



# Public administration characteristics and performance in EU28:

## Cyprus

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Cyprus

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## 1 SIZE OF GOVERNMENT

The overall picture of the public sector in Cyprus (comparison of the figures for 2010 and 2015, given in the Table below) shows an overall stability in the ranking between 2010 and 2015, except for the figures concerning Public investment in % of GDP and Debt in % of GDP. As regards the total expenditure (% of GDP) the country is ranked the same, (24/28) with a slight deterioration in absolute figures, which is not a surprise given the fact that in 2012-2015 the country came under a Memorandum from its "troika" lenders demanding cuts in government expenditure (benefits, salaries, freeze on new posts and employment of staff, no promotions etc). This also explains the reduction in the percentage of central government share of expenditure resulting in a drop of one position, but well above the EU average (6/28). Although the above figures in absolute terms are negative the country's ranking is almost stable. Another consequence of the "troika" memorandum is that Public Investment, as a % of GDP, fell drastically to 27/28, a consequent drop of 14 positions just ahead of another country under memorandum, Ireland. Public debt in absolute figures almost doubled (as % of GDP) from 14<sup>th</sup> in 2010 to 25<sup>th</sup> in 2015, ahead of Portugal, Italy and Greece, which faced even more severe financial problems at the time. Due to the financial measures imposed by the government the deficit has reduced by almost 77% giving Cyprus a much improved ranking of 8/28.

**Table 1: General government budget data**

| CYPRUS                               | 2010  | EU 28 Rank | 2015   | EU 28 Rank | Δ Value | Δ Rank |
|--------------------------------------|-------|------------|--------|------------|---------|--------|
| <b>Total expenditures (in % GDP)</b> | 41.82 | 24         | 40.14  | 24         | -1.68   | 0      |
| <b>Central government share (%)</b>  | 83.78 | 5          | 76.44  | 6          | -7.34   | -1     |
| <b>State government share (%)</b>    |       |            |        |            |         |        |
| <b>Local government share (%)</b>    | 4.82  |            | 4.06   |            |         |        |
| <b>Public investment (in % GDP)</b>  | 4.17  | 13         | 1.91   | 27         | -2.26   | -14    |
| <b>Debt in % GDP</b>                 | 55.80 | 14         | 107.52 | 25         | +51.72  | -11    |
| <b>Deficit in % GDP</b>              | -4.7  | 8          | -1.1   | 8          | +3.6    | 0      |

**Sources:** AMECO, Eurostat

The period covered by the data (2010-2015) show a more negative picture of the financial situation than exists in 2016 to date. Since then Cyprus has successfully exited the Memorandum facility due to the drastic measures undertaken by government and accepted by all the social partners and stakeholders involved (unions, employers, financial sector). For the period from 2010-2015 the number of general employment has decreased by 40,000 (10%) whereas the number of public employment has increased by 4%, i.e 1,100 employees. The increase resulted during the period 2010-2012, prior to the implementation of the Memorandum, where the then government continued the engagement of new staff. However, due to the employment freeze after 2013 the number of empty posts in 2015 was 23.08%, according to the Annual Report of the Public Service Commission, PSC. Thus the total number of posts in the central government does not represent the actual number of staff and consequent salaries. Unemployment has since been reduced but Cyprus (2015 figures) is still well below the EU average (21/28) as regards % of public employment/total employment (8.1%, EU 2015 average 6.9%), whereas in 2010 it was 7.0% (EU average 7.1%).

## Public sector employment\*

The statistics given below were obtained from the Statistics Service of the Ministry of Finance

**Table 2: Public sector employment**

| CYPRUS   | 2015   | COMMENTS  |
|--|--------|---|
| (1) General government employment (in thousand)*   | 58     |   |
| thereby share of central government (%)  | 92.6   |   |
| thereby share of state/regional government (%)   | -----  | Not Applicable for Cyprus   |
| thereby share of local government (%)  | 7.4    |   |
| (2) Public employment in social security functions (in thousands.)                       |        | Not available   |
| (3) Public employment in the army (in thousands.)  | -----  | *Security Forces (include Army, Police and Fire Service)  |
| (4) Public employment in police & fire service (in thousands.)                           | 9.7*   |   |
| (5) Public employment in employment services (in thousands)                              | 23.6   | Includes persons employed in NACE Rev. 2 H52, H53, M71, M75, P85, Q86, Q87, Q88, R91<br>[NACE REV.2: Statistical Codes for Economic Activity]<br>The Cyprus Statistics Service does not maintain government (state) employment data under N78 |
| (6) Public employment in schools and daycare (in thousands.)                             | -----  | **Education (includes schools [primary, secondary and tertiary] and Universities  |
| (7) Public employment in universities (in thousands.)                                    | 15.6** |   |
| (8) Public employment in hospitals (in thousands)  | 6.4    |   |
| (9) Public employment in core public administration (in thousands.)                      | 2.7*** | ***Bearing in mind that no figures were available for (2)   |
| (10) Core public administration employment in % of general government employment (9)/(1) | 4,655% |   |

**Source:** National statistics (Statistics Service of the Ministry of Finance, Cyprus)

\*According to the OECD, general government employment excludes public corporations.

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## **2 SCOPE AND STRUCTURE OF GOVERNMENT**

### **2.1 State system and multi-level governance**

#### **2.1.1 Basic information on the state/government system: Key features, organization of government levels and their constitutional status**

Cyprus is a country of less than a million inhabitants and its government system is adapted to suit both its population size as well as its geographical area, which is half that of Wales. As a consequence of the above it is a very centralized state system, with local government (municipalities in major cities and village council boards) forming the other tier of government. Central government is a Presidential system, with a President elected every five years and who has the right to appoint 11 ministers, who form the Council of Ministers. Ministers serve at the discretion of the President. Together with the President they represent the executive branch of central government.

The House of Representatives, consisting of 56 Deputies, forms the legislative branch and is elected based on 6 constituencies every five years. It approves all legislation and the annual budgets submitted by central government. Local Government budgets are submitted by municipalities and local boards to the Ministry of the Interior, after having the approval of the Ministry of Finance. The Council of Ministers submits their budgets to the House of Representatives. Various parliamentary committees deal with different issues, including budgets. At their hearings interested parties are also invited to attend and present their case and answer to Deputies' questions before each parliamentary committee submits their report to the plenary session of the House for discussion and final approval.

The Judiciary forms the third pillar of governance. They are an independent body headed by the Supreme Court judges, who are appointed by the President of the day till their retirement at the age of 68. Among other issues the Supreme Court passes judgment as to the Constitutionality of various laws that the President may submit to them, after a vote in Parliament. The Attorney General and Auditor General, who are also appointed by the President of the day, head independent offices, till their retirement at the age of 68. Local government officers, city Mayors and Village Chairpersons are elected every five years in local elections that are held for this purpose. Their actions come under the scrutiny of the Ministry of the Interior and as regards their budgets the Ministry of Finance. They have autonomy in running their affairs, through their corresponding Councils, which are also elected at the same elections for the same five year period. Their governance is scrutinized by Parliamentary Committees and by the Auditor General and if required the Attorney General.

All above officials and bodies are foreseen in the country's Constitution, through which their legitimacy and independence is safeguarded but at the same time their obligations, monitoring, accountability and jurisdiction is also given.

#### **2.1.2 Distribution of power between the different government levels, their role and responsibilities**

Table 3 below gives a description of various aspects of responsibilities between Central and Local Government in Cyprus. State entities, such as public



corporations (electricity, telecommunications etc.), state universities have national jurisdiction, whereas some public utilities, such as water boards have jurisdiction on a provincial/district basis (i.e. Nicosia Water Board for Nicosia District). All these entities in the Table below would be shown under "Central Government" since they are not a provincial government in the sense of larger countries, where provincial officials are elected. In the case of Cyprus the Governing Boards for these entities and state organisations are appointed by the Council of Ministers, at central level. Thus they promote the policies and programmes of the central government and President of the day. Transport (airports, ports and buses are privately administered, although the building infrastructure for airports and ports is still owned by the state, but leased out to private companies).

| Government level  | Legislation   | Regulation   | Funding   | Provision   |
|---|---|--|---|---|
| <b>Central government:</b><br>defense<br>external affairs<br>internal affairs<br>justice<br>finance/tax<br>economic affairs<br>environmental<br>protection<br>social welfare<br>health<br>education<br>public utilities<br>science and research | <b>All forms of Legislation:</b><br><br>Central government and related Ministries are responsible for stipulating, formulating and submitting to the Council of Ministers pertinent legislation, provided that this is first evaluated by the Office of the Attorney General for its compliance with the constitution and other legal requirements. Parliament has the final say. | <b>All forms of Regulations:</b><br><br>For all Laws there are corresponding Regulations in order to provide the framework and details as to their correct implementation. Parliament has the final say. | <b>Funding for Central Government:</b><br><br>Irrespective of the type of organization, funding is provided through a budget that is submitted by the responsible Ministry to the Ministry of Finance, which has the final say. This is then submitted to the Council of Ministers and Parliament for their approval or modification. No organization is allowed to realize expenditures that are not foreseen in its budget. | <b>Central Government:</b><br><br>Provides social welfare, health services and education up to Secondary level. It also provides for road and other public works as well as agricultural support and environmental protection services. Owns dams, reservoirs and infrastructure for providing water to the Water Boards. |
| <b>State/regional government</b>  | <b>Not Applicable for Cyprus</b>  | <b>Not Applicable for Cyprus</b>   | <b>Not Applicable for Cyprus</b>  | <b>Not Applicable for Cyprus</b>  |
| <b>Local government:</b><br>finance/tax (limited areas)<br>social welfare (old age homes, libraries, swimming pools etc.)<br>environmental protection (waste disposal sites, green points etc.)   | Local Authorities have <b>NO Legislative power</b> to submit legislation to parliament. This is done through the  | For all Laws there are corresponding Regulations, passed by The House, in order to provide the framework and details as to their correct implementation.   | Funding for local governments is provided by a Grant from Central Government, through the Ministry of the Interior. They  | Local government provides for local welfare services, such as old peoples' homes, green points, libraries, swimming pools,  |

|  |                           |  |   |  |
|--|---------------------------|--|---|--|
|  | Ministry of the Interior. |  | also have the right to raise taxation by taxing local activities, such as refuge collection and property tax. | playgrounds and Park maintenance. Some secondary road repair and road signage. |
|--|---------------------------|--|---|--|

For all legislation for ministries, public utilities, state organisations, including universities, this can only be submitted to Parliament through the responsible Ministry. The same applies for Regulations, which describe in more detail the way various provisions in each law may be realized. The police and army are not considered civil servants. The Chief of Police and Commander of the National Guard are appointed by the President and report to the Ministers of the Interior and Defence, respectively. All entities are subject to an annual audit by the Independent Office of the Auditor General and any misuse may be submitted to the Independent Office of the Attorney General for any legal action that may be required.

As regards the administrative reforms (PAR) for local government the Unit for Administrative Reform and Development submitted in Q4/2016 legislation in order to create fewer municipalities thus ensuring economies of scale and as a result reduction in running costs, fewer staff and increase in productivity. The draft proposals are still before the House of Representatives and political parties and other interested stakeholders.

### **2.1.3 Relationships between the different government levels**

Although this, in comparison with other countries, is a much smaller system it still faces problems of coordination between the different levels since it has also a limited manpower capacity to manage the two systems. At Central Government level bureaucracy and the lack of administrative reform, since independence in 1960, have resulted in a much slower responding system. As a result there may be a larger provision on staffing than the size of the work would normally require. The civil service system is a career -based system and one in which employees are very well protected and cannot be easily fired or moved, unless it is foreseen in their job description.

The same is true for local government staff. Thus up to now the “solution” was to increase staff to run any new additions to the system. In fact in the last years the number of municipalities was increased substantially leaving major cities, such as Greater Nicosia with a population of less than 200,000 with six municipalities. Obviously economies of scale as regards basic infrastructure and manpower are not there. It was for this reason that a bill for local government reform, following the financial crisis of 2013, was formulated but it is still at the discussion stage and has not been seriously debated by parliament nor the stakeholders concerned. One can say that there is a clear overcapacity on a manpower level, particularly for local government.

At central government the excessive centralization involved due to the size of the country, on the one hand but on the other the lack of administrative reform has meant that over the years the effectiveness of both tiers of government have shown signs of fatigue. The financial crisis was the catalyst to bring the required external impact to

change things. A lot has been changed but more needs to be done and important legislation is still outstanding. The legislation outstanding concerns staff evaluation system, mobility of staff and methods of recruitment by the Public Service Commission, outlined in 3.2 below.

#### **2.1.4 Relevance and role of the government levels in relation to public administration reform**

Cyprus is a unitary state, following mainly the Anglo-Saxon system of the United Kingdom, since the UK was former colonial power till 1960. Thus a lot of Cypriot legislation is based on the UK system of the time. There are only two tiers of government, central and local (municipal), due to the size of the country. However, there has been no substantial PAR in both tiers of government since independence in 1960. The financial crisis of 2013 became the catalyst, with the imposition by the external lenders (the troika), of badly needed reform of the system, including PAR. The Cypriot financial crisis was in a major part a banking crisis due to the over exposure of Cypriot banks to Greek government debt as well private debt due to the many branches they had in Greece. The debt was “cut” resulting in a five billion loss for Cypriot banks. That is the reason why the financial crisis hit Cyprus in 2011-12-13, much later than other countries and it was mainly due to external factors (Greek crisis).

The legislation that was produced due to the above was submitted by central government to the House of Representatives for approval in late 2016. This took time to develop since the new Anastasiades government, which took office in 2013, set up the Unit for Administrative Reform and Development, which had to develop the required PAR, shown in section 3.2 below, in collaboration with the Ministry of Finance and the stakeholders involved, and which had to comply with the demands of the “troika”. Unfortunately the legislation was not passed and the government is currently in negotiation with the different political and other parties in order to find a negotiated compromise to the issue. The role of the two government levels in realizing and implementing PAR is central. However, the main stumbling block at the moment is not the stakeholders of the different levels of government, but Parliament, where the majority of parties are in opposition to the present government, whose tenure ends in February 2018.

| <b>State structure</b><br>(federal - unitary)<br>(coordinated - fragmented) | <b>Executive government</b><br>(consensus - intermediate - majoritarian) | <b>Minister-mandarin relations</b><br>(separate - shared)<br>(politicized - depoliticized) | <b>Implementation</b><br>(centralized - decentralized) |
|---|--|--|--|
| Unitary   | Intermediate   | Separate-Depoliticised   | Centralised  |

## **2.2 Structure of executive government (central government level)**

### **2.2.1 Machinery of government**

Cyprus, due to its population and size, is a unitary state with a Presidential system that forms the executive branch of government and by its nature and size is a very centralized system of government. There are 11 ministries, which are headed by a minister appointed by the President, without a fixed term of office. The number of ministries is restricted by the 1960 Constitution and hence it is difficult to increase their

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number. To change this constitutional provision would require a solution to the Cyprus problem, as a result of the 1974 Turkish invasion, and setting up a new Constitution, which requires agreement with the Turkish Cypriots. This is the reason why a number of Ministries have more than one portfolio (i.e. Ministry of Agriculture, Natural Resources and Environment, Ministry of Commerce, Industry and Tourism, Ministry of Transport, Communications and Works).

All ministries are headed by a minister, who is the political head of the ministry and is assisted by the Permanent Secretary (Director General) in each ministry, who is a permanent civil servant, with the job security that all civil servants have. Permanent Secretaries may be transferred to another ministry, following a Council of Ministers decision. This does not happen very often. Under the Permanent Secretary there are Directorates, headed by a Director, related to the remit of the specialist activities of each ministry. Under each Director there are specialist units that report to him/her and so on. Directors are not normally transferable staff and stay at their posts till retirement, currently at the age of 65. The civil service system (central government) is a typical hierarchical system. The annual staff evaluations are carried out by three hierarchically senior staff members, where one of them is usually the Director of the Division, for most purposes. The Directors are evaluated by the Permanent Secretary. Ministers are not involved in evaluations for staff, tenders or any other technocratic issue in their ministries. In this case there is separation of political influence in technocratic decisions, thus allowing the system to have reasonable political autonomy from the politicians of the day. On the other hand it is still a very centralized system for the reasons explained above.

There are a number of laws and pertinent regulations that form the legal framework of actions taken by the technocratic system in all ministries. It is this legal system (ie the Law on Tenders and Procurement, which is based on EU guidelines) that independent agencies, such as the office of the Auditor General and that of the Attorney General are available to judge if there has been a violation of good practice or even illegal action, with the consequent legal procedure that may follow. There have been court cases recently where top managers in local government and Mayors have had to face imprisonment. The system, apart from the change in Ministers is very stable whenever there is a change of government or Minister, since civil or municipal servants' jobs are not decided by Ministers or Mayors but by technocratic committees or in the case of permanent civil servants, by the Public Service Commission, which is appointed by the President for a six year tenure and is composed of past technocrats and/or lay persons. Since the financial crisis efforts are under way focusing on achieving results, however the pertinent legislation has not yet been approved by the House of Representatives. This is clearly a negative development for PAR.

### **2.2.2 Centre of government coordination**

The major controlling Ministry is that of Finance. All development projects by all ministries require that funds are available in their budgets in order to realize new projects. *Inelastic* commitments, such as salaries, which are carried over from year to year, reduce the available funding for development projects. Since the financial crisis there is a freeze on new appointments, which is still in force, in conjunction with a substantial reduction in the wage bill, up to 30% in some cases, which is also still applied. Ministries have been asked to develop their own Key Performance Indicators (

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KPI), but the system is still not set up to monitor the degree of implementation and timing. Since Cyprus exited the “Troika” Funding Memorandum (2016) there is an improvement in the economic situation and thus funding has become available for development projects, mainly public works projects. A large number has now been tendered for and work has started. These are monitored at the tendering and award stage by the Office of the Auditor General and at the end of the project for the compliance of payments made in relation to the initial contract and if they have the required approvals for any over budgeting. The Centre of Government, CoG, for Cyprus is small and consists of the Ministry of Finance and the Unit for Administrative Reform and Development, which is under the Presidency as regards suggestions for PAR. There is no other body that serves the Presidency other than a small office of the Deputy Minister to the President, under whom the Unit for Administrative Reform and Development is based.

### **2.2.3 Key management, budgeting and monitoring mechanisms**

There are a set of regulations regarding any payments made by each ministry (or any other entity) with which these payments or any other actions need to comply. A prerequisite for any payment is that it should be foreseen in the annual budget for each entity, thus this has to be foreseen the year before and be approved by the Ministry of Finance and then by Parliament. Hence for any major payments or actions these need to be identified at least a year in advance, arguments given as to their need and obtain the required approvals. It often happens that the Ministry of Finance gives its approval but the specified budget line is reduced or completely cut by parliament. The Office of the Accountant General has accounting officers placed in each Ministry and they enforce the foreseen accounting practices for all payments made. The accounting officer may deny making a payment if he/she considers that the payment is not covered by the correct justification(s) or is not foreseen in the approved budget. The Auditor General carries out an annual ex-ante evaluation of actions taken.

### **2.2.4 Key mechanisms for audit and accountability**

The annual report of the Auditor General for all entities, central government, local government and independent state entities is submitted to the President of the Republic, the President of the House of Representatives, who makes it available to all Deputies and this is also available on-line for free public access on the web site of the Auditor General. Thus there is full transparency as to the findings of the Auditor General concerning all levels of government, public utilities and state organisations. In the last years a number of cases were submitted to the Attorney General which have been taken to court, resulting in a number of convictions. The Office of the Ombudsman investigates complaints by citizens regarding administrative decisions and has the right to request from the system clarifications concerning the complaint and to suggest ways to redress any grievances.

### **2.2.5 Organisation and coordination of administrative reform**

In order to achieve PAR there is a need to promote discussion with the main stakeholders, one of them being the Unions. PAR was not promoted to any large extent until the financial crisis in 2013 not because of the unions but because the system could overcome problems with the minimum of “*political cost*”. Invariably since PAR will also involve salary changes (not necessarily reductions) the Ministry of Finance and its

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Department of Public Administration and Personnel have to take a central role. The Unit for Administrative Reform and development, set up after the crisis, took the initiative and the coordinating role among all the stakeholders involved and produced a comprehensive set of legislation and submitted it to Parliament through the Ministry of Finance.

### **3 KEY FEATURES OF THE CIVIL SERVICE SYSTEM**

#### **3.1 Status and categories of public employees**

In the civil service (Central Government) all staff is considered to be civil servants, irrespective of their employee classification. (Local Government or state organization employees are not considered as civil servants). Depending on the type of appointment, permanent or not, different regulations apply. Appointment of permanent staff is made against permanent posts, which have to be previously approved and appear in the relevant budget of each ministry or independent office. Normally, staff is appointed to first entry posts, which are the first line of entry for scientific staff (university graduates) and non-scientific staff (at least high school graduates). There are also first entry and promotion posts, which are usually top and middle management posts for university graduates, and are open to existing civil servants and candidates from outside the civil service. Normally such posts are overwhelmingly awarded to existing civil servants who have the advantage of relevant experience and knowledge and implementation of civil service laws. Very rarely "*outsiders*" are appointed to such posts. There are also promotion posts, for which only civil servants are entitled to apply for.

The civil service in Cyprus is almost exclusively a career-based service and promotion for existing staff, scientific or otherwise, is their only way up the ladder. All appointments and promotions are made by the Public Service Commission, PSC. . One drawback on the neutrality of the staff is that the body that is responsible for staff appointments and promotions, the Public Service Commission, PSC, is appointed by the President for a six year term and is widely known that its membership is composed of people who have political party affiliations, both in government and opposition. Appointment to a permanent post means job security and since appraisals are not yet linked to performance this has a negative effect on productivity. Since appointments are made by the PSC, civil servants are "*immune*" to political threats at their present post.

The situation is almost the opposite in the private sector where jobs are position-based and of course there is very limited job security. Job mobility exists for non-university level staff and administrative officers. The civil service law, N.1/90 and all its subsequent amendments and its pertinent regulations, clearly define the rights and obligations of civil servants. On appointment to each post every employee works to a Job Description, which is known when the job is advertised. This forms the framework of their employment duties. If one wants to leave the civil service and get a job in a state organization (i.e. state university) or municipality then they have to resign. The regulations and laws pertaining to these organisations are similar to the civil service laws, in some cases identical (such as the retirement law and benefits) but appointments and control is exercised by Governing Councils or Municipal Councils, respectively, instead of the PSC and Council of Ministers. Provisions now exist so that central government pension contributions are transferred to the other state organizations, since for most of them they have the same retirement and pension law and conditions.

| <b>HR system</b><br>(Career vs. position based) | <b>Employment status</b><br>(civil servant as standard; dual; employee as standard) | <b>Differences between civil servants and public employees</b><br>(high, medium, low) | <b>Turnover</b><br>(high, medium, low) |
|---|---|---|--|
| Career  | Civil Servant as standard   | Low   | Low                                    |

### 3.2 Civil service regulation at central government level

The present system is characterized by major inflexibility as regards the mobility of staff, the method of annual evaluations, the degree of productivity and any awards for merit. This means that productive staff are treated and evaluated equally with not so productive staff. When new needs arise, due to the inflexibility of mobility of staff, new staff may need to be appointed (this was done before the freeze on appointments), thus increasing the number of PA staff, instead of transferring existing staff from other parts of the civil service.

In order to rectify the above situation the Unit for Administrative Reform and Development, which is coordinating the effort for PAR, has submitted to Parliament the following legislation, in Q4/2016, in order to create the legal framework needed in order to implement the proposed reform:

- New staff promotion system, which would overcome promotions by seniority and take into account merit and performance
- New performance appraisal system
- Proposals to enhance and extend mobility of staff
- Pay increases linked to the financial sustainability of the state
- Proposal for restructuring Ministries/Departments and setting up of corresponding benchmarks
- Reform of PSC so that it incorporates modern methods of interview appraisals and evaluation of candidates

The above reforms were aiming to change the stagnation of the last 20 years as regards PAR and to incorporate into the civil service those elements that would improve performance and productivity. This is a needed requirement due to the reduction in staff (between 2012-2016, about 4,500 or 5.9% of the central government workforce<sup>1</sup>) and corresponding increase in demands particularly in development projects that are badly needed in order to get the economy moving again. Local Government workforce had a smaller decrease from 4,82 in 2010 to 4,06 in 2015. Even with this reduction in staff Cyprus still has a high number of PA Employees (8,1% in 2015) as a percentage of total employment and above the EU28 average of 6.9% (2015), as given by Eurostat NACE.

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<sup>1</sup> We do not have further information regarding inconsistency between these data and the Eurostat data presented in chapter 1.

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### 3.3 Key characteristics of the central government HR System

There are two distinct bodies responsible for HRM, one is the Public Service Commission (PSC) appointed by the President, as foreseen by the Constitution, with tenure beyond that of the President who appoints them and is independent of all Ministries, which is responsible for appointing civil servants. The PSC is also responsible for promotions of staff. The other body is the Public Administration and Personnel Department, PAPD of the Ministry of Finance, which approves job descriptions, salary scales for each type of job and type of position, in collaboration with the respective Ministry or Independent Office. Once approved posts will be included in the corresponding budget of the entity concerned, which is then submitted, through the Council of Ministers, to parliament for their approval. This is obviously a very centralized procedure. The annual evaluation of staff is the responsibility of the immediate supervisors of the employee in each entity. The annual evaluations/appraisals are then forwarded to the PSC for inclusion in the personal file of each employee and of course are used by the PSC for evaluating employees for promotion. The development and training of employees is the responsibility of the entity to which they are appointed. For training that requires fees and other expenditure it is necessary that there is provision in the budget of the entity concerned, which means that this has to be approved during the budgeting procedure by both the Ministry of Finance and Parliament. When candidates for a post which is advertised or for a post for promotion within the service, the "home entity" involved, usually the Director of the Service participates in the interview at the PSC, makes his/her recommendation and then leaves. It's the PSC that makes the final decision. Also the various entities involved in filling a certain post may form an advisory committee, approved by the responsible Minister, which submits a "short-list" of candidates to the PSC. The PSC maintains the right to invite anyone else left out of the short list. The system is a vertical, career-based one.

The only involvement of trade unions is at the stage of collective bargaining concerning salary scales and pay reviews. Very recently, given the conditions set by the "troika" they have agreed with government to continue the freeze on new recruitments and to link pay increases due to cost of living changes to the increase in the annual GDP. Ideally the system should not have any political influence given the existence of the PSC, although this cannot be ruled out. In general, however, the civil service system is not greatly influenced by the political party of the day and Cyprus, being a former British colony, follows the Anglo-Saxon system of government, where civil servants should be apolitical in their work, although they are allowed by law to put themselves forward for election to political office. However, if elected they have to resign. If they are not elected they are forced to take 40 days leave, as a "cooling-off" measure.

The salary system is a fixed system and the only way one can increase their pay is by working over-time and even that is limited to salary scales below middle management level. Thus a Director of a Service or Head of a Unit are expected to work extra hours without extra payment.

In each ministry or independent office there is a top management team that becomes involved in the appraisal, evaluation and short listing of candidates for recruitment or for the annual evaluations of existing staff.



| <b>Coherence among different government levels</b><br>(high, medium, low) | <b>compensation level vs. private sector</b><br>(much higher, higher, same, lower, much lower) | <b>Formal politicization through appointments</b><br>(high, medium, low) | <b>Functional politicization</b><br>(high, medium, low) |
|---|--|--|---|
| Medium (It depends on complexity of issue and related "political cost")   | Higher, although top managerial posts are lower than private sector                            | Medium-Low (although for top management posts this could be high)        | Low   |

## **4 POLITICAL ADMINISTRATIVE SYSTEM AND POLITICAL ECONOMY**

### **4.1 Policy-making, coordination and implementation**

Invariably political influence, even in democracies, is exercised by many pressure groups, trade unions, business, associations and others. It is not a coincidence that many contribute, directly or indirectly, to election funds of parties and candidates. This is pointed out in the 4<sup>th</sup> Evaluation Round of the Council of Europe's Greco Report for Cyprus, July 2016 [(regarding) "*development of legislation for the transparency of political financing are prime examples of reforms to adjust domestic legislation to Council of Europe standards and recommendations by GRECO*" ..... "*although Transparency International's Corruption Perception Index has ranked Cyprus among countries less affected by corruption (32 out of 168), other surveys indicate that corruption is perceived to be widespread in the country; in particular, in respect of political parties and politicians*" ].

In Cyprus the link between key actors outside the system and the implementation of policies and their details is mainly the job of Ministers. "Unofficial contacts" may also be maintained by Permanent Secretaries and Directors of services. On the other hand there are various fora where open dialogue may take place between the various interest groups, a very good example is the open and transparent discussions between the government, unions and employers on issues of pay and labour relations. Professional associations also take part and submit open position papers on various issues. An example of an on-going open discussion is the setting up of a National Health Service, where various interest groups, prominent among them are the doctors and nurses of the state sector and those of the private, who agree on the principle but not on the details. Citizen participation also takes place and is very vociferous when it comes to reforming a major road in a built-up area, particularly one with shops on either side. The mechanisms, framework and tradition for transparent discussion and stakeholder participation exist. However, in some cases, the democratic need for transparency and open discussion may delay the implementation of a development project that everyone agrees is needed, as in the case of new sewerage plants.

The relationship between the political level and the administration is a stable one in the sense that whenever there is a change in political leadership the civil service staff remain the same. The few advisors to the Minister may change but from Permanent Secretary downwards all staff cannot lose their jobs. The staff that is transferable from Ministry to Ministry may be transferred either during the tenure of a certain political administration or at the beginning. Here job security for the permanent civil service staff makes them

immune to political “manoeuvring”. [On the other hand it may not be all that good on productivity]. Thus there is stability in the administrative system. Even if a Permanent Secretary is transferred the Directors of the various services in that entity are still there and they represent the expertise in their specific remit.

The type of policy that is pursued and the methodologies for implementing policy decisions does change from one political change to the other. However the expertise of the permanent staff acts as a buffer and a safety net to abrupt changes that may cause a lot of difficulties if new approaches or policies are implemented without considering all the options. For many issues external services are used in order to secure the services of experts in many fields, some technocratic others political or both. Again the system has enough checks and balances to ensure that the good intentions of an outsider fit properly into the bureaucracy and demands of the system, which at the end of the day is going to be checked for its legitimacy and proper use of funds by the Office of the Auditor General. Also there is bureaucracy due to the provisions of European Laws, such as the tendering procedures. That is another dimension that the public administration has to handle, which is not widely known outside the civil service. The application of the *aquis communautaire* in the private sector is much simpler than that in the public sector. The engagement of external advisers and experts is on the increase, in particular when difficult and complex decisions have to be taken, such as the privatization of state companies (ie ports, telecommunications, etc). Normally such services are tendered for and the minister(s) do not have a major say in their selection. However their “political” influence on certain issues may be decisive.

Administrative autonomy exists but always in respect to the limits that each entity’s budget allows. These limits are monetary but also extend to the type of activities allowed under each budget line. Thus funds may be available but the type of expenditure may not be foreseen in the budget approved. Hence various types of expenditure have to be foreseen a year before approved in the budget. Each minister has contact with lower levels, usually through the Permanent Secretary. This is stated in the civil service law and this provision gives the “mandarins” who head the administration in each ministry a substantial weight over the opinions of “lower” level staff, since it is the Permanent Secretary who will have a major say in the annual reports of the higher level staff of each ministry. Thus “mandarins” can have a positive as well as a negative effect on each minister’s political deliverables. Of course the Council of Ministers may decide to rotate them to another ministry but there the other ministers involved will have a say “who goes where”. Thus the problem of transfer is not a simple issue. Surely if the President who appoints the ministers wants a certain transfer then things become easier, however, a minister will have to convince the president for the need for such a change and the consequent effect on other “mandarins”. It is for this reason that such transfers are not an everyday event. They do occur in the tenure of a President but usually to a limited extent.

| <b>Distribution of powers</b>            | <b>Coordination quality</b><br>(high, medium, low) | <b>Fragmentation</b><br>(high, medium, low) |
|--|--|---|
| Power concentrated in central government | Low  | Medium                                      |

| <b>Political economy</b><br>(liberal – coordinated) | <b>Interest intermediation</b><br>(corporatist – pluralistic) | <b>Citizen participation</b><br>(strong – weak) | <b>Policy style</b> |
|---|---|---|---------------------|
| Coordinated   | Corporatist   | Medium to weak                                  | Incremental         |

| <b>Sources of policy advice</b><br>(mandarins, cabinets, external experts) | <b>Administrative autonomy</b><br>(high – medium – low) | <b>Patronage &amp; politicization (formal, functional)</b><br>(merit – patronage)<br>(high – medium – low) | <b>Public Service Bargains</b><br>(Agency – Trustee) | <b>Stability</b><br>(high – low – no turnover after elections) |
|--|---|--|--|--|
| Mandarins, External experts  | Low   | Merit (but with a system that evaluates everyone as “Excellent”) High                                      | Not usually used                                     | Very High  |

## 4.2 Administrative tradition and culture

The administrative tradition in Cyprus follows the Anglo-Saxon culture due to the link to almost a century of British Colonial rule. However, this was interlinked with a Greek tradition and legacy, especially after independence in 1960 (as well as a Turkish tradition for the Turkish Cypriot community). Thus with Cyprus entering the EU on top of these traditions the EU *aquis* and its laws were also superimposed. Traditionally Cyprus is ruled by coalitions of centre-right Governments, in which the large communist party of Cyprus was on many occasions a coalition member. Thus the welfare state component was a major factor in government policy, as well as the follow-on tradition from the British welfare state system. Thus a social democratic, mixed economy model exists, even after the “troika” intervention. Taking care for the poor and under privileged is always a major government component, which became more pronounced after the Turkish invasion of 1974, which created refugees of more than 35% of the population. Thus inevitably a culture for serving the public interest was further enhanced, which over the years may have been overstated, becoming one of the factors of the financial crisis. Small societies tend to be more open than larger ones, where Ministers, Mayors and the system in general is more accessible to the layman. A major problem that was faced was the fact that public administration was expanded by each successive government in order to meet various needs, and based on the “troika” findings it became bigger and unsustainable, thus the need of cutting 4500 jobs in the period 2013-2016, a target which was almost achieved for central government.

| <b>Administrative culture</b><br>Rechtsstaat, Public Interest | <b>Welfare state</b><br>(liberal, conservative, social-democratic) | <b>Public Sector openness</b><br>(open, medium, closed) |
|---|--|---|
| Rechtsstaat   | Social Democratic  | Medium (becoming more transparent and open)             |

| <b>Key PA Values</b>   | <b>Managerial vs Procedural</b><br>(Managerial, Mixed, Procedural) | <b>Red Tape (regulatory density)</b><br>(very high to very low) | <b>Discretion/autonomy</b><br>(high, low, medium) |
|--|--|---|---|
| Independence<br>Integrity,<br>Loyalty,<br>Professionalism<br>Accountability,<br>Respect,<br>Impartiality,<br>Good Faith,<br>Responsibility | Procedural   | High  | Low   |

The overall administrative culture that developed over the years since independence was one of a strict, hierarchical system with many regulations and laws and red tape contributing to the output delivery of the system. This limited the autonomy and flexibility of public officials and curtailed their initiative. This became even more pronounced after the financial crisis and the interventions of the Auditor General, which resulted in a number of cases going to court. Irrespective of the judicial outcome, staff are much less inclined to show initiative now than they were some years ago. As seen by the Hofstede Table below, the above situation may also be due to the national culture characteristics. In the Table, for comparison and discussion purposes the values for Greece and the UK were also included, since both countries played a role in the past (and continue today) in formulating Cypriot national culture.

As can be seen the figures for Cyprus and Greece are similar in three dimensions and those of the UK are similar on the last two dimensions ("Long Term Orientation" and "Indulgence"). The differences may be explained by the influences of the British Colonial era on Cyprus and the religious and cultural ties between Cyprus and Greece. The UK numbers show an Anglo-Saxon society, tradition in innovation and a major economy. Using the numbers of the Table below for Cyprus, for Power Distance, the society accepts hierarchy and the notion that there is an unequal distribution of power. The very lower value than the EU average for "Individualism/Collectivism" may be due to the culture of the extended family and "collectivism" of people, especially in small societies, although there are much higher values for Malta and Luxembourg. For Masculinity/Femininity the score is low and conforms to a small society that cares for others and quality of life and is much lower than the EU average. This may be related to the troubled history of the country over many centuries and the "supportive culture" in society. Given the history of the country, on the cross roads of different civilisations and the changes in colonial masters over the years, then the low score is understandable. The "unknown" is to be avoided ("Uncertainty Avoidance"), perhaps one of the major reasons why PAR did not take place until the "troika" forced it upon Cyprus because of the financial crisis. It is also the reason why there are so many regulations governing issues in public administration. The "Long-Term Orientation" measure, which is similar for all three countries and below the EU28 average, is that in all three countries tradition is valued very highly and in the case of Cyprus is considered a cornerstone to its survival given its political problems. This also justifies the reluctance for change. The last indicator, "Indulgence/Self-restraint", with a score of 50 gives no clear indication as to the societal characteristic for Cyprus, and hence no clear preference between Indulgence and Restraint can be established.

**Table: Hofstede national culture dimensions**

| Dimension                        | Value     |            |           | Average E28 |
|----------------------------------|-----------|------------|-----------|-------------|
|                                  | CY        | GR         | UK        |             |
| Power Distance                   | 63        | 60         | 35        | 68          |
| Individualism/Collectivism       | 8         | 35         | 89        | 68          |
| <i>Masculinity/Femininity</i>    | <i>21</i> | <i>56</i>  | <i>66</i> | <i>45</i>   |
| <i>Uncertainty Avoidance</i>     | <i>52</i> | <i>100</i> | <i>35</i> | <i>70</i>   |
| <i>Long-term Orientation</i>     | <i>45</i> | <i>45</i>  | <i>51</i> | <i>57</i>   |
| <i>Indulgence/Self-restraint</i> | <i>50</i> | <i>50</i>  | <i>52</i> | <i>57</i>   |

**Sources:** Merritt A. (2000), "An attempt to replicate Hofstede's four dimensions", in *Cross-Cultural Analysis. The Science and Art of Comparing the World's Modern Societies and Their Cultures*, SAGE Publications inc, 2013. The Geert Hofstede's national culture dimensions used were provided EIPA, <https://geert-hofstede.com/national-culture.html>.<sup>2</sup>

## 5 GOVERNMENT CAPACITY AND PERFORMANCE

As discussed in previous sections and in other reports submitted, although Cyprus has a well-educated and experienced civil service, at a central planning and strategic level the performance of government does not reflect this competence of its PA system. This is not due to an impartial civil service which blocks the policies of the government of the day. The root of the problem lies in the prevailing culture and the inability to establish in time needed actions. In fact major PA reforms became reality only due to the financial crisis and were imposed by the country's lenders (the "troika"). Some badly needed reforms are still pending and were not approved by parliament.

A striking example of a long drawn out reform that has lasted at least three presidencies (15 years) is the establishment of a National Health System, NHS. Many studies have been carried out, millions spent on foreign experts and advisors and yet the state hospitals, which are part of the civil service, are running on the 1960 model inherited from the colonial era. The issue of having state universities started in the 1960's and the first state university law was passed in 1988 (the University of Cyprus). Three presidencies ago it was included in the government programme of the then presidential candidate and later president (Papadopoulos 2003-2008) to form municipal complexes for municipalities on services such as sewerage, dustbin collection, green points etc. The law is still before parliament today with urgent requests by the Minister of the Interior to pass it since now we have superimposed on that an economic crisis and the need to cut costs and produce more effective and efficient systems. If an issue has many stakeholders in conjunction with political cost and economic interests then the political elite (not the civil servants) are not willing to take the "political cost" to make the necessary change. The most profound evidence for this occurred during the period before the financial collapse when academics and some politicians were strongly

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<sup>2</sup> Interpretation: power distance (high value = higher acceptance of hierarchy and unequal distribution of power); individualism (high value = stronger individualist culture); masculinity (high value = higher masculinity of society); long-term orientation (high value = stronger long-term orientation); indulgence (high value = indulgence)

submitting to government the need for spending cuts and urgent reform but nothing was done. This was done when the system was ready to collapse, just before the financial crisis and the “troika” intervention. At present the state hospitals are in a dire situation with doctors leaving the “safe” state sector and going to the private sector. Years of endless discussion regarding the establishment of a NHS has resulted in this situation, with no one willing to take the final decision, although everyone is in principle for the establishment of a NHS. This crisis situation may, at last, force politicians to put together the required strategy, capacity, regulation and coordination so as to realise an NHS. Thus the culture and norm up to now was if there is political cost leave it for the next government and make up the financial cost by borrowing. When the situation reaches crisis point then the government of the day would need to pick up the pieces and realise the issue at hand. The comments on the indicators below reflect the above situation.

### 5.1 Transparency and accountability

In 2015 Parliament passed Law N. 205(I)/2015, which “foresees the establishment of rules which govern the further use of information held by public/state entities”. The law adopts into national legislation European Directives 2003/98/EK and 2013/37/EE of the European Parliament and Council. A freedom of information draft law was tabled to parliament in October 2015 by the Ministry of Justice and Public Order, with the aim of harmonizing Cypriot law with that of other EU member states on this issue. The draft is still outstanding.

| Indicator                               | Value 2014 | EU28 rank | Value 2016 | EU28 rank | Δ Value | Δ Rank |
|---|------------|-----------|------------|-----------|---------|--------|
| Access to government information (1-10) | 3.00       | 28        | 3.00       | 28        | 0.00    | 0      |
| Indicator                               | Value 2013 | EU28 rank | Value 2015 | EU28 rank | Δ Value | Δ Rank |
| Transparency of government (0-100)      | 35.71      | 22        | 43.29      | 22        | +7.58   | 0      |
| Indicator                               | Value 2010 | EU28 rank | Value 2015 | EU28 rank | Δ Value | Δ Rank |
| Voice and accountability (-2.5,+2.5)    | 1.02       | 18        | 1.04       | 15        | +0.02   | +3     |
| Control of corruption (-2.5,+2.5)       | 1.00       | 14        | 0.98       | 13        | -0.02   | +1     |
| TI perception of corruption (0-100)     | 63.00      | 14        | 61.00      | 15        | -2.00   | -1     |
| Indicator                               | Value 2010 | EU28 rank | Value 2014 | EU28 rank | Δ Value | Δ Rank |
| Gallup perception of corruption (%)     | 70.00      | 15        | 76.00      | 17        | +6.00   | -2     |

**Sources:** Bertelsmann Stiftung, European Commission, Worldbank, Transparency International, Gallup World Poll.

**Note:** The ranking of the Gallup perception of corruption is based on 27 countries, and on the 2009 values for Estonia and Latvia.

It is obvious from the above indicators that in general the EU ranking for Cyprus is either stagnant or a very small improvement is observed. As regards access to government information, there is “access by citizens to government information” through web sites of all ministries and government departments, however, this clearly is below higher standards and places Cyprus last among all EU Member States. This goes hand in hand with the second indicator, “Transparency of Government”, where Cyprus is not last (22/28) but obviously needs to be drastically improved, in particular in relation to the transparency available in other member states. This may also be related to the high Hofstede “Power Distance” culture (63). People accept hierarchy and are thus satisfied by “being informed” of what will happen by government when it happens.

The second indicator concerning “Transparency” also reflects the prevailing culture of accepting what is presented by higher authority and not demanding higher levels of

transparency. With regard to “Voice and accountability” the rank has improved over the last years, although it is still below the EU average. There is a democratic tradition to express opinion and hold higher authority responsible for its actions. “Control and Perception of Corruption” are a citizen’s perception concerning corruption. This is not very high since so many cases are still before the courts, with no apparent judicial result. One of the major problems in Cyprus is the slow judicial process which leaves the public with a perception that either corruption is not dealt with or that the system is very corrupt. Whereas if there were faster judicial processes then in the cases of guilty verdicts people will see that justice has been served and in cases of innocent verdicts that not everyone is corrupt. There have been both types of verdicts given so far but there are many more pending cases still to be judged, thus giving a negative public perception as regards corruption in the system.

The last indicator reinforces the above argument. Because of the more “Collectivist” society of the “we”, in Hofstede’s dimensions (8), with an EU average at 68, has also a negative perception as regards fighting corruption, since “culturally” people assume that there is a higher chance of a cover-up by the more “collectivist” society. In other cases this is a positive factor that may provide help to a wider range of people in need. There is generally a lack of very effective coordination between government departments to tackle problems and this is a deficiency in the administration’s capacity to tackle problems, including corruption and transparency in government decision-making.

## 5.2 Civil service system and HRM

| Indicator             | Value 2012 | EU28 rank | Value 2015 | EU28 rank | Δ Value | Δ Rank |
|-----------------------|------------|-----------|------------|-----------|---------|--------|
| Impartiality (1-7)    | 3.25       | 16        | 4.90       | 28        | +1.65   | -12    |
| Indicator             | Value 2012 | EU26 rank | Value 2015 | EU26 rank | Δ Value | Δ Rank |
| Professionalism (1-7) |            |           |            |           |         |        |
| Closedness (1-7)      |            |           |            |           |         |        |

**Sources:** *Quality of Government Institute Gothenburg.*

The financial crisis, with the bail-in on bank accounts for ordinary citizens, and some other local scandals have not helped at all and explain the reason why Cyprus is ranked 28 as regards “impartiality”. People’s perception, after the trauma of the banking crisis and various other local scandals and events that have gone to court and guilty verdicts given, is not positive, although the value has gone up by 1.65 the ranking still fell to 28. Focussing on the civil service and HRM, a lot of the above decisions were political and do not reflect the impartiality of the civil service or its capacity to respond to crises. This may be an undue perception by the public since any decisions of the PSC may be challenged in court. However, under the intense public outcry against the political system the PSC may be an undue victim. There is political “neutrality” of the permanent civil service staff, irrespective of changes in government. The civil service is still one of the most attractive employers, providing job security, good pension scheme and almost free access to the state health care system. A major weakness is the inability to get government departments to act together on time and in a focussed way. On the other hand the civil service still has very highly educated and competent staff, which under the correct environment can produce very effective results, as it has done in the past. This is reinforced by the “Civil Service Professionalism” indicator for 2015 which gives Cyprus 3.8/7.0, ranking Cyprus 19/28. Thus the system can be improved and is not held back due to the lack of professionalism or expertise of the staff concerned.

### 5.3 Service delivery and digitalization

| Indicator                                | Value 2013 | EU28 rank | Value 2015 | EU28 rank | Δ Value | Δ Rank |
|--|------------|-----------|------------|-----------|---------|--------|
| E-government users (%)                   | 10.15      | 25        | 17.11      | 20        | +6.96   | +5     |
| Pre-filled forms (%)                     | 55.00      | 11        | 59.57      | 13        | +4.57   | -2     |
| Online service completion (%)            | 59.57      | 22        | 73.43      | 21        | +13.86  | +1     |
|  | Value 2010 | EU28 rank | Value 2016 | EU28 rank | Δ Value | Δ Rank |
| Online services (0-1)                    | 0.37       | 25        | 0.54       | 25        | +0.17   | 0      |
|  | Value 2013 | EU27 rank |            |           |         |        |
| Barriers to public sector innovation (%) | 38.00      | 6         |            |           |         |        |
|  |            |           | Value 2015 | EU28 rank |         |        |
| Services to businesses (%)               |            |           | 34.50      | 21        |         |        |
|  | Value 2011 | EU28 rank | Value 2016 | EU28 rank | Δ Value | Δ Rank |
| Ease of Doing business (0-100)           | 69.14      | 17        | 72.65      | 24        | +3.51   | -7     |

**Sources:** European Commission Digital Economy and Society Index UN e-government Index, EU Scoreboard Public innovation, Eurobarometer num.417, World Bank Ease of Doing Business.

Given the high level of university graduates in the population, as reported by the Statistical Service for Cyprus, is 33.5% in Tertiary education for Q4/2016 and 35% for the academic year 2013/14. Yet Cyprus has a much lower performance than other countries in the EU as regards the use of e-governance. Indicatively for the academic year 2013/14 the Statistical Service records 20,170 students attending universities (about 2.3% of the population). In the civil service 59.72% of the employees have a university or postgraduate degree (2015 annual report). IT infrastructure is available but the main barrier to extending e-government to all levels of society is the resistance to change as regards on-line services in conjunction with the low level of transparency and availability of information, described above.

As regards services to individual citizens this, as explained above, may also be linked to the national culture as given by Hofstede, where "Uncertainty Avoidance" is a predominant feature and hence the seeking of "a human" contact in a ministry is preferable to the faceless on-line service. Thus the four first indicators above may be explained by this and by the fact that the overall EU ranking between the years 2011 and 2015 is about the same. Although absolute values have increased so have the relative values of other member states. The population of other member states is apparently more easily inclined to "trust" on-line services and this reflects negatively on Cyprus where an e-government culture still needs to be improved.

The last two indicators concerning business in Cyprus has been hampered by the ineffective availability of a "one-stop-shop", which was a policy of the last three governments. It has been offered recently but it is still untested. This makes foreign and local investors reluctant to set up a business in Cyprus, although there are good examples of this, such as the Byelorussian firm Wargaming which has its headquarters in Cyprus. Recently the government has approved a system for attracting innovators from third countries to come and set up a start-up firm in Cyprus. Thus the last three indicators may improve in the near future due to these developments, although Cyprus is last in the EU as regards spending on innovation. As regards setting up businesses this will be judged by the new framework that at last has been put in place (3/2017), but is still not proven. It is to be seen if the government administration under the new system will be able to provide the required service. Again this would not be due to the inability



or expertise of existing staff but due to the inter-departmental bureaucracy which hopefully can now be avoided.

#### 5.4 Organization and management of government

| Indicator                            | Value 2014 | EU28 rank | Value 2016 | EU28 rank | Δ Value | Δ Rank |
|--------------------------------------|------------|-----------|------------|-----------|---------|--------|
| Strategic planning capacity (1-10)   | 2.00       | 28        | 3.00       | 24        | +1.00   | +4     |
| Interministerial coordination (1-10) | 3.83       | 28        | 4.17       | 28        | +0.34   | 0      |
| SGI Implementation capacity (1-10)   | 2.71       | 28        | 3.14       | 28        | +0.43   | 0      |
|                                      | Value 2012 | EU26 rank | Value 2015 | EU27 rank | Δ Value | Δ Rank |
| QOG Implementation capacity (1-7)    |            |           | 4.80       | 21        |         |        |

**Sources:** Bertelsmann Stiftung, Quality of Government Institute Gothenburg.

The three indicators above confirm the evaluations so far as regards the government's very low capacity given in the previous sections and in other reports that, although there is a highly educated and experienced staff, there is a distinct lack of coordination, implementation and planning on behalf of the system. In order to realise all three of the above it is a prerequisite that more than one government department should become involved. Since Cyprus is a highly centralised state, with the Ministry of Finance having the central role of approving any development project financing, then inter-ministerial cooperative culture has to be linked to the other "executive" ministry(ies) which have to realise projects. The problem has been identified and in particular the slow take-up of new ideas that exists. In order to improve this situation each ministry has developed its own Key Performance Indicators, KPI's, but unfortunately to date no other action has been taken so as to monitor and assess if goals are reached based on the KPI's. They are there as an objective but no one is held responsible if a KPI is not realised on time. Again the resistance to change in a very conservative society is a major barrier and it has still to be overcome. It's a start but in order to improve the above indicators again a culture change is needed. Based on the Hofstede ratings "Long Term Orientation" is 45, against 57 for the EU average. A low rating means that countries honour long term traditions. Obviously Cyprus has an intermediate score, lower than the EU average, which, means that it needs to increase this score in order to improve on the above indicators and catch up on other member states with a higher score in this area.

#### 5.5 Policy-making, coordination and regulation

| Indicator                                | Value 2014 | EU28 rank | Value 2016 | EU28 rank | Δ Value | Δ Rank |
|--|------------|-----------|------------|-----------|---------|--------|
| Societal consultation (1-10)             | 5.00       | 15        | 5.00       | 17        | 0.00    | -2     |
| Use of evidence based instruments (1-10) | 4.00       | 19        | 4.00       | 19        | 0.00    | 0      |
|  | Value 2010 | EU28 rank | Value 2015 | EU28 rank | Δ Value | Δ Rank |
| Regulatory quality (-2.5,+2.5)           | 1.43       | 10        | 1.06       | 17        | -0.37   | -7     |
| Rule of law (-2.5,+2.5)                  | 1.20       | 13        | 1.01       | 16        | -0.19   | -3     |

**Sources:** Bertelsmann Stiftung, Worldbank.

On the first two indicators Cyprus is below the EU average with a middle score. Societal consultation does take place, in fact many development projects may be delayed because in many cases there is too much consultation with various pressure groups and lobbyists opposing the entire project or certain features of it. This is partly due to the fact that there is poor transparency to begin with which raises suspicion, sometimes on issues which are not valid. This again results in project delays and thus implementation. As for the last two indicators Cyprus is ranked just below the EU average, although it

was ranked above in 2010. This again is linked to public perception on corruption, due to so many cases that are raised, sometimes in the press, without either being officially charged or a judicial verdict in sight. This group of indicators should improve if better transparency is achieved and pertinent information given together with a speed up in the decision making of the judicial system or formal charging of those involved.

The use of the media to “expose” scandals and then nothing happens does not help in giving the public confidence in the system. As for the last two indicators, the laws and regulations by enlarge are available. It’s not a lack of regulations that is the problem but a lack of definite action and reaching a specific decision. As regards development project announcements the implementation of the procedure of a Project Concept Note, imposed by the “troika”, should ensure that all project risks, financing requirements and basic design should now be established before a project is announced. This would help in knowing from where to secure the required funding and also present a reasonably detailed “design” of the proposed project with justification as to its characteristics before this is announced. The objective of this procedure mainly aims at facilitating the improvement of the above indicators.

## 5.6 Overall government performance

| Indicator                                      | Value 2010 | EU28 rank | Value 2016 | EU28 rank | Δ Value | Δ Rank |
|--|------------|-----------|------------|-----------|---------|--------|
| <b>Trust in government (%)</b>                 | 43.00      | 8         | 28.00      | 15        | -15.00  | -7     |
|  | Value 2011 | EU27 rank |            |           |         |        |
| <b>Improvement of PA over last 5 years (%)</b> | 16.00      | 2         |            |           |         |        |
|  | Value 2010 | EU28 rank | Value 2015 | EU28 rank | Δ Value | Δ Rank |
| <b>Public sector performance (1-7)</b>         | 5.07       | 9         | 4.38       | 15        | -0.69   | -6     |
| <b>Government effectiveness (-2.5,+2.5)</b>    | 1.53       | 10        | 1.04       | 18        | -0.49   | -8     |

**Sources:** Eurobarometer 85, Eurobarometer 370, World Bank, World Economic Forum.

The above indicators for 2010 are before the financial crisis and showed a ranking in the top 10. In 2015-2016 this dropped substantially to below the EU average. Obviously the effects of near bankruptcy of the country and the bail-in of depositors could not have had a positive outcome on the government’s performance, not even by its own civil servants who as citizens also lost lifelong savings, had salaries cut and some took early retirement when they would have otherwise stayed on. The overall improvement of PA over the last 5 years showed for Cyprus (2011), a deterioration by 10 points. These indicators will change once the new development projects, which have now started are completed and people see an improvement not only in financial statistics, for which there are positive figures, but also in real life projects (roads, buildings, schools, hospitals etc.). Based on the above tables the following overall assessment may be given, with the proviso that this is highly dependent on the national financial outcomes and developments in the real economy. The latter two indicators, based on projections for 2017-2018, should improve and may reach 2010 levels.

As a recommendation to the EC it would be good to develop a system of commonly agreed national indicators, in order to have a good basis for comparison of the service delivery of PA’s of member states. The Indicators should be developed in such a way that they are independent of country population size.

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## Interviews

1. Mr Harris Tsangarides, Town Clerk (Municipal Secretary and Head of Administration, top, permanent municipal employee), Aglantzia Municipality, one of the municipalities which forms part of the greater Nicosia area.
2. Mr Marios Michaelides, Head, Cyprus Academy of Public Administration, Ministry of Finance. The Academy offers training courses related to PA to civil servants
3. Mr Stelios Achiotis, President, Scientific and Technical Chamber of Cyprus, an NGO body constituted by law, in order to regulate the engineering and architectural professions. It provides expertise and input when government technical projects are being planned.
4. Ms Lenia Orphanidou, Chief Public Administration and Personnel Officer, Department of Public Administration and Personnel (PAPD), Ministry of Finance. The PAPD has the responsibility of providing personnel (secretaries and administrative officers) to all government departments and to formulate government PA policy.

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