



# Cyprus Report

Christophoros Christophorou, Heinz-Jürgen Axt,  
Roy Karadag (Coordinator)

Sustainable Governance  
Indicators 2016

## Executive Summary

Early 2013 found Cyprus at the brink of economic collapse. After 40 years pursuing a successful course, the model and policies in place proved inadequate in responding effectively to the challenges of the economic crisis. The government's failure to act in a timely and efficient manner revealed problems that extended beyond the deficiencies of the economy; unsustainable structures and an oversized financial sector, for example, became perilous threats. Systemic problems suddenly became evident, while the strategic planning and policy-implementation capacities necessary for flexible adaptation were absent or deficient. Despite the obvious problems, successive governments failed to reform and act innovatively. The perpetuation of a non-meritocratic hiring system based largely on partisan favoritism has further undermined the state's functioning.

With a new government in office, the period starting in March 2013 marked a shift in direction. Driven by a memorandum of understanding (MoU) with Cyprus' creditors, the government was forced to begin implementing plans for long-overdue reforms. The country ultimately must be able to pay back what is due, but must simultaneously set itself on a pathway toward sustainable development. In fact, financial indicators in 2015 revealed a better economic performance than originally forecast, while systemic and structural reforms also progressed, albeit quite slowly.

Democratic processes and institutions continued to function satisfactorily during the review period. However, significant weaknesses remained evident, impeding the enhancement of democracy. Problems relate to the system's slow functioning and low efficiency level, but the implementation of the MoU has also proven troublesome. Some decisions have been implemented in defiance of established democratic practices, without due concern for fundamental rights or consultation with social actors. Clientelist political relations persist. Despite local and international pressures, laws aimed at ensuring transparency in the funding of political parties and elections had not been passed by early November 2015. The public remained unconvinced that anti-corruption efforts were genuine, despite some new enforcement efforts and the appearance of a number of new corruption cases in court. Government and political parties continued to interfere with institutional functions. An administrative court remained inoperative, with long delays in court procedures hampering the

judicial system's ability to review administrative decisions.

Some progress has been made in the implementation of legal frameworks. Further improvements in the country's banking-oversight system is needed. However, the financial sector suffered from influence struggles and conflicts between the central bank and the presidential palace. The country's fiscal performance was better than forecast. The unemployment rate (4.0% in 2010, 14.2% in early 2013) had risen to 14.7% in mid-2015, but was expected to average 15.7% for the year as a whole. Cuts to salaries, pensions, benefits and family-support measures, as well as in education and other sectors were retained. These measures, along with new taxes implemented in the 2013 – 2014 period, have negatively affected the living conditions of pensioners and other groups. However, the impact on vulnerable groups has been mitigated by targeted measures including a guaranteed minimum income.

The rate of persons at risk of poverty and social exclusion showed a slight increase in 2014, after previous declines among some groups. Overall it has increased, with immigrants (both EU and non-EU) and single women over 65 years of age being particularly vulnerable. Measures and policies targeting the social inclusion of migrants and asylum seekers remain below international standards. The same is true of environmental policies; here, conservation measures are deficient and there is insufficient promotion of renewable-energy sources, earning the country a last-place ranking within the EU in some environmental fields.

In 2015, new institutional confrontations and conflicts further undermined the public's trust in public institutions. Within the political sphere, efforts to assign blame and the lack of a broad consensus have continued to cause delays in passing and implementing vital laws and policies. Uncertainty within the financial environment has been perpetuated by pending regulation of non-performing loans and foreclosures, as well as pending decisions on the privatization of semi-governmental organizations.

Favoritism in appointments and politically motivated interference with institutional functioning persisted throughout the review period, along with a lack of proper planning. The establishment of foundations seeking reform of the public sector and the development of legislatively grounded strategic-planning capacity are hopeful signs. The same is true of the government's as-yet-timid outreach to academics and experts in policymaking processes. However, to achieve tangible results, the government will have to engage in massive reforms and make sustained efforts over many years. To ensure this succeeds, new skills and a new administrative culture are needed.

## Key Challenges

In the 2016 – 2018 period, Cyprus must take actions with both short- and long-term effect aimed at preventing the recurrence of financial and economic crisis and achieving a position of sustainability. Many of these actions must address problems caused by the current economic crisis, while also meeting obligations assumed under the terms of the country's MoU with creditors. In order to be successful, the government should seek to anticipate and confront the repercussions of measures taken. Moreover, since the crisis extends beyond the financial sector, policies must target also address fiscal and other relevant issues. Extensive reforms addressing structural and other endemic problems identified in the MoU would be easier to carry out successfully if combined with enhancements to fundamental democratic practices, including the rule of law.

Within the financial sector, the government needs to act more strongly to restore stability and confidence in the economy, thus enabling a stronger return to the bond markets. Moving more quickly to pass effective regulation of non-performing loans would have a positive effect on banks and the market. The privatization of semi-governmental organizations (SGOs) must proceed further, safeguarding stakeholders' rights while also providing sufficient income.

In the interest of sustainability, comprehensive social and environmental policies are needed that eliminate excessive emphasis on businesses and financial interests in favor of a balance between broader societal benefits. The development of a reliable public-transportation system and an infrastructure that reduces the excessive use of private cars would save money by limiting imports and energy consumption. It would primarily serve the population, while also reducing pollution. Long-term policies must begin restructuring the economy by reducing reliance on deeply business-cycle-dependent sectors such as tourism. Cyprus needs to focus investment in productive sectors such as technology and light industry instead of in fields such as land development and finance. Creating planning capacity in the short term, and managing the issues of hydrocarbons as a medium-term target, also offer an opportunity to begin restructuring the economy.

The taxation system must be further reformed in order to improve tax-collection efficiency and facilitate equitable treatment of legal and physical persons. Tax enforcement and incremental tax scales for all liberal professions

and companies must be comparable to those of salaried employees. Reforms must be focused on reallocating resources; ensuring sufficient funding for family, pension, health care, social-inclusion and integration policies; and enhancing societal equity. A medium-term target should aim at a gradual return to a functioning welfare state, and not just at reducing 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. Efficient oversight of corporate governance is particularly needed in the area of financial transactions. Laws should provide for clear monitoring measures and mechanisms, and focus on effective implementation. Amending the law on political-party funding and elections and establishing conditions of overall transparency in the political sphere are crucially important goals for restoring citizens' trust and enhancing social cohesion. Transparency is urgently required in fields such as media ownership, the criteria and procedures governing appointments to public bodies and the appointment of justices, and indeed in all aspects of public life. Achieving this will require the elimination of processes and decisions that today undermine meritocracy and weaken the state's capacity.

Attainment of the above goals would require the state to accelerate work needed to develop a strategic-planning capacity and more effective policy-implementation ability. The government must move rapidly to establish means and mechanisms allowing it to act more swiftly, while also defining roles and competences more clearly and creating an effective coordinating body. State structures and procedures must be fundamentally reformed at the central- and local-government levels, as well as within semi-governmental organizations (SGOs). More efficient and capable planning and implementation units are needed to help improve strategic capacity; this should be based on a detailed, timeline-driven plan in order to speed up the process. In addition, the presidency urgently needs resources and capabilities enabling it to evaluate laws and policy proposals, both on the basis of overall impact and their degree of compliance with strategic policy plans and sustainability objectives.

Overcoming the effects of favoritism on administrative capacity will require intensive training of existing personnel and a new respect for meritocratic principles that enables efficient managers to be placed in key roles. Achieving a satisfactory level of strategic-planning capacity and ultimately sustainability will be possible only if a new meritocratic administrative culture prevails.

# Policy Performance

## I. Economic Policies

### Economy

Economic  
Policy  
Score: 4

Cyprus's economic model ensured sustained growth until 2011. 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, well-educated and skillful labor force, combined with a system of collective-bargaining between authorities, businesses and trade unions secured labor-market stability and contributed to economic success. The island developed itself as an attractive business center for a large number of foreign firms by offering an advanced technological and telecommunications infrastructure, high-quality legal and accountancy-support services, and favorable taxation terms. Its geographic location and EU accession in 2004 furthered these advantages.

However, the policies pursued relied heavily on sectors characterized by seasonality, unproductive investment and rising labor costs that were not matched by productivity gains. The failure to implement structural reforms reining in a large offshore sector and balancing public finances, along with the overexposure of Cyprus' two major banks to Greek debt, had a severely negative effect on an already vulnerable economy. Ultimately the country was cut off from international markets, and issued a belated call for assistance to the European Stability Mechanism (ESM) in July 2012.

The agreement with the creditors struck by a new government elected in March 2013 imposed severe credit constraints, and demanded new policies and extensive reforms. Efforts to stabilize and reestablish confidence have led to a downsized financial sector controlled by stricter rules and enforcement mechanisms, along with measures seeking to ensure the viability of the struggling banking sector.

Strict compliance with the terms of the MoU continued in 2015, and economic growth was expected (the IMF forecast 0.5%, while the EU projected 1.2%). Prospects for 2016 appeared even better. However, progress in meeting major challenges has been slow,

particularly with regard to reforming the public sector, settling the issue of non-performing loans, reforming the taxation system, and restructuring and privatizing semi-governmental organizations.

Prospects for reaching a new social consensus remain clouded given that key social actors and political forces have essentially been sidelined in the reform process, and that new policies on employment, health care, wages and welfare in general have had a negative social impact.

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, November 2015, [http://ec.europa.eu/economy\\_finance/eu/forecasts/2015\\_autumn/cy\\_en.pdf](http://ec.europa.eu/economy_finance/eu/forecasts/2015_autumn/cy_en.pdf)
3. IMF Report, Cyprus, Eighth Review Under the extended Arrangement under the extended Fund Facility and Request for Modification of Performance Criteria, September 2015, <https://www.imf.org/external/pubs/ft/scr/2015/cr15271.pdf>
4. Economic Developments in 2015 and Prospects for 2016-8, Ministry of Finance, Cyprus, in Greek, [http://www.mof.gov.cy/mof/mof.nsf/All/91921D6F9BCE8307C2257EDF0043C138/\\$file/OIKONOMIKES\\_EΞΕΛΙΞΕΙΣ\\_2015\\_KAI\\_IPOOHTIKES\\_2016-18\\_FINAL.pdf](http://www.mof.gov.cy/mof/mof.nsf/All/91921D6F9BCE8307C2257EDF0043C138/$file/OIKONOMIKES_EΞΕΛΙΞΕΙΣ_2015_KAI_IPOOHTIKES_2016-18_FINAL.pdf)

## Labor Markets

Labor  
Market  
Policy  
Score: 5

Cyprus' labor market was characterized until 2008 by near-full employment (76.5% employment rate), with an unemployment rate of 3.7% in 2008. The public sector employed 16.7% of the working population, while the services sector accounted for 80% of jobs in the second quarter of 2015. The economic crisis led to a sharp increase in the unemployment rate, from 4% in 2010 to 14.2% in March 2013, reaching a peak of 17% in August 2013. It is expected to decline further from 15.7% (2015) to 14.6% in 2016.

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 led to forced imposition of changes such as the suspension since 2011 – 2012 of the automatic cost-of-living adjustments (COLA) that protected incomes against inflation, as well as salary reductions. In some cases, salaries have fallen below the minimum wage set by law, while no social insurance is offered, and other negative phenomena can be observed. The coexistence of large privileged public and banking sectors with a relatively weak private sector offering limited opportunities has led to labor-market distortions. 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 labor-force share of migrant workers, a majority of whom are EU nationals, has declined from an estimated 30% of the workforce in 2011.

Various active labor-market policies, including counselling services, assistance with job

searches and subsidized employment programs helped curb the persistently high unemployment rates in 2015. While remaining very high, the unemployment rate among young people also decreased, from over 37.5% (Q2 2014) to 31.7% (Q2 2015). The unemployment rate for women is slightly lower than that for men. However, the employment rate among women (63.9%) was significantly lower than that among men (71.6%) in 2014. The overall long-term unemployment rate was 6.8% in mid-2015. High rates of short-term and part-time employment, as well as a significant emigration rate and a pattern of students electing not to return to Cyprus after their studies have contributed to declines in the unemployment rate. Government projections for economic growth in 2015 and 2016 hold out hope for slight improvements in the labor market.

Citation:

1. Ministry of Finance, Labor market

[http://www.mof.gov.cy/mof/mof.nsf/All/73C17AA5CDAB59F8C2257EEB00402891/\\$file/Labour market October 2015 PPT \[Compatibility Mode\].pdf](http://www.mof.gov.cy/mof/mof.nsf/All/73C17AA5CDAB59F8C2257EEB00402891/$file/Labour%20market%20October%202015%20PPT%20Compatibility%20Mode.pdf)

2. Survey of Labour Market, Q2-2015,

[http://www.cystat.gov.cy/mof/cystat/statistics.nsf/All/75F22FCE3441C971C2257752003A3990/\\$file/LAB-LFS-Q215-EN-250915.xls?OpenElement](http://www.cystat.gov.cy/mof/cystat/statistics.nsf/All/75F22FCE3441C971C2257752003A3990/$file/LAB-LFS-Q215-EN-250915.xls?OpenElement)

3. European Commission, Cyprus Forecast, Autumn 201

[http://ec.europa.eu/economy\\_finance/eu/forecasts/2015\\_autumn/cy\\_en.pdf](http://ec.europa.eu/economy_finance/eu/forecasts/2015_autumn/cy_en.pdf)

4. Eurostat, employment rate by sex, <http://ec.europa.eu/eurostat/web/lfs/data/main-tables>

## 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. The value-added tax (VAT) rate rose from 17% to 18% in 2013, and to 19% in 2014; a special levy on salaries has been implemented, and a real-property tax was imposed in 2013. Interest income for bank deposits has been taxed at a rate of 30% since April 2013. Some tax deductions and benefits are provided, alleviating the weight of taxation. In 2015, limited changes were made in areas including property-transfer fees and capital-gains taxation. Principles of equity are negatively affected by continued tax evasion and avoidance. A reform of services and tax-collection mechanisms is in progress, with the aim of increasing the efficiency of collection. Salaried employees pay proportionally higher sums for income tax than do the self-employed and liberal professionals.

Benefits provided to businesses have over time made Cyprus very attractive to international companies. These include deductions for equipment and a corporate tax of 12.5% on profits since 2013, which remains the lowest in the European Union. Bilateral treaties also avoid 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, addressing institutional and regulatory weaknesses and tackling tax evasion and avoidance in order to create a more efficient tax-collection system would help improve the public's sense of systemic fairness.

Citation:

1. IMF Eight Review on Cyprus, September 2015, <https://www.imf.org/external/pubs/ft/scr/2015/cr15271.pdf>
2. Global Forum, Cyprus Tax Transparency Review Report - Phase 2, 30 October 2015, <http://www.oecd.org/tax/transparency/cyprus-supplementary.pdf>

## Budgets

Budgetary  
Policy  
Score: 5

Cyprus' positive balance of payments in 2008, which contributed to a significant volume of reserves, was succeeded by a financial crisis and structural economic imbalances that affected budgetary stability. This vulnerability was in part produced by conditions of steadily rising expenditure even when state income depended strongly on unpredictable factors. Tax revenue declined due to the economic slowdown, the shrinking tourism industry and other developments, with unpaid or uncollected taxes exceeding €1 billion in 2012. Nevertheless, expenditure increased due to inflated public-service salaries and rising social outlays associated with higher unemployment rates, severance payments and other costs.

The above problems, combined with banks' losses due to their exposure to Greek debt, resulted in the exclusion of Cyprus from the markets and the country's spring 2013 agreement with the Troika. The country's economy and policies are today bound by the obligations included in the MoU.

The 2015 budget focused on deficit and public-debt reduction, while salary and benefit reductions in the public sector were continued. New tax policies have been implemented, along with a restructuring of public subsidies and other public expenses. As a result, deficits and the debt-to-GDP ratio performed better than projected.

The GDP was expected to grow by an annual rate of 0.5% in 2015 (compared to a decline of 2.3% in 2014). However, government forecasts projected growth of 1.0% – 1.5%, with the EU Commission projecting 1.2%. The debt-to-GDP ratio improved to 106.4% in 2015 (down from 107.5% in 2014), and was expected to recede to 98.4% in 2016, according to the IMF. A positive primary fiscal balance is projected (1.3% of GDP) in

2015.

Most importantly, budgets since 2014 have gradually conformed to provisions of the law on fiscal responsibility, requiring at least the beginnings of strategic planning at all levels. Reforms already undertaken are aimed at achieving real growth and sustainability, goals that can only be achieved with more time.

Citation:

1. EU Commission, Cyprus Forecasts Autumn 2015, [http://ec.europa.eu/economy\\_finance/eu/forecasts/2015\\_autumn/cy\\_en.pdf](http://ec.europa.eu/economy_finance/eu/forecasts/2015_autumn/cy_en.pdf)
2. Economic Developments in 2015 and Prospects for 2016-8, Ministry of Finance, Cyprus, in Greek, [http://www.mof.gov.cy/mof/mof.nsf/All/91921D6F9BCE8307C2257EDF0043C138/\\$file/OIK\\_ONOMIKES\\_EΞΕΛΙΞΕΙΣ\\_2015\\_KAI\\_PΠΟΟΗΤΙΚΕΣ\\_2016-18\\_FINAL.pdf](http://www.mof.gov.cy/mof/mof.nsf/All/91921D6F9BCE8307C2257EDF0043C138/$file/OIK_ONOMIKES_EΞΕΛΙΞΕΙΣ_2015_KAI_PΠΟΟΗΤΙΚΕΣ_2016-18_FINAL.pdf) - see page 33 for 2016 budget.
3. IMF Eighth Review, Cyprus, September 2015, <https://www.imf.org/external/pubs/ft/scr/2015/cr15271.pdf>

## Research and Innovation

R&I Policy  
Score: 4

Cyprus research and development programs mainly started with the creation of the country's first university in 1992, along with other tertiary-education institutions. These institutions receive EU funds. The share of R&D expenditure performed by higher education (49.6%) remains larger than that performed by 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, with proportionally more enterprises receiving 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 country's private sector, which includes many small companies, provides little opportunity and limited funding for R&D activities.

Project funding was negatively affected by the economic crisis in the period under review. A recent European Commission report (2013) stated that businesses had limited demand for R&D and little propensity to innovate. Cyprus' R&D budget target for 2020 of 0.5% of GDP is the same as the present rate. Meeting only this target, the lowest in EU, would imply stagnation.

Citation:

1. Eurostat, Research and Innovation Challenges, [http://ec.europa.eu/europe2020/pdf/themes/2015/research\\_and\\_innovation.pdf](http://ec.europa.eu/europe2020/pdf/themes/2015/research_and_innovation.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. As a consequence, the country has created a regulatory framework and bodies assigned with specific tasks, such as the Securities and Exchange Commission and the Unit for Combating Money Laundering (MOKAS). 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 and 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.

The IMF has insisted (2015) that Cyprus implement further reforms to strengthen banking- and financial-sector oversight under provisions of the 2013 MoU. Specifically, rules should seek to limit individual, institutional and systemic risks; enhance transparency; and improve international cooperation.

An amendment to the law on money laundering and terrorist activities (Law 188(I)/2007) in 2013 aimed to strengthen the preventive regime further, vesting the financial-sector supervisory authorities with sufficient powers to ensure legal compliance. 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. Measures implemented since 2014 aim at protecting depositors and minimizing systemic risks.

Citation:

1. Unit against money laundering, Cyprus

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

2. Comprehensive information on anti-money laundering in Cyprus, <http://www.anti-moneylaundering.org/europe/cyprus.aspx>

## II. Social Policies

## Education

Education  
Policy  
Score: 7

Cyprus' educational system is mainly public. After various reforms since the 1990s, new plans and policies are now under study, with similar projects launched by the previous government largely being abandoned. Education is primarily knowledge-based, with limited focus on research, experimentation and critical thought. However, these latter areas have gained ground since 2000. High literacy rates (near 100% for youth) and upper-secondary attainment are indicative of a culture that places a high value on education. Students in tertiary education attend local and overseas educational institutions in almost equal numbers; in 2014, Cyprus ranked third in the EU with respect to tertiary educational attainment (52.5%) within 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 claimed that tertiary students' literacy and mathematical skills are lower than those of upper-secondary graduates in the best-performing EU countries.

Despite recent reductions, Cyprus' expenditure on education as a share of GDP still places it among the top three in the EU; this is partly attributable to the relatively high teachers' salaries. A modest allowance offered to all tertiary-level students has been subject to income criteria since 2012. Measures that have shifted some education-related costs in areas such as transport to parents create unequal opportunities in education.

Citation:

1. Tertiary education attainment, <http://ec.europa.eu/eurostat/tgm/table.do?tab=table&init=1&language=en&pcode=tsdsc480&plugin=1>
2. A Guide to Cyprus Education, in nine languages, <http://www.moec.gov.cy/odigos-ekpaideusis/index.html>
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, assistance for children

and young persons, and adaptation of the sector's institutions and mechanisms when necessary.

Since 2013, the government has been engaged in restructuring public-aid policies, allowances and targeted measures, 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 put in place aimed at assisting young people and other groups affected by the restructuring, benefits reductions, or the loss of employment and income. The “not in education, employment or training” (NEET) rate is relatively high in Cyprus. However, larger groups are today at risk of poverty and exclusion (AROPE); after rising from 24.6% in 2011 to 27.8% in 2013, the overall AROPE rate declined slightly to 27.4% in 2014. Non-Cypriots, in particular non-EU citizens, are at significantly higher risk (42.2%). Despite the trend, AROPE rates declined for elderly people from 33.4% in 2012 to 26.1% in 2013, rising slightly again to 27.2% in 2014. Elderly single women are at higher risk than are other groups.

A guaranteed minimum income introduced in summer 2014 was expected to benefit a significant portion of the country's households. Strict eligibility criteria based on factors such as income, property holdings and savings apply.

Citation:

1. At-risk-of-poverty indicators 2008-2014, Cyprus Statistics Service, 2015, [http://www.cystat.gov.cy/mof/cystat/statistics.nsf/All/AC5A89D9938EBEF7C22578A00031BACA/\\$file/EUSILC-POVERTY-A2008\\_14-EN-221015.xls?OpenElement](http://www.cystat.gov.cy/mof/cystat/statistics.nsf/All/AC5A89D9938EBEF7C22578A00031BACA/$file/EUSILC-POVERTY-A2008_14-EN-221015.xls?OpenElement)
2. 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)

## 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 been reversed due to 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 (1.6 per 1,000 in 2013) and a high life expectancy at birth (80 years for men, 84.8 for women in 2013) 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 was subject to reforms in 2013, leading to the exclusion of groups based on criteria such as high incomes or significant property holdings. These exclusions encompass 20% – 25% of the population. Most serious is the

requirement to complete three years of contributions before benefiting from the system. A special income-based contribution has been imposed, and new minimum rates apply for services and medicines. For the first time, groups previously eligible for free health care, such as public servants, are required to pay contributions. 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 establish a national health care system (NHS). However, plans that originally called for basic NHS services to commence in 2015 and be completed in 2016 have become stalled. New proposals seek to include the private sector and insurance companies in the system; however, this has drawn objections from certain parties and groups.

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

A lack of adequate family support policies leads to, among other things, a low rate of enrollment in nurseries and child-care centers. Combining motherhood with employment is difficult in Cyprus, which may also account for the country's low birth rates (1.144%, 2014 estimated). However, the rate of employment among women between 25 and 54 is high (74% in Q2 2014). 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.

Solutions sought to compensate for the lack of adequate state policies and facilities for mothers with dependent children include help from the extended family. Child care provided by family members, in particular grandparents, has brought about beneficial effects, including a reduced child-poverty rate. 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 improvements. The 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 may alleviate difficulties posed by the economic crisis. However, state coverage of nursery fees and the resolution of other problems are needed to prevent young mothers from having to choose between employment and providing young children care.

Citation:

1.

Demographic

report

2013,

<http://www.mof.gov.cy/mof/cystat/statistics.nsf/All/D1D141B22F756140C2257DB3003B1A44?OpenDocument&sub=1&sel=1&e=&print>

## Pensions

Pension  
Policy  
Score: 5

Statistics released in September 2014 by the government showed significant improvements in some groups' living conditions, particularly among citizens over 65 years of age. This group used to have highest risk of poverty in Cyprus, as well as the EU's lowest relative median income for this age category. Changes to various benefits schemes between 2012 and 2014 improved the ratio of pension expenditures to GDP, which was the EU-27's second-lowest until 2012. However, a variety of pension schemes place some groups, such as public employees, in a better position than others. Public employees in various sectors benefit from different retirement ages, while receiving both state and social-insurance pensions, along with a gratuity upon retirement. Private-sector workers typically have access to the government social-insurance program, while some are members in provident-funds programs. However, provident funds suffered drastic capital losses as a result of the 2013 bail-in, with mismanagement also taking a toll. The social-insurance program is currently being reformed with regard to retirement ages, contribution levels and more with the aim of ultimately offering adequate, secure and sustainable pension incomes.

The guaranteed minimum income (GMI) program and special allowances have partially mitigated the economic crisis' worst ills, partly compensating for the cuts in benefits and pensions that affected vulnerable groups. Pensioners, particularly people living alone, seem to have benefited significantly from the GMI. Women in this category are more numerous than men, and show the highest risk of poverty and social exclusion.

Citation:

1. Relative median income ratio of 65+ age group for 2014. Eurostat, 2015, <http://appsso.eurostat.ec.europa.eu/nui/show.do>
2. At Risk of Poverty Statistics 2008-2014, Cyprus Statistics Service, 2015, [http://www.cystat.gov.cy/mof/cystat/statistics.nsf/All/AC5A89D9938EBEF7C22578A00031BACA/\\$file/EUSILC-POVERTY-A2008\\_14-EN-221015.xls?OpenElement](http://www.cystat.gov.cy/mof/cystat/statistics.nsf/All/AC5A89D9938EBEF7C22578A00031BACA/$file/EUSILC-POVERTY-A2008_14-EN-221015.xls?OpenElement)

## Integration

Integration  
Policy  
Score: 4

Cyprus began granting in 1989 temporary permits to workers mainly from Southeast Asia. Permits offered access only to specific labor sectors, and did not provide long-term visas. In the early 1990s, the immigration of Greek-origin families from the former Soviet Union was encouraged, along with Russians and East-Central Europeans. Migration figures rose substantially following Cyprus' EU accession (2004), with strong flows from Bulgaria and Romania. Today, EU nationals form a considerable part of the labor force. Despite some policy changes and the introduction of a few integration

projects, Cyprus has to date not developed a comprehensive integration policy.

Despite pressures to comply with EU standards, existing policies and official rhetoric do not facilitate long-term integration. The country scores poorly on most indicators, including labor market access, culture and education, family reunion, political participation and access to citizenship. The 2015 Migrant Integration Policy Index (MIPEX) ranks Cyprus third-last among 38 countries.

Laws are not favorable to market access or long-term labor-market integration. Non-native workers enjoy limited rights in many areas, with non-EU citizens facing time limits on working permits that preclude any ability to obtain long-term resident status. The crisis is also driving non-native workers into unemployment, and tens of thousands of these workers have left the island (2013-2014). As a result, Cypriot nationals facing unemployment have begun taking on jobs in sectors considered unappealing and, until recently, reserved for foreign labor.

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 introduce restrictive criteria such as 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 wealthy investors or 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/monitorin/g/ecri/country-by-country/cyprus/CY-P-CbC-IV-2011-020-ENG.pdf>

### Safe Living

Safe Living  
Conditions  
Score: 7

Cyprus is generally considered a safe environment. 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. A low incidence of serious crime, assaults and homicides place it in a very good position compared to other EU countries and the world more generally. Burglaries and robberies are by far the most common crimes, with a relatively stable occurrence. Law enforcement activities targeting minor wrongdoings such as driving

offences or graffiti is very limited. 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. Confidence in the police force is not high. In a 2015 poll, only 69% of respondents agreed that Cyprus was a secure place to live, as compared to an EU average of 83%.

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. Perception of Security in EU, Eurobarometer 2015, <http://ec.europa.eu/COMMFrontOffice/PublicOpinion/index.cfm/ResultDoc/download/DocumentKy/65448>

### 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 UNTAID, participates in financing mechanisms for climate change, and provides assistance for infrastructure development, social services including health and human development, and environmental protection. However, its official development assistance (ODA) amounted to only 0.16% of GDP in 2011. Its individual ODA target of 0.33% by 2015 would require an annual increase in aid by €38 million. No data were available on the relevant website for 2014 and 2015.

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

Environmental Policy  
Score: 4

Environmental issues appeared on the public agenda in the late 1980s, initially thanks to awareness-raising efforts by environmental groups on the negative effects that tourism-related development had on the environment and the quality of life. To date, however, Cyprus has not developed a comprehensive and coherent environmental policy and has failed to meet its EU obligations in this regard. In order to make rapid headway 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. Actions designed to meet time-sensitive obligations to contain emissions and create an efficient waste-management infrastructure remain slow.

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 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 landowners seeking to profit without considering environmental protection requirements.

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 leading to a relaxation of rules governing land development, a major cause of ecosystem destruction and exploitation of beaches. 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. Political expediency continues to prevail at the expense of implementation of existing rules or effective action 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. Press report, Expenditure for the protection of the environment, Cyprus Mail, <http://cyprus-mail.com/2015/02/05/still-lagging-behind-the-eu-average-in-environmental-expenditure/>

### Global Environmental Protection

Global  
Environmental Policy  
Score: 4

Cyprus has ratified many international conventions and protocols related to environmental protection, and participates in numerous international organizations and meetings. However, policies are not proactive, and authorities 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 shaping EU policies in areas such as an integrated maritime policy.

# Quality of Democracy

## Electoral Processes

Candidacy  
Procedures  
Score: 9

Candidates for elected offices must meet a minimum set of 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 run for and hold offices in locally 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 run 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 elections, four for parliamentary elections, and nine for presidential elections.

A financial deposit is also required from candidates running for office, ranging from €85 (community elections) to €1,710 for presidential elections. This sum is returned to candidates who meet vote thresholds specific to each election type.

### 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 Law on Radio and Television 7(I)/1998 requires equitable and non-discriminatory treatment of the executive and legislative powers, the political forces and other actors in society, while the law governing the public-service broadcaster (Cyprus Broadcasting Corporation, RIK) refers only to equitable treatment of political actors. 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 have almost never been publicly available, and compliance reports are rarely produced and typically generic when they do appear. 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 in theory mandatory. No means of e-voting or proxy voting exist. The second amendment of the constitution (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 has seemed to increase abstention rates. Overseas voting has been possible since 2011 in a limited number of cities in Europe and the United States. Voting rights in European parliamentary elections were extended to all Turkish Cypriots in 2014; however, it appears that additional law amendments and measures will be needed in order to encourage participation.

In recent years, a large majority of young citizens have failed register to vote, and electoral-participation rates have declined sharply since 2009. Sanctions for abstention and non-registration provided by law (not applicable in European parliamentary elections) are in practice no longer enforced.

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

1. Law on the second amendment of the constitution, L.106(I)/1996, available at [http://cylaw.com/nomoi/enop/non-ind/1996\\_1\\_106/full.html](http://cylaw.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 and affiliated organizations have received state funding since 1989. Both can also receive financial or in-kind donations from physical persons or legal entities (up to €50,000), and can be sponsored by legal entities (for a value up to €20,000). Anonymous donations of up to €1,000 are allowed. 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 director-general 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 fulfil their electoral-expenses reporting obligations. The oversight agency urged that legal action be taken where appropriate. The system remains inefficient due to serious

legislative gaps, such as the lack of a requirement for the separate disclosure of full electoral accounts, donations received, and expenditures related to elections. Procedures and deadlines – and even election expenditures themselves — are not defined clearly enough.

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 annual or extraordinary state subsidies to political parties remain opaque.

Reports by both the European Commission and the Council of Europe (CoE) have focused on corruption concerns. The CoE's latest Group of States Against Corruption (GRECO) report (March 2015) noted that only two of eight requirements previously set for Cyprus had been met. Despite increased pressures exerted by civil-society groups as well, along with some investigation of alleged political-party corruption cases, the parliament had not responded adequately to international concerns by early November 2015.

Citation:

1. CoE - GRECO, Third Evaluation Round, Second Compliance Report, on Cyprus, adopted end March 2015, available at [https://www.coe.int/t/dghl/monitoring/greco/evaluations/round3/GrecoRC3%282015%291\\_Second\\_Cyprus\\_EN.pdf](https://www.coe.int/t/dghl/monitoring/greco/evaluations/round3/GrecoRC3%282015%291_Second_Cyprus_EN.pdf)
2. 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).
3. Press report on draft law on party funding, Cyprus Mail, <http://cyprus-mail.com/2015/09/23/party-funding-law-to-go-to-plenum-next-month/>
4. On GRECO 2015 report, <http://cyprus-mail.com/2015/04/29/cyprus-found-wanting-on-transparency-issues/>

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 in the Press Law (Law 145/1989) for the establishment of a Press Council and a Press Authority have been inoperative since 1990. In 1997, media owners, publishers and the Union of Journalists collectively signed a code of journalistic ethics, entrusting its enforcement to a complaints commission composed mostly of media professionals. Reporters Without Borders ranked Cyprus at 24th place out of 180 countries in 2015 on the issue of media freedom.

RIK, the public-service broadcaster, is a public-law entity governed by a council appointed by the Council of Ministers. Appointments to its government body are often politically motivated and include party officials. Increased budgetary pressures imposed by the government and political parties were evident in the period under review, along with public statements by parties calling for “more equitable” access. Despite this competition for influence, pluralism generally prevails.

A different law, incorporating the provisions of EU media directives, governs private audiovisual media services. Oversight is carried out by the Cyprus Radio Television Authority (CRTA), which also oversees RIK’s compliance with its public-service remit. The CRTA has extensive powers and a broadly independent status. No high-level party official can be a member or chairperson of the authority’s governing board, but appointments of its members by the Council of Ministers are often politically motivated rather than based on competence.

Overt criticism of the media by government officials remains a very rare phenomenon.

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:  
Reporter ohne Grenzen,  
[https://www.reporter-ohne-grenzen.de/uploads/tx\\_ifnews/media/Rangliste\\_der\\_Pressefreiheit\\_2015.pdf](https://www.reporter-ohne-grenzen.de/uploads/tx_ifnews/media/Rangliste_der_Pressefreiheit_2015.pdf)

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 increased dependency on financial interests has also been evident, which has led to less critical reporting. Strict ownership rules focus primarily on capital concentration, limiting maximum share holdings in audiovisual media services organizations to 25%, and disallowing cross-media conglomerates. However, transparency problems persist, as no accurate and reliable ownership data are made publicly available by either the Radio Television Authority or others.

Over the years, the public dialogue and public opinion have been influenced by a deliberate focusing of attention on the Cyprus problem, and a predominance of rhetoric

over real debate. This focus persisted in 2015, along with 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 slowly found a place on media agendas during the period under review. A chronic problem in the Cypriot media is the absence of analytical reporting.

The government and other actors with mainstream views have largely continued to monopolize media access, restricting the spectrum of themes covered and views expressed. A focus on partisan confrontations and efforts to assign blame for the crisis have meant that critical problems are rarely discussed in a meaningful manner. Similarly, highly polarized views on the divided-Cyprus problem constitute an impediment to fruitful debate.

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](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, 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.

A draft law that was still under discussion in early November 2015 had been the subject of harsh criticism for not meeting required standards, even while some had labeled it a “model act.”

Citation:

1. Press report, ‘Information bill set to be one of worst in Europe’ Cyprus Mail, <http://cyprus-mail.com/2015/08/11/information-bill-set-to-be-one-of-worst-in-europe/>
2. Press report, ‘AccessInfo welcomes Cyprus’ commitment to strong FOI law’, Cyprus Mail, <http://cyprus-mail.com/2015/10/21/access-info-welcomes-cyprus-commitment-to-strong-foi-law/>
3. 2011 report by AccessInfo, <http://www.accessinfocyprus.eu/en/research.html>.

## Civil Rights and Political Liberties

Civil Rights  
Score: 7

Cyprus' constitution and laws guarantee and protect the civil rights of all resident individuals, whether citizens of the republic or of other EU or non-EU countries. However more cohesive and efficient measures for asylum seekers and economic migrants are needed in order to ensure compliance with European and international rules and standards.

The incidence of human trafficking in the country has led to Cyprus being assigned to a U.S. Department of State's trafficking-in-persons list, meaning the country has taken insufficient action in the fight against trafficking. In addition, a 2015 report by the CoE's Group of Experts on Action Against Trafficking in Human Beings (GRETA) committee noted a rise in labor exploitation. Despite improvements, a new policy framework and an EU harmonization law (2014), efforts by the authorities have been deemed to be non-satisfactory; serious problems include the detention of migrants and asylum seekers and the exploitation of migrant workers through low wages and a lack of social insurance. Measures to combat trafficking and eliminate labor exploitation have included an increase in the severity of penalties for offenders, but have so far been relatively ineffective. NGOs have sought to compensate for existing gaps or omissions in official action by assisting various groups in overcoming barriers that constrain access to legal protections. Societal complacency, which critics also blamed for problems in this area, shows signs of positive change. However, the GRETA committee also recommended a campaign of awareness-raising among police and justice-system officials.

Since 2013, vulnerable groups have been additionally affected by measures such as the replacement of financial assistance with coupons, discriminatory rhetoric by officials, and employment preferences for native Cypriots. The crisis has dissuaded some individuals from seeking legal protection, and has led to the repatriation of thousands of foreign workers.

Citation:

1. Report of the European Parliament on the Impact of the crisis on fundamental rights, March 2015, [http://www.europarl.europa.eu/RegData/etudes/STUD/2015/510017/IPOL\\_STU%282015%29510017\\_EN.pdf](http://www.europarl.europa.eu/RegData/etudes/STUD/2015/510017/IPOL_STU%282015%29510017_EN.pdf)
2. CoE GRETA report on Human Trafficking, 2015, available at [http://www.coe.int/t/dghl/monitoring/trafficking/Docs/Reports/2nd\\_eval\\_round/GRETA\\_2015\\_20\\_FGR\\_CYP\\_w\\_cmnts\\_en.pdf](http://www.coe.int/t/dghl/monitoring/trafficking/Docs/Reports/2nd_eval_round/GRETA_2015_20_FGR_CYP_w_cmnts_en.pdf)
3. USA State Department 2015 Report on Trafficking, Cyprus pp.138-9, <http://www.state.gov/documents/organization/243558.pdf>.

Political  
Liberties  
Score: 7

Political liberties and the protection of fundamental human rights are enshrined in the constitution and protected by law. Political forces, trade unions, NGOs and other groups flourish in Cyprus. In addition, new media development have expanded traditional channels for petitions, 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-Christian sects are allowed to maintain their own places of worship, and are not subject to interference by the authorities.

Strong professional associations and trade unions have better access to authorities and government officials than do groups such as immigrants, who typically need assistance from NGOs to place their requests into the political sphere.

Revelations in mid-2015 regarding the purchase and use of surveillance software (Hacking Team) by the intelligence services have not led to further debate or investigation. This, along with law enforcement practices of seizing personal computers during investigations – including computers at the central bank – is a serious issue of concern as a potential interference with fundamental rights.

Handling of personal data by officials and others has often not been carried out using properly secure methods.

Libel was decriminalized in 2003, and courts apply European Court of Human Rights (ECHR) free-expression and shield standards. However a high incidence of libel/defamation cases persists, mainly filed by politicians against media and critical individuals. This threatens the ability to scrutinize public figures and authorities.

Political parties' interference with nominations and appointments to various bodies and public-service posts represents an indirect serious threat to political liberties and rights. According to Transparency Cyprus, the prevalence of favoritism and political connections threatens the country's democratic functioning.

In sum, persistent flaws exert “ambient” pressures on citizens' liberties in a clientelist system, with some officials' practices undermining individual fundamental rights.

Citation:

1. Press view, Raid on Central Bank offices a sham investigation, Cyprus Mail, <http://cyprus-mail.com/2015/05/28/our-view-raid-on-central-bank-offices-a-sham-investigation/>
2. Press report, Favoritism and political connections undermine democracy, Cyprus Mail, [https://www.transparency.org/news/pressrelease/favouritism\\_and\\_political\\_connections\\_undermine\\_democracy\\_in\\_cyprus](https://www.transparency.org/news/pressrelease/favouritism_and_political_connections_undermine_democracy_in_cyprus)
3. Report by Transparency Cyprus on Lobbying, [http://www.transparencycyprus.org/lobbying/wp-content/uploads/2015/01/Lifting-the-Lid-on-Lobbying\\_Cypriot-Report\\_FINAL\\_WEB\\_VERSION\\_EN.pdf](http://www.transparencycyprus.org/lobbying/wp-content/uploads/2015/01/Lifting-the-Lid-on-Lobbying_Cypriot-Report_FINAL_WEB_VERSION_EN.pdf)

Non-discrimination

Score: 8

An extensive body of laws and measures protecting the rights of various groups seeks to prevent discrimination. The constitution protects human rights, with Article 18 guaranteeing equality and non-discrimination for all. 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. However,



As in the past, the government and administration have sometimes avoided and often delayed necessary actions or acted in ways inconsistent with the rule of law. Pressures on and conflicts with independent state officials including the new central-bank governor and the attorney general have continued, as has the clientelistic rather than meritocratic selection of appointees. These practices have negatively affected the independence of state bodies, decision-making capacities, administration efficiency and law-enforcement consistency.

## Citation:

1. Press report on conflict between AG and the president <http://in-cyprus.com/cyprus-attorney-general-slams-the-president/>
2. Press comment on president's handling of CB governor case <http://cyprus-mail.com/2015/03/17/our-view-economic-stability-undermined-by-erratic-response-to-cb-governor/>

Judicial  
Review  
Score: 8

Judicial review may be effective and efficient in all fields of the administration, but is gravely affected by procedural delays. Citizens can seek protection of their rights through judicial review of administrative decisions by well-organized and professional courts. 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 of three or five judges, with highly important cases requiring a full quorum (13 judges).

In a 2014 survey, 90% of justice-system respondents (primarily lawyers and judges) stated that delays were a severe problem. In January 2014, the government proposed draft laws amending the constitution and creating an administrative court, with the aim of eliminating or mitigating court delays. The proposal was approved by parliament in July 2015, but the creation of the court was still pending at the end of the review period.

## Citation:

1. Law 131(I)/2015 for the establishment of an administrative court, in Greek, [http://www.cylaw.org/nomoi/arith/2015\\_1\\_131.pdf](http://www.cylaw.org/nomoi/arith/2015_1_131.pdf)
2. 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 bi-communal 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; four out of 13 Supreme Court justices were women as of 2015.

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, and produces an annual report. Policy corrections in response to the office's comments, observations and recommendations seem rare. However, in 2014 and 2015, a number of cases of corruption were brought before the courts.

Oversight rules and mechanisms aiming at creating transparency and preventing favoritism and bribery are either deficient or incompletely implemented. The concept of conflict of interest has gained public prominence since 2014, with civil-society organizations and the media pushing for more transparency; however, this pressure has still had little effect.

Anti-corruption measures, including a code of conduct for public servants (passed in July 2013), are generally either inadequate or have not been implemented effectively. New cases of corruption were exposed in 2015, but supervision mechanisms appear weakened overall. According to Transparency Cyprus, 81% of the public believes there is corruption at both the local and national levels, with 83% deeming it a serious problem.

Citation:

1. EU anti-corruption report, 2014, [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)

2. Press report, Interview with Ombudsperson, <http://in-cyprus.com/fight-against-cyprus-corruption/>

3. Survey on corruption by Transparency Cyprus, 2014-5, in Greek, <http://www.transparencycyprus.org/el/wordpress/wp-content/uploads/2015/09/RESEARCH-2014-2105.pdf>

# 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 (MoF) was neglected until recently. Reforms imposed through the MoU (April 2013) seek to integrate the practice more deeply into the country's administration. The Planning Bureau, now renamed the Directorate General for European Programs, Coordination and Development (DGEPCD), has been assigned new tasks. These include managing EU funds and issues related to the Lisbon Strategy, as well as planning, monitoring and coordinating government work. This shift will allow DGEPCD to supplement the MoF's primarily budgetary planning, and expand the spectrum of planning performed by including more aspects related to development.

Most administrative units still fail to show action plans or explicitly identify goals. Indeed, the current crisis has its roots in chronic problems in this area. A law passed in 2014 aims at making strategic planning, coordination and performance monitoring the foundations of economic policymaking and budget design. Work to create the required mechanisms and procedures is ongoing, but will need time to complete. As a result, planning and coordination gaps still exist, as evidenced by periodic contradictions between government officials' statements and announcements. Nevertheless, better economic results than forecast have been indicative of progress in planning and a will to develop the country's existing 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 2014, academics were appointed to the governing bodies of semi-governmental organizations and to several newly created consultative bodies. These bodies included a committee for economic issues headed by Cypriot Nobel laureate Christophoros Pissarides, and additional committees tasked with addressing energy policy and geostrategic studies. Almost no information regarding their work and roles has been made public.

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 line 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 usually 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 existing laws.

There is no GO in the sense of a body with sufficient sectoral expertise or capacities to evaluate draft laws related to fiscal and strategic planning.

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 constitutional option, no specific cases of discord between the president and the Council of Ministers have ever been reported. 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 interministerial 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.

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. Coordination promoted since 2014 has focused mostly on specific topics and short-term actions and processes, rather than being a sustained result of strategic planning and implementation.

Ministerial  
Bureaucracy  
Score: 5

Line ministries appear as fiefdoms, with each claiming sovereign rights within its area of responsibility or competence. 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.

During the period under review, new units formed as a result of administrative reform processes have contributed to intensifying interministerial interactions. This has led to greater consultation between line ministries on policy matters and efforts to coordinate implementation of decisions.

Informal  
Coordination  
Score: 4

The post-2010 economic difficulties led to a number of meetings at various levels and between a variety of actors. During the period under review, these were primarily informational meetings between the president and his ministers and party leaders, as well as meetings solely between ministers and party leaders with the goal of explaining the government's policies or convincing influential figures of the need to adopt specific legal acts. Consultations have not always resulted in consensus regarding the issues or specific measures, or in their subsequent adoption by the parliament. The frequency of informal meetings of this kind declined during the review period.

### 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. The latest available action plan (June 2014) states that even with this minimal requirement, RIA reports attached to draft laws have gaps, are too general, or in many cases are simply absent. The existing oversight mechanism seems to lack sufficient resources.

A typical means of assessing the impact of new laws consists of line ministries seeking the views of other ministries on proposed measures. Additionally, as draft laws are being discussed, parliamentary committees invite stakeholders likely to be affected to present their views.

Citation:

1. National Action Plan for Better Regulation, [http://www.better-regulation.org.cy/Portals/0/Εθνικό\\_Πρόγραμμα\\_Δράσης\\_Ιούλιος\\_2014.pdf](http://www.better-regulation.org.cy/Portals/0/Εθνικό_Πρόγραμμα_Δράσης_Ιούλιος_2014.pdf) (in Greek)

Quality of RIA  
Process  
Score: 4

In its present rudimentary form, impact assessment appears to be performed primarily by (some) bill authors and reviewed by a Ministry of Finance body prior to the phase of legal oversight by the Legal Office. Though all government bodies have been asked to engage in RIA since 2012, implementation remains uncertain (according to a mid-2014 action plan). Stakeholders do not appear to have a meaningful role at any stage of the process, and precisely how the RIA report is used remains unclear. This means the policy-proposal process lacks an integrated impact-assessment mechanism and a reliable means of analysis.

Sustainability  
Check  
Score: 3

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 is a rudimentary tool, with a limited number of specific factors, and only 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.

Years after its introduction, assessment was still in a transitional stage as of 2015, affected by plans for reforms in the public service, the introduction of strategic-planning and supervision mechanisms in all administrative bodies, and other envisaged changes.

Citation:

1. Better Regulation Website,

<http://www.better-regulation.org.cy/ΑΝΑΛΥΣΗΑΝΤΙΚΤΥΠΙΟΥ/ΤΙΚΑΝΟΥΜΕ.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. Before promoting policy proposals, governments used to take into account the possible reactions of trade unions or other organized professional associations. 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; however, these groups have lost influence under conditions of crisis.

Public consultation before rule-making is a regular but not generalized practice in Cyprus, as elsewhere in the European Union. The results and real role of such consultations are not always transparent.

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. Long-standing problems of coherent communication or conflicting statements have persisted to some extent, but the current government has performed much better than its predecessor in this regard. Communication today takes place mostly through direct statements to the media. During the review period, the president and government suffered from frictions with state officials and other deficiencies that negatively affected the efficiency of their communication activities. The key role in presenting and explaining government decisions and policies was assumed by the president; however, this caused conflict with independent state officials. Individual ministers communicated plans and measures in their field of competence.

### Implementation

Government  
Efficiency  
Score: 3

The MoU signed by the current government with creditors soon after it came to power in March 2013 included harsh measures intended to face a crisis that threatened the country's economic survival. The imposition of large-scale actions and reforms in order to implement the agreement to the letter appeared unavoidable. The goals were to stabilize the situation and contain the crisis' impact on employment and people's living standards, as well as on financial institutions and other sectors. This effort was successful to some extent.

Additional actions such as public-sector reforms, the privatization of semi-governmental organizations and the creation of a national health care program are following at a relatively slow pace. The crisis-management policies' negative impact on individuals' lives and welfare, as well as on society at large, cannot be denied despite the relative success of policies designed to fulfil obligations toward the country' creditors.

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. The initiation of reforms and strategic-planning structures designed to improve government coherence is still at an early stage; successful implementation may be an incentive for greater compliance.

Monitoring  
Ministries  
Score: 3

The state structure contains no specific mechanism for monitoring the work of line ministries. The Directorate General for European Programs Coordination and Development (DGEPCD) performs generic monitoring functions, with task-specific structures existing within individual ministries. At present, a task-force team with guidance from the presidential palace fulfils basic planning and coordination functions. However, no central body tasked with overseeing and coordinating overall planning and policy implementation exists.

Monitoring  
Agencies,  
Bureaucracies  
Score: 2

Line ministers oversee and give policy guidance to semi-governmental organizations (SGOs), whose governing bodies are appointed by the Council of Ministers. The budgets of SGOs 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 still in place. Amendments to the law on SGO governing bodies made in early 2014 appear to offer more room for oversight and supervision, but also provide ample ability to continue past practices. Similar efforts have been made with regard to local authorities that have also lacked oversight, and which today are edging toward serious budget problems. Thus, the government seems aware of the need for closer scrutiny in order to improve governance; however, it has hesitated to take decisive action against clientelism.

Citation:

1. Press report on state-municipalities relations, Cyprus Mail, <http://cyprus-mail.com/2015/09/09/government-keeping-local-authorities-on-a-ventilator-president-says/>
2. Law on the appointment of governing bodies of SGOs, [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 local government budget needs. Draft laws for municipality reforms have been pending before parliament since summer 2015. These aim to tackle problems such as redundancies in services provision, which along with mismanagement have brought municipalities to the brink of collapse. Greater centralization and reductions of state funding are expected, as municipal authorities' planning and deliberation capacities seem to be problematic.

Citation:

1. Press report on financial management by municipalities, Cyprus Mail, <http://cyprus-mail.com/2015/04/04/audit-watchdog-eyes-fat-mayoral-pensions/>
2. Press commentary on reforms of local authorities and funding, Cyprus Mail, <http://cyprus-mail.com/2015/07/23/our-view-municipal-reform-an-unsatisfactory-but-inevitable-compromise/>

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. Election of local government bodies (previously appointed) began in 1986, or even later for new municipalities, a fact that helps these bodies' limited experience and capacities.

Budgets, along with management decisions regarding selected financial issues and assets, are subject to approval by the Council of Ministers. Additionally, a reorganization and restructuring of local government bodies envisaged by draft laws (as of mid-2015) will curb powers and funding levels. These have been motivated by arguments that the number of municipalities is excessive and management is deficient.

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, the creation of mechanisms to monitor or ensure compliance with standards is an objective of reforms currently underway. The development of strategic-planning capacities would enable rules and regulatory frameworks to apply consistently across all government levels. This would reduce individual discretion as a factor in each body's interpretation and implementation of the law. However, ultimate results in this area will depend on the final content and implementation of laws still in draft form as of the time of writing.

### 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. A comprehensive and inclusive reform plan for administrative reforms was passed in 2015, certainly a positive step. However, it is too early to draw conclusions with regard to implementation efficacy or reform outcomes.

International  
Coordination  
Score: 4

As a 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. 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. The country has limited its potential for more ambitious participation in part by focusing its attention on the division of the island, a rather parochial concern, and since 2012 on overcoming problems related to the economic crisis. Following the discovery of hydrocarbons, initiatives aimed at coordinating with neighboring countries in particular may allow Cyprus to expand its international role further.

### Organizational Reform

Self-monitoring  
Score: 4

Following EU accession, Cyprus has had to respond to EU standards. Monitoring has taken place in specific departments, and an initial focus on better regulation is extending to other sectors as well. Inconsistencies persist due to the poor functioning of institutionalized mechanisms and the absence of a central body with overall monitoring responsibilities.

As a result, relations between the president, political parties and the parliament have often been tense. As in the past, some laws passed by the parliament were referred to the Supreme Court in 2015. Tensions have also mounted related to reforms undertaken in fulfillment of obligations assumed under the terms of the MoU, focused on issues such as non-performing loans and foreclosures. Conflicts have persisted and even intensified even at the highest level; for example, some have pitted the president or ministers against independent state officials or the parliament. During the review period, an additional rift emerged between the attorney general and the deputy attorney general, with the latter dismissed and as of the time of writing facing charges for corruption before the Supreme Court.

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. Gaps and deficiencies persist, with a confusion as to roles and competences even at the highest level. This has undermined the government's capacities.

However, extensive changes and reforms aimed at improving or developing strategic-planning, implementation-monitoring and evaluation mechanisms are envisioned or are in some cases under way. Reforms affecting administrative structures and progress are progressing slowly due to decades of inertia and limited management skills and capacity.

## II. Executive Accountability

### Citizens' Participatory Competence

Policy  
Knowledge  
Score: 5

The Cypriot public's traditionally strong interest in politics and high rates of attachment to political parties, combined with very low rates of abstention in elections, have collapsed in recent years. Abstention rates in national elections doubled between 2006 and 2013, while only 25% of eligible young people registered to vote in 2014. The fact that only a meagre share of citizens trusts institutions, as shown by a mid-October 2015 poll, is no surprise. In the survey, a total of 64% of respondents said they distrusted the judiciary, along with 77%

reporting distrust of the government and 84% who reported distrust of parliament

The above phenomena indicate a generalized disengagement of citizens from Cyprus' institutions and politics. Ongoing problems include the low quality of available information, a lack of in-depth analyses, politicians' tendency to engage in populist appeals, and a prevalence of meaningless arguments and incessant finger-pointing – all while very serious problems persist.

The government's initial efforts to keep the public informed during the crisis may have weakened opposition to specific policies and measures, as the public acknowledged their need. As time has passed, however, the increasing alienation and institutions' declining credibility may lead to a tacit disapproval of policies, or even create a situation where large portions of the public no longer consider it worthwhile to inform themselves of what is happening. The scale of the problems experienced in peoples' daily lives clearly contrasts with the macroeconomic portrayal of successful fiscal policies.

Citation:

1. Opinion poll, Kathimerini, 18 October 2015,
2. Press report, Only 5424 young voters registered out of 22500, Simerini, 4 April 2014, <http://www.sigmalive.com/simerini/politics/114886/gyrizoun-tin-plati-se-ee-kai-kommata>
3. Eurobarometer #83, Cyprus  
<http://ec.europa.eu/COMMFrontOffice/PublicOpinion/index.cfm/ResultDoc/download/DocumentKy/66904>

### 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 organizing events rather than producing genuine expert research or study reports. Each deputy have a personal parliamentary assistant, but their duties and output focus primarily on party-political support rather than expert assistance. Cooperation agreements have been signed with the University of Cyprus (2014) and two private universities, but no information on any joint projects is available.

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

Information about government activities is obtained by the parliament's specialized committees, which invite members of the executive or administration officials to attend meetings, provide their views and respond to questions.

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, 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 – with some exceptions possible – are not allowed to hide relevant knowledge or documents. It also establishes penalties for misinforming or misleading 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. This is particularly true when the issue under examination is a sensitive one.

Citation:

1. Law on the deposition of data and information to the House of Representatives and parliamentary committees 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)

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.

Citation:

1. The Constitution of Cyprus

[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)

Summoning  
Experts

The law on the Deposition of Data and Information to Parliamentary Committees gives committees the power to summon officials or private persons to provide

Score: 7

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 can be invited to present their views, but inviting independent experts or seeking their written comments is in practice extremely rare.

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 10 ministerial portfolios, increased to 11 when a Ministry of Education was created and assigned the tasks of the Communal Assembly, 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 2014 – 2015 session, committees held 746 meetings overall, with the Foreign and European Affairs Committee meeting 24 times, and the Finances and Budget Committee meeting 116 times.

The small number of deputies overall (56), combined with the fact that most committees have nine members, makes it necessary for each deputy to participate on at least three committees. Since deputies have limited resources, they have difficulty in properly following their committees' work, and in effectively monitoring the work of line ministries. Attendance rates at committee meetings are also low.

Citation:

1. Activity Report for 2014-2015 season, House of Representatives, 2015, [http://parliament.cy/images/media/assetfile/APOLOGISMOS\\_2014-2015.doc](http://parliament.cy/images/media/assetfile/APOLOGISMOS_2014-2015.doc) (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. Journalists themselves have acknowledged the media's dependency on financial interests, and the extent to which this has influenced coverage. This has been exacerbated during the crisis.

Political issues are widely covered in print and electronic media, but with little insight offered. In-depth information is only occasionally offered, typically by academics or experts invited in particular by the public broadcaster. Analysts linked to specific political parties often fail to disclose their connections. Most journalists do little to hide their personal views and preferences in reports and debates. In the period under review, while the government generally benefited from lenient media treatment, it attracted harsh criticism for its inconsistent or faulty actions. The media often takes a populist approach in covering institutions and politicians.

Media coverage has not been helped by political figures' polarizing rhetoric, confrontational tactics, and the absence of a creative and productive public debate.

The lack of transparency in print-media circulation figures and media-ownership data are additional factors affecting the public's capacity to evaluate the information received. This has a negative impact on 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, however, attempts by party

leaders to avoid or influence the outcome of intra-party elections undermine or limit the power of grassroots party bodies.

The Democratic Rally (Δημοκρατικός Συναγερμός, DISY) was the first party to extend rights to all party members to participate in elections for party officials and the process of nominating candidates to elected state offices. In recent elections, the leadership sought to avoid internal procedures by offering consensus candidates in both intra-party and public-office elections. Thus, individual party members were sidelined. The party's 2013 presidential candidate was selected by approximately 1,000 members of its Supreme Council. DISY electoral programs are drafted and approved by its governing bodies, while its choices rely on opinion polls and advice by communications consultants.

The party's leader since 2013 has engaged in a centralized and personalized management approach.

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 the party-cell level, selection and ranking procedures take place prior to final decisions by the Central Committee (CC) in a process that lacks transparency. The party congress, made up of 1,200 to 1,400 party cadres nominated by party cells, elects the 105 members of the CC, which in turn elects its own secretary general. AKEL's presidential candidate is selected through a party-cell vote, and voted on by 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 CC (made up of 150 members). The CC 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.

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 have internal research or study teams, though with rather limited capacities, mostly limited to producing proposals that defend or promote sectoral interests. In rare cases, associations have commissioned and made public special studies by academics or experts. Comprehensive proposals for measures or policies involving structural change and taking a broad or long-term perspective are extremely rare. The Pancyprian Labor Union (Παγκύπρια Εργατική Ομοσπονδία, PEO) has founded a research institute on labor issues, which regularly produces

studies on the economy and the labor market.

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. Debates primarily center on legal or related arguments rather than being supported by scholarly research or studies.

Association  
Competence  
(Others)  
Score: 4

Civil society as an independent power actor is a recent phenomenon in Cyprus. In the late 1980s, environmental groups that defended specific causes while demanding a comprehensive policy framework developed into one of the country's first civil-society movements. Funding from European and other programs helped new associations gain their footing, conduct research and studies, and formulate policy proposals on a variety of issues, including good governance.

Since 2011, a number of groups have emerged with a focus on the country's political crisis and associated economic and social problems. Their aim is to address these issues in a comprehensive manner. Some of these young groups have made proposals and lobbied on issues of a general nature, but many have focused on very specific matters. Issues such as hydrocarbon use, transparency in political-party funding and finances, the electoral law, and the response to the economic crisis are at the top of these groups' agendas. While their appeal remains limited, they have made a noteworthy contribution with the quality of their work, and have begun having an impact.

The Church of Cyprus, a financially and politically strong institution, continues to play a role in society, addressing issues such as education and the island's division. However, it has run into financial difficulties that have affected the scope of its influence.

Citation:

1. A proposal for vote across party tickets, by Diafania tora /transparency now, [http://www.diafaniatora.com/wp-content/uploads/2014/10/Horizontal\\_Voting\\_20141030.pdf](http://www.diafaniatora.com/wp-content/uploads/2014/10/Horizontal_Voting_20141030.pdf)
2. Transparency Cyprus survey on corruption 2015, in Greek, <http://www.transparencycyprus.org/el/wordpress/προγραμματα/ερευνα/ερευνα-για-τη-διαφθορα-2015>
3. Press report on survey on corruption 2015, Cyprus Mail, <http://cyprus-mail.com/2015/09/07/over-80-per-cent-believe-corruption-is-a-major-problem/>

## Address | Contact

Bertelsmann Stiftung  
Carl-Bertelsmann-Straße 256  
33311 Gütersloh  
Germany  
Phone +49 5241 81-0

**Dr. Daniel Schraad-Tischler**  
Phone +49 5241 81-81240  
daniel.schraad-tischler@bertelsmann-stiftung.de

**Dr. Christian Kroll**  
Phone +49 5241 81-81471  
christian.kroll@bertelsmann-stiftung.de

**Dr. Christof Schiller**  
Phone +49 5241 81-81470  
christof.schiller@bertelsmann-stiftung.de

**Pia Paulini**  
Phone +49 5241 81-81468  
pia.paulini@bertelsmann-stiftung.de

[www.bertelsmann-stiftung.de](http://www.bertelsmann-stiftung.de)  
[www.sgi-network.org](http://www.sgi-network.org)