WP1: Synthesis report

Ex post evaluation of Cohesion Policy programmes 2007-2013, focusing on the European Regional Development Fund (ERDF) and the Cohesion Fund (CF)

Task 3 Country report
Cyprus

September 2016

Authors: Applica, Ismeri Europa and Cambridge Economic Associates
The information and views set out in this report are those of the author(s) and do not necessarily reflect the official opinion of the Commission. The Commission does not guarantee the accuracy of the data included in this study. Neither the Commission nor any person acting on the Commission’s behalf may be held responsible for the use which may be made of the information contained therein.

EUROPEAN COMMISSION
Directorate-General for Regional and Urban Policy
Directorate B – Policy
Unit B.2 Evaluation and European Semester

Contact: Violeta PICULESCU
E-mail: Violeta.PICULESCU@ec.europa.eu
European Commission
B-1049 Brussels
WP1: Synthesis report
(contract number 2014CE16BAT016)

Ex post evaluation of Cohesion Policy programmes
2007-2013, focusing on the European Regional
Development Fund (ERDF) and the Cohesion Fund (CF)

Task 3 Country Report
Cyprus

September 2016
Europe Direct is a service to help you find answers to your questions about the European Union.

Freephone number (*):

00 800 6 7 8 9 10 11

(*) The information given is free, as are most calls (though some operators, phone boxes or hotels may charge you).

LEGAL NOTICE
This document has been prepared for the European Commission however it reflects the views only of the authors, and the Commission cannot be held responsible for any use which may be made of the information contained therein.


ISBN [number]
doi:[number]

© European Union, 2016

Reproduction is authorised provided the source is acknowledged.
CONTENTS

LIST OF ABBREVIATIONS ............................................................................................................. 5
LIST OF PROGRAMMES AND LINK TO BENEFICIARIES OF ERDF AND COHESION FUND SUPPORT ........................................................................................................... 6
PRELIMINARY NOTE .................................................................................................................... 7
EXECUTIVE SUMMARY ................................................................................................................ 9
1. THE POLICY CONTEXT AND BACKGROUND ......................................................................... 10
   1.1. Macroeconomic situation .................................................................................................. 10
   1.2. Regional Disparities ......................................................................................................... 11
2. MAIN FEATURES OF COHESION POLICY IMPLEMENTATION ................................................. 11
   2.1. Nature and scale of Cohesion Policy in the country .......................................................... 11
   2.2. Division of funding between policy areas and changes over the period ......................... 12
   2.3. Policy implementation ..................................................................................................... 13
3. THE OUTCOME OF COHESION POLICY PROGRAMMES – MAIN FINDINGS FROM THE EX POST EVALUATION ................................................................................................. 14
   3.1. Enterprise support and innovation (WP2, WP3 and WP4) ................................................. 15
   3.2. Transport (WP5) ............................................................................................................... 15
   3.3. Environmental infrastructure (WP6) ................................................................................ 15
   3.4. Culture and tourism (WP9) ............................................................................................. 15
   3.5. Urban development and social infrastructure (WP10) .................................................... 16
   3.6. ETC (WP11) ..................................................................................................................... 16
   3.7. Impact on GDP (WP14) .................................................................................................... 16
   3.8. Overview of Achievements ............................................................................................... 16

List of abbreviations

AIR Annual Implementation Report
ERDF European Regional Development Fund
ESM European Stability Mechanism
ETC European Territorial Cooperation
EU European Union
GDP Gross Domestic Product
GDFCF Gross Domestic Fixed Capital Formation
MA Managing Authority
MC Management Committee
NSRF National Strategic Reference Framework
NUTS Nomenclature of Territorial Units for Statistics
OP Operational Programme
R&D Research and Development
RTD Research and Technological Development
SME Small and Medium Enterprise
List of programmes and link to beneficiaries of ERDF and Cohesion Fund support

<table>
<thead>
<tr>
<th>CCI</th>
<th>Name of programmes</th>
<th>Link beneficiaries</th>
<th>Number of Projects</th>
</tr>
</thead>
</table>

Note: The web links above are to websites of the respective Managing Authorities who, under the rules governing the 2007-2013 programmes were required to publish the names of the beneficiaries of the funding allocated. The number of projects supported has been estimated on the basis of the information published on the website at the time when the data were downloaded. In the meantime the data concerned may have been updated. It may also be that the data have been moved to another part of the website, in which case the link may not work. If this is the case, those who wish to locate the data concerned will need to go to main OP website, as indicated by the beginning part of the link and search from there.
Map 1 Cyprus and NUTS 2 regions, GDP/head (PPS), 2014

Cyprus: GDP/head (PPS) by NUTS–2 region, 2014

Index, EU-27 = 100

- < 50
- 50 - 75
- 75 - 90
- 90 - 100
- 100 - 125
- >= 125

Source: Eurostat, (DG REGIO)

NUTS2 boundaries


**Preliminary note**

The purpose of the country reports is to provide for each Member State a short guide to the findings of the ex post evaluation of Cohesion policy programmes 2007-2013 undertaken by DG Regional and Urban Policy and an overview of the context in which the programmes were carried out. It is based on information produced by Task 1 and Task 2 of WP1 and on the country specific findings from the various WPs that form the ex post evaluation. These are listed below with an indication in brackets of the case studies carried out in the Member State concerned.

WP0 – Data

WP1 – Synthesis

WP2 – SMEs, innovation and ICT

WP3 – Venture capital, loan funds

WP4 – Large enterprises

WP5 – Transport

WP6 – Environment

WP8 – Energy efficiency

WP9 – Culture and tourism

WP10 – Urban development and social infrastructure

WP11\(^1\) – European Territorial Cooperation

WP12 – Delivery system

WP13 – Geography of expenditure

WP14 – Impact modelling

---

\(^1\) The findings from WP11 – European Territorial Cooperation are summarised in a separate report as part of Task 3 of WP1.
Executive summary

After the significant economic expansion experienced between 2000 and 2007, Cyprus was hit severely by the global economic and financial crisis. Between 2007 and 2011, growth slowed down and GDP stagnated. Between 2011 and 2014, the country went into recession, with an adverse effect on the employment rate, which declined by almost 10 percentage points between 2007 and 2013, and on unemployment which increased fourfold over the period.

The consequences of the recession on public finances were also substantial. From 2009 on, the public sector balance was in large deficit, forcing Cyprus to resort to the European Stability Mechanism (ESM) and IMF funding, leading to the application of structural reforms to contain the deficit and government borrowing. In the process, government investment was cut markedly. Nevertheless, public debt doubled in relation to GDP, increasing from 54% in 2007 to 109% in 2015 mainly because of support of banks.

Over the 2007-2013 period, economic development continued to be concentrated in urban centres and coastal areas rather than in other parts of the island. ERDF and Cohesion Fund support amounted to EUR 493 million, representing 0.4% of GDP, an average of EUR 86 per head. Funding was strongly focussed on the Environment, urban development, tourism and enterprise support. Over the period, funding was shifted away from RTD and innovation and Culture and Social infrastructure to urban development, tourism and support of enterprise investment. By the end of March 2016, payments had been claimed for 93% of available funding, implying that all of the latter will probably be absorbed.

Overall, the measures co-financed over the period directly resulted in the creation of almost 1600 jobs in full-time equivalent terms in SMEs, of which 570 were in research. Some 308 projects to help firms finance investment were supported and 218 cooperation projects between enterprises and research centres were financed.

At the end of the programming period in 2015, the investment supported by Cohesion and rural development policies is estimated to have increased GDP by around 0.6% above the level it would have been in the absence of the investment. In 2023, GDP is estimated to be 0.5% higher than it otherwise would be without these policies.
1. The policy context and background

1.1. Macroeconomic situation

Cyprus is among the countries which suffered most from the crisis. In 2013 a macroeconomic adjustment programme was agreed to tackle the country’s financial imbalances, consisting of fiscal consolidation, structural reforms and privatisation. In return, financial assistance of up to EUR 10 billion was made available (European Stability Mechanism, EUR 9 billion, IMF, EUR 1 billion).

The effects of the economic and financial crisis, however, came later than in other EU Member States. Between 2007 and 2011, GDP growth was still positive, though much slower than over the 2000–2007 period. From 2011, GDP contracted markedly, at an annual rate of over 4% a year between 2011 and 2013 and then by 2.5% in 2014, when most other EU countries were showing signs of recovery. In 2015, GDP increased once again, though by slightly less than the EU average. In 2014–2015, GDP turned back to be positive. Compared to the EU average (1.9%), the growth rate was modest (1.4%), but higher than the average rate of growth at the beginning of the programming period (Table 1).

| Table 1 GDP growth, employment and unemployment, Cyprus and the EU, 2000–2015 |
|---------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Cyprus                         | 3.9     | 0.8    | 0.9    | -4.2   | -2.5    | 1.4 |
| EU average                     | 2.3     | -2.0   | 1.9    | -0.1   | 1.4     | 1.9 |
| Cyprus                         | 72.0    | 76.8   | 75.3   | 73.4   | 67.2    | 67.9 |
| EU average                     | 66.5    | 69.8   | 68.9   | 68.6   | 68.4    | 70.1 |
| Cyprus                         | 5.0     | 3.9    | 5.4    | 7.9    | 15.9    | 15.0 |
| EU average                     | 9.2     | 7.1    | 8.9    | 9.6    | 10.8    | 9.3 |

Source: Eurostat Government financial accounts

As growth slowed down in the 2007–2011 period, the employment rate declined by over 3 percentage points and unemployment doubled from 4% of the labour force to 8%. Over the subsequent two years as GDP collapsed, the employment rate fell by a further 6 percentage points (to 67% of population aged 20–64, to below the EU average from well above) and the unemployment rate doubled again to reach 16% by 2013.

| Table 2 Government budget balance, accumulated debt and investment, Cyprus and the EU, 2000–2015 |
|---------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Cyprus                          | -2.2 | 3.2  | -5.5 | -5.7 | -4.9 | -1.0 |
| EU average                      | 0.0  | -0.9 | -6.7 | -4.5 | -3.3 | -2.4 |
| Public sector debt              |     |     |     |     |     |     |
| Cyprus                          | 55.1 | 53.9 | 53.9 | 65.8 | 102.5 | 108.9 |
| EU average                      | 60.6 | 57.9 | 73.1 | 81.1 | 85.5 | 85.2 |
| General Govt investment         |     |     |     |     |     |     |
| Cyprus                          | 3.3  | 2.9  | 4.0  | 3.7  | 2.0  | 1.9  |
| EU average                      | 2.9  | 3.2  | 3.7  | 3.3  | 3.0  | 2.9  |

Source: Eurostat Government financial accounts
As a result of the slowdown in growth, the public sector balance went from a surplus of 3% of GDP in 2007 to a deficit of almost 6% in 2011. In consequence, the Commission initiated an excessive deficit procedure in May 2010. Following this, fiscal consolidation measures were taken and despite the large decline in GDP, the deficit was reduced to 1% of GDP by 2015. Much of the consolidation was concentrated on public investment which was halved in relation to GDP between 2009 and 2013, being reducing from 4% of GDP to only 2%.

As a result of the budget deficits but more because of the large-scale lending to local banks to prevent them from collapsing, public debt almost doubled in relation to GDP from 54% in 2007 to 103% in 2013. In 2015, it had risen further to 109% of GDP (Table 2).

1.2. Regional Disparities

Cyprus is a single NUTS 2 and NUTS 3 region with a population of around 800 thousand and a GDP per head in PPS terms which was the same as the EU average at the beginning of the programming period in 2007. By 2014, however, it had fallen to 81% of the average (see Country folder for Cyprus).

Although there are no systematic statistics on disparities between districts in the country, it is evident that economic activity is concentrated in the urban centres and coastal areas and that the rest of the island lags behind. In particular, coastal areas have benefitted from a tourist boom, while urban centres have taken advantage of the expansion of the service sector. By contrast, rural areas have experienced outward migration and an ageing of the population. Border and mountain areas as well as smaller villages are supported by agriculture subsidies and social transfers. It is unlikely that these regional disparities lessened over the period, though there are no data available to verify this.

2. Main features of Cohesion Policy implementation

1.1. Nature and scale of Cohesion Policy in the country

The NSRF 2007-2013 was focused on 5 thematic priorities: (1) strengthening the productive base of the economy and supporting enterprises; (2) knowledge society and promotion of RTD and innovation; (3) human resources, employment and social cohesion (financed by the ESF); (4) environment, transport and energy infrastructures and (5) development of sustainable communities.

Cyprus was accorded Phasing-in status under the Competitiveness and Employment Objective, which implied a much lower level of support than for most other parts of the EU12 which were supported under the Convergence Objective. The ERDF and Cohesion Fund resources available for the period 2007-2013 totalled EUR 493 million, the equivalent of 0.4% of GDP and 7% of total Government capital expenditure (Table 3). As indicated above, EU funding was small compared to the EU12 average (2% of GDP and 39% of Government capital expenditure).

The five priorities set out above were pursued through one national programme, the ‘OP for Competitiveness and Sustainable Development’.
Table 3 ERDF and Cohesion Fund resources and national co-financing for the 2007-2013 period in Cyprus initial (2007) and last (April 2016)

<table>
<thead>
<tr>
<th>Category</th>
<th>2007</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>EUR million</td>
<td>National public funding</td>
</tr>
<tr>
<td>EUR funding</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Competitiveness</td>
<td>492.7</td>
<td>86.9</td>
</tr>
<tr>
<td>Change, 2007-2014</td>
<td></td>
<td></td>
</tr>
<tr>
<td>% GDP</td>
<td>0.38</td>
<td>0.07</td>
</tr>
<tr>
<td>% Govt. capital expend</td>
<td>7.1</td>
<td>1.2</td>
</tr>
<tr>
<td>Per head (EUR) pa in Competitiveness</td>
<td>85.9</td>
<td>15.2</td>
</tr>
<tr>
<td>EU12</td>
<td></td>
<td></td>
</tr>
<tr>
<td>% GDP</td>
<td>2.15</td>
<td>0.43</td>
</tr>
<tr>
<td>% Govt. capital expend</td>
<td>38.3</td>
<td>7.6</td>
</tr>
<tr>
<td>Per head (EUR) pa in Competitiveness</td>
<td>69.7</td>
<td>12.3</td>
</tr>
</tbody>
</table>

Note: EU funding relates to decided amounts as agreed in 2007 and as at 14 April 2016. The figures for % GDP and % Govt. capital expenditure relate to funding for the period as % of GDP and Govt. capital expenditure aggregated over the years 2007-2013. Govt. capital expend is the sum of General Government gross fixed capital formation and capital transfers. The EU12 figures are the total for the EU12 countries for comparison. Convergence and Competitiveness categories include the Phasing-out and Phasing-in regions, respectively. Cyprus, as single NUTS 2 region, was included under the Competitiveness category with the Phasing-in status.


2.2. Division of funding between policy areas and changes over the period

Initially, funding was concentrated on the Environment (30.5%), followed by Innovation and RTD (14.3%), Other transport (other than roads and rail) (11.4%) and Other investment in enterprises, other than for innovation and RTD (10.5%). Urban development and tourism and Culture and social infrastructure accounted for just over

Table 3 Division of financial resources in Cyprus for 2007-2013 by category, initial (2007) and last (April 2016) and shift between categories

<table>
<thead>
<tr>
<th>Category</th>
<th>2007 EUR million</th>
<th>2016 EUR million</th>
<th>Added</th>
<th>Deducted</th>
<th>Net shift</th>
<th>% Total 2007</th>
<th>% Total 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.Innovation &amp; RTD</td>
<td>70.4</td>
<td>36.7</td>
<td>2.1</td>
<td>-35.8</td>
<td>-33.6</td>
<td>14.3</td>
<td>7.5</td>
</tr>
<tr>
<td>2.Entrepreneurship</td>
<td>8.5</td>
<td>2.8</td>
<td>-</td>
<td>-5.7</td>
<td>-5.7</td>
<td>1.7</td>
<td>0.6</td>
</tr>
<tr>
<td>3.Other investment in enterprise</td>
<td>51.9</td>
<td>69.4</td>
<td>17.6</td>
<td>-</td>
<td>17.6</td>
<td>10.5</td>
<td>14.1</td>
</tr>
<tr>
<td>4.ICT for citizens &amp; business</td>
<td>15.3</td>
<td>17.6</td>
<td>2.3</td>
<td>-</td>
<td>2.3</td>
<td>3.1</td>
<td>3.6</td>
</tr>
<tr>
<td>5.Environment</td>
<td>150.1</td>
<td>156.1</td>
<td>70.8</td>
<td>-64.9</td>
<td>6.0</td>
<td>30.5</td>
<td>31.7</td>
</tr>
<tr>
<td>6.Energy</td>
<td>6.0</td>
<td>9.5</td>
<td>3.6</td>
<td>-</td>
<td>3.6</td>
<td>1.2</td>
<td>1.9</td>
</tr>
<tr>
<td>7.Broadband</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>8.Road</td>
<td>33.2</td>
<td>33.2</td>
<td>7.2</td>
<td>-7.2</td>
<td>-</td>
<td>6.7</td>
<td>6.7</td>
</tr>
<tr>
<td>9.Rail</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>10.Other transport</td>
<td>56.1</td>
<td>47.6</td>
<td>-</td>
<td>-8.5</td>
<td>-8.5</td>
<td>11.4</td>
<td>9.7</td>
</tr>
<tr>
<td>11.Human capital</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>12.Labour market</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>13.Culture &amp; social infrastructure</td>
<td>41.1</td>
<td>22.4</td>
<td>0.9</td>
<td>-19.6</td>
<td>-18.7</td>
<td>8.3</td>
<td>4.6</td>
</tr>
<tr>
<td>14.Social Inclusion</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>15.Territorial Dimension</td>
<td>41.6</td>
<td>78.7</td>
<td>37.1</td>
<td>-</td>
<td>37.1</td>
<td>8.4</td>
<td>16.0</td>
</tr>
<tr>
<td>16.Capacity Building</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>17.Technical Assistance</td>
<td>18.5</td>
<td>18.5</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>3.8</td>
<td>3.8</td>
</tr>
<tr>
<td>Total</td>
<td>492.7</td>
<td>492.7</td>
<td>141.6</td>
<td>-141.6</td>
<td>-</td>
<td>100.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Note: ‘Added’ is the sum of additions made to resources in OPs where there was a net increase in the funding going to the category. ‘Deducted’ is the sum of deductions made to resources in OPs where there was a net reduction in funding. ‘Social inclusion’ includes measures to assist disadvantaged groups and migrants. ‘Territorial dimension’ includes support for urban and rural regeneration and tourist services and measures to compensate for climate conditions.

Source: DG Regional and Urban Policy, Inforegio database, April 2016
8% each (Table 4)\(^2\). Over the course of the period, funding was shifted between broad policy areas primarily because of the difficulty of obtaining co-financing from the government and local banks, as well as a desire to support SMEs and to focus support on stimulating economic activity. The result was a reallocation of resources from Innovation and RTD (mainly because the main R&D centre, the Research Promotion Foundation, was unable to absorb funding due to its internal re-organisation) and Culture and social infrastructure, in particular, to urban development and tourism (the ‘Territorial Dimension’ in the table). Other investment in enterprise (except for Innovation and RTD) and, to a lesser extent, the Environment.

In addition, in April 2013, the national OP was revised after the explosion at the largest and most efficient power plant in Cyprus, which provided about 60% of total power generation capacity, when it became imperative to increase the resources allocated to renewable energy (in the event, by EUR 3.6 million). In addition, at the end of 2012, the Funded Risk Sharing Product (FRSP) – a mechanism easing the access of SMEs to credit - was ended as it failed to meet market expectations. Additional resources were channelled into the First Loss Portfolio Guarantee Product (FLPG) to encourage bank lending to enterprises, especially to SMEs, by providing credit risk protection. Moreover, new large infrastructure projects, such as the construction of a new sewerage network and the extension of the road network from Limassol port to the Limassol-Paphos highway, were carried out.

2.3. Policy implementation

The co-financing rate of the ERDF and Cohesion Fund amounted to 85% (Figure 1) and helped offset national budget constraints and the consequences of fiscal consolidation. The EU rate remained unchanged throughout the programming period, while a payment facility (a 10% top-up) was granted to Cyprus following the implementation of the fiscal adjustment programme in 2013 (Table 3).

\textbf{Figure 1 - Total funding going to expenditure on Cohesion policy programmes for the 2007-2013 period, initial planned amount and final amount (EUR mn)}

\begin{figure}[h]
\centering
\includegraphics[width=\textwidth]{figure1.png}
\caption{Total funding going to expenditure on Cohesion policy programmes for the 2007-2013 period, initial planned amount and final amount (EUR mn)}
\end{figure}

Source: DG Regional Policy financial data, 14 April 2016

---

\(^2\) The 17 categories shown in the table are aggregations of the more detailed 87 categories into which expenditure was divided in the period for reporting purposes.
As a result of a lack of administrative capacity, there were delays in processing project applications and certifying the eligibility of expenditure up to the end of 2012, when payments amounted to only 45% of the total funding available. In addition, delays were also caused by problems over the implementation of the infrastructure projects for Solid Waste Management Systems for Households in Limassol and Nicosia. The shift of funding between policy areas outlined above increased the absorption rate from then on (Figure 2).

Figure 2 Time profile of payments from the ERDF and Cohesion Fund to Cyprus for the 2007-2013 period (% of total funding available)

By the end of March 2016, the payments claimed amounted to 93% of overall funding, suggesting that by the end of 2015, all the funding available had been spent as required by the regulations (given delays in claiming payment to cover programme expenditure and the fact that 5% of funding is held back until the compliance of expenditure with the regulations has been verified).

2) The outcome of Cohesion Policy programmes – main findings from the ex post evaluation

The main findings summarised here come from the evaluations carried out under the Work Packages (WPs) of the ex-post exercise which covered in detail the following policy areas:

- Support to SMEs – increasing research and innovation in SMEs and SME development (WP2);
- Financial instruments for enterprises (WP3);
- Support to large enterprises (WP4);
- Transport (WP5);
- Environment (WP6);
- Energy efficiency in public and residential buildings (WP8);
- Culture and tourism (WP9);
- Urban development and social infrastructure (WP10);
- European Territorial Cooperation (WP11);
- Delivery system (WP12);
• Geography of expenditure (WP13);
• The impact of cohesion policy 2007-2013: model simulations with Quest III and Rhomolo (WP14).

All of these are relevant for Cyprus except for the evaluations of large enterprises (WP4) for which no relevant information is provided for Cyprus and of energy efficiency in public and residential buildings (WP8) to which there was no allocation of funding (though some renewable energy projects involving solar power were supported). The evaluation of ETC (WP11), it should be noted, is the subject of a separate report. The evaluation on the delivery system (WP12) did not cover Cyprus in any detail, while the estimates produced by WP13 on the allocation of funding and of expenditure between regions are not considered here3.

3.1. Enterprise support and innovation (WP2, WP3 and WP4)

SME support, R&D and innovation (WP2)

Support of enterprises and innovation amounted to EUR 109 million or 22% of the overall funding available. The financial crisis led to a shift of focus towards the provision of direct support to enterprises with the explicit aim of slowing the rise in unemployment. In total, an estimated 1,572 full-time equivalent jobs in SMEs were directly created as a result of the funding (see Table 5 at the end of this section).

Overall, up to the end of 2014, 218 cooperation projects between companies and research institutes were implemented. The support provided led to the creation of 570 research jobs, mainly as a result of the programme 'Research for Enterprises', which involved between 5.7 and 9.8 person months of employment per research project in the 2009-2013 period and 2.4 person months in 2014. In addition, the programme provided support for 308 investment projects in SMEs.

Financial Instruments for enterprises (WP3)

Around EUR 17 million, or 16% of the overall ERDF going to business support, was allocated to Financial Instruments (FIs). At the end of 2014, all the funding allocated had been paid into the 5 funds set up and around two-thirds had reached final recipients4.

3.2. Transport (WP5)

Around EUR 81 million went to Transport projects over the period, accounting for just over 16% of overall funding, most of it going to roads on the trans-European Transport Network (TEN-T), while the rest went to multi-modal, urban transport and port projects).

According to the Managing Authority (MA), the funding led to the construction of 3 km of new roads on the TEN-T and the upgrading of a further 3 km of other roads (see Table 5 at the end of this section).

3.3. Environmental infrastructure (WP6)

EUR 156 million of funding, or almost a third of total funding, went to the support of environmental infrastructure over the period. Most of the funding was channelled into wastewater treatment (EUR 79 million) and waste management (EUR 62 million).

---

The amount of municipal waste disposed of in landfills, which accounted for over 90% of the total, was reduced by almost 10 percentage points over the period 2007-2013, while the amount recycled increased to a similar extent.

Two major waste management projects ran into serious implementation problems as a result of delays in the technical studies being undertaken and disputes over the location of certain facilities. In consequence, the solid waste management project in Limassol was started after a long delay (it will continue to be constructed in the 2014-2020 programming period), while the solid waste management project in Nicosia was withdrawn from the programme. Similar problems of implementation and delays in construction also occurred with regard to wastewater treatment projects.

3.4. Culture and tourism (WP9)

A total of EUR 12 million, or 2% of total ERDF funding, was allocated to Culture and tourism, markedly smaller than initially planned in 2007, mainly because a major project for the construction of the Nicosia cultural centre was not carried out. All of the funding went to cultural projects, though, in addition, EUR 17 million went to the direct support of hotels and restaurants. In this regard, the Sustainable Development and Competitiveness OP co-financed an incentive scheme amounting to EUR 13 million for support of firms to upgrade and improve existing tourist accommodation and services.

3.5. Urban development and social infrastructure (WP10)

Some EUR 89 million went to support of investment in urban regeneration and social infrastructure over the period, equivalent to around 18% of total funding, the third largest share in the EU. By far the greater part of the funding went to projects for urban regeneration (16%) and only a relatively small share went to social infrastructure investment (2%), in particular, to education buildings and equipment.

3.6. ETC (WP11)

Cyprus was involved in two INTERREG programmes: the Greece-Cyprus OP, financed under the Cross-border Cooperation strand of the ETC Objective, and the MED OP\textsuperscript{5}, financed under the Transnational Cooperation strand. The ETC-funded programmes are the subject of a separate report.

3.7. Impact on GDP (WP14)

At the end of the programming period the investment supported by Cohesion and rural development policies in Cyprus is estimated to have increased GDP in 2015 by around 0.6% above the level it would have been in the absence of the funding provided\textsuperscript{6}. In 2023, it is further estimated that GDP will be 0.5% higher than it would be without the funding. The effect is significantly smaller than in the other EU12 countries because of the much smaller amount of funding involved.

3.8. Overview of Achievements

Up to the end of 2014, the investment undertaken with the support of the ERDF for the 2007-2013 period in Cyprus had resulted in the direct creation of almost 1 600 gross jobs in full-time equivalent terms (Table 5). It should be emphasised that since not all MAs reported all of the core indicators, and in some cases, only a minority, the figures tend to understate achievements, perhaps substantially. In addition, the data

\textsuperscript{5} Including Cyprus, Italy, Spain, UK, Slovenia, Portugal, Malta, France, Greece, Croatia, Montenegro, Bosnia and Herzegovina, and Albania.

reported relate to the situation at the end of 2014, one year before the official end of the period in terms of the expenditure which could be financed, so that they also understate achievements over the programming period because of this.

**Table 5 Values of core indicators for ERDF and Cohesion fund co-financed programmes in Cyprus for 2007-2013 period, as at end-2014**

<table>
<thead>
<tr>
<th>Core Indicator Code</th>
<th>Core indicator name</th>
<th>Value up to end-2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>Aggregated jobs</td>
<td>1 572</td>
</tr>
<tr>
<td>5</td>
<td>Number of cooperation projects enterprises-research institutes</td>
<td>218</td>
</tr>
<tr>
<td>6</td>
<td>Number of research jobs created</td>
<td>570</td>
</tr>
<tr>
<td>7</td>
<td>Number of direct investment aid projects to SMEs</td>
<td>308</td>
</tr>
<tr>
<td>9</td>
<td>Number of Jobs created in SMEs (gross, full time equivalent)</td>
<td>1 572</td>
</tr>
<tr>
<td>14</td>
<td>km of new roads</td>
<td>3</td>
</tr>
<tr>
<td>15</td>
<td>km of new TEN roads</td>
<td>3</td>
</tr>
<tr>
<td>16</td>
<td>Km of reconstructed roads</td>
<td>3</td>
</tr>
</tbody>
</table>

Note: The figures in the table are those reported by MAs in Annual Implementation Reports. Core indicators for which no data were reported by the Member State are not included. The “Aggregate Jobs” indicator is based on an examination by the Commission of all gross job creation reported for each priority axis and is regarded as the most accurate figure for the total number of gross jobs directly created as a result of funding.

Source: Annual Implementation Reports, 2014 and DG Regional Policy post-processing of these, August 2016