

Cyprus

1. Covid-19 Pandemic and National Recovery and Resilience Plans

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|-------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------|
| Question 1 | Based on early indications, how satisfied or dissatisfied are you with the way your country has started implementing the national recovery and resilience plan? | Very satisfied |
| Question 2 | How satisfied or dissatisfied are you with the involvement of social partners in the implementation so far of your national recovery and resilience plan? | Satisfied |
| Question 3 | How confident are you that the European Commission will enforce strong implementation of the reforms in the national recovery and resilience plans across the EU? | Completely confident |
| Question 4 | How do you judge the overall economic policy response in your country over the past 24 months to the COVID-19 recession? (e.g. furlough schemes, tax deferrals, state aid schemes) | Very Good |
| Question 5 | How do you judge the overall economic policy response from the European Union over the past 24 months to the COVID-19 recession? (e.g. SURE, Recovery and Resilience Facility, single market) | Very Good |
| Question 6 | To what extent has the COVID-19 pandemic and recession led to scarring i.e. permanent structural damage to your national economy? | To some extent |
| Question 7 | To what extent has the COVID-19 pandemic and recession led to scarring i.e. permanent structural damage to the EU27 economy? | To some extent |
| Question 8 | More specifically, how much lower do you expect GDP in your country to be in 2025 than would have been the case without the crisis? | GDP in 2025 expected to be 7 % lower than what would have been the case without the pandemic |

2. Assessment of Country Specific recommendations 2020-2021 in detail

| | | Q1: The recommendation is: | Q2: implementation on effort is: | Detailed comments |
|-------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------|----------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| CSR 1 | In line with the general escape clause, take all necessary measures to effectively address the pandemic, sustain the economy and support the ensuing recovery. When economic conditions allow, pursue fiscal policies aimed at achieving prudent medium-term fiscal positions and ensuring debt sustainability, while enhancing investment. Strengthen the resilience and capacity of the health system to ensure quality and affordable services, including by improving health workers' working conditions. | Extremely important | Satisfactory | These measures contributed the most in the containment of the increase in the level of unemployment, resulting in the 2020 recession being lower than the European Union average. Furthermore, these have brought about the gradual recovery of the Cyprus economy we witnessed in 2021. A recovery that we are confident will continue in the years to come. |
| CSR 2 | Provide adequate income replacement and access to social protection for all. Strengthen public employment services, promote flexible working arrangements and improve labour market relevance of education and training. | Extremely important | Mixed | Work in progress. Also a legislation setting the rules for telework is in the pipeline. |

| | | Q1: The recommendation is: | Q2: implementation on effort is: | Detailed comments |
|-------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------|----------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| CSR 3 | Secure adequate access to finance and liquidity, especially for small and medium-sized enterprises. Front-load mature public investment projects and promote private investment to foster the economic recovery. Focus investment on the green and digital transition, in particular on clean and efficient production and use of energy, waste and water management, sustainable transport, digitalisation, research and innovation. | Extremely important | Mixed | The Central Bank regulations are still very strict especially for businesses that are characterised as 'problematic'. On the other hand, we have the European Commission's temporary framework for coronavirus support, the loan guarantee scheme, where eligible companies can use it to obtain bridge financing that will increase their cash buffers. |
| CSR 4 | Step up action to address features of the tax system that facilitate aggressive tax planning by individuals and multinationals. Improve the efficiency and digitalisation of the judicial system and the public sector. | Extremely important | Mixed | The reform of the public sector is in the pipeline with the recent introduction of a new civil servants' evaluation system. The judicial system reform is being discussed at the Parliament and a tax reform is under study to be implemented by the end of 2022. |

3. Reform Progress in your Member State in 2020 & 2021

How would you assess reform progress in 2020 & 2021, for the following broad areas:

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|------------------------------------------------------------|----------------|
| Taxation and Public Finances | Unsatisfactory |
| 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 2022 Reform Barometer?

A new strategy for attracting businesses and investments as to establish Cyprus as a successful, reliable and competitive business centre and a European business hub. This new strategy, has been put in force on January 1st 2022 and places particular emphasis on sectors engaging in High Technology, Shipping, Innovation, Research and Development, Biogenetics and Biotechnology.

4. Reform priorities for 2022

| | I. Policy Area | II. Concrete Recommendations | III. Are the proposed recommendations already in the agenda of your Government? |
|-------------------|-------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------|
| Priority 1 | Active labour market policies | Introduce measures/incentives in order to cover the high demand for workers. | No |
| Priority 2 | Public sector efficiency | Continue without delays all legislative reforms to improve efficiency eg functioning of the public administration, etc | Yes |
| Priority 3 | Bank lending conditions | More incentives / tools to access finance by SMEs | No |
| Priority 4 | Tax reforms | Tax reform is a necessity (last one was 20 years ago). The goal will be to strengthen the competitiveness of the Cypriot economy and Cyprus as a business center, to reduce tax inequality, to enhance the transparency and simplification of the tax system and to reduce the administrative burden. | Yes |
| Priority 5 | ICT | Speed up digital transformation of the public sector and the economy in general | Yes |