

**EXPERT EVALUATION NETWORK  
DELIVERING POLICY ANALYSIS ON THE  
PERFORMANCE OF COHESION POLICY 2007–2013  
YEAR 1 – 2011**

**TASK 2: COUNTRY REPORT ON ACHIEVEMENTS OF  
COHESION POLICY**

**CYPRUS**

**VERSION: FINAL**

**LENA TSIPOURI WITH THE ASSISTANCE OF DARIYA RUBLOVA  
NATIONAL AND KAPODISTRIAN UNIVERSITY OF ATHENS**

**A report to the European Commission  
Directorate–General Regional Policy**

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## LIST OF ABBREVIATIONS

- AIR Annual Implementation Report
- CUT Cyprus University of Technology
- DESMI Research Promotion Foundation's Framework Programme for Research, Technological Development and Innovation
- EC European Commission
- EEN Expert Evaluation Network
- EIB European Investment Bank
- ERDF European Regional Development Fund
- ESF European Social Fund
- FP Framework Programme
- GDN Government Data Network
- GIN Government Internet Node
- ICT Information Communication Technology
- JASPERS Joint Assistance to Support Projects in European Regions
- JEREMIE Joint European Resources for Micro to Medium Enterprises
- JESSICA Joint European Support for Sustainable Investment in City Areas
- MCIT Ministry of Commerce, Industry and Tourism
- NSDP National Strategic Development Plan
- OP Operational Programme
- R&D Research and Development
- RES Renewable Energy Sources
- RPF Research Promotion Foundation
- RTDI Research Technology Development Innovation
- SII Summary Innovation Index
- SME Small and Medium Sized Enterprise

## EXECUTIVE SUMMARY

Cyprus is a small open economy specialising in the service sector. Economic growth was smooth in the past but encountered difficulties arising from the financial crisis and more recently by the major explosion at Mari. Challenges in terms of economic modernisation and regional disparities were exacerbated by these two events.

The measures and actions supported by the European Regional Development Fund (ERDF) and the Cohesion Fund are ambitious and assist the country in its vision to become a “key player” in the economic cooperation between the EU, Middle East and North Africa by serving as a hub for the provision of high value added international business services. Priority is given to environmental infrastructure followed by measures supporting the business environment, in particular investments, RTDI and support to SME innovation. Territorial development, transport and energy benefit from both ERDF and Cohesion Fund. No modifications were needed as yet and most axes are over-budgeted to ensure complete absorption of the funds earmarked for Cyprus until the end of the programming period. Some modifications are under discussion on the way of committing RTDI funds, which are under-spent.

The progress is rather satisfactory in terms of absorption and implementation, but, due to the relatively late start in many projects, impacts are less visible. Significant delays were observed in the kick-off of the Major Projects due to their complexity but, by the end of 2010, 88.5% of the OP budget was activated. If the Major Projects activated now are taken into consideration, progress is entirely satisfactory. In terms of actual spending of the allocations provided, the total amount of certified eligible expenditure paid by beneficiaries increased almost two and a half times since the end of 2009. Cyprus is recording very good progress in the implementation of both OPs as it is ranking ninth among all the EU countries in relation to the rates of absorption of the Community funds<sup>1</sup>.

In terms of achievements Enterprise support and RTDI are the areas that took off first and hence present the most visible results with business firms supported for technological upgrade and creation of new companies by female and youth entrepreneurship schemes as well as the activation of JEREMIE. In the sector of tourism progress was only moderate. RTDI activities are supported through a number of measures of the corresponding framework programme (DESMI) of the Research Promotion Foundation (RPF) but are under-spent and discussions how the difference should be distributed are under way. The development of human resources is only addressed through researchers' skills. Transport and telecommunications have progressed. The Port in Limassol is a major beneficiary and the construction of the road links has also started. Sustainable urban road transportation started early but there are some delays in implementation. In the area of telecommunications projects targeting the diffusion of the use of ICT were launched.

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<sup>1</sup> [http://www.structuralfunds.org.cy/uploadfiles/Formal\\_presentation\\_in\\_the\\_Planning\\_Bureau\\_23-06-11\\_Final.pdf](http://www.structuralfunds.org.cy/uploadfiles/Formal_presentation_in_the_Planning_Bureau_23-06-11_Final.pdf)

In the case of Environment and Energy the management of waste water and water resources benefits from significant progress with visible impacts on the quality of life of the population, while solid waste management still lacks maturity. Tangible outcomes are recorded in alternative and renewable sources of energy with the completion of the establishment of the photovoltaic, solar heating and cooling systems in public buildings, schools and camps. A pilot (demonstration) solar–thermal power station of 5 MW with the additional function of desalinisation of sea water is a flagship expected to be launched soon.

Territorial development benefits from the most significant progress with large surfaces revitalising and a considerable population benefitting from it.

Conversely, the construction of the Cyprus Cultural Centre in Nicosia is the only case facing notable delays.

The overall effects of the interventions are positive, despite the criticism that projects were included into the programming process following maturity rather than relevance and anticipated impact. Although increasing compared to last year, impacts from the interventions co-financed by the Community funds are still quite limited but are expected to burgeon as time passes. It will take more time to assess the longer term impacts. For the time being the Global Competitiveness Report 2010–2011 downgraded Cyprus.

The challenges for the future remain:

- Some re-arrangement of priorities and projects co-financed by the ERDF and Cohesion Fund, based on the progress achieved as yet.
- Further improvements in the administrative mechanism including the adoption of systematic evaluations beyond the strict obligations of the country to the Structural Funds.
- Faster implementation of the Major Projects, more emphasis on rural development, deprived urban areas and renewable energy sources, as well as environmental protection in a broader scope than as yet.

Although no coherent strategy is still in place for evaluating the effects of interventions co-financed by the ERDF and Cohesion Fund, some important steps are taken such as a setting up of a Steering Committee for the Evaluation Activities of the Operational Programmes and the preparation and presentation of the indicative plan for the evaluations to be carried out in the current programming period. Two evaluation studies (the on-going evaluation and the evaluation of the Communication Plan of the two OPs) are progressing and planned to be completed by the end of 2011. A further evaluation for RDTI is expected to be launched early in 2012.

## 1. THE SOCIO-ECONOMIC CONTEXT

The socio-economic situation of Cyprus is typical for a small, developed economy:

- Cyprus is a small open economy with a population of almost 800,000 which is concentrated in the urban areas. The economy depends almost entirely on the service sector, which contributes 78.6% to the GDP and employs 72.1% of the labour force. In particular tourism, financial intermediation and real estate generate the highest value added. Agriculture makes up only 2.4% of the GDP and employs 7.5% of the labour force; manufacturing industry and construction contribute 19.0% and employ 20.4% of the labour force. Unemployment reached historically high levels (6.3% in 2010).
- The accession of Cyprus to the EU in 2004 was a driving force for modernising the public administration, restructuring the economy and promoting competitiveness. The development model envisages the enhancement of infrastructure and transport networks, energy issues, environmental protection and the reinforcement of competitiveness.
- Significant disparities exist between urban and rural areas with economic development concentrated in urban and coastal areas, while rural areas are in decline. Disparities occur also within urban centres, as some districts face significant problems of absence of physical social and cultural infrastructure. Revitalisation of rural and urban areas is reaffirmed in the current programming period and is included as one of its five priority axes in the Operational Programme Sustainable Development and Competitiveness, 2007–2013.

However, three main events may disrupt economic development in the future:

- The smooth economic progress was disrupted in 2011: on the 11<sup>th</sup> of July 2011 a catastrophe, undeniably the worst ever since 1974, triggered significant economic worries. A massive blast at a munitions dump in southern Cyprus has killed 12 people and fire ignited containers holding explosives. The fire spread to the island's largest power station. It has been knocked out, resulting in widespread power cuts. Its economic impact is not yet officially reported but there is no doubt it will significantly affect the national economy (e.g. increase cost for power generation and reduced liquidity). A first estimate of a total cost that reaches a staggering EUR 3.1 billion is reported by academic analysis<sup>2</sup>.
- On the positive side, it seems that there are significant gas reserves in the Cypriot continental shelf. A joint venture signed for common exploration and exploitation with Israel and the alleged significant resources identified are expected to change the overall economic performance of the country in the next decade.

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<sup>2</sup> <http://protes-stavrou.blogspot.com/2011/07/tiny-cyprus-can-now-become-huge-problem.html#.TmYYXV3LKpY>

- In the medium term it is difficult to assess the impact of the political turbulence in the neighbouring MEDA countries: on the one hand the role of the country becomes more important but on the other tourist may avoid the region for some time.

Though the global financial crisis has affected and continues to affect the national economy, there were visible signs of recovery within 2010 with GDP growth rates reaching 1%, lower than the EU average of 1.8% but higher than the negative rate of -1.7% in 2009<sup>3</sup>. The engine of growth of the economic recovery was the tertiary service sector. The sectors of tourism, transport and communication demonstrated above-average growth, while the construction sector (affected by the crisis) continued to demonstrate negative growth rates throughout 2010<sup>4</sup>. However, reduced liquidity risks deriving from the July blast may create more serious problems in the near future.

Regional inequalities are widening, because the dynamic service sector is concentrated in the urban areas, attracting highly-qualified population. Negative development trends in the rural (especially, remote and mountainous) areas are aggravated by the lack of modern infrastructure, adequate services and transport networks.

The crisis has affected the island and fiscal consolidation was necessary but, for the time being, it did not have any serious consequences on the implementation of the measures taken. As a means to confront the consequences of the crisis and revitalise the economy, an anti-cyclical Keynesian policy was followed promoting more (in comparison to initial programming) infrastructure projects with the total budget of the projects overcoming the initial budget foreseen for the priority axis<sup>5</sup>.

## **2. THE REGIONAL DEVELOPMENT POLICY PURSUED, THE EU CONTRIBUTION TO THIS AND POLICY ACHIEVEMENTS OVER THE PERIOD**

### **THE REGIONAL DEVELOPMENT POLICY PURSUED**

The main priorities of the regional development and the nature of support provided by the EU funding are as follows:

- Cyprus is one single NUTS 2 region; development policy is designed and implemented at the national level. The whole territory is eligible for ERDF support with the total funds allocated reaching approximately EUR 640 million<sup>6</sup>
- The measures and actions included in the OP “Sustainable Development and Competitiveness” were developed with the ambition to become a “key player” in the

<sup>3</sup> Source: See Excel file for Table 2, original source: Eurostat

<sup>4</sup> Planning Bureau, 2011a

<sup>5</sup> Planning Bureau, 2011a

<sup>6</sup> EUR 213 million under the Convergence objective (Cohesion Fund), EUR 399 million under the Regional Competitiveness and Employment Objective (“phasing-in” support by the ERDF and the ESF) and EUR 28 million under the European Territorial Cooperation Objective (ERDF financing).

economic cooperation between the EU, the Middle East and North Africa and serve as a hub for the provision of high value added international business services.

- Priority is given to environment infrastructure followed by the actions concerning the business environment with significant amounts channelled to investments, RTDI and support to SME innovation. Territorial development, transport and energy benefit from ERDF support as well.
- The cross-border programme with three Greek regions aims at the reinforcement of national security, improvement of accessibility of the region enhancement of competitiveness and the protection of natural and cultural heritage.
- The focus of Structural Funds support is consistent with the national objectives and corresponds to the real challenges of the economy but the resources devoted are insufficient.

No shifts of priorities or in the allocation of the Community funding have taken place yet<sup>7</sup>. Despite its consequences the goal recession is not expected to significantly affect the implementation of the Operational Programmes or trigger any shifts in the general strategy. The only visible impact is the decision to refrain from the JESSICA Initiative in Cyprus at least in the current programming period. The relative letter was sent to the EIB in May 2010<sup>8</sup>.

Potential modifications of the OPs through the expansion or readjustment of their priorities were extensively discussed between the Managing Authorities, Ministries in charge and other authorities within 2009 as well as in the context of Technical Meetings with the EC in 2009 and 2010. Taking into consideration the progress in the implementation of the different Priority Axes and problems and delays recorded in some of them, such modifications were considered probable. The final decision will be taken based on the results of the interim evaluation which is now ongoing<sup>9</sup>. The possibility of transfer of funds between Axes of the OP "Sustainable Development and Competitiveness" in order to provide stronger support to SMEs and sectors in greatest need is now under scrutiny. This refers particularly to the necessity to increase support to the construction sector, which is still affected negatively by the economic recession. Keynesian policies leading to infrastructure projects are favoured<sup>10</sup>. National pre-financing of the projects promoted for ERDF/Cohesion Fund support, incorporation of the new infrastructure projects and over-commitment of the programmes are the means adopted to speed up the absorption of the Community funds.

In addition to the ERDF and the Cohesion Fund support allocated through the OP, the EU funds provided through the JEREMIE and JASPERS instruments were mobilised as a means to confront the consequences of the crisis. All the Major Projects of the OP have been incorporated in the JASPERS Action Plans 2009, 2010 and 2011 through which technical

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<sup>7</sup> With the exception of the Greece-Cyprus cross-border cooperation programme for which some minor changes in the allocation of budget have taken place (details in the same section below)

<sup>8</sup> Planning Bureau, 2011a

<sup>9</sup> Planning Bureau, 2011a

<sup>10</sup> Ibid.



assistance is offered for the planning and maturing of a project. Funding Agreements are signed with the European Investment Fund (EIF). The government has transferred its own contribution and the Bank of Cyprus was selected as the Financial Intermediary for the JEREMIE initiative. The target is to leverage EUR 70 million in the form of loans<sup>11</sup>. These resources are expected to provide the most susceptible to crisis small and very small enterprises with finances needed with the further aim to reinforce private investment through the absorption of the EU funds. In Cyprus, the JEREMIE Holding Fund is co-financed by the ERDF.

As far as the Territorial Cooperation objective is concerned, the Managing Authority in cooperation with the Planning Bureau of Cyprus proceeded to the third revision of the Greece-Cyprus Programme and decided the additional allocation of EUR 1.79 million. This amount was transferred to the Programme from the return of the unused resources allocated to the Instrument for Pre-Accession Assistance (IPA-CBC) for 2010 to the cross-border component of the territorial cooperation objective<sup>12</sup>.

## POLICY IMPLEMENTATION

The progress in the implementation recorded in the first three-year period (up to the end of 2009) may be summarised as following:

- The preparatory stage and procedures for the promotion of the implementation of the OP “Sustainable Development and Competitiveness” were actually completed by the end of 2008 and the real implementation started.
- By the end of 2009, 65.1% of the OP budget was activated (86 calls launched with total budget of approximately EUR 377 million).
- 560 projects were incorporated with total budget of approximately EUR 283 million (or 48.8% of the OP budget).
- Concerning Community funds significant progress was achieved in policy areas such as Enterprise Environment (support to RTDI activities and funding schemes supporting SMEs competitiveness and enterprise development), Environment and Energy (public procurement) and Urban and Rural Rehabilitation.
- In terms of actual spending, by the end of 2009, expenditure submitted for payment by the beneficiaries reached EUR 43.5 million (or 7.5% of the total budget of the OP). Absorption was highest by the incentive schemes promoting entrepreneurship and support of new SMEs.
- Significant delays were observed in the kick-off of the Major Projects due to their complexity.

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<sup>11</sup> <http://www.structuralfunds.org.cy/default.aspx?NewsID=558>

<sup>12</sup> Specifically, from the planned but not submitted to the EC Cross-border Programme with Turkey

- Concerning the implementation of the Greece–Cyprus Territorial Cooperation programme the first call, common to all three priority axes, was published at the end of 2009.

The implementation process of the OP up to the end of 2010 may be characterised as satisfactory and generally in line with what was planned. Almost all the calls planned were announced for all the Specific Objectives of the OP and a significant number of projects was incorporated (including two Major Projects) and their implementation began straightaway<sup>13</sup>.

The majority of the calls were announced before 2010. During 2010, in total 7 calls were launched (budget: EUR 135.6 million) which correspond to 23.39% of the total public expenditure of the OP. In total, by the end of 2010 (including previous calls), 93 calls were launched with total budget of approximately EUR 513 million (88.5% of the OP budget was activated). If the Major Projects activated are taken into consideration, the budget of the OP may be considered as activated fully<sup>14</sup>.

In 2010, significant progress was also achieved in terms of actual implementation.

According to the AIR 2010, 824 projects were incorporated with total budget (public expenditure) of approximately EUR 628 million (or 108.3% of the OP budget<sup>15</sup>). As almost the half of these projects (374) were incorporated within 2010, which corresponds to 62.2% of the total budget of the OP, in terms of project incorporation the implementation rates were accelerated by far in comparison to the previous period.

Particular progress was recorded in the areas of transport and environment (water management) expressed mainly through the incorporation in the relative Priority Axes of the two Major Projects<sup>16</sup> in 2010. Noticeable progress in the area of territorial development (Urban and Rural Rehabilitation) was attributed mainly to the increased interest from the potential beneficiaries that led to the oversubscription of funds.

Concerning actual spending of the allocations provided, since the end of 2009, the total amount of certified eligible expenditure paid by beneficiaries increased almost two and a half times reaching EUR 104.5 million (from EUR 41.2 million in the end of 2009). According to the speech of the Permanent Secretary of the Planning Bureau made in June 2011<sup>17</sup>, Cyprus is recording very good progress in the implementation of both Operational Programmes as it is ranking ninth among all the EU countries in relation to the rates of absorption of the Community funds.

As in the previous year, significant delays were reported in initiating two environmental protection Major Projects, namely in the construction and operation of transit stations and

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<sup>13</sup> Planning Bureau, 2011a

<sup>14</sup> *ibid.*

<sup>15</sup> More than doubled since the end of 2009 (48.8%)

<sup>16</sup> Construction of the road that links the Port in Limassol with the motorway Limassol–Paphos (budget: EUR 104 million) and the establishment of the drainage system in the Kokkinochori area (budget: EUR 77 million)

<sup>17</sup> [http://www.structuralfunds.org.cy/uploadfiles/Ουλίσια\\_ΓΑ\\_23-06-11\\_Final.pdf](http://www.structuralfunds.org.cy/uploadfiles/Ουλίσια_ΓΑ_23-06-11_Final.pdf)

waste treatment and disposal plants in the provinces Limassol and Nicosia. JASPERS was used to accelerate the process of maturing. In order not to lose Community funds additional projects are included in the area of environment but also in some other areas where such need exists. As a result, the OP “Sustainable Development and Competitiveness” has already been oversubscribed. This over-budgeting ensures that no ERDF/Cohesion Fund money will be lost.

Delays were also recorded in the submission of the expenditure and monitoring bulletins from the beneficiaries caused by the recent computerisation of the system and the time needed for familiarisation with it. In order to address the problem and accelerate the procedures, special workshops were organised complemented by the continuous support provided by the Users Support Office. Simplification of the data registration processes through the Integrated Information System is under examination. Modifications concerning the processes of data storage are expected to take place by the mid-2011<sup>18</sup>.

The special Information and Publicity Campaign launched in December 2010 was completed in February 2011. The aim of the campaign was to inform public on the utilisation of the Community funds in the country<sup>19</sup>.

Concerning the Greece–Cyprus cooperation programme, the proposals submitted to the 1<sup>st</sup> Call were evaluated but the process of the selection of the projects and preparation of the relative contracts is still on-going. The Programme is expected to be fully activated (contracts signed, projects launched their implementation) by September 2011<sup>20</sup>.

## ACHIEVEMENTS OF THE PROGRAMMES SO FAR

The main outcomes of the OP “Sustainable Development and Competitiveness” up to the end of 2009 may be summarised as follows (data for 2010 is then added subsequently):

- Generally, little evidence on outcomes of the interventions can be observed, since most interventions are still at the stage of publication of calls for proposals, submission, evaluation and incorporation of projects or in the process of their implementation.
- The interventions for the Support to Business Environment (incentive schemes for businesses) have the most visible achievements with already recorded tangible results.
- The evidence from RTDI indicates that close to 200 projects were approved among which 15 completed their implementation.
- Support to the Human Resources policy area is provided mainly through the European Social Fund (ESF). Initiatives launched by the Research Promotion Foundation (RPF) targeting to enhance a research and innovation culture and

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<sup>18</sup> Planning Bureau, 2011a

<sup>19</sup> [http://www.structuralfunds.org.cy/uploadfiles/Ουλίσια\\_ΓΔ\\_23-06-11\\_Final.pdf](http://www.structuralfunds.org.cy/uploadfiles/Ουλίσια_ΓΔ_23-06-11_Final.pdf)

<sup>20</sup> European Commission, 2011a

promote researcher careers among the young Cypriots that are co-funded by the ERDF did not produce any tangible results. The positive evidence was the significant interest from the side of the potential beneficiaries to almost all of the relative actions.

- Under the Transport and Telecommunications priority area, significant progress was observed in the project for the expansion and upgrade of the Port in Limassol. No proposals were submitted to the Road Infrastructure projects in the first call announced in 2008 nor in its replication in 2010. Launch of operation of the new universal system of urban public transportation in July 2010 resulted in the higher frequency of the itinerary, new bus lines and lower charges. With regard to telecommunications, ERDF supported measures (e-government, e-inclusion, e-health, e-commerce) progressed during the last years.
- Quite fast rhythms of implementation were recorded during the 2008–2009 period for the interventions in the Environment and Energy (the most significant in terms of funds allocated) priority area with the most visible developments observed by the mid-2010 in the field of solid waste management (inauguration of the new modern integrated domestic solid waste management facility covering the needs of two Municipalities, getting out of functioning of 37 rubbish dumps all over the Paphos area).
- Concerning Territorial Development, visible outcomes were already observed in the projects focusing on revitalisation of urban environment: four (out of eight planned by 2015) revitalisation plans aiming at the improvement of the attractiveness of the areas were developed. The area revitalised reached 4,335 m<sup>2</sup> (or about 6.2% of the planned 70,000 m<sup>2</sup> by 2015). No tangible results were observed in other fields.

Passing from 2009 to 2010 activation, incorporation and actual implementation have significantly improved both in the selected priorities and in the overall governance and monitoring of the OP. A range of specific indicators are foreseen by the Programme to evaluate the achievement of general objectives it has set<sup>21</sup>. It is however still relatively early for most of these indicators to be monitored and assessed yet.

Achievements by individual areas are presented in detail below. Overall the most noticeable results appear in Enterprise support. Progress is observed in the environment and transport infrastructures through the incorporation of two of the Major Projects. Territorial development progressed already very satisfactorily in the previous year. The main weakness is still in the Greece–Cyprus Cooperation Programme. Since the announcement of the first call covering all three priority axes of the Programme (December 2009), no projects have launched their implementation so far.

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<sup>21</sup> The indicators set for the overall monitoring in the level of strategy include: number of jobs created, Expenditure for Research and Development as a % of GDP, Population Served by Sanitary Landfills, Increase in the % of Transportation through the Public Transport System, Contribution of Renewable Sources of Energy to the Total Energy Consumption, New Enterprises Created in the manufacturing and services sectors (Planning Bureau, 2011a)

The following is the more detailed analysis on the achievements of the interventions co-financed by the ERDF and the Cohesion Fund by Policy Area.

### **Enterprise support and RTDI**

Intervention in this policy area is focused mainly on small and very small firms which constitute the largest share of enterprises in the country. It is mostly covered by the funding schemes targeting the improvement of SMEs competitiveness and the development of new firms in manufacturing and tourism. Priority is given to firms adopting innovative practices.

The nature of the support and the early launch of the implementation of the schemes resulted in comparatively early and significant tangible output visible already since 2009. Thus, unlike the other priority areas, all of the (output and result) indicators determined for this priority, have already been assessed.

The total number of enterprises supported by the direct support for technological upgrade in the sectors of manufacturing and services increased more than three times by the end of 2010 reaching 137 (from 44 in 2009), from which 7 firms are newly created. If compared to the target value of 220 firms by 2015, the progress is more than satisfactory.

Increased interest from the side of potential beneficiaries was recorded for the schemes supporting female and youth entrepreneurship. Within 2010, 71 enterprises were created reaching by the end of the year the total amount of 174<sup>22</sup>, 70 by the women and 104 by the young entrepreneurs. Youth entrepreneurship scheme proved to be more successful in 2010 with 69 firms created during the year than that targeting female population, where only 2 businesses started. The goal for 2015 is 125 start-ups created by women and 150 – by young people. The progress may be characterised as satisfactory with more than 50% of the goal achieved in each category. The Ministry envisages the introduction of a new measure to support innovation (innovation procurement, innovative products and services), which is expected to be launched early in 2012.

The JEREMIE initiative implementation progresses well. The first instrument was launched in 2009 offering loans to SMEs. Its merit is in the lower interest rates and easier access to finance. A second financial instrument, namely the First Loss Portfolio Guarantee Financial Instrument of a total budget of EUR 8 million is in progress. The Bank of Cyprus<sup>23</sup> is the selected intermediary for both. The funds allocated for the implementation of the Initiative (EUR 20 million) are expected to be significantly multiplied. In 2011, the amount of EUR 70 million in the form of new loans co-financed by the EIB was agreed to be shared for the support of the small and very small enterprises. By June 2011, 110 applications corresponding to the loans of EUR 9 million were evaluated and approved, from which the

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<sup>22</sup> Concerns the projects that have been incorporated and for which a part of the approved grant have already been given.

<sup>23</sup> The Bank of Cyprus was selected and determined as a financial intermediary for the promotion and utilisation of the JEREMIE products in Cyprus.

amount of EUR 3.5 million corresponding to 38 applications has already been paid<sup>24</sup>. If properly implemented, the utilisation of the JEREMIE will achieve its direct targets of provision of small enterprises with the financial resources they could not get otherwise and, in this way, to contribute to better business environment in the country. The very attractive terms of the loans and guarantees by the two JEREMIE instruments (low interest rates of about 3% for the first scheme, reduced required guarantees reaching 0% in some cases for the second scheme, up to ten years reimbursement period and grace period up to two years<sup>25</sup>) and their smooth implementation constitute a promising start.

As in the previous period, according to the AIR 2010, no major problems in implementing policy were observed in this area. Some delays were observed in the implementation of the projects promoted by DESMI that can be explained by the organisational restructuring of the RPF, which significantly delayed calls in 2010. These delays have triggered a debate on how to redirect potentially idle funds: transferring them to other axes, which are already over-budgeted or insist in finding ways to keep them in innovation by creating a new scheme in the Ministry of increase the Jeremy Holding.

Support provided by the measures in this priority area is based on the standard non-refundable grants with the exception of the introduction of the two new financial instruments under the JEREMIE Initiative, which discloses the intention to provide the ERDF funding in less traditional way.

### **Human Resources**

The vast majority of interventions targeting Human Resources development are included in the OP "Employment, Human Capital and Social Cohesion" and co-financed by the ESF.

However, some measures promoted by the RPF are expected to contribute to this priority area through the development of human capital. They include "Programme for the Support of Young Researchers (PENEK)" and "DIDACTOR – PhD Degrees in Cooperation with Enterprises". No tangible results of the implementation of these measures are visible so far. However, the significant interest in these initiatives and the positive assessment from the past calls suggest that these measures have the potential to be successful and reach their targets (increase in the number of PhD holders and young researchers). New calls for both measures were only announced in 2011. The organizational problems of the RPF are again at the origin of the delays.

Three projects targeting the strengthening of the infrastructure (e-services updating) in three public universities (the University of Cyprus, the Cyprus University of Technology and the Open University) have been incorporated for co-financing from the ERDF, but there is no evidence on their achievements.

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<sup>24</sup> Source: [http://www.structuralfunds.org.cy/uploadfiles/Ουλίσια\\_ΓΑ\\_23-06-11\\_Final.pdf](http://www.structuralfunds.org.cy/uploadfiles/Ουλίσια_ΓΑ_23-06-11_Final.pdf)

<sup>25</sup> Source: <http://www.moi.gov.cy/moi/pio/pio.nsf/0/23E0A9853CF716BAC22578AA00416FC9?OpenDocument&print>

## Transport and telecommunications

Good progress was recorded concerning the Road and Port Infrastructure projects promoted by the OP “Sustainable Development and Competitiveness”. Two projects for the construction of road networks were incorporated for the co-financing from the Cohesion Fund in 2010 to complement the port infrastructure project<sup>26</sup>. The 1<sup>st</sup> Stage of the implementation of the project for the expansion and upgrade of the Port in Limassol concerning dredging the Port basins, started in 2008, was fully completed in 2010. Construction studies related to the 2<sup>nd</sup> stage of the project are already on-going. The major outcome of this intervention is the upgraded Port infrastructure giving the possibility to service ships of the 3<sup>rd</sup> and 4<sup>th</sup> generation and the progress towards the meeting these targets seems to be in line with the plans.

There was also progress in the implementation of the recently incorporated<sup>27</sup> project for the construction of the road that links the Port with the motorway Limassol–Paphos (Major Project of the total budget exceeding EUR 117 million). Two (out of five planned) construction contracts are already being implemented. Tenders for the remaining three contracts are expected to be published by the end of 2011.

In the area of sustainable urban road transportation, no new projects were incorporated since 2009. The works for the construction of the Archaggelos Avenue in Nicosia, started in 2008 and incorporated for co-financing by the ERDF in 2009 in the framework of the improvement of the urban road network, are still in progress<sup>28</sup>. The project concerns mainly the construction of the bus lines and parallel service roads. Significant delays were reported however, since the launch of its implementation<sup>29</sup>. The works were initially planned to be completed by October 2010, but are still in progress. The reasons for these delays were mainly related to the Contractor, to the need to modify the plans due to some omissions / weaknesses of the study for the projects, to the new requirements of the study etc. The same source suggests that it is probable that the delays will increase further in the future. By spring of 2011, some parts of the projects were delivered to the traffic (bus lines)<sup>30</sup>, but some works were still to be completed (parallel service road).

In the area of telecommunications, during 2010, all the six planned projects targeting the diffusion of the use of ICT (including Data warehouse, Geographic Information System, e-filing, etc.) were incorporated for the co-financing from the ERDF and their actual implementation started. Although no tangible results in the form of indicators are available

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<sup>26</sup> The total budget of the incorporated projects exceeds EUR 156 million and no more projects are planned under this policy area.

<sup>27</sup> In order to speed up the implementation and elude the possibility of losing the Community funds, the projects was incorporated funded by the national resources until its approval from the EU.

<sup>28</sup> The works were initially planned to be completed by October 2010. Source: <http://www.theopemptou.com/portal/transport/47-townplanning/10517-arch09.html>

<sup>29</sup> *ibid.*

<sup>30</sup> <http://www.moneynet.com.cy/News/Cyprus/1509.aspx>

yet, previous experience from the implementation of similar ICT projects<sup>31</sup> indicates a potential for suitable results. Three e-university projects if properly implemented will contribute through the upgrade of the relative equipment to the improvement of e-services in all three public universities.

According to the AIR 2010, no major problems in the implementation of the interventions were observed in 2010<sup>32</sup>. Although no relative output and result indicators have been determined yet<sup>33</sup>, the significant progress made so far and the absence of serious delays and other problems in the majority of the projects suggest that, once the projects are completed, the expected outputs and result will become visible. In the case of the works for the upgrading Port and Road Infrastructures, tangible results expressed through quantified indicators are expected to be provided in the next Programme Implementation Report 2011<sup>34</sup>.

### Environment and energy

All the interventions in this priority area are included in the Priority Axes “Basic Infrastructure in the Environment and Energy Sectors” of the OP “Sustainable Development and Competitiveness” and are co-funded by the Cohesion Fund by more than EUR 180 million<sup>35</sup>.

Under this Priority Area, support is divided between projects targeting the following three sectors:

- the management of waste water and water resources,
- solid waste management and the harmonisation of Cyprus to the “*acquis communautaire*” in the waste management and
- renewable energy sources (RES).

Significant progress was observed in the field of the waste water resources with the incorporation of three projects in the Programme including one Major Project targeting the establishment of the drainage system in Kokkinochori (total budget: EUR 96.7 million). The Major Project concerns the construction of a wastewater collection network and the corresponding transfer pipelines of the total length of 293 km covering 10 municipalities as well as the construction of the common station of sewage processing. Four (out of seven planned) construction contracts for the collection network have been signed and construction has started. The submission of the Application for Co-financing of the Major Project to the EC is foreseen for the third trimester of 2011<sup>36</sup>.

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<sup>31</sup> More details on these projects are given in the previous Country Report (European Commission, 2010b).

<sup>32</sup> Some other sources refer delays in the urban transportation works as this is described in detail in the previous paragraphs of the same section.

<sup>33</sup> With the exception of the indicator determining the number of ports that are being upgraded (see table below).

<sup>34</sup> Planning Bureau, 2011a

<sup>35</sup> This Priority Axes receives the major share of the Community funds allocated to the Programme.

<sup>36</sup> Planning Bureau, 2011a



The area of solid waste management is the most important in terms of funds allocated. Following the decision on the location for the two integrated domestic solid waste management facilities in Limassol and Nicosia in 2009, the contracts for study and supervision of the relative construction works was awarded in 2010 and the studies for both projects are expected to be finalised by the end of 2011. The projects are included in the Indicative Catalogue of the Major Projects of the Programme; it is expected that the applications for co-funding from the Cohesion Fund will be submitted by the beginning of 2012 once the studies for the projects are completed. There are no tangible outcomes but they are expected to be similar to those of the successful implementation of the similar project in the Larnaca and Ammochostos Municipalities, which was co-financed by the Cohesion Fund in the previous programming period<sup>37</sup>.

Significant delays took place concerning the implementation of the two projects for the construction of the integrated domestic solid waste management facilities. According to the AIR 2010, these delays were related both to the general complexity of the large-scale projects in the field of environment and to objections by the local communities to construct the plants in their territories. In order to address this problem, the Ministry of Interior proceeded with consultations and studies were launched at the end of 2010 for the two projects; both the proposed technology and the location will be specified by these studies.

Tangible outcomes are recorded in alternative and renewable sources of energy with the completion of one project (out of three planned until 2015) concerning the provisions for the establishment of the photovoltaic systems and solar heating and freezing systems on the public buildings, schools and camps. By June, 2010, photovoltaic systems of the total capacity of 1,100 KW and total cost of EUR 5 million were installed in 13 public buildings, 48 schools and 4 camps<sup>38</sup>. The energy generated from RES supported by the project cannot be quantified before the completion of the first operational cycle of the systems. The relative indicators are planned to be assessed in the next Annual Implementation Report 2011 based on the progress in this and other similar projects<sup>39</sup>. In addition to these projects, the Energy Service secured additional EUR 18 million from the EU Structural Funds for the establishment of the pilot (demonstration) solar-thermal power station of 5 MW with the additional function of desalinisation of sea water. The Cyprus Institute in collaboration with MIT will carry out a feasibility study. The increase in the capacity of renewable energy production equal to 277 kW (about one fifth of the planned 1,400 kW by 2015) has already been recorded. The Cohesion Fund support provided in the area of RES (EUR 5.9 million or only 3.8% of the total EU funding directed to this Priority Axis) is too small to make any significant impact.

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<sup>37</sup> More details are provided in the previous Country Report (European Commission, 2010b).

<sup>38</sup> Ministry of Commerce, Industry and Tourism, 2010

<sup>39</sup> Such as the Establishment of the photovoltaic systems and solar heating and freezing systems on the public buildings, the Establishment of the photovoltaic elements in the University of Cyprus, the Establishment of the solar heating and freezing systems in the Cyprus University of Technology (CUT).

In order to avoid the risk of losing the Community funds additional mature projects were endorsed leading to over-budgeting this particular Priority Axes.

### **Territorial development**

Significant progress was recorded in 2010 concerning the implementation of the interventions foreseen under this priority area in relation to both, the incorporation of the projects in the relative Priority Axes of the OP "Sustainable Development and Competitiveness" and the real implementation of the projects. By the end of the first trimester of 2011, the budget commitments already exceeded the 100% of the total budget of the Priority Axes. The level of implementation reached 28% by the end of 2010 and 32.2% by 31 March 2011<sup>40</sup>.

Fast implementation mode resulted in tangible outcomes. Two projects were completed in the area of upgrading of the structured environment (namely, the coastal area in Paphos and renovation of three roundabouts in Larnaca of a total budget of EUR 12.6 million). At the same time 39 out of 67 planned regulative plans for the mountainous areas were completed.

These achievements were assessed in the relative indicators. Thus, the area revitalised thanks to urban projects reached 16,935 m<sup>2</sup> by the end of 2010<sup>41</sup> (that is almost one fourth of the planned 70,000 m<sup>2</sup> by 2015). The population benefiting from the implementation of urban area revitalisation plans is 85,000, over one third of the total target of 213,278 for 2015. An additional, non-quantifiable impact is the experience gained by local administrations: while in the first programming period the ministry had to manage all projects, now the municipal authorities are in a position to do it themselves.

Although significant less funds are earmarked and spent for rural areas from the ERDF this is no expected to lead to increasing the gap between urban and rural areas, because the latter (Communities with less than 500 inhabitants) benefit from the European Agricultural Fund for Rural Development (EAFRD) support.

As regards the project for the construction of the Cyprus Cultural Centre in Nicosia (Major Project), the Call for Proposal was only issued in May 2010. Delays are due partly to its budget that grew out of initial proportion and partly to administrative procedures, like State Aid rules. The building will include a large hall of the capacity of 1,400 seats suitable for symphonic music concerts, ballet and opera. An adjacent hall of 500 seats will be constructed for chamber music, dance shows and other smaller events. There is an ambition that the newly created in the capital city Cultural Centre will become a cultural attraction pole or the whole south-east Europe<sup>42</sup>. If it cannot obtain its full co-finance by the ERDF national funds will be needed for its completion.

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<sup>40</sup> Planning Bureau, 2011a

<sup>41</sup> Increased by more than 12,500 m<sup>2</sup> since 2009 (4,335 m<sup>2</sup>)

<sup>42</sup> Source: <http://news.in.gr/culture/article/?aid=789165>

Although the measurable outcomes and results are still limited, progress of the implementation of the interventions appears satisfactory so far. The absence of serious delays<sup>43</sup> indicates that achievements will be on time. In the field of the development of rural mountainous areas, the implementation in the previous programming period of the projects for the integrated development of the Municipality of Kalopanagioti (2005–2009) was assessed as a good practice inducing significant positive outcomes on the development of the overall territory.<sup>44</sup> This implies that if these projects are taken as a model, other similar will achieve similar results in their respective territories. ERDF resources allocated to this area<sup>45</sup> are significantly lower than the needs of the country.

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<sup>43</sup> With the exception of the project for the construction of the Cyprus Cultural Centre in Nicosia for which some delays were observed in the launch of works related basically to the complexity of the project (43 Planning Bureau, 2011a)

<sup>44</sup> The project and its effects are described in detail in the previous Country Report (European Commission, 2010b)

<sup>45</sup> Planning Bureau, 2007a

**Table A – Main physical indicators and achievements**

Policy area	Main indicators*	Outcomes and results
Enterprise support and RTDI	Outcome: Enterprises directly supported for technological Upgrading in the manufacturing and service sectors (number)	137
	Enterprises Supported for the upgrading/enhancement of tourism (number)	9
	Enterprises supported through grants in the area of Female Entrepreneurship (number)	70 <sup>2</sup>
	Enterprises Supported through grants in the Area of Youth Entrepreneurship (number)	104 <sup>2</sup>
	Cooperation projects between enterprises and research institutions (number)	66
	Enterprises supported through grants in the sector of rural tourism	19
	Result: Newly created enterprises (number)	7
	New Enterprises Created by Women <sup>2</sup>	70
	New Enterprises Created by Young People <sup>2</sup>	104
	Direct Investment Aid to new enterprises in the sector of rural tourism **	17
Human Resources (ERDF only)		
Transport and telecommunications	Outcome: Number of Ports Upgraded (number)	1 <sup>1</sup>
Environment and energy	Outcome: Number of public renewable energy projects (number)	1
	Result: Additional capacity for energy generation from RES (MW)**	0.277
Territorial development (urban areas, tourism, rural development, cultural heritage, health, public security, local development)	Outcome: Revitalisation Plans for the revitalisation and increasing attractiveness of Urban Areas (number)	4
	Surface upgraded through the implementation of the Urban Revitalisation Plans (m <sup>2</sup> )	16,935
	Projects targeting the sustainability and the improvement of the attractiveness of cities and municipalities**	2
	Regulatory Plans in the mountainous areas**	39
	Result: Number of Beds Upgraded in Tourist Establishments (number)	338
	Population benefiting from the implementation of Urban Area Revitalisation Plans	85,000

\* As the majority of the indicators included in the AIR 2010 have not been assessed yet, only available indicators are included in the table

\*\* New indicators proposed after the evaluation of the existed indicators in the specific study taken place in 2009<sup>46</sup>

<sup>1</sup> The implementation of the project launched in 2008 and is still on-going

<sup>2</sup> The figure concerns the projects that have been incorporated and for which a part of the approved grant have already been given

<sup>46</sup> Planning Bureau, 2009a

### 3. EFFECTS OF INTERVENTION

The main points from the 2010 country report are as follows:

- Projects were included into the OPs following their maturity and not the relevance of anticipated impact.
- Limited evidence is available concerning the contribution of the projects implemented.
- Given the significant increase in financial resources committed from the EU Funds in the current programming period (compared to 2004–2006) and the adoption of a more focused development strategy the impact of the interventions is expected to increase accordingly.
- Strong emphasis given to SMEs and focus on innovation is expected to enhance competitiveness.
- Regarding the environment the most visible impact is in the development of integrated waste management system, construction of environmentally oriented waste disposal plants, upgrade of the existent ones and closure of rubbish dumps.

Although increasing compared to last year, impacts from the interventions co-financed by the Community funds are still quite limited; the majority of the projects only started implementation in 2009–2010 and do not have visible results yet. Moreover, no evaluation studies that measure the effects of the Cohesion Policy implemented have been completed yet which means that there is no evidence from official sources.

The only policy area where the progress was significant and, consequently, the effects of the interventions may already be assessed is support to entrepreneurship and RTDI. Strong support provided to SMEs through several funding schemes and creation of a number of new enterprises contributes to the improvement of the business environment. Focus on innovativeness suggests the improvement of the competitiveness. As support is concentrated in the most relevant sectors of the economy dissemination of benefits is expected the possible positive effects on the overall development of the economy. However, such influence on competitiveness is not manifest: The Global Competitiveness Report 2010–2011<sup>47</sup> downgraded Cyprus; it now ranks 40<sup>th</sup> out of 139 countries compared to 34<sup>th</sup> out of 134 countries in the previous year. This can easily be attributed to time lags between interventions and the diffusion of their impact throughout the economy.

The EU funding plays also important role in promotion of innovation mainly through the interventions included in DESMI bundle of measures of the RPF as well as through funding schemes for enterprise creation giving priority to innovative activities. The Innovation Union Scoreboard 2010<sup>48</sup> informs that Cyprus over performs in the indicators measuring public–private co–publications, Community trademarks and sales of new products, excellence and

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<sup>47</sup> World Economic Forum, 2010

<sup>48</sup> European Commission, 2011b

attractiveness of research system, linkages and entrepreneurship and intellectual assets. Based on the Summary Innovation Index (SII), Cyprus maintains its position as Innovation Follower.

Significant contribution to the improvement of the quality of life in the selected societies is made through the implementation of the projects targeting to the better waste management and e-government. Thus the closure of the numbered rubbish dumps all over the Paphos area that already has taken place and the construction of the sanitary landfills which is still on-going but progressing suggests the full restoration of the area in the near future and the improvement of quality of life of its population.

Interventions targeting revitalisation of the areas in need (including degrading urban and less-favoured removed and mountainous rural territories) through the development of necessary infrastructure and improvement of accessibility are also expected to improve quality of life and social cohesion.

Support to the renewable energy sources although it is quite limited both in terms of budget and range of RES covered, complements the national schemes in the field and already has visible results in the form of photovoltaics placed in the public buildings. Such projects together with projects targeting waste and waste water management promoted by the co-financed interventions contribute to the more environment friendly development in the country.

#### 4. EVALUATIONS AND GOOD PRACTICE IN EVALUATION

Despite its Anglo-Saxon background the public administration in Cyprus lacks an evaluation culture. A vicious circle of absent demand and limited capacity for supplying evaluation (the lack of specialised evaluators and small number of companies with expertise in the topic) hampers change in that respect. The absence of evaluations of the interventions co-financed in the 2004–2006 period resulted in the lack of reliable data and caused difficulties in the presentation of the results of the previous period as well as in the determination of goals and objectives of the current OP.

A systematic search for evaluation studies was followed but nothing relevant could be identified<sup>49</sup>. The Board of the RPF has decided to launch an Evaluation Study for its own activities in 2012, expected to be finalised by 2014.

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<sup>49</sup> The search process included:

- search of the [EU Structural Funds and Cohesion Fund website in Cyprus](#)
- extensive search of the web-sites of the official bodies involved in the Cohesion Policy implementation ([Planning Bureau](#), [Ministry of Commerce, Industry and Tourism](#), [Ministry of Communication and Works](#), [Ministry of Interior \(Town Planning and Housing Department\)](#))
- extensive search of the universities' websites for possible respective studies: the [University of Cyprus](#), the [Cyprus University of Technology](#) and the [Open University of Cyprus](#).
- search of the websites of the international companies potentially implementing respective studies: [Deloitte](#), [Ernst & Young Cyprus Ltd](#), [PwC Cyprus](#) as well as Cypriot and Greek consulting companies

As nothing else is available (and nothing is really terminated) only the formal evaluations launched for the Structural Funds and the corresponding governance are reported below.

No coherent strategy is still in place for evaluating the effects of interventions co-financed by the ERDF and Cohesion Fund, but some important steps are taken. A Steering Committee for the Evaluation Activities of the Operational Programmes co-financed by the Structural and the Cohesion Funds for the period 2007–2013 was set up. Its mandate consists of the general coordination of the monitoring and support of the evaluations carried out at the level of the Operational Programmes.

In the second meeting of the Committee, which took place in October 2010, the indicative plan for the evaluations that are going to be carried out in the current programming period was presented. The general objectives for the evaluations were set which include more extensive linkages between the monitoring and evaluation, strengthening of the importance of the indicators (especially, core indicators), greater focus on results and effects of the Programmes and the creation of evaluation culture<sup>50</sup>. The evaluation plan foresees the implementation of the following evaluations:

- Two on-going evaluations of the two Operational Programmes (implementation: 2011 and 2012–2013)
- Four thematic evaluations:
  1. Contribution of the Operational Programmes in the concepts of equality (implementation: 2012, update: 2015)
  2. Effects on innovation and entrepreneurship (implementation: 2013–2014),
  3. Effectiveness of the active employment policies in Cyprus (implementation: 2015),
  4. Effects on employment (implementation: 2015).
- Evaluation of the effects on the environment from the implementation of the OP “Sustainable Development and Competitiveness” (Strategic evaluation)
- Two evaluations of the Communication Plan for the two OPs (2011 and 2014)

Two evaluation studies (the on-going evaluation of the OPs and the evaluation of the Communication Plan) are on-going. Some details of these evaluations are provided in the table below.

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that implemented similar studies in the early stages: [ENOROS](#), [LKN Analysis Ltd.](#), NOVERNA Ltd. (website under construction), [OMAS S.A.](#), [RTD Talos Ltd.](#)

- Google search
- Search for the publications through different on-line publishers (Elsevier – ScienceDirect, SpringerLink, Taylor & Francis)

<sup>50</sup> Planning Bureau, 2010b

Title and date of completion	Policy area and scope	Main objectives	Main findings	Full reference or link to publication
Evaluation of the Communication Plan for the Operational Programmes "Sustainable Development and Competitiveness" and "Employment, Human Capital and Social Cohesion"	Information measures and communication instruments of the both OPs	It aims at the optimisation of the Communication Plan of the two OPs through the assessment of the progress in its implementation and of the effectiveness of the measures for information and publicity as well the modification of the Plan with the aim to improve its effectiveness	<p>Concerning implementation:</p> <ul style="list-style-type: none"> <li>– The progress in the implementation of a number of measures is particularly good,</li> <li>– The interventions targeting the general public (third target group) show the least satisfactory progress as the majority of them were only launched in 2010 and have the duration up to 2015.</li> </ul> <p>Concerning the effects of implementation:</p> <ul style="list-style-type: none"> <li>– The research in enterprises shows very satisfactory levels of awareness of the potential beneficiaries on the co-funded programmes,</li> <li>– Both, the general public and the enterprises are well aware on the sectors, actions and projects of the OPs,</li> <li>– The access to the information on the co-financed programmes was assessed as particularly easy by the general public,</li> <li>– Both, general public and enterprises showed good knowledge of the two OPs, The 50% of the general public, especially the young people and urban centres population, assess positively the Cohesion Policy and its contribution to the development targets.</li> </ul>	Since the study is still not completed, it is not publicly available yet. Some references are available in the AIR 2010.
First on-going evaluation of the implementation process of the Operational Programmes "Sustainable Development and Competitiveness" and "Employment, Human Capital and Social Cohesion"	Across operational programmes	The general objective is the evaluation of the implementation of both OPs in relation to the achievements of the targets set taking into consideration the sustainable development objective.	NOT AVAILABLE YET	Since the study is still on-going, it is not publicly available yet.

The general objective of the first evaluation is the evaluation of the implementation of both OPs in relation to the achievements of the targets set taking into consideration the



sustainable development objective. The specific targets set to achieve this general objective are the following<sup>51</sup>:

- Evaluation of the strategy of the OPs in relation to the current developments;
- Evaluation of the progress in the implementation of the OPs and the relative foresight until the end of the programming period;
- Optimisation of the initial programming and the targets set by the OPs;
- Optimisation of the implementation of the OPs;
- Monitoring of the effects on the environment from the implementation of the OP “Sustainable Development and Competitiveness”.

The methodological approach of the study includes a SWOT analysis, Coherence, Effects and Logical Analysis Matrixes, Problems, Interventions, Targets and Expected Impacts Charts, Bibliographic Research and Diagnostic Analysis. For the selected objectives of both Programmes, Field Research will be carried out for which the specific questionnaires will be used.

Since the evaluation study in question refers to the Operational Programmes as a whole it does cover all the policy areas included in each Programme.

The evaluation study is expected to conclude with recommendations for taking the appropriate measures in order to ensure full and effective utilisation of the resources allocated to the Programmes, efficiency of interventions as well as modification of the Programmes in light of recent developments<sup>52</sup>. Apart from the two reports on the implementation of the OPs and their effects on the environment, another output of the study will be two preliminary plans of the amended text of the two OPs which will take into consideration the results of the studies. The finalisation of the evaluation is expected for the beginning of 2012. Once the evaluation is completed, the results of the study will be public domain.

The second evaluation study that is currently implemented but still not completed (expected by the beginning of 2012) aims the optimisation of the Communication Plan of the two OPs. The Communication Plan integrates a number of interlinked information and communication measures with the aim to effectively address three target-groups, namely beneficiaries, potential beneficiaries and the general public. The evaluation is implemented by the external evaluators through the assessment of the progress in its implementation, the effectiveness of the measures for information and publicity as well the modification of the Plan with the aim to improve its effectiveness.

The methods used are mainly based on the Bibliographic Research and Diagnostic Analysis. Quantitative Research of the Public and Primary Research of the Enterprises and

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<sup>51</sup> Planning Bureau, 2011b

<sup>52</sup> Planning Bureau, 2011a

Organisations with the use of structured questionnaires are also envisaged. Data processing is implemented using statistical QUANTUM or/and SPSS.

The first results concerning the efficiency and the effectiveness of the information and publicity actions implemented up to the beginning of 2011 in relation to the achievements of the targets set have already been made available (in the first semester of 2011). In the further evaluation potential amendments will be examined and the results will be presented in the next AIR 2011. The findings of the evaluation study of the system of indicators (result and output) used in the two OPs<sup>53</sup> were presented in the second meeting of the Steering Committee for Evaluation Activities together with the recommendations for improvement of the indicators (including determination of the intermediary target values for some indicators, definition and quantification of a few additional output and result indicators, introduction of administrative and financial indicators, compilation of the integrated methodology for the quantitative assessment of the implementation of the total of indicators). These recommendations were taken seriously into consideration and the decision for the enrichment of the existed indicators was taken. The indicators (new and amended) were assessed (where possible) and presented in the AIR 2010. Since the indicators are the basis for the evaluation of the OPs, determining the appropriate set of indicators as well as correct methodology for their assessment is highly important. The results of the evaluation study of indicators if properly used may contribute significantly to the success of the future evaluation studies of the Operational Programmes.

An ex-post evaluation was also implemented in 2009 for the interventions under the Objective 3 ("Human Capital") of the previous programming period (2004–2006)<sup>54</sup>, but since these interventions addressed interventions by the ESF they are not of relevance here.

In the 2nd meeting of the Steering Committee the Planning Bureau pointed out the "need to recognise the evaluation as a very good practice both in the national and the European level, the utilisation of which should be widely expanded to the country's investments"<sup>55</sup>.

## 5. CONCLUDING REMARKS – FUTURE CHALLENGES

The main points derived from the 2009 Country Report suggested the following topics:

- Although the experience from the previous period has contributed to better programming and coordination of actions, as well as to the improvement of the management and monitoring processes of the OPs, the implementation of the Cohesion Policy still faces difficulties.

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<sup>53</sup> The study "Evaluation of the Indicators of the Operational Programmes "Sustainable Development and Competitiveness" and "Employment, Human Capital and Social Cohesion"" was completed in December 2009 and was presented in detail in the previous Country Report (European Commission, 2010b).

<sup>54</sup> Planning Bureau, 2009c

<sup>55</sup> Planning Bureau, 2010c

- The administrative mechanism needs further improvement for more effective planning and implementation.
- Projects and measures introduced by the OP seem to be adequate and in accordance with the country needs (focus given on the crucial problems of the economy).
- Progress made by the end of 2009 was characterised as satisfactory.
- Future challenges include:
  - Faster implementation of the Major Projects.
  - More emphasis on rural development, deprived urban areas and renewable energy sources, as well as environmental protection in a broader scope than as yet.
  - Intensification of the utilisation of the recently adopted EU mechanisms such as JEREMIE and JASPERS and accelerated the process for the involvement of the technical assistance.
  - Further improving of the administrative capacity of public authorities.
  - In the future Structural Funds' projects prioritisation should be made according to their potential impact and not their maturity.

Based on the analysis made in the previous sections of the Report, all the points mentioned above remain pertinent for the current period (up to the end of 2010). Several additional remarks emerged from the present analysis, which include:

Progress was made in absorption, implementation, impact and administrative capabilities as well as towards the improvement of the evaluation practices. Over-budgeting is an effective practice to ensure full absorption of the Structural Funds.

At the political level, the way Cyprus manages the resources provided by the Structural and the Cohesion Funds was characterised as satisfactory and may serve as an example for other EU countries<sup>56</sup>.

Future challenges are of two kinds:

- Those regularly present, deriving mainly from the low uptake of Major Projects and the environment. Speeding up in this area is crucial and should be systematically pursued in the current year. A regular challenge is also the low funding from the EU compared to the needs and development plans of the country.
- Additional challenges emerge from the anticipated impact of the weakening economy of the country, due to the recent catastrophe and the leftovers of the financial crisis. The increasing liquidity problems are expected to affect planning and potential reallocation of resources, if matching funds cannot be ensured.

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<sup>56</sup> <http://www.sigmalive.com/news/local/403845>

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*Focus: On-going evaluation of the implementation of both OPs in relation to the achievements of the targets set taking into consideration the sustainable development objective*

*Method used: SWAT analysis, Coherence, Effects and Logical Analysis Matrixes, Problems, Interventions, Targets and Expected Impacts Charts, Bibliographic Research and Diagnostic Analysis. For the selected objectives of both Programmes, Field Research will be carried out for which the specific questionnaires will be used.*

*Period referred: 2007–2013*

- First evaluation of the Communication Plan of the of the Operational Programmes “Sustainable Development and Competitiveness” and “Employment, Human Capital and Social Cohesion” (evaluation still on-going)

*Scope: Across operational programmes*

*Focus: optimisation of the Communication Plan of the two OPs*

*Method used: Bibliographic Research and Diagnostic Analysis. Quantitative Research of the Public and Primary Research of the Enterprises and Organisations with the use of structured questionnaires are also envisaged. Data processing is implemented using statistical QUANTUM or/and SPSS.*

*Period referred: 2007–2013*

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*Focus: Ex post evaluation of the interventions, which were funded by the ESF and were implemented in Cyprus within the framework of the Single Programming Document for Objective 3 during the Programming period 2004–06*

*Method used: The evaluation was carried out by processing pre-existing evaluation material for various actions of each measure. Specifically, the methodology includes:*

- a. data collection with regards to the implementation of the relative measures including physical and financial progress, specific evaluations and other thematic studies,*

- b. interviews with final beneficiaries and tracing of the main implementation parameters of the projects,*
- c. preparation of the Evaluation Fiches for each measure, which include the analysis of the existed evaluation material, and, finally,*
- d. formulation of general conclusions.*

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## INTERVIEWS

List of the people interviewed and their positions:

<b>Agathi Charalambidou</b>	Planning Officer, Directorate of Structural Funds and Cohesion Fund, Planning Bureau
<b>Anthoula Charalambous Savvides</b>	Senior Coordination Officer, Directorate of Structural Funds and Cohesion Fund – Managing Authority, Planning Bureau
<b>Artemis Theophilou</b>	Planning Officer A', Directorate of Structural Funds and Cohesion Fund, Planning Bureau
<b>Athena Aristotelous-Cleridou</b>	Head of Special Planning, Projects and Conservation, Department of Town Planning and Housing, Ministry of Interior
<b>Christiana Sizinou</b>	Administrative Officer A', European Funds Unit, Ministry of Interior
<b>Christos Fotiadis</b>	Officer, Ministry of Commerce, Industry and Tourism
<b>Efstathios Constantinides</b>	Co-ordination Officer A', Directorate for Planning and Evaluation of Public Investments, Planning Bureau
<b>Elena Patsalou</b>	European Funds Unit, Ministry of Interior
<b>Evita Michaelidou</b>	Co-ordination Officer A', Directorate for Planning and Evaluation of Public Investments, Planning Bureau
<b>Kalypso Sepou</b>	Ph.D. – Head of Unit, European Research Programmes and International Collaboration, Research Promotion Foundation
<b>Leonidas Antoniou</b>	Head of National Research Programmes Unit, Research Promotion Foundation

## TABLES

See Excel file for Tables 1–4

Table 1 – Regional disparities and trends

Table 2 – Macro-economic developments

Table 3 – Financial allocation by main policy area

Table 4 – Commitments by main policy area (by end-2010)

### Annex Table A – Broad policy areas and correspondence with fields of intervention (FOI)

Policy area		Code	Priority themes
1. Enterprise environment	RTDI and linked activities	01	R&TD activities in research centres
		02	R&TD infrastructure and centres of competence in a specific technology
		05	Advanced support services for firms and groups of firms
		07	Investment in firms directly linked to research and innovation (...)
		74	Developing human potential in the field of research and innovation, in particular through post-graduate studies ..
	Innovation support for SMEs	03	Technology transfer and improvement of cooperation networks.
		04	Assistance to R&TD, particularly in SMEs (including access to R&TD services in research centres)
		06	Assistance to SMEs for the promotion of environmentally-friendly products and production processes (.)
		09	Other measures to stimulate research and innovation and entrepreneurship in SMEs
		14	Services and applications for SMEs (e-commerce, education and training, networking, etc.)
		15	Other measures for improving access to and efficient use of ICT by SMEs
	ICT and related services	11	Information and communication technologies (...)
		12	Information and communication technologies (TEN-ICT)
		13	Services and applications for citizens (e-health, e-government, e-learning, e-inclusion, etc.)
	Other investment in firms	08	Other investment in firms
2. Human resources	Education and training	62	Development of life-long learning systems and strategies in firms; training and services for employees ...
		63	Design and dissemination of innovative and more productive ways of organising work



Policy area		Code	Priority themes
		64	Development of special services for employment, training and support in connection with restructuring of sectors ...
		72	Design, introduction and implementing of reforms in education and training systems ...
		73	Measures to increase participation in education and training throughout the life-cycle ...
	Labour market policies	65	Modernisation and strengthening labour market institutions
		66	Implementing active and preventive measures on the labour market
		67	Measures encouraging active ageing and prolonging working lives
		68	Support for self-employment and business start-up
2. Human resources (Cont.)	Labour market policies (Cont.)	69	Measures to improve access to employment and increase sustainable participation and progress of women ...
		70	Specific action to increase migrants' participation in employment ...
		71	Pathways to integration and re-entry into employment for disadvantaged people ...
		80	Promoting the partnerships, pacts and initiatives through the networking of relevant stakeholders
3. Transport	Rail	16	Railways
		17	Railways (TEN-T)
		18	Mobile rail assets
		19	Mobile rail assets (TEN-T)
	Road	20	Motorways
		21	Motorways (TEN-T)
		22	National roads
		23	Regional/local roads
	Other transport	24	Cycle tracks
		25	Urban transport
		26	Multimodal transport
		27	Multimodal transport (TEN-T)
		28	Intelligent transport systems
		29	Airports
		30	Ports
		31	Inland waterways (regional and local)
		32	Inland waterways (TEN-T)
4. Environment and energy	Energy infrastructure	33	Electricity
		34	Electricity (TEN-E)
		35	Natural gas
		36	Natural gas (TEN-E)
		37	Petroleum products
		38	Petroleum products (TEN-E)
		39	Renewable energy: wind
		40	Renewable energy: solar
		41	Renewable energy: biomass
		42	Renewable energy: hydroelectric, geothermal and other

Policy area		Code	Priority themes
	Environment and risk prevention	43	Energy efficiency, co-generation, energy management
		44	Management of household and industrial waste
		45	Management and distribution of water (drink water)
		46	Water treatment (waste water)
		47	Air quality
		48	Integrated prevention and pollution control
		49	Mitigation and adaption to climate change
		50	Rehabilitation of industrial sites and contaminated land
		51	Promotion of biodiversity and nature protection (including Natura 2000)
		52	Promotion of clean urban transport
		53	Risk prevention (...)
		54	Other measures to preserve the environment and prevent risks
5. Territorial development	Social Infrastructure	10	Telephone infrastructure (including broadband networks)
		75	Education infrastructure
		77	Childcare infrastructure
		78	Housing infrastructure
	Tourism and culture	79	Other social infrastructure
		55	Promotion of natural assets
		56	Protection and development of natural heritage
		57	Other assistance to improve tourist services
		58	Protection and preservation of the cultural heritage
		59	Development of cultural infrastructure
	Planning and rehabilitation	60	Other assistance to improve cultural services
	Other	61	Integrated projects for urban and rural regeneration
82		Compensation of any additional costs due to accessibility deficit and territorial fragmentation	
83		Specific action addressed to compensate additional costs due to size market factors	
6. Technical assistance		84	Support to compensate additional costs due to climate conditions and relief difficulties
		81	Mechanisms for improving good policy and programme design, monitoring and evaluation ...
		85	Preparation, implementation, monitoring and inspection
		86	Evaluation and studies; information and communication

## ANNEX

### Evaluation grid for examples of good practice in evaluation

BASIC INFORMATION		
Country		
Policy area (Enterprise support, RTDI, Transport, etc.)		
Title of evaluation and full reference		
Intervention period covered (2000–2006; 2007–2013; specific years)		
Timing of the evaluation (when it was carried out)		
Budget (if known): EUR		
Evaluator (External evaluator, internal evaluator, EC)		
Method (counterfactual analysis, process analysis, case study, econometric model, analysis of indicators, etc.)		
Main objectives and main findings (very short description – 3–4 lines)		
Appraisal (Why you consider the evaluation an example of good practice: – 2–3 lines)		
CHECK LIST	YES	NO
UTILITY		
Report Clarity and Balance		
Are the objectives, methods and findings of the evaluation clearly described?		
Are the conclusions and recommendations clearly supported by the analysis?		
Are the strengths and weaknesses of the intervention being evaluated fairly assessed and reported?		
Is the outcome of the intervention clearly reported?		
RELIABILITY OF FINDINGS		
Evaluation design		
Is the approach adopted by the evaluation and method used clearly set out?		
Is the approach and methods suitable given the objectives of the valuation and the intervention being assessed?		
Are the details of the operation of the intervention clearly described?		
Are the mechanisms through which the intervention is intended to achieve its objectives clearly identified?		
Context		
Is the socio-economic and policy context clearly set out?		
Are the effects of the economic and/or policy context on the outcome of the intervention clearly described?		
Information Sources		
Are the quantitative and/or qualitative data used suitable for the purpose for which they are used?		
Is the reliability of the data fairly assessed and described?		
Analysis		
Are appropriate procedures/techniques used to analyse the data and/or qualitative information?		
Are suitable procedures used to check the validity of findings?		
Is the validity of the findings reached clearly demonstrated?		
Do the policy recommendations follow clearly from the findings of the analysis?		