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## **Summary of the Partnership Agreement for Cyprus, 2014-2020**

### **Overall information**

The Partnership Agreement with Cyprus sets a landmark for investments through a smart and efficient use of the European Structural and Investment (ESI) Funds. The ESI Funds comprise 5 funds, namely, the European Regional Development Fund (ERDF), the Cohesion Fund (CF), the European Social Fund (ESF), the European Agricultural Fund for Rural Development (EAFRD) and the European Maritime and Fisheries Fund (EMFF)

The strategy aims to reinforce the efforts of Cyprus to exit from the crisis and stimulate growth through strengthening the competitiveness and innovation of Cypriot enterprises, promotion of actions to increase employment, develop the right skills and support social inclusion and fostering the protection and efficient use of resources.

The overall objective is to restructure the Cypriot economy and turn it into a sustainable, innovation-driven one, which is more open, with sustainable growth and jobs. To this end, the following three funding priorities are identified:

- Support the restructuring of the Cypriot economy and enhancement of its competitiveness
- Upgrade of human resources, promotion of employment and social cohesion
- Protection and efficient use of resources

The different actions and investment priorities focus mainly on dynamic productive sectors of comparative advantage for the Cypriot economy which result from the Smart Specialisation Strategy (S<sup>3</sup>Cy). The key priority sectors are tourism and energy while agri-food, fisheries and aquaculture, built environment /constructions, transport /shipping and health have been highlighted as secondary priority areas. Moreover, the natural environment is a significant cross-cutting priority.

As regards Cyprus' rural areas, emphasis will be on increasing the competitiveness of the agri-food sector and the creation of new jobs also in non-agricultural activities, while promoting the sustainable management and protection of natural resources and biodiversity, and adaptation to climate change. To achieve these objectives investments will be targeted to projects where they will achieve the highest impact.

The envisaged strategy, following a frontloading approach, supports actions to tackle and overcome the sharp unemployment problems, especially of youth, and facilitates access to finance for SMEs, creates jobs and boosts growth.

## Expected results

Investments aim at addressing the main development needs and thus strengthening social, economic and territorial cohesion. ESI Funds will assist Cyprus in achieving national targets of the 'Europe 2020 Strategy' as set out in the National Reform Programme (NRP), implementing Council country-specific recommendations and enabling the structural reforms provided for in the Economic Adjustment Programme. In particular, the projected results are the following:

- R&I expenditure in relation to Gross Domestic Product (GDP) is to increase from 0,47% in 2012 to 0,5% in 2020 leveraging private R&I investments. The expected stabilisation of Cyprus' economy and the return to positive growth rate combined with the implementation of a smart specialisation strategy (S<sup>3</sup>CY) render the achievement of this goal feasible.
- Increase in the number of public services delivered electronically to citizens and businesses and modernisation of the public administration through ICT use and reorganisation of public administration
- Strengthening business innovation in all sectors of the economy through the development of cooperation networks with R&I.
- Diversification of the structure of the economy and improvement of its competitiveness, including in the agri-food sector.
- Reduction in greenhouse gas emissions compared to 2005 (for sectors outside the ETS – energy, transport and agriculture) by 5% against 1.5% achieved in 2011,
- In relation to energy objectives, energy consumption from Renewable Energies (RES) will increase in 2020 to 13% against 7.7% in 2011, while energy efficiency is estimated to be increased to 14.3% against 12.3% in 2011.
- Increased carbon sequestration in agricultural and forest lands and promotion of environmentally sound farming practices for the prevention of soil degradation and erosion in line with the objectives of the National Strategy for adaptation to climate change.
- Sustainable management and efficient use of water resources and implementation of the objectives of the Water Framework Directive in an effort to reduce the risks and effects of droughts.
- Protection and restoration of biodiversity and upgrading of Nature 2000 and High Nature Value areas Reduction of biodegradable materials disposed in landfills, contributing to the national target of reducing by up to 35 % of the total weight of the biodegradable municipal waste produced by 2016 (Directive 1999/31/EC)
- Improvement of trans-European transport network and of urban mobility
- Help increasing employment rates and combatting unemployment, especially for the youth by making also use of the Youth Employment Initiative (YEI)
- Mitigating the impact of the crisis on the most disadvantaged by targeted social inclusion actions
- Developing human capital and increase participation in Life Long Learning (LLL) and Vocational Education and Training (VET)
- Decrease even more the rate of early school leaving.

## **Financial Allocations**

For the 2014-2020 programming period Cyprus will receive €735.6 million in total Cohesion Policy funding (in current prices, including European Territorial Cooperation funding) and €132.2 million for Rural Development to be invested in the country's real economy. The allocation for European Maritime and Fisheries Fund (EMFF) is €9.715.209. Additionally, €11.6 million will be allocated under the Youth Employment Initiative. Details on the allocation are given in the tables below.

Concentration of funds on limited number of priorities is one of the main principles of the reformed cohesion policy. Cyprus is classified in the category of more developed regions. However, Cyprus will benefit from the derogation provided for in article 4 (c) (ii) of Regulation (EU) No 1301/2013 on thematic concentration, according to which all NUTS level 2 regions consisting solely of island Member States or of islands which form part of Member States which receive support from the Cohesion Fund, shall be considered as less developed regions. Thematic concentration, meaning the level of ERDF or Cohesion Fund expenditure aimed at research and innovation (Thematic Objective 1), ICT (TO2), competitiveness of enterprises (TO3) and low carbon economy (TO4) in relation to total ERDF allocation, account for at least €142.9 million, including €42.9 million for low-carbon economy. Nevertheless, Cyprus has made the very positive and ambitious decision to go beyond these minimum requirements and to allocate in these four thematic objectives €258.5 million, including €45 million for low-carbon economy.

The share of ESF in the allocation of ESI Funds amounts to 30.7 % or €129.4 million which is the required minimum share for 2014-2020. More than 53% of the funds will be allocated to combatting unemployment (TO8), while almost 21% of ESF funds will be devoted to social inclusion (TO9). Vocational training and lifelong learning (TO10) will take almost 20% of the funds and finally, almost 4% of the funds will be devoted on making the Cypriot Public Administration more efficient (TO11).

Significant attention is given to territorial dimension of interventions in particular for the development of urban, rural and fisheries areas and access to public services. Approximately 20% of ERDF allocation or €60.25 million will be invested in sustainable urban development actions in Cyprus. At least 5% of total EAFRD and about 15% of EMFF allocations will be reserved for Community-Led Local Development (CLLD).

Approximately €173 million representing 20% of ESI Funds allocations will make a contribution to climate change mitigation and adaptation measures. Furthermore, at least 30% of the EAFRD contribution is earmarked for measures relating to the environment, climate and land management.

## **Programme architecture**

Cohesion policy will be delivered by 2 operational programmes (OPs), as in 2007-13 period:

- OP Competitiveness and Sustainable Development co-financed by ERDF and CF
- OP Employment, Human Resources and Social Cohesion co-financed by ESF

Moreover there will be

- One Rural Development Programme co-financed by the EAFRD and
- One OP for Maritime and Fisheries supported by the EMFF .

Details on allocations to operational programmes are presented in table 3.

**Table 1: Allocation: breakdown by thematic objective and by Fund (except territorial cooperation).**

<b>Thematic Objective</b>	<b>ERDF (EUR)</b>	<b>ESF (EUR)</b>	<b>Cohesion Fund (EUR)</b>	<b>EAFRD (EUR)</b>	<b>EMFF (EUR)</b>	<b>Total (EUR)</b>
1. Strengthening research, technological development and innovation	70.000.000	0	0	2.142.000	0	<b>72.142.000</b>
2. Enhancing accessibility to and use and quality of information and communication technologies	73.500.000	0	0	315.000	0	<b>73.815.000</b>
3. Enhancing the competitiveness of small and medium-sized enterprises and the agricultural sector (for EAFRD) and fisheries and aquaculture sector (for the EMFF)	70.000.000	0	0	36.202.377	10.012.500	<b>116.214.877</b>
4. Supporting the shift towards a low-carbon economy in all sectors	13.000.000	0	32.000.000	35.122.500	14.762.500	<b>94.885.000</b>
5. Promoting climate change adaptation, risk prevention and management	0	0	10.000.000	13.072.500	0	<b>23.072.500</b>
6. Protecting the environment and promoting resource efficiency	30.000.000	0	127.000.000	22.995.000	4.295.000	<b>184.290.000</b>
7. Promoting sustainable transport and removing bottlenecks in key network infrastructures	14.250.000	0	85.000.000	0	0	<b>99.250.000</b>

8. Promoting employment and supporting labour mobility	0	69.500.000	0	6.300.000	5.250.000	<b>81.050.000</b>
9. Promoting social inclusion and combating poverty	15.000.000	27.000.000	0	13.545.000	0	<b>55.545.000</b>
10. Investing in education, skills and lifelong learning	0	26.000.000	0	252.000	0	<b>26.252.000</b>
11. Enhancing institutional capacity and an efficient public administration	0	5.055.000	0	0	0	<b>5.055.000</b>
Technical assistance *	6.549.018	1.933.887	15.541.702	2.268.000	750.000	<b>27.042.607</b>
<b>Total</b>	<b>292.299.018</b>	<b>129.488.887</b>	<b>269.541.702</b>	<b>132.214.377</b>	<b>35.070.000</b>	<b>858.613.984</b>

\* It should be noted that the technical assistance of the Cohesion Fund will also support the technical assistance actions of other Funds (ESF and ERDF).

**Table 2: Resources allocated to the Youth Employment Initiative**

	(EUR)
Specific allocation for the Youth Employment Initiative	11.572.101
Allocation of European Social Fund	11.572.101
<b>Total</b>	<b>23.144.202</b>
Resource allocation for the Youth Employment initiative for young people residing outside eligible areas (Article 16 Regulation (EU) No 1304/2013 for the ESF)	0

**Table 3: Programme architecture<sup>1</sup>**

Programme	Fund	Total (EUR)	2014 (EUR)	2015 (EUR)	2016 (EUR)	2017 (EUR)	2018 (EUR)	2019 (EUR)	2020 (EUR)
OP Competitiveness & sustainable development	ERDF	<b>292.299.018</b>	89.951.276	90.400.500	21.511.055	21.941.566	22.380.680	22.828.566	23.285.375
	CF	<b>269.541.702</b>	57.156.764	48.473.084	39.315.087	32.537.256	31.698.643	30.869.169	29.491.699
OP Employment, Human resources & social cohesion	YEI	<b>11.572.101</b>	6.501.180	5.070.921					
	ESF	<b>129.488.887</b>	39.848.546	40.047.552	9.529.428	9.720.145	9.914.673	10.113.088	10.315.455
Rural Development programme	EAFRD	<b>132.214.377</b>	18.895.839	18.893.552	18.891.207	18.888.801	18.886.389	18.883.108	18.875.481
OP Maritime & Fisheries	EMFF <sup>2</sup>	<b>35.070.000</b>	5.010.000	5.010.000	5.010.000	5.010.000	5.010.000	5.010.000	5.010.000
<b>Total</b>		<b>870.186.085</b>	<b>217.363.605</b>	<b>207.895.609</b>	<b>94.256.777</b>	<b>88.097.768</b>	<b>87.890.385</b>	<b>87.703.931</b>	<b>86.978.010</b>
Youth Employment Initiative special allocation		<b>11.572.101</b>	6.501.180	5.070.921					

<sup>1</sup> To the allocation for the ERDF and ESF EUR 200 million has been added which will be granted to Cyprus in 2014 and 2015

<sup>2</sup> The allocation for the EMFF is based on preliminary assessments, since the relevant regulation had not yet been adopted at the time the PA was submitted.