



Cyprus Report

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Sustainable Governance Indicators 2019

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Executive Summary

Nearly three years after Cyprus successfully exited the bailout agreement, post-program surveillance praised sustained economic growth at rates far higher than predicted. A sustained increase in tourism and growth in the construction sector increased state revenue. Dangers that led to the economic collapse in 2013 appear to have receded, but considerable risks for the economy remain. Deficiencies in the financial system persist, resulting in low trust in the economy and weak competitiveness. Attention toward the broadly recognized need for greater strategic-planning and policy-implementation capacities remains low. Government policies occasionally posed serious threats to efforts for better regulation and greater legality. These, along with a failure to end the non-meritocratic recruitment system, undermine the state's potential and the quality of government services.

There are two sides to the government's response to commitments take on under the 2013 memorandum of understanding (MoU) with creditors. While fiscal discipline and other policies sustained better than forecast performance in 2018, the pace of systemic and structural reforms remained very slow. Also, political expediency guided some policy decisions, including in granting "golden visas" (i.e., the citizenship-by-investment scheme) and in the construction of skyscrapers, undermining basic rules of strategic planning and sustainability (e.g., without impact assessments).

Democratic processes and institutions continued to function satisfactorily, though some weaknesses pose serious risks for democracy. One is the extremely slow administration of justice despite the establishment of an administrative court in 2016. This broadly impacts the functioning of democracy and public perceptions of justice. Overall, the administrative system remains inefficient and slow. Clientelistic relationships persist in politics, challenging the notion of "a state operating for all citizens." Legislation on political party funding appears to be ineffective, judging by the scrutiny of party accounts in elections between 2016 and 2018. Despite anti-corruption rhetoric and agendas, several politicians convicted of corruption were released without completing even half of their sentences.

Progress on implementing new legal frameworks, including rules on banking system oversight, was achieved with the adoption of laws on non-performing

loans (NPLs) and foreclosures. Notwithstanding, the high NPLs ratio remains a risk for the economy. The unemployment rate in September 2018 was 7.4%, down from 10.3% in 2017. After the government canceled a special contribution tax for employees in 2017, it decided to gradually increase salaries and pensions for public servants by January 2023.

The overall share of persons at risk of poverty and social exclusion declined again slightly in 2017. Nonetheless, immigrants (from both European Union and third countries) remain highly vulnerable. Despite improvements, measures and policies for the social inclusion of migrants and asylum-seekers remain below international standards. Environmental policy is a field where the EU observed that Cyprus has failed to transpose directives into national law and implement rules and policies in compliance with EU regulations. According to experts, the government's insistent favoring of land development without proper rules or impact assessments may cause environmental disasters.

In 2018, relations between the executive and the parliament featured disagreements and confrontations when the latter rejected the establishment of a coordinating sub-ministry for development. Due to further disagreements, the future of quasi-governmental institutions pending privatization remains unclear. There was, however, some coordination in dealing with the aftermath of the Cooperative Bank's collapse.

Favoritism in political appointments and politically motivated interference in institutional functions and decisions remain major challenges. At the same time, public sector reforms aimed at developing strategic-planning capacity, fiscal responsibility and stronger regulation appear to have slowed or stalled. These deficits are made worse by the reluctance to comply with adopted rules and the absence of a body coordinating reforms. Also, the absence of an effective administrative culture remains a persistent obstacle to achieving sustainable results.

Key Challenges

The major challenges facing Cyprus today remain largely the same as those identified in the bailout agreement, though new predicaments are emerging. The government must be vigilant against a false sense of security provided by the economic recovery. Sustained growth is only possible if significant improvements in the overall environment are achieved. Declarations in favor of reform must be accompanied by a willingness to adopt policies based on

sound regulation. For such policy actions to shield the country from another crisis, they must aim beyond solving the immediate economic crisis. Instead, they must address those deficiencies in the administration and beyond that caused the crisis as well as expand strategic planning at all levels. Close monitoring and continuous reassessment of policies is required. Deepening respect for democracy and enhancing fundamental democratic practices remain essential for the rule of law.

Within the financial sector, the government must solve long-standing challenges to reestablish trust in the economy and increase the country's international competitiveness. Effectively settling the challenge of non-performing loans will require more measures than those taken in mid-2018. Clarifying policies on the privatization of quasi-governmental institutions also remains a necessity so that their eventual market valuation does not suffer from the current uncertainty.

In the interest of sustainability, the government must radically revise its social and environmental policies and, going forward, consider them holistically. A review of the persistently excessive emphasis on business and financial interests – which has led, among others, to the irregular granting of permits for the construction of skyscrapers – is urgently needed before the resulting environment destruction becomes irreparable. Environmental policies should shift to favoring broader social benefits. The development of reliable infrastructure by expanding public transportation and investment in renewable energy sources would benefit the economy, the environment, and society. The current economic recovery relies excessively on business-cycle-dependent sectors (e.g., tourism and construction); government policy could alternatively be used to shift economic activity to productive sectors, including tertiary education, research, and innovation.

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, as is the timely processing of tax declarations. While the system should treat all persons equitably, a 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.

To achieve a sustainable recovery based on policies featuring greater transparency and enhancing legal compliance, the discretion and authority afforded the Council of Ministers must be reviewed. Policies such as the citizenship-by-investment scheme and granting construction permits for

skyscrapers should be reexamined with closer scrutiny for legality and impact. Generally, there is a necessity for efficient oversight of governance through clear monitoring mechanisms. A speedy resolution of procedural and structural challenges within the justice system is also necessary. Transparency is urgently needed on most policy decisions, including media ownership and the criteria and procedures that govern appointments to public bodies. Likewise, the 2016 law on political parties and campaign funding requires an efficiency and transparency assessment.

The attainment of these diverse reforms will require the government to review its actions and operations at the highest level. Following the parliament's rejection of the creation of a sub-ministry for development, a proper resolution is urgently required for the creation of bodies with clear mandates for coordination and coherent action. Reforms of state structures and procedures within the central and local governments can only be successfully advanced by units with sufficient strategic planning capacity.

Though the government and political parties stress the need for overcoming favoritism in appointments, action is also required to ensure that capable managers in key positions can efficiently promote reforms. This would facilitate the realization of projects that warrant being sustained. A successful outcome is possible once a meritocratic administration prevails, with a culture that places serving citizens and the rule of law above all else.

Party Polarization

A cleavage between right- and left-wing forces began in Cyprus in the 1940s and persists to today, albeit quite weakened. Under the presidential system, the impact of party polarization is mitigated. The president is elected for a term of five years and the government is not subject to a vote of confidence by the parliament. Parties vote for or against government legislation without destabilizing the political system.

The main challenges derive from precarious or circumstantial party alliances and from political expediency, rather than from ideological polarization. The political system allows for laws to be promoted, amended or delayed in ways that are opaque. Political parties generally avoid legislation which would weaken their support from voters. Sometimes, a spillover effect is observed, such as with the highly polarized party positions regarding the national

problem – the Cyprus problem – which motivates voting patterns of some parties on parliamentary matters unrelated to the Cyprus problem.

Ideological polarization becomes more visible right before and immediately after a change of government, with those rising to power reversing the previous government's policies. This occurs, in particular, with education reforms. (Score: 7)

Policy Performance

I. Economic Policies

Economy

Economic Policy
Score: 4

Some 30 months after Cyprus exited its bailout program, its creditors, the European Commission, European Central Bank and IMF, praised the successful implementation of policies which secured a quick recovery, sustained growth and robust fiscal performance, in a relatively improved environment. Nonetheless, the country still rates low in competitiveness and lost four places in the “doing business” index of the World Bank.

Following the failure of its economic system in 2011, Cyprus continues to search for a new model. It offers important assets to investors, such as a quality services sector, a favorable taxation system, good geographic location and EU membership. However, it still needs to step up reforms and upgrade its infrastructure, technological readiness, health and education systems, and the legal environment.

The implementation of reforms as well as efforts to reestablish confidence and stabilize the financial system has yielded a downsized financial sector governed by stricter rules. Policy responses to the default of the Cooperative Bank in mid-2018 further shrank the banking sector; it remains fragile, though new rules related the NPLs and other issues may benefit it.

Economic performance in 2018 continued to rely on traditional sectors, though diversification based on sustainability is much needed. Tourism growth, large construction projects, and private consumption pushed growth to over 4% in 2017 and 2018, which was above IMF’s forecast of 3.6% for 2017 and 3.75% for 2018. However, the creditors continue to warn that risks and major challenges are weighing over economic sustainability. These require reforming the public sector, improving public management, privatizing state-owned enterprises and reforming the judiciary. The creditors also note the continued

risks from the still very high NPLs ratio, high private and public debt, and higher levels of uncertainty regarding the external environment. Finally, the IMF notes that the high dependency of growth on investments through the citizenship-by-investment scheme poses risks to sustainability.

The urgency of the Cooperative Bank crisis forced collaboration between the government and the parliament to adopt long overdue regulations. There is, however, no indication that the same level of collaboration will continue, in particular on broader issues, such as the aforementioned much needed reforms of the public service and other sectors.

Citation:

1. Lenders call on Cyprus to maintain fiscal discipline and speed up reforms, Cyprus Mail, 28 September 2018, <https://cyprus-mail.com/2018/09/28/lenders-call-on-cyprus-to-maintain-fiscal-discipline-and-speed-up-reforms/>
2. Cyprus in the Global Competitiveness Report 2018, World Forum <http://reports.weforum.org/global-competitiveness-report-2018/country-economy-profiles/#economy=CYP>
3. World Bank, Doing business index 2019, Cyprus, <http://www.doingbusiness.org/en/data/exploreeconomies/cyprus#>

Labor Markets

Labor Market
Policy
Score: 6

Unemployment rates continued to decline, falling from 10.3% in September 2017 down to 7.3% in the second quarter of 2018. The peak crisis rate was in August 2013 (17%); a sharp contrast to the 3.7% with near-full employment (76.5%) observed in 2008. In 2018, the broad public sector was employing 17.8% of workers, while the services sector accounted for 81.6%.

The regulatory framework protects labor rights and includes provisions preventing unlawful dismissal from employment. However, serious shortcomings are evident in its implementation. “Tripartism,” in the form of agreements between the state, businesses, and employees, made the labor market less flexible and is going through a period of tension. In mid-2018, the government amended the law on reductions of salaries and pensions in the broad public sector to gradually decrease cuts imposed in 2011 and 2012. All reductions will cease in January 2023. The private sector suffered severe cuts in salaries and benefits; salaries below the legal minimum wage were observed, as were instances of employment with no social benefits. The labor market is marked by distortions, where the public and banking sectors are privileged and “compete” with a relatively weak private sector which, additionally, is subject to sustained pressures on benefits by employers. While trade unions generally have a strong voice, their resistance to benefits cuts has weakened. Conversely, powerful public sector unions manage to secure their members’ benefits. Migrant EU and non-EU labor remain the most vulnerable

groups, often exploited by employers, resulting in a widening economic gap. According to a survey, in mid-2018, non-Cypriot workers accounted for almost 19% of the employed; 11.4% were other-EU nationals and 7.5% third-country nationals.

The European Commission observed that participation in active labor market programs is significantly lower than the EU average. Also, the provision of services to employers and job seekers by the public employment service remains suboptimal.

Serious issues of concern are a high youth unemployment rate (17.9%, down from 25.3% in 2017) and long-term unemployment (2.5%). Women are affected slightly more than men. However, only 57.1% of women participate in the formal labor force and 52.8% were employed in 2018, compared to 67.2% and 62.4% for men. The labor force has declined since 2012, due to emigration of non-Cypriot labor. The previously mentioned figures demonstrate a clear improvement in the labor market, though short-term (15%) and part-time employment (12.1%) rates remain high.

Citation:

1. Survey of Labour Market, Q2-2018, Statistical Service ROC, 2018 [http://www.mof.gov.cy/mof/cystat/statistics.nsf/All/75F22FCE3441C971C2257752003A3990/\\$file/LAB-LFS-Q218-EN-070918.xls?OpenElement](http://www.mof.gov.cy/mof/cystat/statistics.nsf/All/75F22FCE3441C971C2257752003A3990/$file/LAB-LFS-Q218-EN-070918.xls?OpenElement)
2. EU Commission Semester Report Cyprus, March 2018, <https://ec.europa.eu/info/sites/info/files/2018-european-semester-country-report-cyprus-en.pdf>

Taxes

Tax Policy
Score: 6

The Inland Revenue Department and the Value-Added Tax (VAT) Service merged into one authority, the Tax Department, in 2016. This fusion was part of reforms aiming to strengthen tax collection and processing mechanisms (e.g., auditing) while countering tax evasion and tax avoidance.

Cyprus's tax system is comparatively uncomplicated, both with respect to individual provisions and structure. A high threshold for individual taxable income of €19,501 results in a low tax burden on labor. This is expected to increase given planned higher social insurance and medical insurance contribution rates. The VAT has been set to 19% since 2014. A special levy on salaries and a real-property tax imposed in 2013 were terminated in 2017. A levy on interest income for bank deposits set at 30% since April 2013 will be reduced to 17% in January 2019. Principles of equity are negatively affected by continued tax evasion and avoidance; a large share of the €2 billion overdue taxes may not be collectible.

Benefits provided to businesses have, over time, made Cyprus very attractive to international companies. The European Commission noted in 2018 that further regulation is necessary to address the phenomena of aggressive tax planning by companies. It also noted that the buoyant character of corporate tax revenues might induce risks if used for long-term expenditures.

Tax equity is to some extent achieved through the progressive increase in individual income-tax rates from 20% to 35%. However, the flat rate for companies leaves room for distortions: it may benefit some liberal professions and highly profitable companies that pay a lower tax share than the share paid by high income individuals.

The European Commission observed in 2017 that the tax-benefit system was the least effective in reducing inequalities; it noted some improvements in 2018.

Citation:

1. European Commission Semester Report Cyprus, March 2018, <https://ec.europa.eu/info/sites/info/files/2018-european-semester-country-report-cyprus-en.pdf>
2. Almost €2 billion owed in overdue taxes, Cyprus Mail, 21 September 2018, <https://cyprus-mail.com/2018/09/21/almost-e2-billion-euros-owed-in-overdue-taxes/>

Budgets

Budgetary Policy
Score: 6

The implementation of the 2014 Law on Fiscal Responsibility and Fiscal Framework launched a budget design process that meets strategic targets set by the government. This led the administration to gradually acquire strategic planning capacities. Provisions of the law for oversight (by the Minister of Finance) from design to implementation aim to reduce the risk of a new economic crisis. Prospects for 2019 appeared positive, with the maintenance of large fiscal surplus and reduction of the public debt, albeit from buoyant revenues.

Post-program surveillance reports included a number of warnings against loosening the strict spending discipline and for keeping public wages tuned to GDP growth and more structural reforms to enhance reviews of spending. A 2018 amendment provided for existing salary cuts in the public sector to be gradually reversed by January 2023.

The aim of the 2019 budget is to consolidate growth and reduce the public debt, which, after falling below 100% in 2018, has risen to 104% after the government issued new bonds to support the Cooperative Bank. A modest budgetary impact is expected from the gradual reestablishment of public sector salaries which began in 2018, the reduction or cancelling of various taxes, and other measures.

GDP was expected to grow by 4% in 2018 compared to 4.2% in 2017 and by 3.8% in 2019. The debt-to-GDP ratio, which jumped to 104% in mid-2018, was expected to recede again below 100% in 2019, according to the Finance Ministry. The ministry projects fiscal surplus at 3.0% of GDP for 2019 compared to above 1.0% in 2018.

Citation:

1. Cabinet passes budget, slashes defense levy (Updated), Cyprus Mail, 13 September 2018, <https://cyprus-mail.com/2018/09/13/cabinet-approves-2019-budget/>
2. IMF, Cyprus: Staff Concluding Statement of the 2018 Article IV Mission, 5 October 2018, <https://www.imf.org/en/News/Articles/2018/10/05/mcs10518-cyprus-staff-concluding-statement-of-the-2018-article-iv-mission>
3. EC-ECB Staff statement following the fifth post-programme surveillance mission to Cyprus, <https://www.ecb.europa.eu/press/pr/date/2018/html/ecb.pr180928.en.html>

Research, Innovation and Infrastructure

R&I Policy
Score: 4

Research and development programs in Cyprus mainly commenced with the creation of the country's first university in 1992 and expanded with the growth of other tertiary-education institutions. Higher education records the largest R&D expenditure, while funding of private- and state-owned research centers remains low. This contrasts with the situation EU-wide, where the share of expenditure from business is higher. Notwithstanding, Cyprus ranks first in the EU in terms of per capita funds from Horizon 2020.

After many years without a coherent policy on research, the Council of Ministers announced in fall 2018 the establishment of a new scheme for the National Council for Research and Innovation. A former minister and academic was appointed as its head, but information on this new scheme and its advisory body, the Cyprus Scientific Council, remains limited.

Cyprus's capability for innovation, according to the 2018 edition of the Global Competitiveness Index, scored 44.7 points, compared to 44.6 in 2017, while in R&D it slipped from 33.9 points to 33.4. The EU notes the very low investment of both the state and private sector in R&D, placing Cyprus last in the EU28.

The country's R&D target for 2020 remains 0.5% of GDP, the lowest in the EU, offering little prospect for substantial progress.

Citation:

1. Global Competitiveness Index 2018, Cyprus, Innovation, <http://reports.weforum.org/global-competitiveness-report-2018/country-economy-profiles/#economy=CYP>
2. European Commission Cyprus Economy Semester Report, March 2018, <https://ec.europa.eu/info/sites/info/files/2018-european-semester-country-report-cyprus-en.pdf>

Stabilizing
Global Financial
System
Score: 4

Global Financial System

Beginning in the 1980s, Cyprus developed as an important financial center. Prior to EU membership, effective monitoring of the market and enforcement of international standards had been a major challenge. It remained a challenge even after a clearer regulatory framework assigned institutions with specific tasks, with key bodies being the Securities and Exchange Commission and the Unit for Combating Money Laundering (MOKAS). Following the 2013 economic collapse, the country's banking system implemented a stricter framework against money laundering. Risks and vulnerabilities do remain, however, mainly emanating from international business activities, in particular banking and real-estate transactions. Legal constraints on dealers of foreign currency, restrictions on foreign ownership of property and the limited role of cash in transactions have minimized laundering risks.

Amendments to laws on money laundering and terrorism-related activities have aimed to align with EU directives. These further strengthen the deterrence regime, enhancing the powers of financial-sector-supervisory authorities to ensure legal compliance. One deterrence measure is the seizing of property acquired through unlawful activities. Since January 2017, Cyprus is a signatory to the Common Reporting Standard for information exchange.

Bank-oversight mechanisms have also been enhanced to avoid past transgressions, when institutions simply failed to follow rules governing large exposures and minimum capital and liquidity, resulting in the taking on of unsustainable levels of non-performing loans (NPLs). New laws passed in mid-2018 aim at facilitating the resolution of challenges related to NPLs while attempting to protect indebted households.

In its March 2018 semester report, the European Commission observed a high degree of compliance with the EU supervisory framework. However, a report by Transparency International in October 2018 pointed to the increased potential for corruption through the citizenship by investment scheme.

Citation:

1. European Commission semester report, Cyprus, March 2018, <https://ec.europa.eu/info/sites/info/files/2018-european-semester-country-report-cyprus-en.pdf>
2. A European Getaway, Inside the Murky World of Golden Visas, Transparency International, 2018, https://www.globalwitness.org/documents/19468/REPORT_European_Getaway_Inside_the_Murky_World_of_Golden_Visas_10_October_2018.pdf

II. Social Policies

Education

Education Policy
Score: 7

Primary and secondary education in Cyprus is mainly public. Tertiary education is provided domestically by both public and private institutions, while a significant number of students attend overseas educational institutions. 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. Reforms have been undertaken since the 1990s, but previous agendas were sometimes overturned when a new government took charge. Recent decisions resulted in the revision of the teacher appointment system, while the implementation of semester exams in secondary schools has been postponed until 2019. Following a severe crisis in their relationship, teachers unions and the ministry of education engaged in 2018 in talks that may lead to long-due reforms.

Schooling from the pre-primary level to the age of 15 is compulsory. Kindergarten facilities are provided by public and communal authorities, but mostly by private entities. 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-level students in public and private institutions receive a modest allowance, the provision of which is subject to income since 2012. While public education is free, various education-related costs are paid by parents.

A significant challenge for the system is providing education to immigrant children and adults to facilitate their social inclusion.

The European Commission observes overqualification along with limited choice in vocational education, while noting also that disciplines linked to innovation (e.g., STEM) are attracting only a small number of students. It further notes that the very high expenditure on education (as a share of GDP) has not matched education outcomes, which are considered poor. Outcomes evaluation is based on PISA results, though the overall education system requires more adequate evaluation tools and processes than a competition of 15-year-old students.

Citation:

1. European Commission, Education and Training Monitor, v. 2, October 2018, <http://ec.europa.eu/education/sites/education/files/document-library-docs/volume-2-2018-education-and-training-monitor-country-analysis.pdf>

Social Inclusion

Social Inclusion
Policy
Score: 6

The AROPE indicator (at risk of poverty or social exclusion) further declined in 2017 from 27.7% down to 25.2%, though this remains above the pre-crisis rate of 23.3% in 2008. The population share at risk of poverty was 15.7%, a small improvement compared to 16.1% in 2016. The Gini coefficient was 30.8% compared to 32.1% in 2016. Frequent modifications to the social-welfare system aimed at identifying problems and providing support to 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 major policy actions adopted in 2013 continued into 2018: 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. Additional policies aimed to assist young people and other groups affected by benefits reductions or the loss of employment. A guaranteed minimum income was introduced in summer 2014. In 2018, the EU characterized the situation regarding the high rate of persons “not in education, employment or training” (NEET) as “critical.”

The AROPE indicator for foreigners continued in 2017 to be higher than locals. The rate was 28.6% (2016: 29.5%) for non-Cypriot EU nationals and much higher, 42.7% (2016: 44.4%) for non-EU citizens. AROPE rates for persons over 65 continued an upward trend, from 22.9% in 2016 to 24.6%. Elderly women are at a higher risk – 27.3% (2016: 25.8%) – than other groups.

Citation:

1. At-risk-of-poverty indicators 2008-2017, Cyprus Statistics Service, 2018, [http://www.mof.gov.cy/mof/cystat/statistics.nsf/All/AC5A89D9938EBEF7C22578A00031BACA/\\$file/EU SILC-POVERTY-A2008_2017-EN-170918.xls?OpenElement](http://www.mof.gov.cy/mof/cystat/statistics.nsf/All/AC5A89D9938EBEF7C22578A00031BACA/$file/EU%20SILC-POVERTY-A2008_2017-EN-170918.xls?OpenElement)

Health

Health Policy
Score: 6

The potential for high-quality health care services in the public sector, in private clinics, and from individual doctors is being eroded by deficiencies in the system and a lack of regulation. The absence of a national health system has allowed various health-insurance schemes and private sector services to

dominate. Constraints and deficiencies in infrastructure and human resources result in long queues, waiting lists, and delays. Notwithstanding, the quality of services offered by the public system is acknowledged by the World Health Organization to be high. Cyprus has a low infant-mortality rate (2.6 per 1,000 in 2016) and a high life expectancy at birth (80.3 for men and 84.7 for women in 2016). Preventive medicine is specifically promoted, with Cyprus ranking high worldwide with respect to expenditure in this area.

Reforms introduced in 2013 on criteria for accessing health care (e.g., level of income and property ownership) resulted in the exclusion of various groups. These criteria and the requirement to complete three years of contributions before benefiting from the system resulted in the exclusion from care of 20% to 25% of the population. According to a 2016 EU assessment, the private sector is unregulated in respect to prices, capacity, and quality of care, while coverage remains inadequate and ineffective.

Actions toward establishing a national health system (NHS) missed the target of full services by 2016. The ongoing implementation of measures provided by a 2017 NHS law are expected to allow for the implementation of a functioning system in 2019. However, reactions by private sector doctors, aiming to promote their pay scale demands and other issues, may delay progress.

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. Private doctors' demands over Gesy impossible says minister, Cyprus Mail, 29 October 2018 <https://cyprus-mail.com/2018/10/29/private-doctors-demands-over-gesy-impossible-says-minister/>

Families

Family Policy
Score: 4

Family-support policies remain a challenge as they result, among others, in a low rate of children in formal childcare (20.8%, compared to a 30.3% EU average). Combining motherhood with employment is difficult, which may be one of the reasons for low birth rates (1.37% in 2016). However, the rate of employment among women between 25 and 54 is high (73.5% in 2017). Families seek care for children under five years old primarily in the private sector, and in a number of community centers under the supervision of the labor ministry.

Childcare commonly provided by family members, in particular grandparents, partly compensates for the lack of adequate state policies and facilities for families. Despite reducing the rate of child poverty, the EU notes a strong increase in children at risk of poverty or social exclusion. Parents with children attending kindergarten face additional expenses and need to provide

transportation, because public-transportation infrastructure remains insufficient. The establishment of full-day pre- and primary schools in many communities clearly benefits families and its expansion would improve the overall situation.

Special allowances for multi-member families and the guaranteed minimum income may alleviate difficulties posed by the economic crisis. A 2017 law allows for 15 days of paternity leave, but the need requires the adoption of comprehensive policies. The real challenge is to remove the dilemma of choosing between employment and childcare.

Citation:

1. European Commission: Semester report, Cyprus, 2018, <https://ec.europa.eu/info/sites/info/files/2018-european-semester-country-report-cyprus-en.pdf>

Pensions

Pension Policy
Score: 5

A significant improvement in living conditions, in particular among citizens over 65 years of age, is visible in recent years. Elder groups no longer face a very high risk of poverty thanks to changes 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 retirement ages that vary according to employment sector as well as receive state and social-insurance pensions and a retirement bonus. Private sector employees have access to social-insurance benefits and, some, to provident-fund schemes. The provident fund system is fragmented, with rules greatly varying. The EU points to the need for a universal pillar that would cover both the public and private sectors. Reforms to the social-insurance system increased the retirement age, raised the rate of employers' and employees' contributions, provided special allowances to specific groups, and introduced a guaranteed minimum income (GMI). 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 their at risk of poverty or social exclusion rate.

The European Commission noted in 2017 that the gender gap in pensions is the highest in the EU. It also expressed concerns about the high increase in inequality; it noted however a reverse trend in 2018.

Citation:

1. European Commission, Semester Economic Report, Cyprus, 2018, <https://ec.europa.eu/info/sites/info/files/2018-european-semester-country-report-cyprus-en.pdf>
2. At Risk of Poverty Statistics 2008-2017, Cyprus Statistics Service, 2018, [http://www.mof.gov.cy/mof/cystat/statistics.nsf/All/AC5A89D9938EBEF7C22578A00031BACA/\\$file/EU-SILC-POVERTY-A2008_2017-EN-170918.xls?OpenElement](http://www.mof.gov.cy/mof/cystat/statistics.nsf/All/AC5A89D9938EBEF7C22578A00031BACA/$file/EU-SILC-POVERTY-A2008_2017-EN-170918.xls?OpenElement)

Integration

Integration Policy
Score: 4

In 2018, the labor force in Cyprus included 11.4% other-EU and 7.5% third-country nationals, a small reduction from 2017. This points to radical changes that took place since 1989, when the government first started granting temporary working permits to migrant workers. The flow of workers came initially from Southeast Asia and Central and Eastern Europe, while EU nationals followed after 2004. Despite policy changes and some recent integration projects, Cyprus is missing a comprehensive integration program.

Pressure on Cyprus from the EU and the Council of Europe have so far not achieved compliance with European standards. In addition, policies and official rhetoric on the problems of migrant and irregular migrant flows to the republic, creates a climate that impedes integration. The country scores poorly on most indicators, including labor-market access, culture and education, family reunion, political participation and access to citizenship. In its latest report (2016), the European Commission Against Racism and Intolerance (ECRI) recommended changes to laws and practices and the adoption of a comprehensive plan for the integration of various groups in the country.

In the framework of EU programs, local authorities are involved in integration projects. However, laws do not favor market access nor the long-term labor-market integration of migrants. Foreign 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. Despite generally higher employment rates, the number of foreign workers decreased in 2017, probably because of their very high at risk of poverty or social exclusion rate: for non-EU citizens the risk in 2017 was 43.5%.

Recent policies that aim to provide education to all children as part of a compulsory education scheme and timid family-reunification policies remain insufficient for achieving their goals. Criteria for family reunification, such as full-time employment, high fees and limited access to the labor market by dependents, are in practice nullifying the reunification policy.

There are inconsistencies in policies toward migrants and opportunities offered to non-EU citizens to participate in democratic life and attain citizenship.

Ordinary migrants are offered very limited opportunities, while the authorities are engaged in a massive sale of citizenship to very wealthy investors, an issue that worries Brussels.

Citation:

1. State Department, Report on Human Rights for 2017, Cyprus, April 2018, <https://www.state.gov/j/drl/rls/hrrpt/humanrightsreport/index.htm?year=2017&dliid=277153#wrapper>
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

Internal Security
Policy
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 of entry points. Its only relatively vulnerable points are the line dividing the government-controlled areas and the Turkish-occupied north, as well as the sections 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, while digital crime is gradually surfacing. Law enforcement is largely deficient in cases of minor wrongdoing (e.g., driving offenses and property damage from graffiti). Illegal drug activity is comparatively minimal overall, but an increase in 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>

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. The latest data available on the CyprusAid website date back to 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.cyprusaid.gov.cy/planning/cyprusaid.nsf/page11_en/page11_en

III. Environmental Policies

Environment

Environmental
Policy
Score: 4

The absence of a comprehensive and coherent policy, dispersed responsibilities, and political expediency favoring financial interests at the expense of environmental protection place Cyprus very low on many relevant EU ratings. The country is failing its EU obligations, despite warnings from Brussels and pressure from local and international organizations. Awareness-raising efforts and pressure from environmental groups since the late 1980s have failed to convince the authorities to halt projects with a destructive environmental impact. Politicians and representatives from both public and private institutions are persistently seeking that the Commission 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 some progress recently. The Commission also points to eco-innovation as an opportunity for development, since Cyprus currently ranks 26th.

Despite the Commission's view that the major environmental challenge for Cyprus is water management, given its dependence on rainfall, new water-intensive projects (e.g., golf courses) continue to be approved. Desalination and limited wastewater reuse do exist and are increasing, but these also have negative environmental impacts. Illegal drilling for water also negatively affects efforts toward sustainable 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. A major challenge is the adequate protection of Natura 2000 areas,

which are at risk from projects promoted without impact assessment studies. Areas such as the Akamas peninsula remain unprotected and are at risk from government decisions and the activities of private developers. Local authorities and communities often align with developers in seeking profit at the expense of environmental protection.

Waste management, including avoiding the expansion of landfills, is a third major challenge. Despite Commission threats of sanctions, the waste management problem remains unresolved. The subject was also addressed in a report by the auditor general in late 2017. Furthermore, in 2018, Cyprus received warnings from Brussels for failing to integrate EU directives on the environment into national laws, failing to meet recycling targets, and failing to efficiently manage waste.

The authorities continue to use the economic crisis as a pretext as they proceed in relaxing or canceling environmental protection rules. Warnings by experts and the existing EU rules are often ignored and new projects are approved with additional negative effects on ecosystems. A 2017 law leaves the door open for the privatization of beaches, while recent decisions to allow the construction of 30- to 40-floor skyscrapers without proper environmental impact analyses has run contrary to significant elements of town planning legislation.

Citation:

1. European Commission, Environmental Implementation Review, Cyprus, 2017, Environmental Implementation Review
2. Cyprus on EU radar over failure to transpose environment directives, Cyprus Mail, 17 May 2018, <https://cyprus-mail.com/2018/05/17/cyprus-on-eu-radar-over-failure-to-transpose-environment-directives/>
3. Environmental decisions placing Cyprus on path to self-destruction, Etek says, Cyprus Mail, 29 March 2018, <https://cyprus-mail.com/2018/03/29/environmental-decisions-placing-cyprus-path-self-destruction-etek-says/>

Global Environmental Protection

Global
Environmental
Policy
Score: 4

Cyprus has ratified many international conventions and protocols related to environmental protection as well as participates in numerous international organizations and meetings. However, policies are not proactive and though authorities appear concerned with meeting obligations to the EU and other bodies, they often fail to act efficiently. 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. One area where the republic has contributed to shaping EU policies is integrated maritime policy.

Quality of Democracy

Electoral Processes

Candidacy
Procedures
Score: 9

No change took place in 2018 to requirements for the registration of candidates; they are minimal and relate to citizenship, age, mental soundness and criminal record. Candidates for the presidency of the republic must belong to the Greek community. Citizens of other EU states 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 and 25 for a member of 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 must be proposed and supported by registered voters: the required number is two for local elections, four for parliamentary elections, and, since 2016, one voter proposing and 100 supporting a candidacy for presidential elections.

A financial deposit is also required from candidates running for office, ranging from €5 (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

Parties' and candidates' media access is only regulated for radio and television. Though not under any legal obligation, almost all newspapers and their online editions offer coverage to all parties and candidates.

The Law on Radio and Television 7(I)/1998, governing commercial audiovisual media services (AVMS), requires equitable and non-discriminatory treatment. The law governing the public-service broadcaster (Cyprus Broadcasting Corporation, RIK) refers to the equitable treatment of political actors, while regulations provide for specific coverage. Equity must be respected, particularly during the pre-election period. However, the laws define the "pre-election period" with varying durations. Airtime must be allotted in accordance with a political party's share of parliamentary seats and the extent of its territorial organization.

Broadcasters are required to comply with an in-house 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, which renders scrutiny of compliance impossible. Rare special reports offer little insight for scrutiny. Paid political advertising on broadcast media is allowed during the 40 days preceding elections, on equal terms for all, without discrimination.

It appears that there is compliance with the rules on media access, with smaller parties enjoying proportionally more media time. However, the absence of publicly available codes of conduct negatively affects our evaluation. Finally, an issue of concern is the apparent lower level of media access and visibility accorded to female candidates.

Citation:

1. The Law on Radio and Television Stations, L. 7(I)/1998, in English, available at <http://cрта.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).

Voting and
Registration
Rights
Score: 8

Voting ceased to be mandatory in 2017, though voter registration remains mandatory. Various amendments have aimed to facilitate registration and participation. No means of e-voting or proxy voting exist. The voting age was lowered from 21 to 18 in 1996. Special arrangements enable prisoners and other groups 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 remains very low (20-25% of those eligible) since the early 2000s. Additionally, abstention rates have risen sharply, ranging from 28% in presidential elections to more than 50% in local elections.

An OSCE report praised the way and the “competitive and pluralistic environment” in which the 2018 presidential elections were conducted. It also includes recommendations for addressing issues related to party and candidate financing.

Citation:

1. Turkish Cypriots and Right to vote, <http://cyprus-mail.com/2014/05/27/turkish-cypriots-will-resort-to-court-over-voting-foul-up>.
2. OSCE/ODIHR Cyprus, Presidential Election, 28 January and 4 February 2018, Final Report 2 May 2018, available at, <https://www.osce.org/odihr/elections/cyprus/379225?download=true>

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 must be published, except for sums below €500. All party and candidate 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; for candidates for the presidency the ceiling is €1 million. The law lists activities that would constitute corruption and 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 were 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.” Omissions and discrepancies were also observed in accounts for the December 2016 local elections. Published accounts of presidential candidates in the 2018 election were met with skepticism.

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, both criteria and procedures for setting the level of annual or extraordinary state subsidies to political parties remain opaque. Despite these weaknesses, adopted regulatory measures constitute a positive step, though they do need improvement.

Citation:

1. Our View: Published campaign spending figures far removed from a full disclosure, Cyprus Mail, 4 June 2018 <https://cyprus-mail.com/2018/04/06/view-published-campaign-spending-figures-far-removed-full-disclosure/>
2. Council of Europe – 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. Citizens cannot petition to 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.

In October 2018, a draft law on e-petitions was under discussion by a parliamentary committee.

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. There is, however, a tendency for media to be indulgent with the government of the day, a phenomenon that is more visible with the present government. Legal requirements for launching a publication are minimal. Provisions in the Press Law 145/1989 for the establishment of a Press Council and Press Authority have been inoperative since 1990 due to disagreements among media professionals on their composition. Media owners, publishers, and the Union of Journalists collectively signed a code of journalistic ethics in 1997 and established a complaints commission composed mostly of media

professionals. Reporters Without Borders ranked Cyprus in 25th place out of 180 states in its 2018 World Press Freedom Index.

RIK, the public-service broadcaster, is a public-law entity governed by a board appointed by the Council of Ministers. Appointments to this body are often politically motivated and include party officials. Budgetary pressures imposed by the government and political parties, along with interference and public statements by parties arguing for “more equitable” access continue to hold the public broadcaster hostage to politicians. 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 expertise or competence.

In September 2016, some appointees in government stepped down in the wake of comments made in the media that the recruitment of specific journalists at the presidential palace were aimed at winning the favor of political editors or media owners.

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. Journalists wives turn down president’s job offer, Cyprus Mail, 10 September 2018, <https://cyprus-mail.com/2018/09/10/journalists-wives-turn-down-presidents-job-offer/>
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 inevitably also led to less critical reporting. Strict ownership rules are enforced on radio and television, with a threshold of 25% on capital share, disallowing cross-media conglomerates. However, very limited ownership data are publicly available. To assist print media companies that faced serious challenges, with some publications closed down, the government promoted in 2017 a scheme of de minimis financial grants.

The Cyprus problem remained a dominant subject also in 2018 and continued to also underpin polarized media positions on other issues. A glossary for the coverage of the Cyprus problem, compiled under the auspices of OSCE, produced very strong reactions from journalists. Other themes, including the Cooperative Bank default, instances of corruption in the public domain, explorations for hydrocarbons, and a crisis between the government and teachers unions, also made the headlines. Issues of social concern such as multiculturalism and the need for transparency and quality governance occupied less space in 2018 than in previous years. The absence of analytical reporting, combined with advocacy journalism remain major challenges and constrain pluralism in society.

The government and mainstream actors largely monopolized media access, limiting the spectrum of themes covered and the viewpoints expressed. A focus on partisan confrontations, polarization and blame games led to critical problems rarely being discussed in a meaningful manner.

Citation:

1. Media Pluralism Monitor Cyprus, 2016 <http://cmpf.eui.eu/media-pluralism-monitor/mpm-2016-results/cyprus/>
2. Our View: Journalists making absurd claims over glossary, Cyprus Mail, 7 August 2018, <https://cyprus-mail.com/2018/08/07/our-view-journalists-making-absurd-claims-over-glossary/>

Access to
Government
Information
Score: 4

In December 2017, the parliament approved a law “to regulate the right of access to information in the public service.” The law aimed at creating a comprehensive framework that would, among others, solve challenges with existing rules. References to the right to information are found in the constitutional clause on free expression (Article 19) and in laws on personal-data processing, access to environmental data, the reuse of public sector information, the public service, the press, and others. Article 67 of the Law on Public Service (L. 1/1990) prohibits the disclosure without authorization of any information that comes to the knowledge of employees during the exercise of their duties. The absence of coherent legislation has resulted in contradictory policies from government officials, which ultimately is limiting transparency and constraining citizens’ rights.

Some of the aforementioned laws provide for mechanisms for administrative appeal 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 the courts.

The adoption of the 2017 law is a positive step. A full evaluation will be possible in our next report as article 55 provides for the law’s entry into force one year after its publication in the official gazette (i.e., late December 2018).

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. The Law to regulate access to information in the public service, L. 184(I)/2017, in Greek, http://cylaw.org/nomoi/enop/non-ind/2017_1_184/full.html

Civil Rights
Score: 7

Civil Rights and Political Liberties

Cyprus's constitution and laws guarantee and protect the civil rights of all residents, both citizens of the republic or others. However, many problem areas exist. They relate to the treatment of asylum-seekers and economic and irregular migrants, forced labor, overcrowding in prisons – where some improvement was noted – and other issues. Compliance with European and international rules and standards remains deficient. On human trafficking, the U.S. Department of State placed Cyprus again onto Tier One, as authorities improved services providing for the protection of victims and conviction of traffickers.

The latest available report by the Council of Europe'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. Detention conditions, services and support provided to detainees are problematic in many respects according to a study and an Ombudsman's report (2018). Among others, asylum-seekers face constraints in seeking employment as well as exploitation; the latter also faces migrant workers. Despite various measures by authorities that aim to eliminate labor exploitation, including severe penalties for offenders, the results remain unsatisfactory. Actions by NGOs appear to slightly mitigate deficient action and sub-optimal services by authorities, but despite the resilience of NGOs it remains an uphill struggle. Society's perceived complacency further shows signs of positive change on some issues.

Though some progress may be noted, this is slow and points to the need for more proactive and sustained measures to support vulnerable groups. However, beyond the urgency of adopting new policies and forms of assistance, testimonies highlight the need for changing the culture of both the society and authorities toward migrants, irregular migrants, and asylum-seekers. The fact that almost one in two non-EU citizens is at risk of poverty or social exclusion as well as the decline of foreign labor in recent years point to the vulnerability of these groups.

Citation:

1. USA State Department Report on Human Rights, Cyprus -Released 2018,

<https://www.state.gov/documents/organization/277397.pdf>

2. CoE GRETA report on Human Trafficking, 2015, <https://rm.coe.int/CoERMPublicCommonSearchServices/DisplayDCTMContent?documentId=0900001680631b96>

3. UNHCR Cyprus & University of Nicosia, The Living Conditions of Asylum-Seekers in Cyprus, 2018 <http://www.unhcr.org/cy/wp-content/uploads/sites/41/2018/05/LivingConditionsofAsylumSeekersReport.pdf>

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. The interference of Christian Orthodox religion in schools is a source of pressure on minorities to attend religious ceremonies. Also, isolated complaints are reported on the state of places of worship and interferences with freedom of religion and worship rights.

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

Though a Supreme Court decision in 2016 considered the seizure of personal computers in a libel case as disproportionate, this practice continues as part of investigations. This raises serious concerns as no legal framework ensures that the handling of data on seized computers will follow procedures that respect the owner's fundamental rights.

Libel was decriminalized in 2003 and courts in Cyprus apply European Court of Human Rights (ECHR) case-law to free expression. However, the number of libel cases remains high as does the number of threats to sue for libel/defamation by both public figures and businesses. This threatens media's capacity to scrutinize public life and serve as society's watchdog.

Our overall evaluation takes into account the negative effect on citizens' liberties of the clientelist system, which continues to undermine individual fundamental rights.

Citation:

1. Department of State Report on Religious Freedoms, Cyprus (released 2018) <https://www.state.gov/j/drl/rls/irf/2017/eur/280894.htm>

2. Government stuns by agreeing reversal of pay cuts with unions, Cyprus Mail, 1 June 2018, <https://cyprus-mail.com/2018/06/01/government-stuns-by-agreeing-reversal-of-pay-cuts-with-unions/>

Non-discrimination
Score: 8

An extensive body of laws and measures aims to protect the rights of all persons and to prevent discrimination. Article 18 of the constitution guarantees 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 and incidents of discrimination do take place.

In line with relevant EU directives, laws on gender equality and against discrimination provide for proactive measures. They enforce equal treatment in employment, occupations and training. However, inequalities are present, while combating racism and other forms of discrimination and protecting persons with disabilities remains an unattained goal. Disabled persons are, however, offered additional protection and special treatment.

Among the positive steps taken in recent years were the adoption, in late 2015, of a law on civil partnerships and the recognition of a right to parental leave in 2017.

The Ombuds office, tasked with protecting against discrimination, issued three reports on complaints in 2018. In a 2016 resolution, the minorities committee of the Council of Europe recommended, among others, that Cyprus take measures to protect minorities' rights and enable minority groups the right to self-identification and promotion of their language as well as the participation of constitutionally recognized "religious groups" in decision-making.

Citation:

1. Reports -decisions of the Ombudsman as Authority against Racism and Discrimination 2018, (in Greek) http://www.ombudsman.gov.cy/ombudsman/ombudsman.nsf/index_new/index_new?OpenForm

2. CoE committee on minorities, Resolution on Cyprus 2016, https://search.coe.int/cm/Pages/result_details.aspx?ObjectId=090000168064ecd7

Rule of Law

Legal Certainty
Score: 5

The sound foundations of the state apparatus have been weakened over the years, with an impact on adherence to the law. More serious are the effects of the collapse of bi-communality in 1964. The law of exception leaves a very strong executive and some independent officials with powers subject to very little or no control.

The legal soundness of some laws and policies to face the crisis are frequently contested. There are also frequent incidents where laws passed by the parliament are judged unconstitutional by the Supreme Court. Action on important matters is either delayed or has the character of semi-measures that are inefficient or unjust. Long overdue action on non-performing loans is promoted by the government plan ESTIA, which the European Commission and ECB warn of "moral hazard risks and fairness issues."

Thus, delays and actions inconsistent with the rule of law persisted in 2018. Clashes with the auditor general and attorney general also continued. Specific practices resulted in undermining meritocracy, administrative efficiency and consistent law enforcement.

Citation:

EU green light expected for contentious bad loan payback scheme, Cyprus Mail, 29 October 2018, <https://cyprus-mail.com/2018/10/29/eu-green-light-expected-for-contentious-bad-loan-payback-scheme/>

Judicial Review
Score: 8

The operation of the Administrative Court in 2016 marked a positive step in the administration of justice; it alleviated the workload of the Supreme Court. This, however, had limited effect on lengthy court procedures. A functional review of courts found that some cases take up to 9.5 years. The study found serious problems in management and leadership, in institutional structures, and in procedures, processes, and infrastructure to support the efficient operation of the courts.

The government has various plans to resolve existing challenges. However, at present, judicial review is very problematic.

Judicial review of decisions by trial courts, administrative bodies or other authorities can be sought before 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).

Citation:

1. Functional review of the Court system of Cyprus, <http://www.supremecourt.gov.cy/Judicial/SC.nsf/All/4FAD54FDA1155764C225825F003DC397?OpenDocument>

Appointment of
Justices
Score: 7

The judicial system essentially functions on the basis of the 1960 constitution, albeit with modifications to reflect the circumstances prevailing after the collapse of bi-communal government in 1964. The Supreme Council of Judicature (SCJ), composed of all 13 judges of the Supreme Court, appoints, promotes and places justices, except those of the Supreme Court. The latter are appointed by the president of the republic upon the recommendation of the Supreme Court. By tradition, nominees are drawn from the ranks of the judiciary. A 2016 GRECO report recommended broader participation in SCJ to include judges of trial courts. It also recommended more transparency regarding the procedure and criteria for the selection of judges. GRECO noted in 2018 that its recommendations were only partly implemented.

The gender ratio within the judiciary as a whole is approximately 60% male to 40% female. Five of the 13 Supreme Court justices and five of the seven administrative court justices are female.

Corruption
Prevention
Score: 3

Citation:

Council of Europe, GRECO fourth evaluation round, published September 2018, <https://rm.coe.int/fourth-evaluation-round-corruption-prevention-in-respect-of-members-of/16808d267b>

The auditor general's office is constitutionally independent and assigned to audit the accounts of all state entities. The auditor general's findings have been very often ignored. However, numerous cases of corruption since 2014 have resulted in the conviction of officials for corruption. Various policies are designed and promoted to serve transparency and fight corruption. However, the pace is slow.

GRECO observed in 2018 that only two out of 16 anti-corruption measures it recommended in 2016 were implemented, with a further eight partly implemented and six not implemented at all. In addition, measures adopted under previous reports, such as in party financing, have loopholes and deficient mechanisms that seriously affect their efficiency.

In 2018, the European Commission repeated its observation that the existing authority against corruption is inadequately resourced. We note also that no evaluation report is available on the implementation of public service and ministers codes of conduct established years ago.

Efforts against corruption suffered a serious blow in 2018 when most of the officials incarcerated for corruption were freed before completing even half of their sentences. Also, the citizenship-by-investment scheme is increasing the risk for corruption. These challenges explain why corruption and impunity is perceived by the public as extremely high.

Citation:

1. Council of Europe, GRECO, Fourth Round Evaluation Report, Cyprus, 2018 <https://rm.coe.int/fourth-evaluation-round-corruption-prevention-in-respect-of-members-of/16808d267b>

2. Contractor corruption watchdog unable to carry out duties, Cyprus Mail, 10 May 2018, <https://cyprus-mail.com/2018/05/10/contractor-corruption-watchdog-unable-to-carry-out-duties/>

Governance

I. Executive Capacity

Strategic Capacity

Strategic
Planning
Score: 4

Reforms launched in 2014 began integrating strategic planning into the country's administrative practices, a key omission over previous years. To this effect, the competences of the Planning Bureau, renamed "Directorate General for European Programs, Coordination and Development" (DGEPCD) were extended to include planning, coordination, monitoring, and evaluation. However, the intended tasks have been drastically reduced, with decisive powers remaining with the Ministry of Finance.

The law on fiscal responsibility was adopted in 2014 aiming to enable the government to identify goals and design policy actions based on strategic planning. Its implementation has stalled as attempts to enhance the capacity and planning of personnel have been constrained by the absence of political will. Planning is fragmented between ministries, capacity levels remain low and not all services are involved. A central coordination body and planning with broader participation are missing. As a result, planning is dominated by the budgetary and fiscal considerations of the Ministry of Finance. Additionally, efforts for coherent strategic planning are likely to be compromised by ad hoc policies, such as the citizenship-by-investment scheme.

Citation:

1. The Cyprus Investment Programme, or Citizenship by Investment, <http://www.moi.gov.cy/moi/moi.nsf/All/0A09FCB93BA3348BC22582C4001F50CF>

Expert Advice
Score: 3

The appointment of scholars to governing bodies of quasi-governmental institutions and newly created consultative bodies increased since 2014. New consultative bodies were created to advise the government on economic issues, energy policy and geostrategic studies. The administration has also sponsored research at institutes and universities, though this has been ad hoc and sporadic.

There is a long tradition of establishing advisory bodies, but their tasks and scope of work were limited to informing the public, raising awareness, drafting reports, or offering proposals to the government. The non-binding character of their proposals meant that decision-makers would pay little attention to them. One example is the operation of the Fiscal Council, whose advice the government disregards almost completely. Similarly, the Economic Council and Scientific Council became inoperative so much so that their members learned from the media that new members had replaced them.

Generally, there is no established culture of consultation between the state and external academic experts or, more broadly, thinktanks.

Citation:

1. Cabinet establishes new economic council after letting predecessor die, Cyprus Mail, 13 June 2018, <https://cyprus-mail.com/2018/06/13/cabinet-establishes-new-economic-council-after-letting-predecessor-die/>

Interministerial Coordination

GO Expertise
Score: 2

Under the constitution, line ministers are fully responsible for their ministries. They draft bills and forward them to the Secretariat of the Council of Ministers, which supports the cabinet's work. The secretariat forwards decisions to relevant offices and eventually monitors implementation. Though, "the general direction and control of the government and the direction of general policy" lies with the Council of Ministers, the council does not possess administrative depth and the necessary mechanisms to collect advice and collectively chart policy. The only advice received is limited to constitutionality checks of legislative drafts provided by the attorney general.

There might be some GO control by the minister of finance and cabinet under the law on fiscal responsibility. This is limited to mostly budgetary issues.

Line Ministries
Score: 3

The services within the presidential palace are essentially ad hoc in character and determined by the president for the duration of their term. Similarly, the tasks of the Secretariat of the Council of Ministers are limited mostly to providing secretarial support. The involvement of the Attorney General's Office consists in effecting legality checks of draft legislation. Ministries

tasked with drafting laws can refer to policies formulated by the government or to frameworks decided by the cabinet. It appears that draft laws are discussed only during the presentation and deliberation process in the Council of Ministers and not within an advanced and broader policy discussion.

Under the law on fiscal responsibility, the budgetary aspects of policy proposals are controlled by the finance minister to ensure compliance with general budgetary plans. No central coordinating body has thus far been established.

Cabinet
Committees
Score: 5

Forming ad hoc interministerial committees is a regular practice. The number of ministries, limited to 11, results in overlapping competencies and a greater need for coordination. The committees' tasks focus on procedural and sector-specific matters that may affect more than one ministry. The formulation of 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, given their ad hoc character and that their reports are not published.

Citation:

1. Cabinet orders review of crisis management, Cyprus Mail, 31 July 2018, <https://cyprus-mail.com/2018/07/31/cabinet-orders-review-of-crisis-management/>

Ministerial
Bureaucracy
Score: 5

The constitution's limit of the number of ministries to 11 results in each having a broad area of responsibility that has been extended to new fields since EU membership. While ministry officials and civil servants participate in ad hoc bodies or seek coordination with other ministries, final decisions rest with the ministers themselves, often based on political criteria. Constitutional powers accorded to ministers render ministries fiefdoms, with ministers operating as absolute rulers.

More interministerial interaction was promoted through new units created in the framework of the reform effort. In July 2018, the parliament voted against legislation to establish a coordinating sub-ministry of development and the government dissolved the Unit for Administrative Reform. It reallocated the latter's tasks back to the ministries and, thus, the prospect of institutionalizing much needed consultation and coordination between line ministries on policy matters has been suspended.

Citation:

The Unit for Administrative Reform to be Dissolved, InBusiness, 27 July 2018, <https://inbusinessnews.reporter.com.cy/financials/cyprus/article/191286/dialyetai-i-monada-dioikitikis-metarrythmisis> [in Greek]

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 the period under review, a very small number of ad hoc formal meetings took place. The crisis caused by the collapse of the Cooperative Bank in mid-2018 prompted various meetings searching for solutions that end with the adoption of new rules.

Digitalization for
Interministerial
Coordination
Score: 4

The use of digital technology covers a small spectrum of government work and activities as well as relations and interactions with citizens on public services. Some common IT programs aim at assisting government and interministerial coordination in a limited number of activities. They include payments by the Treasury and administration, preparing some parts of the budget, keeping track of payments, and assessing progress for projects funded by EU structural funds.

Citation:

On a system of digital archiving and exchange of documents, in Greek, <http://www.mof.gov.cy/mof/dits/dits.nsf/All/D63B85881EA64743C2257D700026084B?OpenDocument>

Evidence-based Instruments

RIA Application
Score: 6

A RIA scheme was introduced in 2007 as part of a project on better regulation. A robust RIA tool was adopted in 2016 and training on its use made its application on 200 draft laws possible in 2017. In summer 2018, following the dissolution of the Unit for Administrative Reform, which operated at the presidential palace, RIA tasks were assigned to the Department of Public Administration and Personnel at the Ministry of Finance. The effects of this change remain unclear.

An issue of serious concern is the impact on the whole system of policies introduced without RIA via the discretionary powers of the Council of Ministers. The “investment program,” the granting of permits for the construction of buildings four to seven times higher than town planning allows, and the sale of Cypriot citizenship have an impact on a wide spectrum of rules and practices that neutralize RIA implementation and efforts for better regulation.

Citation:

1. Better Regulation Progress Report, May 2018 [in Greek], <https://drive.google.com/file/d/1stXSvKF6tU2AeSXbBEbNGqfbdGLAjGfa/view?usp=sharing>

Quality of RIA
Process
Score: 5

A 2017 report on the implementation of the present system makes proposals to address various issues and improve the whole RIA process. These include the need for transparency, more systematic consultation, improved involvement of

Sustainability
Check
Score: 4

stakeholders and enhanced analysis of SMEs. Offering public access to submitted RIA documents and submitting the system to an independent evaluation remain mere proposals. Given that the better regulation project is in a transitional stage, with tasks assigned back to ministries, there are no updates available for 2018.

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. They also include questions on methods and processes followed, such as interactions with other ministries' services and consultations with the public and 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 and focus on the budgetary impact and macroeconomic effects.

Quality of Ex
Post Evaluation
Score: 2

Given the deficiencies in strategic planning, ex-post evaluation has not been part of government practice. However, in the framework of commitments to reform the public administration, the government in recent years solicited the drafting of studies by the World Bank and others. These studies on the administration and line ministries aimed mainly at restructuring and reforming the administration and its procedures, while also reviewing their general policies. Specific policies in ministries are not evaluated and progress achieved so far remains limited.

Citation:

Public Administration Reform – Restructuring ministries and administration
<http://www.reform.gov.cy/en/public-administration-reform/restructuring-in-the-public-sector>

Societal Consultation

Public
Consultation
Score: 5

Consultation with societal actors has been a general practice for decades, though generally left to the end of the process. Once a policy is decided or a draft bill is already before a parliamentary committee, stakeholders are invited to voice their views. Generally, vociferous stakeholders are more successful with their demands than less powerful groups and may engage in consultations before policy decisions are made. A decline of consultation practices was observed during the implementation of the Memorandum of Understanding (MoU). After exiting the MoU in early 2016, the government appeared more

willing to accommodate previously rejected union demands. Also, under trade union pressure, it suspended projects including the privatization of telecoms and electricity utilities.

Public consultation before rulemaking is regularly practiced by only some departments and less systematically than expected. The results and impact of such consultations are not always transparent or published.

Industrial action by teachers unions in summer 2018 forced the government to cancel some policy-decisions it had taken; subsequently they engaged in negotiations on how to improve the education system.

In order to ensure approval of its policies by the parliament, the government consults with political parties, in particular when a major crisis is imminent. This happened in July 2018 when the collapse of the Cooperative Bank forced the adoption of a set of long overdue rules.

Citation:

1. Our view: 11th hour Co-op vote typical of lily-livered parties, Cyprus Mail, 10 July 2018, <https://cyprus-mail.com/2018/07/10/our-view-11th-hour-co-op-vote-typical-of-lily-livered-parties/>
2. So called dialogue and consensus always favors unions, Cyprus Mail opinion, 29 September 2018, <https://cyprus-mail.com/2018/09/29/our-view-so-called-dialogue-and-consensus-always-favours-the-unions/>

Policy Communication

Coherent
Communication
Score: 3

Government communications are generally channeled through the Press and Information Office (PIO) and government spokesperson. However, in a context of increasingly intense media presence and interaction with the media, ministers and other officials have come to operate more independently in their communications. This has exacerbated, to some extent, long-standing challenges resulting from poor coordination of communication.

Following his reelection in February 2018, the president and his new government faced a variety of serious political issues, including with teacher strikes and the collapse of the Cooperative Bank. There was a cacophony of messages, lacking clarity and sometimes contradictory, which left the public in the dark or in confusion.

Citation:

1. Our view : Statements of the obvious do little for public's confidence in politicians, Cyprus Mail, 26 September 2018, <https://cyprus-mail.com/2018/09/26/our-view-statements-of-the-obvious-do-little-for-publics-confidence-in-politicans/>

Implementation

Government
Effectiveness
Score: 4

In their fall 2018 reports, the European Commission, the European Central Bank and the IMF praised the government for the impressive growth rates and economic recovery brought about from tourism, services, and building activities. They also noted, among others, improvements in employment and in addressing problems related to non-performing loans (NPLs). As a result, Cyprus is back to investment grade BBB-. Progress on NPLs was achieved by increasing the public debt. Success remains mainly sectoral; sustainability depends on government actions on critical issues. Long-term sustained effort is needed in order to shift economic activity to new sectors, to make structural and other reforms of the administration and judicial system, and proceed with privatizations. Similarly, the process related to introducing a national health system needs to be expedited.

Reforms may further benefit the people, alleviate negative impacts on their welfare and reduce inequalities, and the risk of poverty and social exclusion. While the government's policies improved economic confidence and competitiveness, the market climate remains reserved.

Citation:

1. Statement of the staff of EU Commission and the ECB... Cyprus, 28.09.2018, <https://www.ecb.europa.eu/press/pr/date/2018/html/ecb.pr180928.en.html>
2. Cyprus: Staff Concluding Statement of the 2018 Article IV Mission, IMF, 5 October 2018, <https://www.imf.org/en/News/Articles/2018/10/05/mcs10518-cyprus-staff-concluding-statement-of-the-2018-article-iv-mission>

Ministerial
Compliance
Score: 4

Under the presidential system, appointment and dismissal of a minister are the president's prerogative. Implementation of state policies rests entirely with a minister's ambition to succeed or desire to stay in office. While the officeholder's personality and dedication are key factors, the very broad scope of each ministry's competences increases planning and coordination difficulties. Strategic planning may benefit implementation and provide evaluation benchmarks. Thus, achievement of goals may be a motivating factor for quality work.

Monitoring
Ministries
Score: 4

The constitution establishes that the direction and control of the government and general policy lie with the Council of Ministers. This creates a circular relationship since each minister is the sole authority in her/his ministry. The Directorate General for European Programs, Coordination and Development (DGEPCD) has some monitoring functions, but these are limited to growth policies. The Council of Ministers does not have the capacity or mechanisms to exercise direction and control. Under the law on fiscal responsibility, the

Monitoring
Agencies,
Bureaucracies
Score: 3

finance minister is assigned central oversight and coordinating powers, albeit mainly on budgetary and fiscal issues.

The Council of Ministers appoints the governing bodies of quasi-governmental institutions and approves their budgets. The law on fiscal responsibility offers some budget control, while 2014 amendments to the law on the governing bodies of quasi-governmental institutions strengthens government control on governing bodies and policies. However, these changes appear to neither offer remedies against favoritism nor to improve oversight and sound management.

The situation with regard to local authorities is similar. The auditor general notes in his 2016 report high debts, disrespect for rules and procedures, and functional inadequacies in many municipalities.

In 2018, the IMF underlined the need for reforms of public bodies and municipalities, at both the structural and functional levels, and the improvement of their capacity for financial management and the monitoring of risk.

Citation:

1. Municipal gravy trains can't go on, audit boss says, Cyprus Mail, 25 May 2018, <https://cyprus-mail.com/2018/05/04/municipal-gravy-trains-cant-go-on-audit-boss-says/>

Task Funding
Score: 4

Local government bodies receive substantial state subsidies, amounting in some cases up to 40% of their budget. In addition, the Council of Ministers, in particular the ministers of interior and finance, have extensive powers to manage the finances and assets of municipalities. The creation of new municipalities increases local government budget needs. Legislation that aims to reorganize municipalities, improve their management, increase centralization and control state funding has been pending since 2014. However, the main challenges facing local government are inefficiency, mismanagement and corruption, which result in the provision of low-quality services.

Citation:

1. Generous loans available from EIB for municipal projects, Cyprus Mail, 15 November 2017, <https://cyprus-mail.com/2017/11/15/generous-loans-available-eib-municipal-projects/>

Constitutional
Discretion
Score: 4

The constitutional status of local government is vague. Placed originally under the authority of the Communal Chambers (Art. 86-111) that were abolished in 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 and management decisions regarding a variety of financial issues and assets are subject to approval by the Council of

Ministers. Additionally, the law on fiscal responsibility (20(I)/2014) imposes stricter budget controls. Reforms by statutory regulation are pending for years, while the number of municipalities is deemed excessive and their operations highly problematic. Local authorities must prove that they deserve their autonomy.

Citation:

1. Discussion of local government reform bill drags on, Cyprus Mail, 25 June 2018, <https://cyprus-mail.com/2018/06/25/discussion-of-local-government-reform-bill-drags-on/>

National
Standards
Score: 2

Standards and indicators at the central government level often lack consistency and universality. Reforms aiming to create a complete framework and improve implementation have been pending since 2014. Notwithstanding, the Ministry of Finance issues guidelines to assist subnational entities in designing budgets based on strategic planning. Guidelines set general standards and procedures, in particular on fiscal issues. Though no evaluation report on their application is available from the Ministry of Finance, the auditor general's report for 2016 points to disrespect for standards and procedures. He stresses that "the situation in municipalities is not viable" and urges the government to make the approval of pending reforms an extremely high priority. Reforms may, among others, set standards that reduce individual discretion regarding the interpretation and implementation of fiscal and other policies.

Citation:

1. Municipal gravy trains can't go on, audit boss says, Cyprus Mail, 4 May 2018, <https://cyprus-mail.com/2018/05/04/municipal-gravy-trains-cant-go-on-audit-boss-says/>

Effective
Regulatory
Enforcement
Score: 3

Government policies and practices point to a bias toward serving the interests of powerful economic groups and individuals as well as bowing to the demands of strong trade unions. Also, both the government and political parties often act on the basis of political expediency: they attempt to find ways to avoid "harming" the interests of informal groups by adopting rules that are either ineffective or unrelated or simply by not taking decisions. As a result, the public good is not fairly served and lingering challenges persist.

The most glaring examples are the citizenship granting "investment program" that neutralizes regulation on city planning and the favoring of land development – including new golf courses – within Natura 2000 protected sites while ignoring water scarcity. In the financial sector, the laws on foreclosures and non-performing loans and the accompanied ESTIA scheme were amended after the EU and IMF considered them inadequate for the task. Little or no progress on reforms is also indicative of a policy bias that enables the government and parties to avoid possible political costs.

Citation:

1. Environmental decisions placing Cyprus on path to self-destruction, Etek says, Cyprus Mail, 29 March 2018, <https://cyprus-mail.com/2018/03/29/environmental-decisions-placing-cyprus-path-self-destruction-etek-says/>

Adaptability

Domestic
Adaptability
Score: 5

The rigid structures of the 1960 constitution and a chronic lack of innovative spirit have held the country back. Numerous recent studies and projects for reform have thus far led to little progress; the government appears unwilling or hesitant, while some proposals have been rejected by the parliament or neutralized through amendments. While EU accession led to the creation of new institutions and new practices, these did not affect cumbersome structures and entrenched mentalities. As a single region under the EU's "cohesion policy," Cyprus has not been significantly affected by European policies aimed at strengthening the role of regions. Government efforts to promote strategic planning capacity or administrative reforms are missing targets (e.g., changing administrative structures and culture and promoting meritocracy). These efforts may be further affected by the dissolution of the centralized Unit for Administrative Reforms.

Citation:

1. Studies for the reform of the public administration, ministries and departments <http://www.reform.gov.cy/en/public-administration-reform>

International
Coordination
Score: 4

Despite the island's proclaimed role as a bridge between three continents, its 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 Cypriot government focuses on bilateral relations and isolated contributions to specific matters in international fora. Resources and attention are gradually shifting from efforts to overcome the economic crisis to initiatives aiming to coordinate with neighboring countries on exploiting hydrocarbons in the Eastern Mediterranean. Given existing conflicts in the area, which are partly fueled by hydrocarbon explorations, the main aim has been to forge alliances. Cyprus could exploit the great potential that its strategic location offers to contribute more to the common good in the region and globally.

Citation:

1. Cyprus, Greece hit back at Turkey's trilateral summit 'dismay', Cyprus Mail, 13 October 2018, <https://cyprus-mail.com/2018/10/13/cyprus-greece-hit-back-at-turkeys-trilateral-summit-dismay/>

Organizational Reform

Self-monitoring
Score: 4

The main institutional arrangements of 1960 remain largely unchanged. Reform efforts, including institutional monitoring under the project for better regulation, have shown little progress. Some procedures have improved. The rejection by the parliament of a government bill to establish a sub-ministry for development led to the reassignment of tasks back to three line ministries. Self-monitoring in line ministries is absent, while a central coordination and monitoring body is missing.

To meet EU obligations and proceed with reforms agreed to with its creditors, the government commissioned studies that identified existing needs. However, the extent of monitoring and widening better regulation to all levels of the administration remains limited.

Citation:

1. Lenders call on Cyprus to maintain fiscal discipline and speed up reforms, Cyprus Mail, 28 September 2018, <https://cyprus-mail.com/2018/09/28/lenders-call-on-cyprus-to-maintain-fiscal-discipline-and-speed-up-reforms/>

Institutional
Reform
Score: 5

Efforts to improve the efficiency of the administration stalled in 2018 without adoption of any major reform. Published plans aim, among other things, to improve the selection and promotion of personnel, speed up procedures, create control mechanisms, and clear confusion on roles and competences. Clear indications that capacities are improving remain scarce.

Work on expanding strategic planning capacities is missing monitoring and evaluation mechanisms. Additionally, the required professional training of personnel advances slowly, with no action report available.

II. Executive Accountability

Citizens' Participatory Competence

Political
Knowledge
Score: 5

Traditionally strong interest and high participation in politics and elections has given way to political apathy and indeed alienation. Abstention rates in national elections grew from around 10% in 2006 to 33.5% in 2016. Also, only 20% of young people register on electoral rolls.

Trust in institutions is low, with politicians and political parties at the lowest ever (2.6 out of 10), just below the parliament and the government at 3.7 and 4.2 out of 10, respectively.

While the citizenry's level of information is very rarely surveyed, disengagement from politics is likely to affect their quest for information on policies. In 2018, the media consistently noted the government's failure to properly inform the people or explain important policies and decisions.

Citation:

1. Coop and education issues erode the credibility of the institutions [in Greek], Stockwatch 18 September 2018, <https://www.stockwatch.com.cy/el/article/genika-paideia-politika/ereyna-skt-kai-paideia-diavronoyntin-axiapistia-thesmon>

Open
Government
Score: 5

The main sources of data/information are the Statistical Service and the Press and Information Office (PIO). The former systematically publishes data and reports, while the PIO covers mostly the activities of the president and ministers. In addition, information is published by ministries: their key output being their annual activity reports. However, data and information that are made available lack a systematic character and relevance to key policies and government activities. Citizens need more consistent and complete information to be able to evaluate the government's work and hold it accountable.

Citation:

1. Government information through PIO <https://www.pio.gov.cy>

Legislative Actors' Resources

Parliamentary
Resources
Score: 3

Since 2016, the House of Representatives has taken measures to enrich resources needed for legislative work. Through technological upgrades and the recruitment of specialized staff, it has sought services beyond administrative and secretarial support. However, no report is available on the exact roles and the impact on legislating. Likewise, no public reports are available on the contributions of personal assistants to deputies' work. Similarly, the outcome of cooperation agreements signed in the past with universities and other research institutions have so far not been announced.

In addition to information received from ministers and other state officials, the parliament needs more resources to efficiently monitor government activities. It needs its own research and expertise capacities.

Obtaining
Documents
Score: 4

The government and the broader public administration have no constitutional obligation to make documents available to the parliament. In practice,

ministers or other officials answer questions, present their views or documents to deputies, House committees or ad hoc committees.

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, if an official attends a committee hearing she/he is obliged to tell the truth and to provide genuine documents. Hiding information or documents may lead to judicial sanctions for misinforming or misguiding the committee.

Critically, under the law, attending a meeting if invited is not mandatory. Thus, the House's ability to obtain documents depends on an officials' willingness to attend a hearing as well as on a minister's discretionary power to approve release of documents. Thus, she/he can withhold information without risking sanctions.

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 of the republic “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 and policies. They rarely decline invitations to appear themselves or be represented by senior administration officials and provide information or requested data. Thus, since attendance is up to the discretion of the executive, there have been cases where ministers have ignored invitations either when the subject related to a contentious matter or for other reasons.

Citation:

1. The Constitution of Cyprus, http://www.parliament.cy/easyconsole.cfm/page/download/filename/SYNTAGMA_EN.pdf/foldername/articleFile/mime/pdf/

Summoning
Experts
Score: 7

Parliamentary committees summon officials or private persons to provide documents or data; this happens despite the absence of any invitee's legal or constitutional obligation to attend a meeting. Under the law, if one chooses to attend, she/he has the obligation to provide genuine data and tell the truth.

In practice, committees invite interested parties and stakeholders to present their views, but inviting independent experts or seeking their views is 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

In the present House of Representatives there are 56 deputies and 16 committees. The latter corresponds to one committee for each of the 11 ministries, while five are dealing with cross-ministerial matters. According to the latest available activity report of the House, during the 2016/2017 session, committees held 676 meetings (compared to 650 in the 2015/2016 session). The Human Rights and Gender Equal Opportunities Committee held 33 and the Finance and Budget Committee held 60 meetings.

The proper monitoring of the work of ministries 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 workload and constraints of resources, all face difficulties to properly prepare. Insufficient study and knowledge of issues makes deputies susceptible to being influenced by lobbying activities.

Citation:

1. Activity Report for 2016-2017 season, House of Representatives, 2017, <http://www.parliament.cy/images/media/assetfile/APOLOGISMOS%202016-2017.pdf> (in Greek).

Media

Media Reporting
Score: 5

The media landscape features a generally low capacity to analyze and evaluate policies. This is due to poor issue knowledge, limited research and partisan biases as well as a low awareness of media ethics rules. Conspiracy theories are present in media reporting. Economic difficulties have reduced the number of dailies to four and increased media's dependence on financial interests.

Coverage of political issues offers little insight, with in-depth reporting, offered mostly by the public broadcaster and Sunday papers, becoming increasingly rare. Analysts often fail to disclose their political connections or possible conflicts of interest. Personal views and preferences influence journalists' reporting. In 2018, media did however continue to take a critical view of inconsistencies in some government policies. Still, the media's approach vis-a-vis institutions and politicians could sometimes hardly disguise their preconceived ideas or self-interest.

The usual polarizing and confrontational rhetoric in media coverage of issues related to the Cyprus problem dominated the 2018 presidential elections. A journalistic glossary of terms that could avoid inciting tension between the two sides in Cyprus, sponsored by the OSCE, sparked controversy and friction between journalists.

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

Parties and Interest Associations

Intra-party
Decision-Making
Score: 6

The extending of powers to party members and their friends that originated in the 1990s has suffered a backlash in the last five to eight years. Attempts to reach “consensus” and other practices cancel or limit the exercise of these powers. In recent presidential and parliamentary elections, the leadership within parties decided important issues, in breach of party procedures on candidate selection and other issues. Thus, grassroots bodies and members were in practice deprived their powers.

The Democratic Rally (Δημοκρατικός Συναγερμός, DISY) sought in recent years “consensus” and the leadership proposed “strong” candidates, avoiding in some cases established rules of procedure. This was the case in both intra-party and public-office elections. The nomination of the presidential candidate for 2018 was merely the formal approval of the previously announced candidacy of the incumbent president. DISY's electoral programs are drafted and approved at a high level, with issues and proposals formulated on the basis of opinion surveys and communications consultant advice. Amendments to the party's statutes in 2018 increased the leader's powers and his highly personal management approach.

The Progressive Party of the Working People (Ανορθωτικό Κόμμα Εργαζομένου Λαού, AKEL) adheres to the principle of democratic centralism. Party members and their friends have nomination and selection rights, in a process that lacks transparency. The party congress (1,200 cadres) elects the Central Committee (CC, 105 members), which in turn elect the secretary general. AKEL's presidential candidate is selected by party cells, on proposals by the CC and a vote by an extraordinary congress. Electoral programs are approved by the party's governing bodies.

The Democratic Party (Δημοκρατικό Κόμμα, DIKO) applies a direct vote for its leadership. However, the CC (150 members) nominates the presidential

Association
Competence
(Employers &
Unions)
Score: 4

candidate, while regulations set the procedures for nomination of candidates to other offices. The CC also approves the electoral program.

A decades-long spirit of compromise that had prevailed in industrial relations has been under tension since 2012. The actors have always based their demands or positions on sectoral interests. They generally either lack internal research teams or have teams with limited capacities and task scope. The left-wing Pancyprian Federation of Labour (Παγκύπρια Εργατική Ομοσπονδία, PEO) is a rare exception; its research institute regularly produces scientific studies on the economy and labor market.

The system of labor relations today features efforts by employers to further limit benefits and by trade unions to reestablish rights and benefits.

Citation:

1. Unions demand better conditions for hotel workers, Cyprus Mail, 1 June 2018, <https://cyprus-mail.com/2018/06/01/unions-demand-better-conditions-for-hotel-workers/>

Association
Competence
(Others)
Score: 4

Civil society groups have an increasing presence in society. Funding from European and other schemes have substantially helped in strengthening what was a budding civil society movement in the 1990s. Research enables CSOs to formulate policy proposals on various issues, including ecology, trafficking and good governance.

More groups have emerged since 2011, with a focus on politics, the economic crisis as well as social and environmental issues. However, in many cases, proposals and lobbying by these groups, on issues such as hydrocarbons use, promoting transparency and combat corruption, electoral system reform, have lost their momentum. Despite the media attention that their activities and quality proposals gained, political forces continue to display little receptivity.

The Church of Cyprus continues to play an important role in society, fueled by its financial and organizational capacities. However, a survey in September 2018 showed that people's trust had hit its lowest point since 2015 (4.1 out of 10).

Citation:

1. Tensions rise during opposing demos at sea caves development, Cyprus Mail, 24 April 2018, <https://cyprus-mail.com/2018/04/24/tensions-rise-opposing-demos-sea-caves-development/>

Independent Supervisory Bodies

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. The office is equivalent to that of a Supreme Court justice. The auditor general presents an annual report to the president, who “shall cause it to be laid” before the parliament. This informs the parliament about the audit’s findings. The auditor general is regularly invited to parliamentary committee hearings. The constitution provides that the audit office reviews “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. The current auditor general’s involvement in recent incidents indicate disrespect for impartiality and have damaged the authority of the institution.

Citation:

1. Our View: Auditor general’s put downs for personal glory only, opinion Cyprus Mail, 6 December 2017, <https://cyprus-mail.com/2017/12/06/view-auditor-generals-put-downs-personal-glory>

Ombuds Office
Score: 4

In the absence of a relevant constitutional provision, an ombuds office was established by Law 3/1991 as the Office of the Commissioner for Administration and Human Rights. The president of the republic appoints the commissioner 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. Copies of the report, investigative reports and activity reports are made available to the Council of Ministers and to the parliament.

Excluded from the commissioner’s oversight are the House of Representatives, the president of the republic, the Council of Ministers, ministers themselves, courts (including the Supreme Court) and other officials. More recently, politically motivated appointments to the office call into question the institution’s credibility.

Citation:

1. Parliament approves president’s choice for ombudsman position, Cyprus Mail, 31 March 2017, <https://cyprus-mail.com/2017/03/31/parliament-approves-presidents-ombudsperson-appointment/>

Data Protection
Authority
Score: 6

The Office of the Commissioner for the Protection of Personal Data was established in 2002. Law 125(I)/2018 updated the legislation in accordance with EU regulations and directives. The Council of Ministers appoints the commissioner upon the recommendation of the minister of justice and public order. She/he must have the qualifications for appointment as a judge of the

Supreme Court, which is, however, somewhat vague. The commissioner's authority is extended to both public and private persons, except on processing operations by courts when acting in their judicial capacity.

Violations of personal data by various agents, including the authorities, politicians and political parties, has always been an issue of concern. Massive numbers of SMS and other messages to citizens during election campaigns prompted a limited number of complaints, with fines imposed on senders. No independent report exists evaluating the effectiveness of the office.

Citation:

1. Law on the Protection of Personal Data, L.125(I)/2018
[http://www.dataprotection.gov.cy/dataprotection/dataprotection.nsf/BAE2F781893BC27DC225820A004B7649/\\$file/Law%20125\(I\)%20of%202018%20ENG%20final.pdf](http://www.dataprotection.gov.cy/dataprotection/dataprotection.nsf/BAE2F781893BC27DC225820A004B7649/$file/Law%20125(I)%20of%202018%20ENG%20final.pdf)

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