



Cyprus Report

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

Sustainable Governance Indicators 2018

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Executive Summary

Following Cyprus's successful exit from its bailout agreement with international lenders, post-program surveillance by creditors continued into 2017. Strong fiscal policy performance was sustained and even improved upon. Favorable conditions increased the vital flow of tourists and, thereby, income; the latter also assisted by growth in the construction sector. The danger of economic collapse that emerged in 2011 appears to have receded, nevertheless risks for the economy remain. The government must resolve deficiencies in the economy as well as implement reforms to the system and its structures. The broadly recognized need for greater strategic planning and policy-implementation capacities has not received the necessary level of attention. Current reform efforts insufficiently focus on ending the unmeritocratic hiring system that continues to undermine state capacities.

A memorandum of understanding (MoU) with creditors led the government to design policy proposals for long overdue reforms. In addition to the obligation to pay back its debt, the MoU committed the government to develop sustainable policies and structures. Financial indicators showed sustained and better than forecast performance in 2017. Nonetheless, the pace of systemic and structural reforms continued to be slower than planned. In addition, some policy decisions appeared to be guided primarily by political expediency, contradicting previous policy positions and fiscal principles.

Democratic processes and institutions continued to function satisfactorily, though several indicators (e.g., rule of law and access to information) revealed weaknesses that impede Cyprus's democracy. The administrative system remains slow to respond and inefficient, in part a consequence of measures pushed under the MoU. Democratic practices involving citizen participation and consultation as well as the promotion of fundamental rights, such as equality, received little or no political consideration. Clientelistic relationships persist in Cyprian politics. As a result of legislation passed in 2015, for the first time, transparency in political party funding was effected, albeit with limitations. No final evaluation of this legislation is yet possible. Anti-corruption rhetoric coexisted with enforcement, yielding new corruption prosecutions, but interference from government and political parties continued. Despite the launch of an administrative court in 2016, the dispensing of justice remains unacceptably slow.

Progress has been made in implementing some new legal frameworks, including on banking system oversight. Fiscal performance and workforce unemployment were again better than forecasted. Unemployment in September 2017 was down to 10.3% (2015: 15.9%). The government abolished the immovable property tax and opened a discussion on whether and how to re-establish salaries, pensions, benefits and family-support measures to previous levels. A guaranteed minimum income and targeted measures have already mitigated the negative effects cuts have had on the living conditions of pensioners and other groups.

The overall share of persons at risk of poverty and social exclusion declined slightly in 2016. The rate increased for pensioners and declined slightly for immigrants (both EU and non-EU), the two most vulnerable groups, 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 holds true for environmental policies, where EU observes note a general failure to implement the law. Thus far the government has insisted on favoring land development at the expense of environmental conservation, placing Cyprus below EU standards on many environmental measures.

In 2017, disagreements and confrontations persisted. Proposals by the executive for reforms were rejected by the parliament, causing further delays to the implementation of essential reform policies. The banking system, and economy more generally, continue to suffer, burdened by foreclosures and non-performing loans. The future of quasi-governmental institutions pending privatization remains unclear.

Favoritism in political appointments and politically motivated interference with institutional functions remain challenges. At the same time, public sector reforms aimed at developing strategic-planning capacity, fiscal responsibility and stronger regulation appeared to have slowed or stalled. These deficits combine with a reluctance to comply with adopted rules and the absence of a coordinating body necessary for control. When action is taken, lack of policy skill and an effective administrative culture are obstacles to sustainable results.

Key Challenges

The main challenges Cyprus faces today remain the same as those identified in the bailout agreement. What is needed now though is increased resolve for change and willingness to comply with new policies. Policy actions aimed at preventing another crisis must go beyond solving the economic crisis. Given the negative repercussions of policy measures already taken, additional remedies will require close monitoring and repeated reassessment. Anticipating and, in some cases, addressing possible repercussions will be necessary. The government must recognize that the current crisis extends beyond the economy. Improvements in performance on some indicators must not weaken the resolve to engage resolutely in structural and procedural reforms. Successfully implementing these reforms also requires avoiding a return to the government's past administrative culture; what are needed now are sound goals and operational efficiency. Deepening respect for and enhancing fundamental democratic practices warrants administrative consolidation.

Within the financial sector, the government must solve longstanding challenges to reestablish trust in the economy and increase the country's international competitiveness. The effective settlement of non-performing loans would have positive effects on banks and the market. Clarifying policies on the privatization of quasi-governmental institutions also remains a necessity, to avoid their market value declining, which would harm stakeholders.

In the interest of sustainability, social and environmental policies must be radically reformed and considered holistically. The persistently excessive emphasis on business and financial interests should instead shift to favoring broader social benefits. The development of reliable infrastructure – expanding public transportation and reducing the excessive use of private cars – would benefit the economy, environment and society. The economy must be restructured to reduce its reliance on deeply business-cycle-dependent sectors; today's tourism and construction successes should not distract from this need for change. The country's economic success should be shifted to productive sectors, including research and innovation. Building planning capacity in the short term and managing hydrocarbon issues as a medium-term target may be part of this restructuring of the economy.

As stressed by the European Commission in 2017, the tax system requires revision so that taxation increases equality. Solving challenges in tax collection and tax avoidance remain imperative. While the system should treat all persons equitably, the fair reallocation of resources should be the system's goal; adequate funding of family, pension, health care and other welfare policies would enhance social equity. A medium-term target should aim at gradually returning to a functioning welfare state, rather than simply reducing the risk of poverty.

A sustainable recovery is only viable through efficient policies promoting greater transparency and enhancing law enforcement's ability to confine the margins of discretion that make corruption possible. Efficient oversight of corporate governance through clear monitoring mechanisms is still needed. A proper evaluation of the implementation of the law on party and elections funding would further assist efforts to increase transparency. Transparency is urgently needed on most policies, including on media ownership and the criteria and procedures governing appointments to public bodies.

The attainment of these diverse goals will require the government to accelerate the development of strategic-planning capacities and more effective policy implementation. For swift progress, governing bodies with clear mandates for coordination and coherent action are urgently required. Reforms of state structures and procedures at the central and local government levels can only advance units with sufficient strategic capacity. A governing body with sufficient powers and resources to evaluate laws and policy proposals remains a critical objective.

Overcoming favoritism to place capable managers in key positions remains a major challenge. Plans to develop strategic-planning capacities, and ultimately broad-based sustainability, will only be successful when a meritocratic administrative culture prevails.

Policy Performance

I. Economic Policies

Economy

Economic Policy
Score: 4

Since Cyprus exited its bailout program in March 2016 post-program surveillance reports praise the successful implementation of policies which accelerated growth and improved performance on some economic indicators. Despite these improvements, levels of confidence in the economy and on competitiveness remain low.

Seeking support by the European Stability Mechanism (ESM), in 2012, became necessary after 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 were a skilled labor force and a system of trilateral bargaining that secured productivity and labor-market stability. Today, Cyprus is in search of a new model to enhance its competitiveness and renew its role as an attractive center for investment. Its main assets remain infrastructure, technological readiness, health and education. These assets are coupled with high quality legal and accounting support services and favorable taxation. The island's geographic location and EU membership further these advantages.

In implementing the terms agreed to with Cyprus's creditors, the government's reform program and new policies were hindered by severe credit constraints. Efforts to reestablish confidence in and stabilize the financial system have thus far yielded a downsized financial sector controlled by stricter rules and enforcement mechanisms, ensuring the viability of the struggling banking sector.

Compliance with the terms of the MoU with creditors has been aided by tourism growth, large construction projects and private consumption. The IMF has forecast economic growth at 3.6% in 2017 and 3.75% in 2018. However,

risks and major challenges that are barriers to economic sustainability remain unresolved. These require, among other things, shifting economic activity from seasonal to perennial sources, reforming the public sector, accelerating the settling of non-performing loans and privatizing state-owned enterprises. The EU notes challenges from trade imbalances and, in concord with the IMF, note the risks of relying on foreign funding for large construction projects.

In 2017, progress on adopting policy solutions continued to be stymied by conflicts between the government and parliament. Moreover, political expediency is evident in recent government and parliament decisions reversing previous positions, a change possibly due to the January 2018 presidential elections.

Citation:

1. Post-programme EU Commission Surveillance Report, Spring 2017, Published July 2017 https://ec.europa.eu/info/sites/info/files/ip058_en_1.pdf
2. IMF Mission Statement, October 2017 <http://www.imf.org/en/News/Articles/2017/10/06/ms100617-cyprus-staff-concluding-statement-of-the-2017-article-iv-mission>
3. Global Competitiveness Index – Cyprus, World Economic Forum, 2017, <http://reports.weforum.org/global-competitiveness-index-2017-2018/countryeconomy-profiles/#economy=CYP>

Labor Markets

Labor Market
Policy
Score: 6

The sharp increase in unemployment rates caused by the economic crisis appears to gradually have been curbed. As expected, unemployment fell from 15.9% in 2015, to 10.3% in September 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. Issues under negotiation in 2017 include salary reductions as well as the suspension since 2011 of the cost-of-living adjustments (COLA). 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 from the second quarter of 2017 showed that non-Cypriot workers accounted on average for 20.4% of the employed, of whom 13% were EU nationals (up 2 percentage points since 2015) and 7.4% third-country nationals (down 1 percentage point since 2015).

While active labor-market policies continued in 2017 and helped further curb persistently high unemployment rates, the European Commission notes a limited scope of actions, no follow up, and training shortcomings. Additional issues of concern are youth unemployment, which remains high at 29% in the second quarter of 2017 and long-term unemployment (5.8% in 2016). Unemployment affects women slightly more than men. However, only 56.6% of women participate in the formal labor force and 48.2% are employed (2016), compared to 66.4% and 58.9% for men. In addition, we note high rates of short-term (16.5%) and part-time employment (14.3%) as well as a 4.5 percentage point decline in the labor force since 2012, due in part to emigration. Sustained growth in 2017 has offered more opportunities in the labor market.

Citation:

1. Labour Force Survey 1999-2016, Statistical Service ROC, 2017, [http://www.mof.gov.cy/mof/cystat/statistics.nsf/All/8914F6A811F8D1AFC2257F730037C429/\\$file/LAB-LFS-A99_16-EN-280717.xls](http://www.mof.gov.cy/mof/cystat/statistics.nsf/All/8914F6A811F8D1AFC2257F730037C429/$file/LAB-LFS-A99_16-EN-280717.xls)
2. Survey of Labour Market, Q2-2017, Statistical Service ROC, 2017 [http://www.mof.gov.cy/mof/cystat/statistics.nsf/All/2F431DE5F0B79F8CC2257FEA002E6D4B/\\$file/LAB-LFS-Q217-EN-200917.xls?OpenElement](http://www.mof.gov.cy/mof/cystat/statistics.nsf/All/2F431DE5F0B79F8CC2257FEA002E6D4B/$file/LAB-LFS-Q217-EN-200917.xls?OpenElement)
3. EUROSTAT, Employment Statistics September 2017, http://ec.europa.eu/eurostat/statistics-explained/index.php/Unemployment_statistics
4. EU Commission Semester Report Cyprus, February 2017, <https://ec.europa.eu/info/sites/info/files/2017-european-semester-country-report-cyprus-en.pdf>

Taxes

Tax Policy
Score: 6

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's 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 is 19% since 2014. Termination of a special levy on salaries was expected in 2017 and 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. Principles of equity are negatively affected by continued tax evasion and avoidance, with uncollected taxes amounting to €2.5 billion 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 EU. Bilateral treaties aim to 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.

Beyond efforts to improve tax collection, the European Commission characterizes the Cyprian tax-benefit system as the least effective in reducing inequalities (February 2017).

Citation:

1. EU Commission, Semester Report, February 2017, <https://ec.europa.eu/info/sites/info/files/2017-european-semester-country-report-cyprus-en.pdf>
2. Global Forum, Cyprus Tax Transparency Review Report – Phase 2, 30 October 2015, <http://www.oecd.org/tax/transparency/cyprus-supplementary.pdf>
3. Government collects 87m back taxes, Cyprus Mail, 3 October 2017, <http://cyprus-mail.com/2017/10/03/government-collects-e87-back-taxes/>

Budgets

Budgetary Policy
Score: 6

Budgets must conform with the provisions of the 2014 Law on Fiscal Responsibility and Fiscal Framework, which require basic planning within strategic targets set by the government. Compliance is under the close scrutiny of the finance minister. Implemented gradually, this is expected to enhance strategic planning capacity and oversight, from budget design to implementation, and aims to avoid past challenges that resulted in Cyprus's exclusion from global markets and the need for ESM support. These challenges were caused by structural economic imbalances that affected budgetary stability and rising expenditures when state income was in decline. Excessive uncollected taxes reduced state income while inflated public-sector salaries, rising social outlays and other factors contributed to increased state expenditures.

The European Commission and ECB view the containment of expenditure growth as essential for fiscal sustainability. The Cyprus Fiscal Council expressed concerns with government plans to meet the demands of representatives for employees, provident fund beneficiaries and others.

The 2017 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 are performing better than projected.

GDP was expected to grow by 3.6% in 2017 compared to 2.5% in 2016 (IMF). The debt-to-GDP ratio improved to 107.1% in 2016 and was expected to further recede in 2017 and decrease below 100% in 2018, according to the finance ministry. A fiscal surplus of 1% of GDP is also projected for 2018 compared to 0.9% in 2017.

Citation:

1. Sensitivity Analysis shows Public Debt Sustainable, Cyprus Business Mail, 1 November 2017, <http://cyprusbusinessmail.com/?p=54093>
2. IMF, Cyprus: Staff Concluding Statement of the 2017 Mission, 6 October 2017, <http://www.imf.org/en/News/Articles/2017/10/06/ms100617-cyprus-staff-concluding-statement-of-the-2017-article-iv-mission>
3. Statement by the EU Commission and ECB Surveillance Programme Mission, 29 September 2017, <https://www.ecb.europa.eu/press/pr/date/2017/html/ecb.pr170929.en.html>

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 capacity for innovation, the Global Competitiveness Index ranks Cyprus very low, 110th among 137 countries, while it is in 53rd position on the general innovation indicator. The EU notes the very low expenditure (as a percentage of GDP), with the private sector's investment in R&D placing Cyprus last in the EU28.

Despite a problematic situation hindering development, Cyprus's R&D target for 2020 remains 0.5% of GDP. This is the lowest in the EU, offering few prospects.

Citation:

1. Global Competitiveness Index 2017-8, Cyprus, Innovation, <http://reports.weforum.org/global-competitiveness-index-2017-2018/competitiveness-rankings/#series=GCI.C.12>
2. EUFORI study Cyprus Report, 2015, <http://euforistudy.eu/wp-content/uploads/2015/07/Cyprus.pdf>
3. EU Commission Cyprus Economy Semester Report, February 2017, <https://ec.europa.eu/info/sites/info/files/2017-european-semester-country-report-cyprus-en.pdf> see page 49

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.

Amendments to laws on money laundering and terrorist activities aimed at aligning with EU directives. These further strengthen the deterrent regime, enhancing the powers of financial-sector-supervisory authorities to ensure legal compliance and seize property acquired through unlawful activities. Since January 2017, Cyprus is a signatory to the Common Reporting Standard for information exchange.

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.

The IMF insisted in 2015 that Cyprus implement further reforms to strengthen banking- and financial-sector oversight under the provisions of the 2013 MoU. These recommendations have not been renewed, an indicator that good progress has been made. This was confirmed by assessments from Transparency International and the Bank of Cyprus.

Citation:

1. Updating Cyprus Money Laundering Record, InCyprus, 4 March 2017, <http://in-cyprus.com/updates-cyprus-money-laundering-record-2/>
2. Cyprus and Money Laundering <http://www.bocblog.com/2017/05/10/cyprus-continued-wins-against-money-laundering/>

II. Social Policies

Education

Education Policy
Score: 7

Cyprus's primary and secondary education is mainly public. Proposals for education reforms previously under discussion between the Ministry of Education and stakeholders have led to some changes. The teacher appointment system has been revised and semester exams have been introduced in secondary schools. Reforms have been undertaken since the 1990s, sometimes upsetting previous reforms. The focus of education is gradually shifting from knowledge-based learning to more 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.

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, funded largely by public authorities in addition to educational institutions and other organizations. Tertiary education is provided by public and private universities. 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.

Cyprus's expenditure on education as a share of GDP places it very high, but according to the EU education outcomes are relatively poor. Also, despite the

high rates of tertiary-education attainment (54.6% in 2015, Eurostat), few graduate with degrees in sectors linked to innovation.

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. Cyprus near Bottom Class yet another Educational Survey, Cyprus Mail, 7 December 2016, <http://cyprus-mail.com/2016/12/07/cyprus-near-bottom-class-yet-another-educational-survey/>
3. EU Commission, Semester Country Report, Cyprus, February 2017, <https://ec.europa.eu/info/sites/info/files/2017-european-semester-country-report-cyprus-en.pdf>

Social Inclusion

Social Inclusion
Policy
Score: 6

After rising to 28.6% in 2015, five percentage points above the pre-crisis rate (2008: 23.3%), the population share at risk of poverty or social exclusion declined to 27.7% in 2017. Until 2011, poverty rates (7.80%) were lower than the EU average, with the elderly at highest risk. The Gini coefficient was 32.1% (2015: 33.6%). 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.

The main policy actions since 2013 have included restructuring public-aid, targeted allowances and benefits, public sector employment quotas for persons with disabilities, and housing programs for young families and other needy populations. New policies were put in place aimed at assisting young people and other groups affected by these benefits reductions or the loss of employment. A guaranteed minimum income was introduced in summer 2014. The "not in education, employment or training" (NEET) rate is relatively high in Cyprus.

Among the groups at risk of poverty and exclusion (AROPE), foreigners faced greater risk than locals in 2016; the rate was 29.5% (2015: 33%) for non-Cyprian EU nationals and even worse at 44.4% (2015: 46.1%) for non-EU citizens. AROPE rates for persons over 65 declined from 33.4% in 2012 to 20.8% in 2015 to rise again to 22.9% in 2016. Elderly single women are at higher risk – 25.8% (2015: 24%) – than other groups.

Citation:

1. At-risk-of-poverty indicators 2008-2016, Cyprus Statistics Service, 2017, [http://www.mof.gov.cy/mof/cystat/statistics.nsf/All/AC5A89D9938EBEF7C22578A00031BACA/\\$file/EU_SILC-POVERTY-A2008_16-EN-061017.xls](http://www.mof.gov.cy/mof/cystat/statistics.nsf/All/AC5A89D9938EBEF7C22578A00031BACA/$file/EU_SILC-POVERTY-A2008_16-EN-061017.xls)

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 low infant-mortality rate (6.9 per 1,000 in 2015) and a high life expectancy at birth (79.8 for men and 83.5 for women in 2015). 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).

Cyprus has failed to meet its MoU obligations for establishing a national health care system (NHS) and offering full services by 2016. In 2017, a law for an NHS was voted on and approved. In addition, the government promoted the privatization of hospitals.

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
2. Free health care milestone... Cyprus Mail, 19 June 2017 <http://cyprus-mail.com/2017/06/19/free-healthcare-milestone-means-hurdles-remain>

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 be one of the reasons for low birth rates (1.32% in 2015). However, the rate of employment among women between 25 and 54 is high (74% in 2017 Q2). Families seek care for children under five years old primarily in the private sector, and in a small number of community centers under the supervision of the Ministry of Labor.

To compensate for the lack of adequate state policies and facilities for mothers, child care is commonly provided by family members, in particular grandparents; this has beneficial effects, including a reduced child-poverty rate. Parents with children attending kindergarten face additional expenses and need to provide transportation for their children, as the public-transportation infrastructure remains insufficient. The establishment of full-day pre- and primary school in many communities benefit only some families.

Special allowances for multi-member families and the guaranteed minimum income may alleviate difficulties posed by the economic crisis. Beyond a 2017 law advancing paternity leave, more policy actions are needed to remove the dilemma for young mothers' of having to choose between employment and the care of their young children.

Citation:

1. Demographic report 2014, [http://www.mof.gov.cy/mof/cystat/statistics.nsf/All/6C25304C1E70C304C2257833003432B3/\\$file/DEMO_GRAPHIC_REPORT-2015-301116.pdf](http://www.mof.gov.cy/mof/cystat/statistics.nsf/All/6C25304C1E70C304C2257833003432B3/$file/DEMO_GRAPHIC_REPORT-2015-301116.pdf)
2. Government Opposed Paternity Leave for Unmarried Fathers, Cyprus Mail, 12 September 2017, <http://cyprus-mail.com/2017/09/12/government-opposed-paternity-leave-unmarried-fathers/>

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 no longer face the highest risk of poverty thanks to amendments to various benefits schemes since 2012. This has improved Cyprus's ratio of pension expenditure to GDP, which until 2012 was the EU-27's second lowest.

A range of pension schemes places public employees in a better position than private sector workers. They benefit from different retirement ages, depending on their sector of work, and receive both state and social-insurance pensions, along with a bonus upon retirement. Private sector workers have access to social-insurance benefits and, some, to provident-fund schemes. Provident funds suffered drastic capital losses from the 2013 bail-in and from mismanagement. Reforms to the social-insurance system have been beneficial. Changes included an increase in the retirement age, increases in employers' and employees' contributions, special allowances for specific groups and the guaranteed minimum income (GMI) program. These measures have partially mitigated the economic crisis's worst ills affecting vulnerable groups. Pensioners, in particular women, appear to have benefited significantly from the GMI, improving the AROBE rate.

The European Commission notes that the gender gap in pensions is the highest in the EU and expresses concerns about the very high increase in inequality. However, 2017 data show some improvement on these indicators.

Citation:

1. EU Commission, Semester Economic Report, Cyprus, February 2017, <https://ec.europa.eu/info/sites/info/files/2017-european-semester-country-report-cyprus-en.pdf>
2. At Risk of Poverty Statistics 2008-2016, Cyprus Statistics Service, 2017, [www.mof.gov.cy/mof/cystat/statistics.nsf/All/AC5A89D9938EBEF7C22578A00031BACA/\\$file/EUSILC-POVERTY-A2008_16-EN-061017.xls](http://www.mof.gov.cy/mof/cystat/statistics.nsf/All/AC5A89D9938EBEF7C22578A00031BACA/$file/EUSILC-POVERTY-A2008_16-EN-061017.xls)

Integration

Integration Policy
Score: 4

In 2017, Cyprus's labor force included 20.4% migrants, 13% other EU nationals and 7.4% non-EU citizens. This is indicative of significant changes since 1989, when the granting of temporary working permits commenced. Despite very restrictive policies, the flow of workers continued, initially from Southeast Asia, Central Europe and after 2004 from the EU. Policy changes and some integration projects have taken place, but a comprehensive integration policy is missing.

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. Non-EU citizens are at a very high risk (2016: 44%) for poverty and exclusion.

Some recent policies aim at providing education to all children as part of the compulsory education scheme, including access to language classes. These efforts, along with timid family-reunification policies, remain insufficient for

achieving integration. The latter introduce restrictive criteria such as fulltime employment, high fees and limited access to the labor market by dependents.

Government officials have stated support for prioritizing the employment of Cypriots, which increases pressures on immigrants in the labor market. Also, there are few opportunities for non-EU migrants to participate in democratic life or to attain citizenship. The authorities, however, offer citizenship to very wealthy investors or depositors.

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 considered a safe environment. A World Health Organization survey found it the world's safest for young people. Being an island state, 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. Despite incidents of serious crime, including assaults and homicides, Cyprus remains safer than other EU countries. Burglaries and robberies are by far the most common crimes, occurring with a relatively stable frequency. Law-enforcement efforts targeting minor wrongdoings such as driving offenses and 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 noted.

Citation:

1. Cyprus the safest in the World for Young People, Cyprus Mail, 22 August 2017, <http://cyprus-mail.com/2017/08/22/cyprus-safest-country-world-young-people>
2. Crime and Safety report 2015, OSAC (US), <https://www.osac.gov/Pages/ContentReportDetails.aspx?cid=16921>

Global Inequalities

Global Social
Policy
Score: 4

Cyprus participates and contributes in development-cooperation programs within the context of its membership in major international organizations. Its main policy is tied to that of the EU as well as manifested through international-cooperation and bilateral agreements in various fields. Cyprus 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. Its official development assistance (ODA) amounted to 0.1136% of GDP in 2012

with an ODA target set at 0.33% by 2015. However, the last update of the CyprusAid website was in 2013.

Actions and policies do not appear to form part of a specific national strategy; rather, they take place primarily within existing international frameworks. The government 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.cypirusaid.gov.cy/planning/cypirusaid.nsf/page11_en/page11_en

III. Environmental Policies

Environment

Environmental
Policy
Score: 4

The absence of a comprehensive and coherent policy, dispersed responsibilities and a lack of political will for environmental protection place Cyprus very low on many relevant EU ratings. The country has failed to meet its EU, despite pressures from local and international organizations. Despite awareness-raising efforts and pressure from environmental groups since the late 1980s, threats to the environment continue as authorities favor projects with high environmental impacts. Moreover, representatives from both public and private institutions have asked Brussels to relax environment protection rules.

The country's response to demands for climate protection remains insufficient in many respects. According to the European Commission (2017), promising plans to reduce gas emissions require more action, including a reduction in fuel dependency and access to good public transportation infrastructure. The use of environmentally friendly energy showed progress recently. The Commission also points to eco-innovation as an opportunity for development, since Cyprus currently ranks 26th.

According to the Commission, one of the three major environmental challenges is water management because of Cyprus's dependency on rainfall and extraction. Desalination and limited wastewater reuse are present, but these also have negative effects. The illegal drilling for water and government's promotion of water-hungry projects such as golf courses also negatively impact efforts toward effective water management.

Forest protection under a national program for the 2010 – 2020 period aims at reforestation, the reduction of fire hazards, and protection from pollution and other risks. However, the Commission considers the adequate protection of Natura 2000 areas as a second major challenge. Before approving projects, the government should ensure proper impact assessments are carried out. Areas such as the Akamas peninsula are shrinking and placed at risk by government decisions and the activities of private developers. Local authorities and communities often rally with developers in seeking profit at the expense of environmental protection.

Waste management, including avoiding the expansion of landfills, is a third major challenge. The Commission has threaten Cyprus with sanctions if the waste management problem remains unresolved.

In addition to public authorities reluctant to protect the environment, the economic crisis has been used as a pretext for the relaxation of environmental rules. New land development projects are having additional negative effects on ecosystems. A 2017 law leaves the door open for the privatization of beaches. Political expediency continued in 2017 with the failure to effectively enforce rules against illegal hunting that threaten protected species.

The Commission did praise Cyprus for the quality of its bathing water and expansive size of Natura 2000 areas (29%). This size is largely due to the extensive area of the Troodos mountains.

Citation:

1. EU Commission, Environmental Implementation Review, Cyprus, 2017, Environmental Implementation Review
2. New Law leads to Privatisation of Beaches, Opinion, Cyprus Mail, 28 September 2017, <http://cyprus-mail.com/2017/09/28/view-new-law-lead-privatisation-beaches/>

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. Poor performance in this respect means that Cyprus is not an agenda setter, 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 have voting rights and are eligible to run for office in local elections. Since 2014, voting rights and the eligibility to run for office in European parliamentary elections are conditionally extended to Turkish Cypriots residing in 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 €2,000 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 the pre-election period; there is, however, discrepancy in the law about its duration. 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.

The rules on media access appear to be respected in practice. Smaller parties enjoyed proportionally more time on public service media in 2016. However, the lack of publication of a code of conduct is a serious shortcoming that affects our evaluation. Also, female candidates have a worryingly low level of media access and visibility.

Citation:

1. The Law on Radio and Television Stations, L. 7(I)/1998, in English, available at <http://crt.a.org.cy/images/users/1/FINAL%20CONSOLIDATED%20LAW%2016.3.17.pdf>
2. Report on RIK, public broadcaster for 2016, CRTA [Unpublished report].
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 ceased to be mandatory in 2017, while recent amendments to the law on voting registration have aimed to facilitate 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 was very low (20-25% of those eligible) in the 2000s. Also, abstention rates have risen sharply in particular in local elections, despite voting being mandatory until mid-2017.

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

Citation:

1. Mandatory voting abolished, Cyprus Mail, 7 July 2017, <http://cyprus-mail.com/2017/07/07/mandatory-voting-abolished/>
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

State funding of political parties and affiliated organizations was established in 1989. The most recent amendment of the law in November 2015, in response to GRECO and other organizations' 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; this goes up to €1 million for presidential candidates. The law lists activities that constitute corruption and which must be avoided by candidates. Non-compliance and corruption are subject to fines and/or imprisonment, depending on the offense.

In its March 2016 report, GRECO noted that most of its recommendations are only partially implemented. Per party and candidate electoral accounts for 2016 were submitted and audited. In his report, the auditor general noted some problems that limit the scope and efficiency of control; among others, the lack of legal obligation in the law for submitting payment documents as well as no clear definition of the term "personal expenses." The auditor general also noted omissions and discrepancies in submitted accounts and announced more robust auditing for reviewing parties annual accounts for 2016.

The caps set for donations and per-candidate expenses seem excessively high given the small size of the electorate (550,000 voters) and the market. Also, the criteria used to set the level of annual or extraordinary state subsidies to political parties remain opaque.

Citation:

1. Audit boss flags party election expenses, Cyprus Mail, 23 June 2017 <http://cyprus-mail.com/2017/06/23/audit-boss-flags-party-election-expenses>
2. 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>
3. 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.

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 30th place out of 180 states in 2016 without further details.

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, 2016, <http://cmpf.eui.eu/media-pluralism-monitor/mpm-2016-results/cyprus/>
2. Reporters without borders, Cyprus <https://rsf.org/en/cyprus>

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, with a threshold of 25% on capital share in audiovisual media, and disallowing cross-media conglomerates. Very limited ownership data are publicly available. In 2017, additional print media companies faced serious challenges or closed down.

A deliberate focusing of attention on the Cyprus problem and a predominance of polarized viewpoints over real debate persisted in 2017. Additional themes such as corruption, the financial crisis and the need to address hydrocarbon use were also covered. Issues of social concern such as multiculturalism, the need for transparency and governance quality were also on covered during the period under review. The absence of analytical reporting, combined with advocacy journalism are major problems.

The government and other mainstream actors largely monopolize media access, restricting the spectrum of themes covered and viewpoints expressed. A focus on partisan confrontations, polarized viewpoints and blaming lead to critical problems rarely being discussed in a meaningful manner.

Access to
Government
Information
Score: 3

Citation:

1. Media Pluralism Monitor Cyprus, 2016 <http://cmpf.eu.eu/media-pluralism-monitor/mpm-2016-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>

No legal framework on access to official information exists. References to the issue are found in various legal documents: in 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) prohibits the disclosure without authorization of any information that comes to employees in the exercise of their duties. Despite administration efforts, including the creation of an open-data portal where officially generated data is published, access to information is limited by the absence of specific and coherent legislation. This leads to contradictory policies by government officials, which ultimately limits 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 on a draft law under discussion since late 2015, criticized by NGOs as being below international standards.

Citation:

1. Press report, NGO calls for FOI fees to be axed, <http://cyprus-mail.com/2017/02/18/ngo-calls-foi-fees-axed/>
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’s 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. They relate to the treatment of asylum-seekers and economic and irregular migrants, overcrowding in prisons and other issues. Compliance with European and international rules and standards remains deficient. On human trafficking, Cyprus has again moved to Tier Two in the U.S. Department of State 2017 report, the actions of Cyprian authorities’ deemed non-satisfactory.

Also, 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), problems persisted. These concern the detention of migrants and asylum-seekers, exploitation of migrant workers, offering of low salaries, and denial of social insurance. Thus far, measures to combat trafficking and eliminate labor exploitation, including more severe penalties for offenders, appear to not be yielding satisfactory results. Interventions by NGOs appear to slightly compensate for deficient official action by assisting various groups in overcoming barriers that constrain access to legal protection. Cyprian society's perceived complacency continues to show signs of positive change on some issues. Cyprus responded to the GRETA report and provided information and data on its actions in December 2016.

More proactive and sustained measures are necessary because of the effects the financial crisis has had on vulnerable groups. New policies and forms of assistance are needed because of increased competition in the labor market. Under economic crisis conditions, both locals and immigrants hesitate to seek the legal protection of their rights. Instead, repatriation appears to be a favored solution for foreign workers and emigration for locals.

Citation:

1. USA State Department Report on Human Rights, Cyprus -Released 2017, <https://www.state.gov/j/drl/rls/hrrpt/2016/eur/265408.htm>
2. CoE GRETA report on Human Trafficking, 2015, <https://rm.coe.int/CoERMPublicCommonSearchServices/DisplayDCTMContent?documentId=0900001680631b96>
3. USA State Department 2017 Report on Trafficking, Cyprus <https://www.state.gov/j/tip/rls/tiprpt/countries/2017/271175.htm>

Political Liberties
Score: 7

Political liberties and the protection of fundamental human rights are enshrined in the constitution and protected by law. NGOs and other associations flourish in Cyprus. New media multiplied available channels for petitions, protests and rallies. Cases of pressure on minorities to attend religious ceremonies at schools have been reported. While religious groups are allowed to worship without interference from the authorities, isolated complaints were reported on the state of places of worship and other issues.

Strong professional associations and trade unions continue to enjoy easier access to public authorities than groups such as immigrants. The latter often require assistance from NGOs to make their requests public.

A supreme court decision in December 2016 considered the seizure of personal computers in a libel case as disproportionate. This practice during investigations raises serious concerns about the infringement of fundamental

rights. The handling of seized computers and other forms of personal data by officials is often carried out in an insecure manner.

Libel was decriminalized in 2003 and Cyprian courts apply European Court of Human Rights (ECHR) free expression and shield standards. However, cases and threats to sue for libel/defamation persisted, both by politicians and businesses. This threatens the ability to scrutinize public figures, authorities and businesses.

The clientelistic system exerts “ambient” pressures on citizens’ liberties, indirectly undermining individual fundamental rights.

Citation:

1. Department of State Report on Religious Freedoms, Cyprus (released 2017) <https://www.state.gov/j/drl/rls/irf/religiousfreedom/index.htm#wrapper>
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/>

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, issued 17 reports/decisions on complaints in 2016 and 2017. A 2015 CoE report recommended actions to protect minorities’ rights and raise awareness on issues of human rights and anti-discrimination among the police and judiciary.

Citation:

1. Reports -decisions of the Ombudsman as Authority against Racism and Discrimination 2016, 2017, (in Greek) http://www.ombudsman.gov.cy/ombudsman/ombudsman.nsf/index_new/index_new?OpenForm
2. CoE committee on minorities, Cyprus 2015, rm.coe.int/CoERMPublicCommonSearchServices/DisplayDCTMContent?documentId=0900001680483b48

Rule of Law

Legal Certainty
Score: 5

The foundations of the state apparatus inherited from the period of British colonial rule have been weakened over the years, but operational capacities and adherence to the law have remained consistent. Following the collapse of bi-communality in 1964 and exclusive exercise of power by Greek Cypriots, constitutional arrangements render a very strong executive (president).

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. Several laws passed by parliament in 2016 were subsequently referred by the president to the supreme court for review and many were found unconstitutional. Action on important matters (e.g., foreclosures) have been delayed, which undermines 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 2017. The executive clashed repeatedly and for long periods with the auditor general and attorney general. The clientelistic rather than meritocratic selections 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:

Cyprus Mail, Finance ministry accused of not respecting the public good, <http://cyprus-mail.com/2017/05/16/finance-ministry-accused-not-respecting-public-good/>

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 (appellate) supreme court. Appeals are decided by panels of three or five judges, with highly important cases requiring a full quorum (13 judges).

Appointment of
Justices
Score: 7

Citation:

1. Brussels asks Cyprus to address inefficiencies in public sector, Cyprus Mail, 23 May, 2017, <http://cyprusbusinessmail.com/?p=45508>
2. Judicial system 'unacceptable', court buildings 'a disgrace' top judge says, Cyprus Mail, 26.10.2017, <http://cyprus-mail.com/2017/10/26/judicial-system-unacceptable-court-buildings-disgrace-top-judge-says/>

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. Five of the 13 supreme court justices are female.

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 from civil society organizations and media for more transparency have had some positive effects. However, the European Commission noted in 2017 that "the Coordinating Body against Corruption is not adequately staffed, and weaknesses in the disciplinary regime for public servants remain unaddressed." We note, for example, that no report is available on how a public service code of conduct has been implemented since 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. EU Commission recommendations, Cyprus, May 2017 https://ec.europa.eu/info/sites/info/files/2017-european-semester-country-specific-recommendations-commission-recommendations_-_cyprus.pdf

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 remain neglected. Extending the competences assigned to the former Planning Office, now the Directorate General for European Programs, Coordination and Development (DGEPCD), to other relevant tasks remains under discussion. Thus, the ambition that DGEPCD's work would supplement the ministry of finance's budgetary planning and broaden it by including more aspects related to development remains uncertain.

The 2014 law on fiscal responsibility aimed to enable the government to identify goals and design policy actions from a strategic planning perspective. However, its implementation has been hamstrung by political expediency and its expansion to more services faces problems of coordination. Efforts to extend the implementation have not benefitted from the centralization and extensive powers assigned to the minister of finance. Both the European Commission and IMF have noted that reform work has slowed down.

Citation:

1. The new structure of former Planning Bureau,

http://www.dgepcd.gov.cy/dgepcd/dgepcd.nsf/index_en/index_en

Scholarly Advice
Score: 3

Scholars were appointed to the governing bodies of quasi-governmental institutions 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.

This continued to a certain extent through a Cyprian tradition of setting advisory bodies. Their tasks and scope of work were limited to informing the

public, raising awareness on specific issues, drafting reports or making proposals. The non-binding character of their proposals meant that little attention was paid to them by decision-makers. One example is the Fiscal Council, which has seen its advice not taken into account by the government.

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. Fiscal Council is right to query pension fund compensation, Opinion, Cyprus Mail, 23 August 2017, <http://cyprus-mail.com/2017/08/24/fiscal-council-right-query-pension-fund-compensation>

Interministerial Coordination

GO Expertise
Score: 2

Under Cyprus's 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.

Under the law on fiscal responsibility there might be some GO control, but this mostly focuses on budgetary aspects. While no constitutional clause supports assignment of such powers, a body with expertise on the subject, the secretariat of the Council of Ministers, lacks such expertise.

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 tasks of the Council of Ministers' secretariat are limited, with no power or 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.

Under the law on fiscal responsibility, the budgetary aspects of policy proposals are controlled by the minister of finance to ensure compliance with general budget plans. The establishment of a central coordinating body for ensuring compliance with the government's strategic fiscal plan is foreseen.

Cabinet
Committees
Score: 5

Forming ad hoc interministerial committees is a regular practice. Their tasks focus on procedural and sector-specific matters (e.g., promoting road safety and combating fire hazards). The formulation of a general policy frameworks is also within their purview. They are supported by departments or technical committees mainly from within the ministries; 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. The ad hoc character of this practice makes it difficult to implement cohesive strategic planning.

Citation:

1. Fire Season Planning begins Ministerial Committee meets, Cyprus Mail, 31 January 2017 <http://cyprus-mail.com/2017/01/31/fire-season-planning-begins-ministerial-committee-meets/>

Ministerial
Bureaucracy
Score: 5

The constitution limits the number of ministries (10+1), with each's broad area of responsibility governed much like a fiefdom. Ministry officials and civil servants participate in ad hoc bodies or seek coordination with other ministries, but the final decision is usually taken by ministers themselves.

New units formed as a result of recent reforms should lead to more interministerial interaction. Greater consultation between line ministries on policy matters and efforts to coordinate the implementation of policy decisions is needed.

Informal
Coordination
Score: 4

A practice of informal meetings exists but is infrequently utilized. During the post-2010 economic difficulties, more formal meetings took place than before. In recent months, a very small number of ad hoc formal meetings took place, mainly information gathering and consultation meetings. Discord between political actors rather than effective consultation dominated the field, with parties usually opposing government proposals.

Citation:

1. MPs reprimanded Two Laws declared Unconstitutional, Cyprus Mail, 6 September 2017, <http://cyprus-mail.com/2017/09/06/mps-reprimanded-two-laws-declared-unconstitutional/>

Evidence-based Instruments

RIA Application
Score: 6

As part of a better regulation project begun in 2007, a RIA is required for every new policy measure. After years of hesitation that limited RIAs to a simple questionnaire, a robust tool was adopted in 2016. This change included training to enable government employees to efficiently implement the new assessment. Since January 2017, RIAs are applied rather systematically. An annual evaluation report will be submitted to the Council of Ministers.

Before the 2016 reforms, the method used to assess the impact of policies consisted simply of line ministries seeking the views of other ministries and listening to the views of stakeholders during parliamentary committee discussions.

Citation:

1. Better Regulation 2nd Progress Report, September 2017 [in Greek], <https://issuu.com/presidency-reform-cyprus/docs/2>

Quality of RIA
Process
Score: 5

The present system of impact assessment took effect in January 2017. All government bodies must implement RIAs. Stakeholders, in particular SMEs, also have a role in the process.

An evaluation of the extent and quality of RIA implementation will be only possible through the 2017 annual report. Public access to submitted RIA documents is not provided and no independent evaluation of the system is foreseen by the current system.

Sustainability
Check
Score: 4

The assessment questionnaires inquire on positive and negative impacts of a policy proposal across various aspects of the economy, society, and environment as well as on the processes and work of the government. It also examines the methods and processes followed, including interactions with other ministries' services and consultations with the public or other stakeholders.

There are three questionnaires: for new legislation or amendments, for legislation transposing EU directives into national law and for legislation ratifying international treaties.

Questions on sustainability are exclusively economic, focused on the impact on the budget and macroeconomic effects.

Negotiating
Public Support
Score: 5

Societal Consultation

Consultation with societal actors has been a general practice for decades. However, assumptions on the possible reactions of stakeholders has often lead Cyprian governments to engage in consultations, mostly with powerful trade unions, only when a threat seems serious. This has lead to more vociferous stakeholders. The need to abide by the clauses of the MoU led the government to sharply reduce consultation procedures. However, public demands rejected in previous years received government approval in 2016 and 2017, including the quasi-abandonment of projects to privatize telecoms and electricity. Less powerful groups and unions have been less successful under the crisis conditions.

Public consultation before rule-making is a regular practice in some departments but less systematic than needed. 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.

Citation:

1. The Scandalous Way Decisions are Taken, Opinion, Cyprus Mail, 6 September 2017, <http://cyprus-mail.com/2017/09/06/view-scandalous-way-important-decisions-taken/>

Coherent
Communication
Score: 3

Policy Communication

Government communications are mainly channeled through the Press and Information Office (PIO), which hosts and logistically supports the government spokesperson and has liaison officers for the line ministries. Today's over-mediated environment exacerbated, to some extent, long-standing problems of coherent communications. The president assumed the key role of presenting and explaining important government decisions and policies. Line ministers assumed their role to communicate policy measures in their fields of competence. However, again in 2017 the government's communication strategy suffered frictions with state officials. In addition, contradictions between previous positions and revised decisions continued to overshadow communication efforts.

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 European Commission has praised the Cyprian government for its impressive success in containing the fiscal and financial crisis and achieving growth. Notwithstanding, the government's implementation of clauses of the MoU signed with creditors relating to critical and long-term actions, such as sectoral shifts in the economy, reforms, and privatization, has been slow and inadequate. Furthermore, while a NHS was due to be fully operational in 2016, necessary legislation was only passed in 2017.

More decisive reforms would alleviate the negative impacts on people's welfare and reduce the risk of poverty and exclusion. While the government's policies improved economic confidence and competitiveness, the markets remain hesitant.

Citation:

1. Statement of the staff of EU Commission and the ECB... Cyprus, 29.09.2017, <http://www.ecb.europa.eu/press/pr/date/2017/html/ecb.pr170929.en.html>

Ministerial
Compliance
Score: 4

Under the presidential system, appointments and dismissals are the president's prerogative and implementation of state policies rests with a minister's ambition to succeed or desire to stay in office. Thus, the key factor is each officeholder's personality and dedication. The initiation of reforms and promotion of strategic planning may provide benchmarks for an evaluation based on goal achievement, a motivating factor for quality work.

Monitoring
Ministries
Score: 4

The constitution provides that overall coordination lies with the Council of Ministers. This creates a circular relationship since each minister is the sole authority in his/her ministry. The monitoring and coordination functions of the DGEPCD are connected to a taskforce team at the presidency. Their powers as well as those assigned to the finance minister create a central oversight and coordinating mechanism, albeit mainly on budgetary and fiscal issues; neither is founded in the constitution.

Monitoring
Agencies,
Bureaucracies
Score: 3

The Council of Ministers appoints the governing bodies of quasi-governmental institutions and approves their budgets (after line ministries review them, but before a vote in parliament). The need for closer scrutiny and significant reform of the public sector led to measures that enhance control but, regrettably, not oversight. Clientelistic practices prevailed in the past, serving government and partisan objectives. However, amendments to the law on the governing bodies of quasi-governmental institutions (2014) appear to offer room for closer oversight, though ample favoritism remains possible.

The situation among local authorities is similar. Legislation for their reform is still pending. Though some municipalities faced bankruptcy, no significant

improvement in management or response to chronic challenges has been discernable.

Citation:

1. Municipalities overall Debt seen at €448.9m in 2015, Cyprus Business Mail, <http://cyprusbusinessmail.com/?p=37474>

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 recently. In addition, the Council of Ministers, in particular the ministers of interior and finance, have expansive powers to manage the finances and assets of municipalities. The recent creation of new municipalities has increased local government budget needs. Pending legislation aims to reorganize municipalities and improve their management, increasing centralization and the control of state funding. However, the main challenges facing Cyprus are inefficiency, mismanagement and corruption – all larger challenges than elsewhere.

Citation:

1. President pledges Funds for Healthy Reformed Municipalities, Cyprus Mail, 12 August 2017 www.cyprus-mail.com/2017/08/12/president-pledges-funds-healthy-reformed-municipalities

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 of 1985. Local authorities demonstrate limited capacity and efficiency. The aforementioned constitutional clauses have led to restrictions on municipalities' powers. Budgets, specifically management decisions regarding selected financial issues and assets, are subject to approval by the Council of Ministers. Additionally, the law on fiscal responsibility (20(I)/2014) imposes stricter controls. Arguments in favor of reducing the (excessive) number of municipalities are strengthened by their chronically deficient management. Thus, local governments must prove that they deserve their autonomy.

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 often lack consistency and universality. Planned 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. However, an evaluation report on their application across government levels, including local authorities, is still not available. When implemented, these reforms may reduce individual

discretion regarding the 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

The rigidity of the 1960 constitution along with a chronic lack of innovation from within government have necessitated comprehensive reforms. Work on improving the country’s administrative structures has been slow; some reform proposals before the parliament have been outright rejected or neutralized through amendments. EU accession led to the creation of new institutions, but did not reform the overall structures of the state. With Cyprus constituting a single region under the EU’s “cohesion policy,” European policies aimed at strengthening the role of regions have had only very limited impact. The government’s focus has been primarily on strategic planning for budgetary and fiscal purposes, with only limited consideration of administrative structures and culture.

Citation:

1. Reforms Commissioner to battle on with Civil Service Reforms, Cyprus Mail, 22 March 2017, www.cyprus-mail.com/2017/03/22/reform-commissioner-battle-civil-service-reform/

International
Coordination
Score: 4

Cyprus’s preoccupation with its own challenges has prevented it from sufficiently seizing opportunities offered through its membership in the EU, UN and other intergovernmental organizations. Its contribution to global public welfare is limited and mechanisms or plans to ensure such contribution are largely absent. Instead, the Cyprian government’s focus remains on bilateral relations and isolated contributions on specific matters in international fora. Since 2012, government resources and attention have mostly been absorbed by efforts to overcome the economic crisis. However, the discovery of hydrocarbons has yielded some initiatives aimed at coordinating with neighboring countries, given that existing conflicts are fueled by these explorations. Nevertheless, Cyprus’s strategic location offers a great potential to contribute to the common good in the region and globally.

Organizational Reform

Self-monitoring
Score: 4

While post-program surveillance by creditors is in place, government reform efforts include institutional monitoring in the framework of the better regulation project started in 2017. Some progress is noted, along with

resistance by line ministries and disagreements with political parties and the parliament. As in previous years, the government's many conflicts with various independent state officers that audit or check the legality of executive actions damage its credibility.

To meet EU obligations, some monitoring is necessary. The better regulation project attempts to extend this monitoring to more sectors. However, the project must overcome its own limited capacity, including the absence of a central monitoring body.

Tense relations between the executive and parliament have not helped. Also, the parliament's own legality check failures led the supreme court to declare 15 out of 16 laws the parliament approved in 2016 unconstitutional. These had been referred to the court by the president.

Finally, to this day no assessment has been made public on the impact of recent massive voluntary retirements on public service capacity.

Citation:

1. Capital Statement law is a massive Joke, Opinion, Cyprus Mail, 8 September 2017, www.cyprus-mail.com/2017/09/08/view-capital-statement-law-massive-joke

Institutional
Reform
Score: 5

Efforts to improve the efficiency of the administration continued mostly through legal measures, some of which were blocked by parliament. They aim, among other things, at improving personnel selection and promotion, speeding up procedures, creating control mechanisms, and clearing confusion on roles and competences. Clear indications of capacities improving are scarce.

Improvements, such as expanding strategic planning capacities and establishing monitoring and evaluation mechanisms, have only just begun. Both will require extensive professional training among personnel.

II. Executive Accountability

Citizens' Participatory Competence

Policy
Knowledge
Score: 5

Traditionally strong interest and high participation in politics and elections has given way to indifference and increasing rates of abstention. Despite voting being mandatory until mid-2017, abstention rates tripled from 2006 to 2016 (33%). Also, only 20% to 25% of young people are registered to vote. Trust in institutions has sharply declined to very low levels, including even the judiciary.

The extensive disengagement of citizens from institutions and politics is a consequence of the political establishment's failure to respond to people's concerns and persistent challenges. Delays in the administration of justice as well as impunity are also serious problems.

The growing political alienation has been compounded by the declining trust in institutions. The government's conflicts with state controlling/audit officers have fueled confusion or tacit disapproval of government policies and diminished the public will to stay informed on politics. The daily lives of many Cyprians clearly contrast with the government's accounts of successful fiscal policies, accentuating their alienation.

Citation:

1. Opinion poll on trust in institutions, CYMAR, May 2017, <http://cymar.com.cy/en-gb/results/cyprus-institutions/>

Legislative Actors' Resources

Parliamentary
Resources
Score: 3

The House of Representatives took a small step with regard to parliamentary resources by digitalizing archival material. Its moderately sized staff provides primarily administrative and secretarial support. A research, studies and publications division produces publications on specific subjects as part of the House's engagement in social events and activities. There are no public reports of the division or personal assistants to deputies conducting genuine expert research. Similarly, no information is publicly available or included in the House's annual report on the results of cooperation agreements signed with universities and other research institutions. The parliament does possess a rich library, though it remains underused.

Parliamentary committees obtain information on the government's activities through written questions to or meetings with ministers and other administration officials.

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 misguiding 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 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. No explicit obligation is set in law other than to provide genuine data and information and tell the truth if one chooses to attend.

In practice, interested parties and stakeholders are invited to present their views, but inviting independent experts or seeking their written comments remains very rare.

Citation:

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

Task Area
Congruence
Score: 5

The constitution provides for 10 ministerial portfolios, increased to 11 when a Ministry of Education was assigned with the tasks of the Communal Chamber, dissolved in 1965. In the present House of Representatives (80 seats, of which only 56 are occupied), there are 16 committees; one for each ministry plus others dealing with specific cross-ministerial matters. According to the House's activity report for the 2015/2016 session (latest available), committees held 650 meetings overall (compared to 746 in 2014/2015). The Refugees, Enclaved and Missing Persons Committee held 24 and the Finance and Budget Committee held 82 meetings.

Properly monitoring ministries' work is hindered by three factors: the small number of deputies (56), high membership in most committees (nine) and very broad scope of each line ministry's competences. Each deputy must participate in at least three committees and, given their limited resources, faces difficulties to meet their obligations. As a consequence, the attendance rate at meetings is low, prompting parliamentary action.

Citation:

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, the highest authority in 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 about the auditor general's work, which regularly invites him/her to the meetings of parliamentary committees. The office has the power to review "all disbursements and receipts, and audit and inspect all accounts of moneys and other assets administered, and of liabilities incurred, by or under the authority of the republic." This gives it oversight authority over all three estates, local governments and the broader public sector. Over the years, the audit office has been elevated to a highly respected authority.

Ombuds Office
Score: 5

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.

Citation:

The Ombudsman's office,

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

Media

Media Reporting
Score: 5

The media landscape is dominated by infotainment programming and excessive advocacy journalism that lacks analysis. The capacity to analyze and evaluate policies is generally hampered by a low level of issue knowledge, poor research and partisan biases as well as a low awareness of the media ethics code. Instead, conspiracy theories often prevail in media reporting. Pressure on print media led to the closing down of newspapers, shrinking the sector and highlighting its dependency on financial interests.

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 and mostly on the public broadcaster. Analysts often fail to disclose their political connections or other conflicts of interest. Journalists' personal views and preferences also influence reports and debates. Media did take a critical stand in 2017 in response to inconsistencies in the government's policies. Nonetheless, the media's approach to covering institutions and politicians was sometimes guided by preconceived ideas or self-interest.

Media coverage has also been hampered by the polarizing rhetoric and confrontational tactics of political figures' as well as the absence of productive public debate. Polarized viewpoints 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

The opening witnessed in the 1990s and early 2000s that extended powers to party members and their friends has suffering a backlash in recent years. Attempts to reach "consensus" and other practices cancel or limit the exercise

of these rights. In 2016, political expediency or party alliances guided the selection of mayoral candidates. Similarly, the nomination of presidential candidates for the January 2018 election was almost exclusively left to the top bodies of the political parties. These phenomena undermined the powers of grassroots party bodies and members.

The Democratic Rally (Δημοκρατικός Συναγερμός, DISY) sought in recent years to avoid internal procedures. In both intra-party and public-office elections, “Consensus” or the proposals of “strong” candidates were sometimes chosen instead of following the procedures set out in the party’s statutes. The selection of the presidential candidate for 2018 was merely a formal approval of the announced candidacy of the incumbent president. DISY’s electoral programs are drafted and approved by its governing bodies, with its program choices built upon opinion surveys and the advice of communications consultants. The party’s leader follows a highly centralized and personal management approach.

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. The whole process, however, lacks transparency. The party congress (1,200 to 1,400 party cadres nominated by party cells), elects the CC (105 members), which in turn elect the secretary-general. AKEL’s presidential candidate is selected by votes cast by party cells, though it is the CC that delivers the nomination. 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.

Association
Competence
(Business)
Score: 4

The spirit that has prevailed in industrial relations – characterized by a will to compromise to avoid industrial action – has been under tension since 2012. The actors have always founded their demands or positions on sectoral interests. They generally either lack internal research teams or have teams with limited capacities and scope. The Pancyprian Labor Union (Παγκύπρια Εργατική Ομοσπονδία, PEO) is a rare exception; it has a research institute on labor issues, which regularly produces scientific studies on the economy and labor market.

Affected by the crisis, the whole system of labor relations is going through a transitional period. The debate is ongoing, with a focus on what rights and processes to reestablish.

Citation:

1. Government signs deal with unions pegging payroll to growth, Cyprus Business Mail, 4 January 2017, <http://cyprusbusinessmail.com/?p=38427>

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 issues have emerged since 2011. Some are connected with international associations and benefit from their knowledge and experience. These groups are putting forward proposals and lobbying on a variety of issues, including on hydrocarbon use, how to promote transparency and combat corruption, transparency in political-party financing, electoral system amendments, and transparency in lobbying. Their appeal is gaining momentum. Their noteworthy activity and the quality of their proposals have attracted media attention and are having an impact.

The Church of Cyprus, through its financial and organizational capacity, 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.

Citation:

1. Road safety NGO criticises Cyprus lack of motorway toilets, Cyprus Mail, 18 May 2017, <http://cyprus-mail.com/2017/05/18/road-safety-ngo-criticises-cyprus-lack-motorway-toilets>
2. Commitment against corruption by candidates to the parliament 2016 (in Greek) <http://transparencycyprus.org/archives/4195>

Address | Contact

Bertelsmann Stiftung

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

Dr. Daniel Schraad-Tischler

Phone +49 5241 81-81240
daniel.schraad-tischler@bertelsmann-stiftung.de

Dr. Christof Schiller

Phone +49 5241 81-81470
christof.schiller@bertelsmann-stiftung.de

Dr. Thorsten Hellmann

Phone +49 5241 81-81236
thorsten.hellmann@bertelsmann-stiftung.de

Pia Paulini

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

www.bertelsmann-stiftung.de
www.sgi-network.org