors has been a general practice since the early years of Cyprus' independence. Governments have typically taken the probable reactions of trade unions or other organized professional associations into account before promoting policy proposals. However, consultation takes place only when government feels the need to do so, not in any systematic way. This has prompted strong trade unions or interest groups to air their views publically in order to benefit their members. In the period under review, the commitments made by the government to the EU and its creditors have sharply reduced the scope for formulating policies through consultation. The government's primary focus in this regard was thus to forestall discontent on the part of strong public servants' and other labor unions that could lead to social unrest.

Public consultation before rule-making is a regular practice in Cyprus, as elsewhere in the European Union. The results of such consultations are not always made public, however.

As previously mentioned, the presidential system leads the government to consult with political parties as well. In most cases, consultation with

stakeholders is also accomplished in the course of parliamentary committee meetings.

### Policy Communication

Coherent  
Communication  
Score: 3

The government's communications are channeled through the Press and Information Office, a department of the Ministry of Interior that hosts and offers logistical support to the government spokesperson. Liaison press officers are dispatched to line ministries. Longstanding problems of coherent communication or conflicting statements have persisted to some extent, but the current government has performed much better in this regard than its predecessor. During the review period, the president of the republic made public announcements with more frequency than in previous years, as he took on a key role in presenting and explaining government decisions and policies. Individual ministers also frequently announce plans and measures on various matters.

### Implementation

Government  
Efficiency  
Score: 3

The current government assumed power at a time when any delay in facing the economic crisis threatened the country's economic survival. The agreement signed with Cyprus' creditors provided for harsh measures that included large-scale actions and reforms. The government was forced to follow the agreement to the letter, pursuing difficult objectives in order to stabilize the situation and contain the crisis' impact on employment, financial institutions and other sectors. These goals appear to have been met to some extent.

A number of serious issues remain unaddressed, including reform of the public sector, privatization of semi-governmental organizations, unemployment, the reestablishment of trust in the country's economy, and the creation of a national health program. The impact on peoples' lives and welfare, as well as on society at large, has been quite serious. However, the government has implemented policy objectives designed in large part by Cyprus' creditors with relative success.

Ministerial  
Compliance  
Score: 4

Under the presidential system, no mechanisms exist for ensuring implementation of state policies, either at the level of the presidency or the House of Representatives. The quality of ministerial work is mostly determined by each officeholder's personality and will. With the initiation of reforms and the first development of strategic-planning structures, the organization of the government is becoming more cohesive, with some incentives for the successful implementation of programs being offered.

Monitoring  
Ministries

The state structure contains no specific mechanism for monitoring the work of line ministries. The Directorate General for European Programs, Coordination

Score: 3

and Development performs generic monitoring, and some task-specific structures in individual ministries exist. The issue of creating a central body to oversee and coordinate planning and policy implementation is still under discussion. A task-force team with guidance from the presidential palace currently fulfills some very basic planning and coordination functions.

Monitoring  
Agencies,  
Bureaucracies  
Score: 2

Line ministers oversee and give policy guidance to semi-governmental organizations (S-GOs), whose governing bodies are appointed by the Council of Ministers. The budgets of S-GOs and local authorities are reviewed by line ministries, approved by the cabinet and voted into law by the parliament. However, this oversight, as well as that of local government, has been deficient, resulting in mismanagement of finances and other problems. Clientelist practices in which resources, personnel appointments and promotions largely serve government and partisan objectives are at the root of this problem. Following amendments to the law on the renewal and appointment of S-GOs governing-bodies in early 2014, there was some public debate as to whether past practices had indeed been abandoned. Regardless, the need for closer scrutiny of the work of S-GOs and local authorities is generally stressed by authorities and social actors.

Citation:

1. Law on the appointment of governing bodies of S-GOs,

[http://www.cylaw.org/nomoi/enop/non-ind/1988\\_1\\_149/full.html](http://www.cylaw.org/nomoi/enop/non-ind/1988_1_149/full.html) (in Greek)

Task Funding  
Score: 4

Local government bodies receive substantial subsidies from the state budget, with funds often earmarked for specific projects. In recent years, the overall amount of this subsidy has been decreased through government decisions and parliamentary action. At the same time, new municipalities have been created through referendum, substantially increasing the quantity of funds needed for local government. Various problems, such as the lack of strategic planning, redundancy in services, and failure to comply with the recommendations of the Auditor General, have pushed some municipalities to the brink of financial collapse. The structure and functions of local government, including the number of municipalities, are being examined in possible preparation for reform.

Constitutional  
Discretion  
Score: 4

The constitutional status of local government is vague. Municipalities were originally placed under the respective authority of Greek and Turkish communal assemblies (Art. 86-111). However, communal chambers were abolished with the collapse of bi-communality in 1964, and local governments' fields of authority and powers are today defined by articles 84 and 85 of the Law on Municipalities. Budgets, along with management decisions regarding selected financial issues and assets, are subject to approval by the Council of Ministers. These discretionary powers and changes in the amount of subsidy provided can be regarded as limiting local government's

autonomy. The situation may change following a possible “reorganization and restructuring of local government,” as provided for by the MoU.

National  
Standards  
Score: 2

Standards and indicators at the central government level are generally neither consistent nor universal; those implemented tend to be followed in incoherent ways. National standards of public services are rarely achieved. For example, public employees’ performance used to be internally assessed as “excellent” in more than 99% of cases. More importantly, there is no mechanism to monitor or ensure compliance with standards. The reforms currently underway are intended to develop sufficient strategic-planning capacity to enable standards, rules and regulatory frameworks to apply consistently across all government levels. To a large extent, this would eliminate individual discretion as a factor in each body’s interpretation and implementation of the law. However, this reform effort has only just begun.

### Adaptability

Domestic  
Adaptability  
Score: 4

The country’s political and administrative structures have remained largely in place since independence. European Union accession has led to the creation of new bodies over the past 20 years, but without changing the overall state structure. As the whole of Cyprus constitutes a single region under the EU’s Cohesion Policy, the impact of European innovations aimed at strengthening the role of regions has been very limited. While policymaking adaptations have in the past been isolated within specific sectors, the economic crisis and creditors’ subsequent demands have pushed Cyprus at last into embarking on a comprehensive and all-inclusive reform plan.

International  
Coordination  
Score: 4

As a full member of the European Union, the Council of Europe, the United Nations and other international organizations, Cyprus could have seized many opportunities to contribute to the global public welfare. The country’s 2012 European Council presidency demonstrated its potential for active contribution. However, specific plans or mechanisms to ensure sustained contribution of similar kind are largely absent. Rather, ministry officials typically provide isolated contributions in the course of their participation in meetings of international organizations. Cyprus limits its potential for expansive participation in part by focusing its attention on the division of the island, a rather parochial concern. The discovery of hydrocarbons and efforts to coordinate with its neighbors and other countries may be a starting point with regard to expanding its international role further.

### Organizational Reform

Self-monitoring  
Score: 4

With its EU accession, Cyprus had to respond to commonly held EU standards. However, monitoring has taken place only in specific departments, and has focused on isolated issues such as the plan for better regulation. This

inconsistency is due to the absence or poor functioning of institutionalized mechanisms, and to the fact that no central body has been given overall responsibility for this task. Despite the economic crisis, political infighting and rhetorical grandstanding have prevented the achievement of radical improvements in the relationships between the president, the main political parties and the parliament.

The March 2013 change in governments and the need to meet the terms of the MoU helped change this environment somewhat. Subsequent reforms have sought to create efficient procedures and promote cooperation. In practice, a mixed picture has emerged, with instances of tensions between the House and the Presidential Palace. However, the House has also cooperated with MoU imperatives, adopting laws initially viewed as “unacceptable.”

Institutional  
Reform  
Score: 4

The efficiency of the administration declined between 2009 and 2012, largely as a result of a lack of government coherence or clear policy orientations. Confusion as to the roles of ministers from the various political camps, and cases in which the president assumed tasks belonging to ministers weakened the government’s capacity.

Extensive changes are currently being made to institutional arrangements, with the aim of improving or establishing strategic-planning, implementation-monitoring and evaluation mechanisms. Reforms affecting the whole administrative spectrum are advancing slowly, as they must combat decades of inertia.

## II. Executive Accountability

### Citizens’ Participatory Competence

Policy  
Knowledge  
Score: 5

Strong public interest in politics and a high rate of attachment to political parties were until recent years combined with low rates of abstention in elections. However, participation rates have fallen sharply, with the abstention rate in parliamentary and presidential elections doubling between 2006 and 2013. According to Eurobarometer, levels of faith in institutions are very low, particularly with regard to politicians and the political parties. The government and the parliament are rated slightly better.

These phenomena reflect the realities of Cyprus life. Television is the top source of information, and is trusted by 52% of survey respondents, more than is true of any other media. However, the quality of information is generally

low, lacking in-depth analysis. Moreover, debates in which political figures monopolize the stage are characterized by populist appeals, meaningless arguments and incessant finger-pointing. Even though people in Cyprus make less use of the Internet (38%) than the EU average, new media is an important source of information and a forum for discussion.

The government has made a sustained effort to keep the public informed about important decisions and policies. Despite incidental contradictions and problems in policy implementation, citizens appear to be aware of and have an opinion on the main issues driving government policies. Although opposition to specific policies and measures is common, the public acknowledges the need for implementing them.

### Legislative Actors' Resources

Parliamentary  
Resources  
Score: 3

The House of Representatives' moderately sized staff primarily provides administrative and secretarial support. A research, studies and publications division appears to perform activities related to drafting and publications and organizes events rather than producing genuine expert research or study reports. Deputies each have a personal parliamentary assistant, but their exact duties and output have never been published or assessed.

The parliament has a rich library that remains little used. Independent research is rarely commissioned.

Information about government activities is obtained by specialized committees that invite members of the executive or administration officials to attend their meetings.

Citation:

1. Press Comments on Parliamentary Work, <http://cyprus-mail.com/2014/05/03/our-view-fall-of-grace-for-ethics-report-on-financial-meltdown/>

Obtaining  
Documents  
Score: 4

The government and the broader public administration have no constitutional obligation to make documents available to the parliament. In practice, parliamentary oversight is performed by addressing questions to line ministers or other office holders on specific issues. In some cases, an ad-hoc investigative committee may ask for more in-depth information.

The Law on the Deposition of Data and Information to Parliamentary Committees gives committees the right to ask for official information and data. However, the wording of this law is cautiously formulated; under its terms, officials attending a committee hearing are obliged to tell the truth or to provide genuine documents, and are not allowed to hide relevant knowledge or

documents. However, some exceptions are allowed. It also establishes penalties for misinforming or misguiding a committee.

Critically, attending a meeting if invited is not made mandatory by this law. Thus, obtaining documents is dependent on the summoned officials' willingness to attend a hearing, as well on minister's discretionary power to approve a document's release. The law's enforcement and efficiency depend on the sensitivity of the issue at hand.

Summoning  
Ministers  
Score: 5

The constitution contains no provisions making the executive power accountable to the House of Representatives. Article 79 stipulates that the president "may address" or "transmit his views" to the House or a committee "through the ministers." Moreover, ministers "may follow the proceedings, [...] make a statement to, or inform" the House or a committee on issues within their sphere of responsibility. Thus, from the legal point of view, the parliament is very weak, and has no power to summon executive officials or command the provision of documents. In practice, however, ministers are regularly invited to provide committees with information on issues relating to their mandate. Ministers rarely decline invitations to appear, and if ministers are unavailable, other high administration officials often represent the line ministries and provide the information or data requested. Thus, though attendance is up to the discretion of the executive, government members usually respond positively to committee invitations. However, there have been cases in the past where ministers declined invitations when the subject touched upon a contentious matter, or for other personal reasons.

Summoning  
Experts  
Score: 7

The law on the Deposition of Data and Information to Parliamentary Committees gives committees the power to summon officials or private persons to provide documents or data. The obligation to attend committee meetings, which is connected with the obligation to provide genuine data and information, is not definitively established in the law.

In practice, interested parties are invited to present their views, but no tradition of inviting independent experts or seeking their written comments has been established.

Citation:

1. Law on the Deposition of Data and Information to the House of Representatives and to Parliamentary Committees, L.21(I)/1985, [http://www.cylaw.org/nomoi/enop/non-ind/1985\\_1\\_21/full.html](http://www.cylaw.org/nomoi/enop/non-ind/1985_1_21/full.html) (in Greek)

Task Area  
Congruence  
Score: 5

The constitution provides for only 10 ministerial portfolios. However, the number of ministries was increased to 11 when a Ministry of Education was created and assigned the tasks of the Communal Assembly, which was dissolved in 1964. In the present House of Representatives, there are 16 committees, one for each ministry plus others dealing with specific cross-

ministerial matters or important sectors. According to the House's activity report for the 2012 – 2013 session, committees held 545 meetings overall, with individual groups holding between 19 (the Human Rights and Equal Opportunities committee) and 59 (Finances and Budget) meetings.

Given the small number of deputies overall (56), combined with the fact that most committees have nine members, each deputy is typically a member of at least three committees. This, along with limited resources, may be an impediment to properly following all committee work or effectively monitoring the work of line ministries. It has also led to a chronically low committee-meeting attendance rate.

Citation:

1. Activity Report for 2012 - 2013 season, House of Representatives, 2014,

<http://www.parliament.cy/images/media/assetfile/Apolog2014.pdf> (in Greek).

Audit Office  
Score: 3

The auditor general is an independent officer appointed by and reporting to the president of the republic, and has a status equivalent to that of a Supreme Court justice. The auditor's annual report is presented to the president, who "shall cause it to be laid" before the parliament. Thus, the parliament has no authority over the auditor general. The audit office has the responsibility to review "all disbursements and receipts, and audit and inspect all accounts of moneys and other assets administered, and of liabilities incurred, by or under the authority of the republic." This gives it the power to audit both the House of Representatives and all the various bodies of the executive.

Ombuds Office  
Score: 2

Cyprus has no constitutionally established ombudsman's office. Law 3/1991 introduced the Office of the Commissioner for Administration, with the serving commissioner appointed by the president of the republic upon the recommendation of the Council of Ministers, upon prior approval by the parliament. The commissioner presents an annual report to the president, with comments and recommendations. A copy is made available to the Council of Ministers and to the parliament. Investigative reports, monthly activity reports and reports on failures to comply with previous recommendations are also submitted to the cabinet and the parliament.

The commissioner does not have oversight power over the House of Representatives, the president of the republic, the Council of Ministers, ministers themselves, courts including the Supreme Court, or various other officials.

## Media

Media Reporting  
Score: 5

The media landscape is dominated by infotainment programming, and media organizations largely fail to provide in-depth analyses. The capacity to analyze and evaluate policies is hampered by a low level of issue knowledge, partisan approaches and low awareness of the code of journalistic ethics. Some also criticize media organizations for their connections to financial interests, which create an additional obstacle to their work. However, financial difficulties within the media are likely to increase dependency on these interests.

Though political issues dominate print and electronic media coverage, little insight is offered. In-depth information is only occasionally provided by academics or experts invited to debates, in particular by the public broadcaster. Analysts often belong to specific ideological camps, but fail to disclose their links with political parties. Most journalists do little to limit the impact of their personal views and preferences on their work. In the period under review, the current government benefited from media coverage that was less critical than that faced by its predecessor, as its actions have been considered to be a necessary evil in tackling the serious crisis in spite of disagreements.

Finally, political figures' polarizing rhetoric and tendency to avoid nuances in their public statements persisted. This creates a further obstacle to providing high-quality information and in-depth analyses.

The lack of transparency in print-media circulation figures and media ownership data are additional factors affecting the quality of information.

## Parties and Interest Associations

Intra-party  
Democracy  
Score: 6

In the years since 2000, political parties have introduced procedures giving all party members (and in some cases friends) the right to elect party governing bodies and high officials, and to nominate or be nominated as candidates for public office. The rules are more restrictive for nominating national presidential candidates or candidates associated with party alliances. In practice, leadership groups tend to try to reach consensus in such a way as to avoid elections, while other procedures tend to undermine the power of grassroots party organizations.

The Democratic Rally (Δημοκρατικός Συναγερμός, DISY) was the first party to offer all party members (and later party friends) voting rights in electing high officials and governing bodies, as well as a voice in nominating

candidates to elected public offices. Non-party members can be nominated as candidates or chosen by the chairperson of the party.

In recent DISY intra-party elections, as well as in its nomination of candidates for the 2011 parliamentary, municipal and mayoral elections, the procedures were dominated by efforts to find consensus candidates. This limited the role of individual party members. The party's 2013 presidential candidate was selected by approximately 1,000 officials, the members of its Supreme Council.

DISY electoral programs are drafted and approved by the party's governing bodies. Opinion polls and advice provided by communications consultants shape the party's choices.

The Progressive Party of the Working People (Ανορθωτικό Κόμμα Εργαζομένου Λαού, AKEL) has also opened its nomination decisions to party members and their friends, while adhering to the principle of democratic centralism. While nominations start at party-cell level, selection and ranking committees have a role in the process prior to final decisions by the Central Committee (CC), though this role has not been fully explained. The party congress, made up of 1,200 to 1,400 party cadres nominated by party cells, elects the 105 members of the CC. The members of the CC elect their own secretary general. AKEL's presidential candidate is selected first through a party-cell vote, and then by the vote of a special electoral congress. Electoral programs are approved by the party's governing bodies.

The Democratic Party (Δημοκρατικό Κόμμα, DIKO) established the direct election of its leadership by party members after 2000. However, all party candidates including the presidential candidate are selected by the central committee (made up of 150 members). The central committee also approves the electoral program.

Thus, even though Cyprus' parties differ in their internal practices, important issues in each are usually decided in a centralist manner.

Association  
Competence  
(Business)  
Score: 4

Cyprus has very strong trade unions, with a very high rate of membership, as well as well-organized employers' associations. Their relations have been characterized by a will to find consensual solutions and avoid industrial action. These associations in some cases have internal research or study divisions, which typically produce proposals defending or promoting sectoral interests. In rare cases, associations have commissioned and made public special studies by academics or experts. Associations propose no comprehensive measures or policies that take a long-term perspective. They mostly focus on specific short-term issues rather than structural change. The Pancyprian Labor Union

(Παγκύπρια Εργατική Ομοσπονδία, ΠΕΟ) has created a research institute on labor issues, which largely focuses on producing studies and monitoring developments in the economy and the labor market.

As an example of typical behavior, debates on adjusting salaries and benefits during the period under review were quite polarized, with employers unilaterally suggesting cuts in benefits, and trade unions rejecting even the idea of reopening debate on past gains. Neither side offered a policy proposal for addressing matters on a long-term basis. The whole system of benefits and labor relations is currently under review with reference to the framework of commitments made under the MoU, with some changes having already been implemented.

Association  
Competence  
(Others)  
Score: 4

The development of civil society is a recent phenomenon in Cyprus. The mobilization of environmental groups in the late 1980s, initially for specific causes, and later in pursuance of a comprehensive policy framework, served as one primary point of origin. Assisted by funding from European programs, new associations have emerged, undertaking studies and formulating proposals on issues pertaining to good governance (e.g., access to information) and other matters.

Since 2011, various groups have emerged with a focus on the political crisis and its associated economic and social problems. Their aim is to address these issues in a comprehensive manner. These young groups have thus far made proposals largely of a general nature, but have also addressed a few specific issues. The issues of hydrocarbon use, transparency in political finance, the electoral law and the country's response to the economic crisis are at the top of these groups' agenda. At this point in time, their appeal remains limited, and it is too early to assess the impact of their work.

The Church of Cyprus, one of the country's strongest institutions (financially as well as politically) continues to play an influential role in a number of policy areas, including education, the island's division, the exploitation of hydrocarbon resources, measures and policies related to the economic crisis, and problems facing the banking sector.

Citation:

1. On the Archbishop's public interventions, <http://cyprus-mail.com/2013/10/20/no-one-will-shut-me-up/>
2. On activities of the NGO Transparency Now, <http://cyprus-mail.com/2014/10/11/party-donations-in-focus/>

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