



SPRING 2020 REFORM BAROMETER – CYPRUS

European Semester - Overall assessment of 2019 cycle

	To what extent do you agree with these statements:		Detailed comments
1.	The National Reform Programme submitted by your Government (April 2019) is appropriate.	Yes, absolutely	1. Public, Local Administration and Judicial System reforms 2. Continuation of the implementation of the reformed Insolvency and Foreclosure Frameworks 3. Further reduction of the high level of non-performing loans and private debt 4. Boost productive investment, enhance competitiveness and improve the business environment.
2.	The Commission's country specific recommendations for your country are appropriate.	Yes, absolutely	1. Adopt key legislative reforms to improve public sector and local government 2. Accelerate the reduction of NPL's 3. Step up efforts to improve the efficiency of the Judicial System.
3.	The Commission assessment of reform implementation the year before is appropriate.	Yes, absolutely	The Commission's assessment on the progress of CSR's is excellent and fully adopted by OEB.
4.	The Commission assessment of excessive imbalances (in-depth review) is appropriate.	Yes, absolutely	The reform and strengthening of the Banking System has not reached yet the levels that guarantee full protection against existing of future risks. Therefor the efforts towards that direction must continue with no delay.

Assessment of Country Specific recommendations 2019 in detail

		Q1: The recommendation is:	Q2: implementation on effort is:	Detailed comments
CSR 1	Adopt key legislative reforms to improve efficiency in the public sector, in particular as regards the functioning of the public administration and the governance of State-owned entities and local governments. Address features of the tax system that may facilitate aggressive tax planning by individuals and multinationals, in particular by means of outbound payments by multinationals.	Extremely important	Unsatisfactory	Only minor legislative reforms have been implemented regarding the public sector. Reforms of utmost importance for the improvement of civil service (including the introduction of a new civil servants' evaluation system, and the introduction of a fiscal cap on the rate of growth of state payroll) have failed to be implemented.
CSR 2	Facilitate the reduction of non-performing loans including by setting up an effective governance structure for the State-owned asset management company, taking steps to improve payment discipline and strengthening the supervision of credit-acquiring companies. Strengthen supervision capacities in the non-bank financial sector, including by fully integrating the insurance and pension-fund supervisors.	Extremely important	Mixed	The progress on the reduction of NPL's is noticeable. For the period end-2014 to mid-2019, the percentage of NPL's has fallen from 56% to 32%, while in absolute terms the decline was over € 19 billion (from € 28 billion to € 8.9 billion). However, Cyprus still retains the highest NPLs rates in Europe so all efforts will have to be intensified.

		Q1: The recommendation is:	Q2: implementation on effort is:	Detailed comments
CSR 3	Complete reforms aimed at increasing the effectiveness of the public employment services and reinforce outreach and activation support for young people. Deliver on the reform of the education and training system, including teacher evaluation, and increase employers' engagement and learners' participation in vocational education and training, and affordable childhood education and care. Take measures to ensure that the National Health System becomes operational in 2020, as planned, while preserving its long-term sustainability.	Extremely important	Unsatisfactory	By and large, OEB's biggest concern regards the full implementation of the NHS by next June. We are also greatly concerned about the ability of public hospitals to become truly autonomous and operate in a competitive environment, without the need for continuous state subsidies.
CSR 4	Focus investment-related economic policy on sustainable transport, environment, in particular waste and water management, energy efficiency and renewable energy, digitalisation, including digital skills, and research and innovation, taking into account territorial disparities within Cyprus. Adopt legislation to simplify the procedures for strategic investors to obtain necessary permits and licences. Improve access to finance for SMEs, and resume the implementation of privatisation projects.	Extremely important	Mixed	Extremely important, several policies in the pipeline. The establishment of the Deputy Ministry of Innovation and Digital Policy will deal with the

		Q1: The recommendation is:	Q2: implementation on effort is:	Detailed comments
CSR 5	<p>Step up efforts to improve the efficiency of the judicial system, including the functioning of administrative justice and revising civil procedures, increasing the specialisation of courts and setting up an operational e-justice system. Take measures to strengthen the legal enforcement of claims and ensure reliable and swift systems for the issuance and transfer of title deeds and immovable property rights. Accelerate anti-corruption reforms, safeguard the independence of the prosecution and strengthen the capacity of law enforcement.</p>	Extremely important	Unsatisfactory	<p>It is of great importance that this reform must proceed with no further delay as it will increase the competitiveness of the Cypriot economy, as "the speed of justice" is an area in which we lag behind and keeps Cyprus low on international competitiveness indicators. This has a negative impact on both domestic and foreign investment and also on social justice.</p>



Reform Progress in your Member State in 2019

How would you assess reform progress in 2019, for the following broad areas:

Taxation and Public Finances	Mixed
Business environment (regulation/access to markets)	Mixed
Labour market	Mixed
Innovation and skills	Mixed
Access to finance and Financial stability	Mixed

Is there any example of an economic reform, specific to your country that BusinessEurope could highlight in its 2020 Reform Barometer?

The government needs to introduce legislation to regulate the right to strike in essential services. Cyprus remains one of the few developed countries whose essential services, especially in the area of transport, remain completely defenceless to the whims of small but powerful interest groups.

Reform priorities for 2020

	I. Policy Area	II. Concrete Recommendations	III. Are the proposed recommendations already in the agenda of your Government?
Priority 1	Public sector efficiency	Step up all legislative reforms to improve efficiency eg functioning of the public administration, etc	Yes
Priority 2	Bank lending conditions	More incentives / tools to access finance by SMEs	No
Priority 3	Pension and health care reforms	The second biggest gov't project in Cyprus history. Careful monitoring mechanisms to be applied.	Yes
Priority 4	ICT	Speed up digital transformation of the public sector and the economy in general	Yes
Priority 5	Sector specific regulation (telecom, energy)	Regulate the right to strike in essential services.	No