



Cyprus Report

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Sustainable Governance Indicators 2017

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Executive Summary

The year 2016 marked Cyprus's successful exit from its three-year bailout agreement with international lenders. A good performance in fiscal policies, assisted by favorable conjecture for the tourist industry and energy costs, moved the country into a post-program surveillance period. It escaped the danger of economic collapse that emerged in 2011, when a system sufficient for 40-years of growth proved inadequate in responding effectively to a changing environment. Successive governments came to recognize that problems were not only connected to deficiencies in the economy, but also to systemic and structural factors. Also, they recognized a need for strategic planning and policy-implementation capacities, which had been absent or deficient for many years. Solutions to obvious problems required reforms, and decisive action was needed to end a non-meritocratic hiring system that undermined the state's functioning.

The above obligations forced a shift in direction for the government that took office in March 2013. Under a memorandum of understanding (MoU) with creditors, plans for long-overdue reforms were designed. Further to the need to pay back its debt, the country had to create structures and policies warranting sustainable development. Financial indicators in 2016 pointed to better performance than originally forecast; however, systemic and structural reforms progressed at a slower pace. The current banking sector is still two-thirds of its pre-crisis size.

Democratic processes and institutions continued to function satisfactorily, but below expected standards. Evident weaknesses impede the enhancement of democracy. The system's slow response and efficiency levels were further affected by some implementation measures of the MoU. Established democratic practices, concerns for fundamental rights and consultation received little consideration. Clientelistic political relations persist. Local and international pressures aimed at ensuring transparency in political party funding resulted in new legal provisions. Their adequacy is still under evaluation. Anti-corruption rhetoric and enforcement efforts co-existed with new prosecutions for corruption. At the same time, government and political parties continued to interfere with institutional functions. Despite the operation of an administrative court, justices warned that the legal system still faces severe problems.

Some progress has been made in implementing legal frameworks. While further improvement in the banking-oversight system is needed, the sector continued to suffer from disagreements between the executive and parliament. Fiscal performance and unemployment rate were better than forecasted. From 15.9% in 2015, projected unemployment in 2016 is expected at 13% and 11.6% in 2017. Cuts to salaries, pensions, benefits and family-support measures remained, while the immovable property tax was drastically reduced. These measures and taxes introduced after 2013 have negatively affected the living conditions of pensioners and other groups. However, a guaranteed minimum income and targeted measures have mitigated the impact on vulnerable groups.

The rate of persons at risk of poverty and social exclusion was on the rise in 2015, with a declining trend among some groups. Immigrants (both EU and non-EU) appear highly vulnerable, followed by single women over 65. Despite improvements, measures and policies for the social inclusion of migrants and asylum-seekers remain below international standards. The same is true of environmental policies; inadequate conservation and some government decisions threaten the environment, while Cyprus lags behind EU standards in many environmental measures.

In 2016, new power confrontations further undermined trust in public institutions. Intensified conflicts between the executive and parliament caused delays in promoting essential laws and policies. The economic climate has been affected by laws on non-performing loans and foreclosures, as well as delays and contradictory choices on the future of semi-governmental organizations, destined for privatization.

Favoritism in appointments and politically motivated interference with institutional functioning persisted, along with a lack of proper planning. Reforms of the public sector grounded in the development of strategic-planning capacity, fiscal responsibility and stronger regulation efforts are hopeful signs. However, the slow pace delays the emergence of tangible results, while the government needs a stronger engagement in massive reforms and extensive sustained efforts over the longer term. Much needed new skills and administrative culture in the government remain hard to see.

Key Challenges

The main challenges Cyprus faces in the next two years are already identified in the bailout agreement, while others have also emerged. Actions aimed at preventing a recurrent crisis must go further so that sustainable growth is possible. Many of the actions taken, or planned, are a response to the economic crisis. Others must offer remedies to negative repercussions from measures enforced under the MoU. The latter requires close and continuous monitoring and assessment of the situation in order to offer timely and adequate solutions. In some cases, anticipating and addressing possible repercussions is necessary. Moreover, the government should recognize that the crisis is broader than a financial one. Thus the need arises to engage more firmly in structural and procedural reforms and the development of skills and capacities. A successful implementation of reforms also requires a new administrative culture for operational efficiency. Deepening respect for and enhancing fundamental democratic practices warrants administrative consolidation.

Within the financial sector, the government needs to act beyond fiscal targets in order to re-establish trust in the economy and increase its competitiveness rating. Effective implementation of the laws on non-performing loans would have positive effects on banks and the market. Clarifying confusion surrounding policies on the privatization of semi-governmental organizations (SGOs) must happen rapidly, as continued confusion may downgrade their market value and damage the stakeholders' rights.

In the interest of sustainability, social and environmental policies must be considered in a comprehensive manner that eliminates persistent and excessive emphasis on business and financial interests. Policies must favor broader social benefits instead. The development of a reliable infrastructure combining public transports and reducing the excessive use of private cars would benefit the economy and the environment, while serving the people. Restructuring the economy to reduce reliance on deeply business-cycle-dependent sectors such as tourism remains unseen. This goal may benefit from the scheme to grant investors citizenship. One option is favoring investments in productive sectors, including research and innovation. Creating planning capacity in the short term, and managing the issues of hydrocarbons as a medium-term target, may be part of restructuring the economy.

The taxation system needs more decisive action in order to solve problems in tax collection and tax-avoidance. The treatment of legal and physical persons needs revision so that all liberal professions, companies and salaried employees contribute equitably. Reallocating resources may be the system's goal – to provide adequate funding for family, pension, health care, and other policies that enhance social equity. A medium-term target should aim at a gradual return to a functioning welfare state, instead of simply reducing poverty risks.

Over the long term, a sustainable recovery is only possible through efficient mechanisms warranting greater transparency and law enforcement's ability to limit the margin of discretion that makes corruption possible. Efficient oversight of corporate governance through clear monitoring measures and mechanisms is still needed. Enforcing the provisions of the amended law on party and elections funding is crucially important for assessing its ability to ensure transparency. Transparency is urgently required in most areas, including media ownership, and the criteria and procedures governing appointments to public bodies at all levels. A basic requirement to this is the elimination of all factors that undermine meritocracy and weaken institutions.

Attainment of the above goals would require the government to accelerate work needed to develop strategic-planning capacity and more effective policy-implementation ability. The establishment of bodies with clear mandates for coordination and coherent action appears imperative for swift progress. Reforms and the assignment of powers to bodies or officers require the provision of sufficient resources and establishing supporting units. Reforms of state structures and procedures at the central and local government levels can advance only by planning and implementation units with high levels of strategic capacity. In order to speed the process, existing skills and capacities need to be re-assessed, taking into account voluntary and unplanned retirements. Having the presidency or the cabinet set up a body with powers, resources and the capacity to evaluate laws and policy proposals remains a critical target. Beyond fiscal issues, all other departments should review their compliance with strategic targets and sustainability objectives.

Overcoming the effects of favoritism on administrative capacity is a high priority in order to enhance meritocratic principles and place capable managers in key positions. Plans to develop strategic-planning capacity, and ultimately sustainability, will only be successful when a new meritocratic administrative culture prevails.

Policy Performance

I. Economic Policies

Economy

Economic Policy
Score: 4

In March 2016, Cyprus exited its bailout program and is now in a post-programme surveillance period within the framework of the European Stability Mechanism (ESM). A successful implementation of basic terms coupled with positive forecasts made the government very optimistic, albeit levels of confidence in the economy and competitiveness remain low.

The recourse to the ESM followed the failure of an economic model that had ensured sustained growth for three decades. That model was founded on a market-oriented economic system and macroeconomic policies. Its main assets, a skilled labor force and a system of trilateral bargaining secured productivity and labor market stability. It enabled the country to face the disaster associated with the 1974 Turkish army invasion and contributed to economic success. Moreover, it turned Cyprus into an attractive business center, offering foreign firms an advanced technological and telecommunications infrastructure, high-quality legal and accounting support services, and favorable tax terms. The island's geographic location and EU accession in 2004 furthered these advantages.

Reliance on sectors affected by seasonality, unproductive investments and rising labor costs, out of line with productivity gains, compromised the model's sustainability. Failure to rein in a large offshore sector and balancing public finances, along with banks overexposure to Greek debt, severely damaged an already vulnerable economy. Ultimately the country was excluded from international markets, and belatedly called the ESM for assistance (July 2012).

The agreement struck with the creditors by the government elected in March 2013 imposed severe credit constraints, and demanded new policies and extensive reforms. Efforts to stabilize and reestablish confidence have so far led

to a downsized financial sector controlled by stricter rules and enforcement mechanisms, and have ensured the viability of the struggling banking sector.

Strict compliance with the terms of the MoU, assisted by tourism growth and private consumption, set economic growth forecast at 2.8% (IMF), or >2.5% (EU) in 2016 and 2.2% in 2017. However, responding to major challenges that are key to sustainability moves slowly. These include balancing economic activity against seasonality, reforming the public sector, increasing the efficiency of mechanisms for settling non-performing loans, and reforming and privatizing the electricity market.

To improve prospects, reaching a new social consensus is needed so that key social actors and political forces engage in the reform process. Such a consensus is hindered by political considerations and sectoral interests, but most importantly by the negative impact new policies on employment, health care, wages and welfare in general have on society.

Citation:

1. Post-programme surveillance results, 2016, Press Release, <http://www.ecb.europa.eu/press/pr/date/2016/html/pr160930.en.html>
2. IMF World Economic Outlook - Subdued Demand, Symptoms and Remedies, October 2016, <https://www.imf.org/external/pubs/ft/weo/2016/02/pdf/text.pdf>
3. Bulletin on Survey of Economic Conjecture 9/2016 (in Greek), Economy Unit - University of Cyprus, 2016, http://ucy.ac.cy/erc/documents/EOS_09_2016.pdf
4. Global Competitiveness Index - Cyprus, World Economic Forum, 2016, <http://reports.weforum.org/global-competitiveness-index/country-profiles/#economy=CYP>
5. Warning of new 'crush and burn', Cyprus Mail, 19.10.2016, <http://cyprus-mail.com/2016/10/20/warning-new-economic-crash-burn/>
6. European Commission, Commission Staff Working Document, Country Report Cyprus 2016, http://ec.europa.eu/europe2020/pdf/csr2016/cr2016_cyprus_en.pdf

Labor Markets

Labor Market
Policy
Score: 6

The sharp increase in unemployment rates caused by the economic crisis appears to gradually have been curbed. From 15.9% in 2015, it is expected at 13% in 2016 and 11.6% in 2017 (IMF). These figures are lower than the peak of 17% (August 2013) and 14.2% when the bailout agreement was reached. These hardly compare with pre-crisis data, 3.7% with near-full employment (76.5%) in 2008. The public sector employed 15% of the working population, while the services sector accounted for 79.4% of jobs in the second quarter of 2015.

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. There are cases of employment with salaries below the legal minimum wage, no social insurance offered and other negative phenomena. Large privileged public and banking sectors ‘compete’ with a relatively weak private sector that is exerting pressure on benefits in a labor market marked by distortions. Unions have a strong voice particularly within the public sector. This allows them to secure their members’ benefits, while migrant EU and non-EU labor is often exploited. This is widening the economic gap. A survey on labor force showed that, in 2015, non-Cypriot workers accounted on average for 19.6% of the employed, of whom 11.2% were EU nationals and 8.4% migrants from developing countries.

Active labor-market policies, including counseling services, assistance with job searches and subsidized employment programs continued in 2016 and helped further curb persistently high unemployment rates. However, there are two issues of concern: youth unemployment remains high at 32.8% (2015 and 2016) and long-term unemployment registered 5.6% in mid-2016. Unemployment affects women slightly more than men. However, only 57.7% of women participate in the labor force and 49.2% are employed (2015), against 67.4% and 57.2% for men. In addition to labor market policies, factors such as high rates of short-term and part-time employment, a significant emigration rate and a pattern of students electing not to return to Cyprus after completing their studies have contributed to declines in unemployment figures. Projections for sustained growth in 2017 are likely to offer more opportunities in the labor market.

Citation:

1. Labour Force Survey 2015, Statistical Service ROC, 2016, [http://www.mof.gov.cy/mof/cystat/statistics.nsf/All/9D885ED59D837AB3C2257FEA002DDF09/\\$file/LAB-LFS-A2015-EN-080716.xls](http://www.mof.gov.cy/mof/cystat/statistics.nsf/All/9D885ED59D837AB3C2257FEA002DDF09/$file/LAB-LFS-A2015-EN-080716.xls)
2. Survey of Labour Market, Q2-2016, Statistical Service ROC, 2016 [http://www.mof.gov.cy/mof/cystat/statistics.nsf/All/75F22FCE3441C971C2257752003A3990/\\$file/LAB-LFS-Q216-EN-230916.xls](http://www.mof.gov.cy/mof/cystat/statistics.nsf/All/75F22FCE3441C971C2257752003A3990/$file/LAB-LFS-Q216-EN-230916.xls)
3. IMF, World Economic Outlook, Symptoms and Remedies, October 2016, <https://www.imf.org/external/pubs/ft/weo/2016/02/pdf/text.pdf>
4. Cyprus Post-Programme Surveillance, Statement EU and ECB, 2016, <http://www.ecb.europa.eu/press/pr/date/2016/html/pr160930.en.html>

Taxes

In spring 2016, the process integrating the Inland Revenue Department and the Value-Added Tax (VAT) Service into a new scheme was completed, now called the Tax Department. This was part of reforms aimed at addressing weaknesses of the tax collection and processing mechanisms, including auditing, tax evasion and avoidance.

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 ranging from 20% to 35%, for sums above €60,000. The VAT rate rose to 19% in 2014. A special levy on salaries is expected to stop in 2017, while political parties voted in 2016 to drastically reduce a real-property tax imposed in 2013, and end it in 2017. A tax imposed on interest income for bank deposits increased to 30% since April 2013. Some tax deductions and benefits are alleviating the weight of taxation. In 2015, limited changes were made in areas including property-transfer fees and capital-gains taxation. The share of salaried government employees paying income tax appears proportionally higher than that paid by self-employed and liberal professionals. Principles of equity are negatively affected by continued tax evasion and avoidance, while uncollected taxes amounted to 2.5 billion euros in 2016.

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 appears to lead to distortions, where liberal professions can benefit by creating their own company, thus paying 12.5% only, on 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, tackling tax evasion and avoidance, and increasing tax-collection efficiency are essential for achieving 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>
3. Tax Chief backtracks on 'coffee shop' comment, Cyprus Mail press report, 2016, <http://cyprus-mail.com/2016/09/30/tax-chief-backtracks-bit-coffee-shop-comment>

Budgets

Budgetary Policy
Score: 6

Budgets after 2014 have to conform with the provisions of the Law on Fiscal Responsibility and Fiscal Framework, which require basic planning within strategic targets set by the government under close scrutiny by the finance minister. Implemented gradually, this is expected to achieve strategic planning

capacity and control and oversight from budget design to implementation in order to avoid past problems that nearly led to economic collapse. In fact, a positive balance of payments in 2008 with a significant volume of reserves was succeeded by structural economic imbalances that affected budgetary stability. Steadily rising expenditures continued even when state income was in decline due to decreasing tax revenue, the shrinking tourism industry and other developments, such as unpaid or uncollected taxes exceeding €1 billion in 2012. Expenditure increases were sustained by 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 linked to Greek debt, resulted in the exclusion of Cyprus from the markets and the need for ESM support. The country's obligations in the MoU required fiscal and budgetary reforms reflected in recent budgets design.

The 2016 budget focused on deficit and public-debt reduction, while salary and benefit reductions in the public sector were sustained. Tax policies, along with a restructuring of public subsidies and other public expenses since 2013 bear results: deficits and the debt-to-GDP ratio have performed better than projected since 2014.

The GDP was expected to grow by 2.5% in 2016 (IMF) compared to 1.7% in 2015, with government estimates at 3%. The debt-to-GDP ratio improved to 106.7% in 2016 (down from 108.9% in 2015), and was expected to further recede in 2016, according to the IMF. A positive primary fiscal balance is projected for both 2016 (2.8%) and 2017 (2.2%).

Citation:

1. IMF expects Cypriot public debt grow slower, Cyprus Mail, press report, 5.10.2016, <http://cyprusbusinessmail.com/?p=33559>
2. IMF World Economic Outlook, Subdued demand - Symptoms and Remedies, October 2016, <https://www.imf.org/external/pubs/ft/weo/2016/02/pdf/text.pdf>
3. Georgiades sees expects 3 per cent growth this year, Cyprus Mail, press report, 17.10.2016, <http://cyprusbusinessmail.com/?p=34160>

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.

A National Council for Research and Innovation, established before 2010, composed by ministers and chaired by the president is the highest body of research. However, no information is available on either this body or its advisory Cyprus Scientific Council. With regard to output and innovation, numerous 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 basic indicators are among the EU's lowest. Generally, the private sector provides little opportunity and limited funding for R&D activities.

A European Commission report (2013) stated that businesses had limited demand for R&D and little propensity to innovate. The economic crisis has negatively affected project funding. Cyprus's R&D target for 2020 remains at 0.5% of GDP. It is the lowest in the EU, offering limited prospects.

Citation:

1. Eurostat, Research and Innovation Challenges, http://ec.europa.eu/europe2020/pdf/themes/2015/research_and_innovation.pdf
2. EUFORI study Cyprus Report, 2015, <http://euforistudy.eu/wp-content/uploads/2015/07/Cyprus.pdf>
3. Investment in Research and Innovation very low in Cyprus, Sigmalive, 2015, <http://www.sigmalive.com/en/news/local/136537/investment-in-research-and-innovation-very-low-in-cyprus>

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. A regulatory framework assigns bodies 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.

A recent amendment to laws on money laundering and terrorist activities aimed at aligning them with EU directives, by further strengthening the preventive regime, enhancing the powers of financial-sector supervisory authorities to

ensure legal compliance and seizing property acquired by unlawful activities. 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/index_en/

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' primary and secondary education is mainly public. New plans and proposals for education reforms are under discussion between the Ministry of Education and stakeholders. They follow reforms since the 1990s and efforts of previous government, albeit in different directions. A primarily knowledge-based education is ceding ground to more focus on research, experimentation and critical thought. High literacy rates (near 100% for youth), low drop-out rates and high 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 2015, Cyprus ranked second in the EU with respect to tertiary education attainment (54.6%) for the 30-34 age group (Eurostat).

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, there are claims that tertiary students' literacy and mathematical skills are lower than expected at this level of education.

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, Eurostat, 2016 http://ec.europa.eu/eurostat/statistics-explained/index.php/Educational_attainment_statistics#Level_of_educational_attainment_by_age_and_sex
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

Social Inclusion

Social Inclusion
Policy
Score: 7

Poverty risk and social exclusion rates rose to 28.6% in 2015, against 27.4% in 2014, and five points above the pre-crisis rates (2008, 23.3%). Until 2011, poverty rates (7.80%) were lower than the EU average, with the elderly at highest risk. In view of the crisis, the country's social-welfare system has been routinely amended through the identification of and provision of support for vulnerable groups. 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; special pensions and allowances to specific groups are provided. Policies were put in place aimed at assisting young people and other groups affected by the restructuring, benefits reductions, or the loss of employment and income. The "not in education, employment or training" (NEET) rate is relatively high in Cyprus. However, as mentioned above, larger groups are today at risk of poverty and exclusion (AROE). At significantly higher risk are EU (33%) and non-EU (46.1%) citizens. Despite the trend, AROPE rates declined for people over 65 from

33.4% in 2012 to 20.8% in 2015. Elderly single women are at higher risk than other groups.

A guaranteed minimum income introduced in summer 2014 appears to have benefited a significant portion of the country's households. Strict eligibility criteria such as income, property holdings and savings apply.

Citation:

1. At-risk-of-poverty indicators 2008-2015, Cyprus Statistics Service, 2016

http://www.mof.gov.cy/mof/cystat/statistics.nsf/populationcondition_25main_en/populationcondition_25main_en

2. EU assessment of the reform programme, 2014

http://ec.europa.eu/europe2020/pdf/csr2014/swd2014_cyprus_en.pdf

Health

Health Policy
Score: 6

Cyprus has a potential for high-quality health care services offered by both the main public sector, and 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. This is witnessed by a very low infant-mortality rate (1.4 per 1,000 in 2014) and a high life expectancy at birth (80.7 / 84.5 for men/women in 2014). Preventive medicine is specifically promoted, with Cyprus ranking high worldwide with respect to expenditure in this area.

Reforms on public health care access since 2013 are leading to the exclusion of groups based on criteria such as levels of income or property ownership. These exclusions encompass 20% - 25% of the population. Most serious is the requirement to complete three years of contributions before benefiting from the system. The system features unequal distribution of services and inequities in access to care. The private sector is unregulated in respect to prices, capacity, and quality of care; coverage is inadequate and ineffective (EU report 2016).

The MoU obligations that Cyprus establishes a national health care system (NHS), offering initially basic services in 2015 and full services in 2016 have so far not been met. At present (2016) the privatization of hospitals is promoted as a first step to an NHS.

Citation:

1. Joint report on health care services - Cyprus, EU 2016, http://ec.europa.eu/economy_finance/publications/eeip/pdf/ip037bycountry/joint-report_cy_en.pdf

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 (1.09% in 2014). However, the rate of employment among women between 25 and 54 is high (72.7% in 2015). 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. Parents and especially young mothers need also to provide transportation for their children, as the public-transportation infrastructure remains largely insufficient despite recent improvements. The establishment of full-day pre- and primary school in many communities is useful to 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 2014

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2. Annual Report 2014 Ministry of Education (in Greek), http://www.moec.gov.cy/etisia-ekthesi/pdf/annual_report_2014_gr.pdf

Pensions

Pension Policy
Score: 5

A significant improvement in some groups' living conditions, particularly among citizens over 65 years of age, is shown in recent years data. Elder groups used to face the highest risk of poverty and have the EU's lowest relative median income for this age category. Amendments to various benefits schemes

after 2012 have improved Cyprus's ratio of pension expenditure to GDP, which until 2012 was the EU-27's second lowest. However, pension schemes vary, which places some groups in an inferior 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 schemes. The latter suffered the effects of the 2013 bail-in, which led to drastic capital losses for provident funds and for beneficiaries. Mismanagement also took a toll. The social-insurance system has recently been reformed, with retirement age pushed upward, increase of contribution and more, in an effort to ultimately offer adequate, secure and sustainable pension incomes.

The guaranteed minimum income (GMI) program and special allowances have partially mitigated the economic crisis's worst ills, partly compensating for the cuts in benefits and pensions that affected vulnerable groups. Pensioners, particularly people living alone, and above all women, seem to have benefited significantly from the GMI, while still facing high risks 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 2008-2015, Cyprus Statistics Service, 2016, <http://www.mof.gov.cy/mof/cystat/statistics.nsf/All/AB7DD4BF96590ADC2258050002AA527>

Integration

Integration Policy
Score: 4

Cyprus's labor force in 2015 included 19.6% migrants, 11.2% EU and 8.4% non-EU. This is indicative of the composition of its population and the significant changes in immigration since 1989 when it started granting temporary working permits. Despite very restrictive policies, the flow of workers continued, initially from Southeast Asia, later from Central Europe and after 2004 from the EU. Policy changes and the introduction of some integration projects have taken place in the meantime, but no comprehensive integration policy has been adopted.

Pressures by the EU and the Council of Europe to comply with European standards have not succeeded in changing existing policies and official rhetoric which 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. In its 2016 report, The European Commission Against Racism and Intolerance (ECRI)

notes a series of recommendations to amend laws and practices and for the adoption of a comprehensive plan on integration of various groups in the country.

In the framework of EU programs, some local authorities are running integration projects. However, 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 during 2013 and 2014. Those remaining are at a very high risk for poverty and exclusion.

Some recent 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 seem inadequate because they 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. Conversely, the authorities 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, 2016, <http://www.coe.int/t/dghl/monitoring/ecri/Country-by-country/Cyprus/CYP-CbC-V-2016-018-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 efforts targeting minor wrongdoings such as driving offenses or graffiti are quite poor. Illegal drug activity is comparatively minimal overall, but an increase in

the amount of illegal drugs confiscated at entry points has been evident.

Citation:

1. Police force per 100,000, http://en.wikipedia.org/wiki/List_of_countries_by_number_of_police_officers
2. Crime and Safety report 2015, OSAC (US)
<https://www.osac.gov/Pages/ContentReportDetails.aspx?cid=16921>
3. Feeling of economic and physical safety, Eurostat, 2015 (data 2013), http://ec.europa.eu/eurostat/statistics-explained/index.php/Quality_of_life_in_Europe_-_facts_and_views_-_economic_and_physical_safety

Global Inequalities

Global Social
Policy
Score: 4

Cyprus participates and contributes in development-cooperation programs within the context of its membership in the European Union, United Nations and other international organizations. Its main policy is tied to that of EU, and is manifested through international-cooperation and bilateral agreements in various fields. The country is a contributor to UNITAID, participates in financing mechanisms for climate change, and provides assistance for infrastructure development, social services including health and human development, and environmental protection. However, 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 from 2014 to 2016.

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

III. Environmental Policies

Environment

Environmental
Policy
Score: 4

The absence of a comprehensive and coherent environmental policy and the lack of political will for environmental protection place Cyprus very low on the relevant EU ratings. The Republic has failed so far to meet its EU obligations, despite pressures from local and international organizations. Awareness-raising efforts by environmental groups since the late 1980s may have delayed or

prevented activities threatening the environment in some areas. However pressures on the environment continue and authorities' decisions favor non-environmentally friendly projects. Moreover, some officials ask Brussels to grant a relaxation to environment protection rules. Cyprus needs integration of ministerial responsibilities, more information efforts and administrative coordination.

The country's response to demands for climate protection remains insufficient in many respects. Exploitation of solar energy has begun to improve only recently, but progress in using renewable resources remains slow overall. Energy-consumption levels are high, due to deficient public transportation infrastructure and overuse of private cars. Actions designed to meet time-sensitive obligations to contain emissions and create an efficient waste-management infrastructure remain slow.

Water is a serious problem, due to dependence on (scarce) rainfall. Desalination and waste water use (insufficiently exploited by now) are potential solutions, while rural areas are just beginning to install sewage systems. Drilling for water – in many cases without permits – has led to depletion of groundwater sources. Thus, water conservation and sustainable management remain big challenges, while authorities are promoting water-hungry projects such as golf courses.

Forest protection under a national program for the 2010-2020 period aims at reforestation and reduction of fire hazards. Other measures seek to protect forests from pollution and problems caused by visitors. However, some protected areas, even those in the Natura 2000 project, such as the Akamas peninsula and others, are shrinking and are placed at risk by government decisions and private developers' activity. As well, neighboring communities and landowners exert pressure while seeking profit at the expense of environmental protection.

In December 2012, on the occasion of its European Council presidency, Cyprus presented a strategic plan for biodiversity policy looking forward through 2020. In this area too, policy gaps and a deficient implementation of plans and regulatory enforcement measures are evident. Ecosystem protection measures, including the Natura 2000 program, have not been effectively promoted. The economic crisis is 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 policy framework that prioritizes the protection of the environment and sustainability.

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/>
2. Quarries edging even closer to protected areas, Cyprus Mail, 2016, <http://cyprus-mail.com/2016/09/25/quarries-edging-ever-closer-protected-areas>
3. Social Progress Index, Cyprus, 2015, <http://www.socialprogressimperative.org/global-index/#performance/countries/com8/dim1,dim2,com8,dim3>

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. Low grades in this respect mean Cyprus is not 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

Requirements for the registration of candidates are minimal, relating 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 office in locally elected bodies. Voting and eligibility rights in European parliamentary elections are since 2014 conditionally extended to Turkish Cypriots residing in the areas not under the government's effective control. Citizens of non-EU countries have no voting rights. Simultaneously holding a public office and/or a post in the public service and/or a ministerial portfolio and/or an elected office is constitutionally prohibited.

The eligibility age to run for president is 35 years-old, and 25 for parliament. The eligibility age for municipal and community councils, and the European Parliament was reduced from 25 to 21 years-old (2013). Candidate registration procedures 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, since 2016, 100 for presidential elections.

A financial deposit is also required from candidates running for office, ranging from €85 (community elections) to €2000 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, [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, in Greek, 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
5. 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

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 reach.

Broadcasters are required to comply with a self-produced code of coverage. Monitoring of commercial broadcasters is performed by the Cyprus Radio Television Authority (CRTA), which also produces an annual report on the remit of the public broadcaster. Codes of conduct have almost never been publicly available, and compliance reports are rarely produced or have generic content. Paid political advertising on broadcast media is allowed during 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. No case by parties and candidates claiming more access has ever succeeded in courts. Although improvements in legislation and practice are needed, no notable cases of discrimination have been evident.

More generally, women candidates have a worryingly 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 (in Greek).
2. Report on RIK, public broadcaster 2014, CRTA, http://crt.a.org.cy/images/users/1/EKTHESI_RIK_2014.pdf
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 (in Greek), and NAA 207/2009 (on European Parliament Elections), available at 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 (in Greek)

Voting and Registrations Rights
Score: 8

Voting is mandatory and amendments to the law on voting registration were aimed at facilitating participation. 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 seems to favor abstention. Overseas voting has been possible since 2011 in a limited number of cities in Europe and the United States. Extension of voting rights in European parliamentary elections to all Turkish Cypriots since 2014 may need additional measures in order to encourage participation.

Voter registration by young citizens has been very low in the 2000s, and electoral-participation rates have declined sharply since 2009. Sanctions for unjustified abstention provided by law (not applicable in EP elections) are no longer enforced.

Prior to the 2013 and 2016 elections, the OSCE reported that no significant concerns called for special oversight.

Citation:

1. Law on the second amendment of the constitution, L.106(I)/1996, available at http://cyllaw.com/nomoi/enop/non-ind/1996_1_106/full.html.
2. Turkish Cypriots and Right to vote, <http://cyprus-mail.com/2014/05/27/turkish-cypriots-will-resort-to-court-over-voting-foul-up>.
3. OSCE/ODIHR Cyprus, Presidential Election, 17 February 2013: Needs Assessment Mission Report, 16 January 2013, available at, <http://www.osce.org/odihr/elections/98755>.

Party Financing
Score: 3

Political parties and affiliated organizations have received state funding since 1989. Numerous law amendments – with the latest in November 2015 – in response to GRECO recommendations sought to regulate private funding and fight corruption. Financial or other donations up to €50,000 are allowed; the list of donors has to be published except for sums below €500. All parties and candidates accounts including election-related (i.e., income, expenditure, assets and debts) must be audited annually by the auditor general, forwarded to him by the director-general of the Interior Ministry (registrar for political parties). Parliamentary candidates have an electoral expenditure cap of €30,000; moreover, they must avoid activities that constitute corruption. Non-compliance and corruption are subject to fines and/or imprisonment, depending on the offense. However, details on compliance with 2016 electoral laws regarding expenses have not been made public yet.

In its March 2016 report, GRECO noted that most of its recommendations are only partially implemented. In addition, an informal survey by the author of this report shows that parties and candidates did not fully comply with electoral expenses reporting obligations in 2016. Details of full accounts, donations

received, and expenditures related to elections have to be made public yearly according to specific procedures and deadlines set in the law.

The caps set for donations, and 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 the European Commission focus on corruption, conflicts of interest and lobbying, and stress the need for more transparency and efficiency to combat corruption. These pressures go along with those exerted by civil society groups, as well as investigation of alleged parties' and politicians' corruption cases. However responses by the parliament and the authorities still remain inadequate, while effective enforcement is pending.

Citation:

1. CoE - GRECO, Third Evaluation Round, Cyprus, March 2016, [https://www.coe.int/t/dghl/monitoring/greco/evaluations/round3/GrecoRC3\(2015\)21_Interim_Cyprus_EN.pdf](https://www.coe.int/t/dghl/monitoring/greco/evaluations/round3/GrecoRC3(2015)21_Interim_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.
3. No tangible progress on transparency in party funding, GRECO says, Cyprus Mail, 24.03.2016, <http://cyprus-mail.com/2016/03/24/no-tangible-progress-on-transparency-in-party-funding-greco-says>
4. CoE - GRECO, Fourth Evaluation Round, Cyprus, July 2016, [http://www.coe.int/t/dghl/monitoring/greco/evaluations/round4/Eval%20IV/GrecoEval4Rep\(2016\)7_Cyprus_EN.pdf](http://www.coe.int/t/dghl/monitoring/greco/evaluations/round4/Eval%20IV/GrecoEval4Rep(2016)7_Cyprus_EN.pdf)

Popular Decision-Making
Score: 2

The constitution makes no provision for referendums, 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. Referendums are also held when local communities wish to become municipalities.

Citation:

1. Law on organizing referendums, L. 206/1989, available in Greek at, 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.

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. Budgetary pressures imposed by the government and political parties, along with public statements and interferences by parties for “more equitable” access remain diachronic phenomena. 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 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:

1. Media Pluralism Monitor, Cyprus, 2015, <http://monitor.cmpf.eui.eu/mpm2015/results/cyprus/>

2. Reporter ohne Grenzen

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, even in content, 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 polarized views over real debate. This focus persisted in 2016, along with new themes such as corruption, 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 continued to be an impediment to fruitful debate.

Citation:

1. Media Pluralism Monitor Cyprus, 2015, <http://monitor.cmpf.eui.eu/mpm2015/results/cyprus/>
2. Report on Cyprus in "The Citizens' Right to Information: Law and Policies in the EU and its Member States," 2012, pp. 163-182, <http://www.statewatch.org/news/2012/nov/ep-study-citizens-right-to-information.pdf>

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.

No developments were noted in 2016 on a draft law under discussion in late 2015, criticized by NGOs as being below standards. On another front, the government created an open-data portal where officially generated data is published.

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. Open-data portal, <http://www.data.gov.cy>

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, many problem areas exist, even though the ombudswoman made reference to improvements. They relate to the treatment of asylum-seekers and economic and irregular migrants, where compliance with European and international rules and standards remain deficient. On human trafficking, Cyprus has been moved from Tier 2 to Tier 1 in the US Department of State 2016 Trafficking in Persons Report ; this means that satisfactory action has been taken by the authorities.

The general situation is as follows: A late 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 a new policy framework and an EU harmonization law (2014), some problems persisted with regard to the detention of migrants and asylum-seekers and the exploitation of migrant workers through low wage work 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. 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, has shown signs of significant positive change. The GRETA committee recommended in its report a campaign of awareness-raising among police and justice-system officials.

More proactive measures have been necessary since 2013 because of the effects of the financial crisis on vulnerable groups, new policies and forms of assistance, and increased competition in the labor market. The economic crisis is sometimes dissuading both locals and immigrants from seeking legal protection, while it has also led to repatriation of foreign workers and emigration.

Citation:

1. Ombudswoman says police misconduct and abuse ongoing, Cyprus Mail, 19.10.2016, <http://cyprus-mail.com/2016/10/19/ombudswoman-says-cases-police-misconduct-abuse-ongoing>

2. CoE GRETA report on Human Trafficking, 2015

<https://rm.coe.int/CoERMPublicCommonSearchServices/DisplayDCTMContent?documentId=0900001680631b96>

3. USA State Department 2016 Report on Trafficking, Cyprus

<http://www.state.gov/j/tip/rls/tiprpt/countries/2016/258754.htm>

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, protests 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 on use of surveillance software (Hacking Team) by the intelligence services led to no debate or investigation. Also law enforcement practices of indiscriminately seizing personal computers during investigations raises serious concerns of potential interference with fundamental rights.

Handling of personal data by officials and others is often carried out in non-properly secure manners. 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.

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

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. Our View: Protection of mediocrity by the unions keeps healthcare standards low, Cyprus Mail, 20.10.2016, <http://cyprus-mail.com/2016/10/20/view-protection-mediocrity-unions-keeps-healthcare-standards-low/>

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

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, implementation gaps and omissions exist in practice.

Laws on gender equality and anti-discrimination, updated in line with EU directives, provide for proactive measures and sanctions aimed at enforcing equality of treatment in employment and occupations, combating racism and other forms of discrimination, and protecting persons with disabilities. Disabled persons are offered additional protection and special treatment.

The adoption, in late 2015, of a law on civil partnerships is considered a serious step in efforts against discrimination. In 2016, the exclusion of women and some age groups for 3,000 army posts was considered discriminatory.

The Ombudsman's office, tasked with investigating discrimination, noted in its 2013 report (so far latest available) that the economic crisis exacerbated xenophobia and discrimination, and that supervisory mechanisms had been weakened. Similar phenomena are reported by CoE committee (2015), which recommended actions to protect minorities' rights and raise awareness on issues of human rights and anti-discrimination among the police and the judiciary.

Citation:

1. Report of the Ombudsman as Authority against Racism and Discrimination for 2013, [http://www.ombudsman.gov.cy/Ombudsman/Ombudsman.nsf/All/996EE18EA5A8F853C2257EB9003BD6A0/\\$file/Αρχή_κατά_του_Ρατσισμού_και_των_Διακρίσεων_-_ΕΤΗΣΙΑ_ΕΚΘΕΣΗ_2013.pdf](http://www.ombudsman.gov.cy/Ombudsman/Ombudsman.nsf/All/996EE18EA5A8F853C2257EB9003BD6A0/$file/Αρχή_κατά_του_Ρατσισμού_και_των_Διακρίσεων_-_ΕΤΗΣΙΑ_ΕΚΘΕΣΗ_2013.pdf)
2. CoE committee on minorities, Cyprus 2015
rm.coe.int/CoERMPublicCommonSearchServices/DisplayDCTMContent?documentId=0900001680483b48

Rule of Law

Legal Certainty
Score: 5

Cyprus inherited well-organized and functional administrative structures from the period of British colonial rule. Though the foundations of the state apparatus have been somewhat weakened over the years, operational capacities and adherence to the law have remained largely consistent. Constitutional arrangements initially designed to balance power between Greek Cypriots and Turkish Cypriots left an imbalance, with a very strong executive (president), after the collapse of bi-communality in 1964.

The legal soundness of some laws and policies, either aimed at meeting obligations toward the country's creditors or regulating other issues, is often contested. In 2016, many laws passed by parliament were referred to the

Supreme Court by the President for review. In other cases, action on important matters (ex. foreclosures) has been delayed. These trends undermine citizens' perceptions of legal certainty.

Avoidance or delays of action by the government and administration, or actions in ways inconsistent with the rule of law, persisted in 2016. Pressures on and conflicts with independent state officials have continued, mainly with the Auditor General in 2016. The clientelistic rather than meritocratic selection of appointees has continued. These practices undermine the powers of, independence of and trust in state bodies' decision-making capacities, administrative efficiency and law-enforcement consistency.

Citation:

Interior minister hits back over auditor general report, Cyprus Mail, 8.12.2015, <http://cyprus-mail.com/2015/12/08/interior-minisgeneral-report/?hilite=auditor+general>

Judicial Review
Score: 8

The operation of the Administrative Court in 2016 marked a positive step in the administration of justice; it is expected to alleviate the workload of the Supreme Court and fight long delays in decision-making, with, however, limited effect on lengthy court procedures. Indeed, the acknowledged efficiency of judicial review has been suffering from procedural delays. In a 2014 survey, 90% of justice system respondents (primarily lawyers and judges) stated that delays were a severe problem.

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 Administrative and the (Appellate) Supreme Court. Appeals are decided by panels of three or five judges, with highly important cases requiring a full quorum (13 judges).

Citation:

1. Administrative court to start in December, Cyprus Mail, 13.08.2015, <http://cyprus-mail.com/2015/08/13/administrative-court-to-start-in-december>

2. Court system 'in distress' top judge says, Cyprus Mail, 26.10.2016, <http://cyprus-mail.com/2016/10/26/courts-system-distress-top-judge-says/>

3. 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 (SCJ), 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 above questions, the composition of the SCJ and other issues are raised also by a 2016 GRECO report. The gender ratio within the judiciary as a whole is approximately 60% male to 40% female and 13 to 4 for Supreme Court justices.

Citation:

CoE, GRECO fourth evaluation round, July 2016

[http://www.coe.int/t/dghl/monitoring/greco/evaluations/round4/Eval%20IV/GrecoEval4Rep\(2016\)7_Cyprus_EN.pdf](http://www.coe.int/t/dghl/monitoring/greco/evaluations/round4/Eval%20IV/GrecoEval4Rep(2016)7_Cyprus_EN.pdf)

Corruption
Prevention
Score: 4

The Auditor General's office is constitutionally independent and assigned to audit state accounts and legal compliance. Adequate responses to the office's observations have been rare. However, numerous prosecutions for notable cases of corruption have occurred since 2014. The privacy constitutional clause (Art. 15) was amended (2016) to serve transparency and fight corruption. A new national anti-corruption strategy is currently being designed.

A Transparency Cyprus survey showed 81% of the public considers corruption to be present at both the local and national levels, with 83% deem it a serious problem. The numerous relevant recommendations by GRECO are indicative of the problem.

Pressures for more transparency by civil society organizations and media, appear to have no decisive effect yet. Anti-corruption measures, ensuring transparency, and preventing favoritism and bribery appear generally either inadequate or lacking proper oversight and implementation mechanisms; cases of either deficient or partially implemented measures also exist. For example, no report is available on the implementation of a public service code of conduct (2013).

Citation:

1. Corruption levels 'more than expected', says Auditor General, Cyprus Mail, 16.08.2016, <http://cyprus-mail.com/2016/08/16/corruption-levels-expected-says-auditor-general>

2. Survey on corruption by Transparency Cyprus, 2014-5, in Greek, <http://transparencycyprus.org/προγραμματα/ερευνη/ερευνη-για-τη-διαφορα-2015>

Governance

I. Executive Capacity

Strategic Capacity

Strategic Planning
Score: 4

Reforms implemented since 2014 seek to integrate strategic planning into the country's administrative practices, neglected until recently. This figures among the tasks assigned to the Directorate General for European Programs, Coordination and Development (DGEPCD), which include managing EU funds and issues related to the Lisbon Strategy, as well as planning, monitoring and coordinating government work. This allows DGEPCD to supplement the ministry of finance's budgetary planning, and broaden it by including more aspects related to development.

The 2014 law on fiscal responsibility aims to confront chronic problems in administrative capacity to design action plans or explicitly identify goals. It makes strategic planning, coordination and performance monitoring the foundations of economic policymaking and budget design. Work to create the required mechanisms and procedures started in 2014 with gradually including more agencies and bureaus in the process. Extensive control powers are assigned to the minister of finance. Planning and coordination and full strategic planning capacity will need years to achieve. Nevertheless, better than forecasted economic results achieved so far are 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
2. Action Plan for Growth, Progress report June 2016, https://issuu.com/presidency-reform-cyprus/docs/action_plan_for_growth-progress_r_j

Scholarly Advice
Score: 3

Scholars were appointed to the governing bodies of semi-governmental organizations and to newly created consultative bodies, from 2014 onwards. These bodies' tasks related to economic issues, energy policy and geostrategic

studies. Also, in some cases, the administration has sponsored research by institutes or universities.

An Advisory Committee for Natural Gas, coordinated by the president's deputy minister, also involved academics. Its role was limited to providing advice in specific fields, not strategic planning.

The above continued to a certain extent through a Cyprus tradition of convening advisory bodies composed of scholars and specialists in various disciplines. However, their tasks and scope of work have been limited to very specific topics; informing the public or raising awareness on specific issues, drafting reports or making proposals that had non-binding character and were given little attention by decision makers. Hardly any advisory bodies, old or new, has had a significant role in strategic planning or top-level decision-making.

Generally, consultation between government and external academic experts has not been an established practice. With regard to new bodies, little or no information regarding their work and roles is publicly available.

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/>
2. Geostrategic Council is more than a 'talking shop', Cyprus Mail, letters to the editor, 24.07.2016, <http://cyprus-mail.com/2016/07/24/geostrategic-council-talking-shop/?hilite=council+geostrategic+studies>

Interministerial Coordination

GO Expertise
Score: 2

Under Cyprus' presidential system, competent line ministries draft bills and send them to the secretariat of the Council of Ministers. The secretariat supports the cabinet's work and forwards its decisions to concerned offices. Advice, limited to the constitutionality of drafts, is provided by the Attorney General's Office.

There is no GO with the task or sufficient sectoral expertise or capacities to evaluate draft laws in relation to fiscal and strategic planning. However, the law on fiscal responsibility empowers the finance minister to control and/or decide upon budgetary proposals.

GO Gatekeeping
Score: 6

The constitution provides that the agenda of the Council of Ministers is set by the president "at his discretion," implying power 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 for the duration of a president's mandate. The Council of Ministers' secretariat is tasked with offering bureaucratic support and services to the cabinet, with no capacity to draft laws or review proposed policies. The Attorney General's Office is 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.

No concrete evidence exists regarding systematic consultation between line ministries and the presidency or the Council of Ministers' secretariat prior to a draft law proposal. However, new strategic-planning structures and mechanisms that have been harmonized with the law on fiscal responsibility are expected to entail a central coordinating body, enabling compliance with the government's strategic fiscal 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 ministries' interactions. This

Informal
Coordination
Score: 4

has led to greater consultation between line ministries on policy matters and efforts to coordinate implementation of decisions.

A practice of informal meetings exists but are of low frequency. During the post-2010 economic difficulties, a practice of more formal meetings at various levels and between a variety of actors began to occur. During the period under review, a low number of ad hoc formal meetings took place, mainly information and consultation meetings between the president and/or ministers and party leaders, or local government officials. The period featured more discord between political actors than consultation, parties hindering decisions, and numerous laws referred to the Supreme Court.

Citation:

Editorial: New Blood needed, InCyprus, 19.05.2016, <http://in-cyprus.com/editorial-new-blood-needed/>

Evidence-based Instruments

RIA Application
Score: 5

A better regulation project started in 2007 and RIA is a key aspect of the project. New policy measures are 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. RIA reports on draft laws have gaps, are too general, or simply absent. However, RIA has gone thorough changes with new rules and a new framework, as well as application guidelines. Training is planned so that efficient implementation starts in January 2017.

Up to 2016, in some cases, impact assessments consisted of drafting ministries seeking the views of other ministries on proposed measures. Additionally, during discussion of draft laws, parliamentary committees invite interested stakeholders to present their views.

Citation:

1. National Action Plan for Better Regulation (updated), <http://www.reform.gov.cy/en/growth-reform/better-regulation>

Quality of RIA
Process
Score: 5

The present system of impact assessment, has been applied by (some) bill drafters and reports were reviewed before legal oversight. This has undergone extensive changes and the new framework will take effect from January 2017. All government bodies must engage in RIA implementation, which appears to be entering a decisive phase. Stakeholders, in particular SMEs would also have a role in the process. In order for RIA to be properly applied a guide is provided and training is given. This means the policy-proposal process will be part of an integrated impact-assessment mechanism with reliable means of analysis.

Sustainability
Check
Score: 4

The assessment questionnaire has been based on generic questions, such as positive or negative impacts of a proposal on economic, social and environmental aspects of life. This rudimentary tool, with a limited number of

specific factors, has been fully revised to be target specific and analytic. Thus, instead of yes or no answers, the new questionnaire – to apply as of January 2017 – will require specific information and explanations based on research and analysis. Compliance with existing strategic targets and long term effects will be included in the list of criteria assessment.

Years after its introduction, assessment seems to be past the transitional stage and become an essential part of the public service reform plans. RIA implementation will assist the introduction of strategic-planning and supervision mechanisms in all administrative bodies, already in motion

Citation:

1. Action plan for Better Regulation https://issuu.com/presidency-reform-cyprus/docs/sxedio_drasis_ke_pinakes_gia_veltio?e=23693381/33573909 (in Greek)

Societal Consultation

Negotiating Public Support
Score: 5

Consultation with societal actors has been a general practice for decades. However, assumptions on possible reactions of stakeholders may lead a government to engage in consultations mostly when a threat seems serious, not in any systematic way. This prompts strong trade unions or interest groups to voice their views and eventual reactions in order to influence decisions. In the period under review, the need to abide by the clauses of the MoU led the government to sharply reduce the scope of policies formulated through consultation. Nevertheless, in order to forestall discontent on the part of strong unions, it appears in 2016 the government abandoned some projects, like privatization of telecoms and electricity. Some groups and unions have lost influence under the crisis conditions.

Public consultation before rule-making is a regular but less systematic practice than elsewhere in the EU. The results and real role of such consultations are not always transparent or published.

The presidential system prompts the government to consult with political parties, while, in most cases, consultation with stakeholders is 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 (PIO), a department of the Ministry of Interior. PIO hosts and logistically supports the government spokesperson and has liaison officers to line ministries. Today's over-mediated environment exacerbated, to some

extent, long-standing problems of coherent communications. During the review period, the government's communication continued to suffer from frictions with state officials and contradictions on competences or proposed actions that negatively affected its efficiency. The president assumed the key role of presenting and explaining government decisions and policies, with assistance from some individual ministers that communicated plans and measures in their field of competence.

Citation:

Our View: President to blame for lack of leadership in health battle <http://cyprus-mail.com/2016/06/14/president-blame-lack-leadership-health-battle>

Implementation

Government
Efficiency
Score: 3

The government successfully stabilized the situation and contained the crisis in the fiscal and financial sectors. However, the response to clauses of the MoU signed with creditors relating to long-term actions and extensive reforms has not been adequate.

There is a need for economic shifts to bring about sustainability, public-sector reforms and the privatization of semi-governmental organizations, such as operation of a NHS. The negative impact on individuals' lives and welfare increases the risk of poverty and exclusion. Thanks to the relative success of some of the government's economic and budgetary policies, the Cypriot economy has experienced more appreciation in the fields of business confidence and competitiveness.

Ministerial
Compliance
Score: 4

Under the presidential system, the lack of any mechanisms for ensuring implementation of state policies can only be balanced by a minister's desire to stay in office. This is achieved when the president appreciates the quality of work, mostly determined by each officeholder's personality and dedication. The initiation of reforms and strategic-planning structures designed to improve government coherence is still in its early stages. Successful implementation may be a motivating factor for quality work.

Monitoring
Ministries
Score: 4

The constitution provides that overall coordination lies with the Council of Ministers meaning a kind of circular relationship with line ministries. Also the DGEPD performs generic monitoring and coordination functions. It links to a task-force team with guidance from the presidency. Recent powers assigned to the finance minister may be deemed as creating a central oversight and coordinating mechanism for planning and policy implementation, albeit on budgetary and fiscal issues.

Monitoring
Agencies,
Bureaucracies
Score: 3

The crisis led to the need for close scrutiny and to significant reforms of the broader public sector. Ambivalent measures introduced thus far enhance powers of control rather than oversight. Over the years, oversight and general policy

guidance to semi-governmental organizations (SGOs) lied with line ministers. The Council of Ministers appoints their governing bodies and approves their budgets after line ministries review it and before a vote in parliament. Deficient monitoring resulted in financial and other mismanagement. Clientelistic practices prevailed, serving governments and partisan objectives. Amendments to the law on SGOs governing bodies (2014) appear to offer room for closer oversight but also ample ability to continue favoritism.

Efforts to reform local authorities resulted in draft laws sent before the parliament (October 2016). These laws and the law on fiscal responsibility (20(I)/2014) were expected to improve municipalities' management. They respond to chronic problems that resulted in some municipalities even facing bankruptcy.

1. Bill to suspend local elections withdrawn..., Cyprus Mail, <http://cyprus-mail.com/2016/11/03/bill-suspend-local-elections-withdrawn-new-draft-limits-term/>
2. Law on the appointment of governing bodies of SGOs, 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. The overall amounts have been decreasing; in addition, the ministers of interior and finance have large powers on the management of municipalities' finances. Creation of new municipalities recently, was increasing local government budget needs. Draft laws for municipality reforms were sent to the parliament in 2016. They aimed at their re-organization and better management, including greater centralization and control of state funding. However, in view of local elections in December 2016, the prospects for progress are inconclusive.

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. Placed originally under the authority of communal chambers (Art. 86-111) that were abolished with the collapse of bi-communality (1964), local authorities are governed by the Law on Municipalities. Having only begun in 1986, municipal elections exhibit limited experience and capacity.

The law restricts municipalities' powers. Budgets, 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 (November 2016) and the law on fiscal responsibility (20(I)/2014) impose stricter controls. Arguments about an excessive number of municipalities and chronic deficient management put local government in an unfavorable position.

Citation:

The law on municipalities, 111/1985, <http://www.ucm.org.cy/DocumentList-Legislation,35,English>

National Standards
Score: 2

Standards and indicators at the central government level generally lack consistency and universality. Plans for extensive reforms aim at creating a complete framework and improving implementation that tends to be incoherent. The promotion of strategic planning and budget design introduce general standards and procedures, in particular on fiscal issues. They must apply consistently across all government levels, including local authorities. This would reduce individual discretion regarding interpretation and implementation of fiscal and other policies. However, generalized planning and the setting of monitoring and evaluation mechanisms are still pending.

Citation:

Reforms Unit - Presidency, Better regulation <http://www.reform.gov.cy/en/growth-reform/better-regulation>

Adaptability

Domestic
Adaptability
Score: 5

Comprehensive and inclusive plans for improving the country's administrative structures have been adopted, while others are before the parliament for approval. Reform plans have been necessary because changes prompted by EU accession led to the creation of new institutions, but failed to touch the overall state structures. The 1960 constitutional order remains an obstacle. With Cyprus constituting a single region under EU's Cohesion Policy, European policies aimed at strengthening the role of regions has been very limited. The implementation of reforms has so far focused on fiscal issues, and strategically engaging all administrative levels and units in policy design and implementation.

International
Coordination
Score: 4

Cyprus's focus on its own problem, has so far not allowed it to seize opportunities offered through its membership of the EU, UN and other instances to contribute to the global public welfare. Plans or mechanisms to ensure such contribution globally or in the region are largely absent. Rather, ministry officials typically provide isolated contributions through their participation in international organizations. The country's potential for ambitious participation in global affairs is since 2012 absorbed by efforts to overcome the economic crisis. However, the discovery of hydrocarbons has led to initiatives aimed at coordinating with neighboring countries. Giving substance to relations in the region may allow Cyprus to expand its international role.

Organizational Reform

Self-monitoring
Score: 4

During 2016 efforts to reform extended institutional monitoring in the framework the better regulation project. Despite progress, monitoring efforts face resistance or difficulties posed by line ministries. (Tense) Relations with political parties and the parliament point to the need for a joint effort. Some government inconsistencies and conflicts with independent state officers have not helped its efforts.

At the central level, efforts following EU accession, and responding to EU standards, led to some monitoring. With better regulation plans, this is extending to more sectors. Difficulties, however, persist due to weak capacities and mechanisms, including the absence of a central monitoring body.

Relations between the executive, political parties and the parliament have been gloomy. A record number of laws passed by the parliament were referred to the Supreme Court in 2016, with many judged unconstitutional. There has been lack of will for finding solutions. This delayed or changed the content of laws on important issues, while others stalled.

The public service capacity level is affected by voluntary early retirements, not planned, and their impact not yet assessed.

Citation:

With one eye on the job, the other on elections, mps pass 80 bills, Cyprus Mail, 14.04.2016, <http://cyprus-mail.com/2016/04/14/one-eye-on-the-job-the-other-on-elections-mps-pass-80-bills/>

Institutional
Reform
Score: 5

The government continued efforts to improve the efficiency of the administration and give it more coherence and clear policy orientations. It aims at bridging gaps, responding to persisting deficiencies and clearing confusion as to roles and competences at all levels. This government's capacities are slowly improving.

Improvements are due to ongoing reforms aimed at developing strategic planning capacities, implementation monitoring and evaluation mechanisms. These efforts require more training and capacity building activities to achieve the required level for administrative management skills and capacity.

II. Executive Accountability

Citizens' Participatory Competence

Policy Knowledge
Score: 5

The Cypriot public's traditionally strong interest and participation in politics and very low rates of abstention in elections have collapsed in recent years. Increasing abstention rates in national elections tripled from 2006 to 2016 (33%), while only 20% of young people register to vote. Citizens' trust in institutions is also in sharp decline to very low levels. Even the judiciary draws high levels of distrust,

The above phenomena are coupled with a generalized disengagement of citizens from institutions and politics. Among the problems that affect public perception is the low quality of available information, communication standards adopted by politicians, while people face persistent serious problems. Delays in the administration of justice are also a serious problem.

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 declining institutional 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 stay informed on politics. Many people's experience of daily life problems clearly contrasts with the portrayal of successful fiscal policies, which accentuates their alienation.

Citation:

1. Opinion poll on trust in institutions, CYMAR, January 2016, <http://www.cymar.com.cy/en-gb/results/cyprus-institutions-january2016/>
2. Cyprus goes to the polls on Sunday, Cyprus Mail, 21.05.2016 <http://cyprus-mail.com/2016/05/21/cyprus-goes-polls-sunday-choose-new-parliament/?hilit=new+voters>

Legislative Actors' Resources

Parliamentary
Resources
Score: 3

The House of Representatives's new speaker (June 2016) promised reforms in the field of parliamentary resources. Up to now, moderately sized staff provides primarily administrative and secretarial support. A research, studies and publications division appears to perform activities other than producing genuine expert research or study reports. Also, the duties of personal assistants to deputies focus mainly on party-political support. Cooperation agreements have

been signed with the University of Cyprus 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.

The parliament's specialized committees obtain information on the government's activities by members of the executive or other officials invited to 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. Also, ad hoc investigative committees 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. They are not allowed to hide information or documents. Judicial measures for misinforming or misleading a committee are possible.

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

Summoning
Ministers
Score: 5

The constitution (Art. 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, constitutionally, the parliament is very weak, and has no power to summon executive officials or enforce the provision of documents. In practice, however, ministers and other officials are regularly invited to provide committees with information on issues relating to their mandate. They rarely decline invitations to appear or be represented by high administration officials to provide information or requested data. Thus, though attendance is up to the discretion of the executive, government members usually respond positively to committee invitations. However, there are cases where ministers ignore

invitations either when the subject relates to 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
Score: 7

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

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

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 (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 Chamber, dissolved in 1965. In the present House of Representatives (80 seats, but only 56 occupied), 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 2015/6 session, committees held 650 (against 746 in 2014/5) meetings overall. The Refugees, Enclaved and Missing Persons Committee held 24 meetings and the Finance and Budget Committee held 82 meetings.

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 in at least three committees. Since deputies have limited resources, they have difficulty in properly following their committees' work and effectively monitoring the work of line ministries. Measures were announced in July 2016 to fight against low meetings attendance rates.

1. Activity Report for 2015-2016 season, House of Representatives, 2016, <http://www.parliament.cy/images/media/assetfile/APOLOGISMOS%202015-2016.pdf> (in Greek).

Audit Office
Score: 5

The auditor general is a constitutionally independent officer appointed by and reporting to the president of the republic. He 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 is informed on the auditor general's work. The audit office has the responsibility to

Ombuds Office
Score: 5

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 and broader public sector. Over the years, holders of the auditor general office have elevated it to a highly respected authority.

Cyprus has no constitutionally established ombudsman’s office. Law 3/1991 introduced the Office of the Commissioner for Administration. The commissioner is appointed by the president of the republic upon the recommendation of the Council of Ministers, subject to 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.

The Ombudsman’s office

http://www.ombudsman.gov.cy/ombudsman/ombudsman.nsf/index_en/index_en?opendocument

Media

Media Reporting
Score: 5

The crisis has exacerbated the chronic problems of the media landscape, dominated by infotainment programming that lacks 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 media ethics code. The media’s dependency on financial interests is visible on editorial content and news coverage.

Political issues are widely covered in print and electronic media, but with little insight offered. In-depth information is only occasionally offered, typically by invited academics or experts on the public broadcaster. Analysts often fail to disclose their political or other connections. Journalists’ personal views and preferences often influence reports and debates. In the period under review, government has continued attracting criticism for inconsistent or controversial actions. The media often takes a populist approach in covering institutions and politicians.

Media coverage is generally not helped by political figures’ polarizing rhetoric,

confrontational tactics, and the absence of a creative and productive public debate. Polarized views on the Cyprus Problem affects media content.

The absence of an audit body for print-media circulation figures and transparency in media-ownership affect the public's capacity to evaluate the information received.

Parties and Interest Associations

Intra-party
Democracy
Score: 6

Against reform plans, no progress was made concerning any party member's (in some cases friend's) ability to elect party bodies and officials, and select candidates for public office. 'Consensus' and other practices cancel or limit the exercise of these rights. The same applied to mayoral candidates, guided by political expediency or dictated by party alliances goals. Thus, attempts by party leaders to avoid or influence intra-party elections undermined the powers of grassroots party bodies and members.

The leadership of the Democratic Rally (Δημοκρατικός Συναγερμός, DISY), the first party that extended rights to all party members, sought recently to avoid internal procedures. Proposed 'consensus' or 'strong' candidates in both intra-party and public-office elections were favored with the approval of party bodies and members. In the 2013 presidential elections, the candidate was selected by DISY's Supreme Council (1000 members). DISY's 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 follows a more centralized and personalized management approach than before.

The Progressive Party of the Working People (Ανορθωτικό Κόμμα Εργαζομένου Λαού, AKEL) adheres to the principle of democratic centralism, with nomination and selection rights given to party members and friends. Nominations starting at the party-cell level, go through selection and ranking procedures prior to final decisions by the Central Committee (CC), in a process that lacks transparency. The party congress (1,200-1,400 party cadres nominated by party cells), elects the CC (105 members), which in turn elect the secretary general. AKEL's presidential candidate selection starts with a party-cell vote. A final vote lies with a special electoral congress. Electoral programs are approved by the party's governing bodies.

The Democratic Party (Δημοκρατικό Κόμμα, DIKO) applies a direct vote for its leadership. However, the CC (150 members) nominates all party candidates including the presidential candidate. The CC also approves the electoral program.

Thus, despite adoption of democratic practices, leaderships attempt to keep decisions as much as possible to central bodies or the leader.

View: DISY's festival of democracy was fooling no one, Cyprus Mail, 8.4.2016, <http://cyprus-mail.com/2016/04/08/our-view-disys-festival-of-democracy-was-fooling-no-one/>

Association
Competence
(Business)
Score: 4

Strong Cyprus trade unions, with high membership rates, and employers' associations have entertained relations characterized by a will of compromise to avoid industrial action. Their internal research or study teams have limited capacities and scope. They are mostly limited to producing proposals that defend or promote sectoral interests. The Pancyprian Labor Union (Παγκύπρια Εργατική Ομοσπονδία, PEO) is a rare case of a union that has founded a research institute on labor issues. It regularly produces studies on the economy and the labor market conducted by academics and others. Production of comprehensive proposals for structural changes with a broad or long-term perspective are extremely rare. Affected by the crisis, the systems of benefits and labor relations are currently under review, in relation to the MoU. Actual debate focuses on what rights to reestablish and the kind of new labor relations.

Association
Competence
(Others)
Score: 4

Civil society has an increasing role as an independent power actor in formulating proposals. From the late 1980s, when environmental groups defended specific causes much has changed. Funding from European and other programs helped in strengthening a civil society movement. New associations are gaining their footing, conducting research and studies and formulating policy proposals on a variety of issues. They aim at good governance.

A number of groups with a focus on politics, the crisis and associated causes and problems have emerged since 2011. They aim at addressing issues in a comprehensive manner. Some groups have made proposals and lobbied on issues of a general nature, others have focused on very specific matters. Issues such as hydrocarbon use, corruption, transparency in political-party funding, the electoral law and responses to the economic crisis are top of these groups' agendas. They initially had a limited appeal. However their noteworthy activity and quality proposals have begun having an impact.

The Church of Cyprus, a financially and politically strong institution, continues to play a role in society. It addresses all kinds of issues, including education and the island's division. Its present financial difficulties and frequent negative views may be factors limiting its influence.

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
2. Commitment against corruption by candidates to the parliament 2016 (in Greek) <http://transparencycyprus.org/archives/4195>

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