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National monitoring frameworks for public social spending

Cyprus

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European Social Policy Network (ESPN)

**ESPN Thematic Report on
National monitoring frameworks
for public social spending**

Cyprus

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Summary

Existing national frameworks for public social spending in Cyprus only monitor spending levels and not social outcomes, and this issue does not seem to be a focus of attention at present. The national frameworks are based on commitments related to the Classification of Functions of Government (COFOG) and the European System of Integrated Social Protection Statistics (ESSPROS). For both COFOG and ESSPROS, the Statistical Service of the Republic of Cyprus (CYSTAT) is responsible for collecting and compiling the relevant data from the various ministries and individual government departments, and is clearly the competent authority for reporting to Eurostat and for publishing and disseminating these data to the public. In particular, data on public social protection expenditure are published on the CYSTAT website, divided into three general categories: by functions, by programmes, and by type (i.e. means-tested or non-means-tested, in cash or in kind, and periodic or lump sum). Social protection expenditure and revenue data are published annually by CYSTAT. Information on public expenditure on healthcare is also published annually by CYSTAT; it includes total and current health expenditure, and current health expenditure as a share of GDP. There are no tools or frameworks that provide an overview of public social spending broken down by specific population groups or segments. At the same time, the various departments and ministries managing budgets or accounts related to social spending maintain their own internal monitoring frameworks related to their own area of responsibility, the detailed status of which is neither easily nor readily accessible. The existence of such mechanisms or monitoring frameworks is supported by the fact that the various ministries, departments and services are required by law to report to the Treasury of the Republic of Cyprus on the implementation status of their budgets.

The tools used to assess the effectiveness of public spending in Cyprus are largely based on Eurostat indicators, which are also used under the European Pillar of Social Rights. The collection of relevant data and the compilation of social indicators is carried out by CYSTAT within the framework of the European Union Survey on Income and Living Conditions of Households (EU-SILC). These data are transmitted to Eurostat each year and published on the CYSTAT website. Since 2017, the results of the CY-SILC survey have been disseminated through press releases, announcements and infographics. These publications examine the phenomenon of relative poverty in Cyprus, identify population groups at higher risk of poverty, and provide data on income distribution and quality of life.

The two major ministries responsible for the allocation of public social spending – the Ministry of Labour, Welfare and Social Insurance (MLWSI) and the Ministry of Health (MoH) – have their own internal mechanisms to audit and control spending and monitor their budgets. It is not possible to determine how comprehensive these internal monitoring or reporting tools are, as they are neither easily nor readily accessible. Moreover, none of the official government documents and reports mentions or refers to the need to conduct formal public spending reviews in Cyprus.

In retrospect, it can be said that the financial crisis (2012-2016) had a lasting impact by shifting the emphasis to fiscal sustainability at the expense of social outcomes. The introduction of the Guaranteed Minimum Income (GMI) can be seen as a reform of social protection that has helped to streamline public social spending in Cyprus.

The search for strengths and weaknesses reveals more weaknesses than strengths. The fragmentation of the system into different ministries, the lack of common tools and frameworks for data collection and monitoring, and the lack of linkage between costs and results can be seen as weaknesses. On the other hand, it is difficult to name an actual strength of the system. The new integrated health information system could be seen as a strength for health sector spending, as it allows linking expenditure to health-specific indicators so that outcomes and effectiveness can be assessed more meaningfully.

1 Country-specific monitoring frameworks for public social spending

The main objective of this section is to identify and describe: first, the existence and function of specific monitoring frameworks that are in place and used to quantify public social expenditure in Cyprus; and, second, the existence and function of other national monitoring frameworks related to public social expenditure. The latter, while not specific and exclusive to the monitoring of public social expenditure as described in the terms of reference of this report, nevertheless represent practices commonly used to monitor and oversee the progress and implementation of public social expenditure (and its *ex post* quantification). These 'non-specific monitoring mechanisms or frameworks' are found in the various ministries and intra-ministerial departments or organisations, such as the Social Insurance Service (SIS) and the Welfare Benefits Administration Service (WBAS) of the MLWSI, the Social Welfare Services (SWS) under the newly established Deputy Ministry of Social Welfare¹, the Health Insurance Organisation (HIO) and the State Health Services Organisation (SHSO) of the MoH, the Ministry of Finance (MoF), and the Treasury of the Republic of Cyprus (an independent government service responsible for the overall management of public financial operations). The Treasury is the main organisation for monitoring progress in the implementation of the State budget and the individual sub-budgets, which include (among other items) public social spending.

1.1 Country-specific dedicated monitoring framework(s)

Cyprus has aligned with, and fully complies with, the obligations and requirements for the inclusion and reporting of public social expenditure as codified in the ESSPROS and COFOG frameworks. For both ESSPROS and COFOG, CYSTAT is responsible for the collection and compilation of the relevant data from the various ministries and individual government departments, and is clearly the competent authority for their reporting to Eurostat and for their publication and dissemination to the public. For ESSPROS and the related national data, CYSTAT publishes every year in December (but with a delay of 24 months from the respective reference year) a Social Protection Survey² based on the ESSPROS rules. It is available in Greek and easily accessible through the CYSTAT website (CYSTAT, 2018). In addition, the data based on COFOG rules and classifications, which include (among other things) social expenditure, are published annually by CYSTAT in the form of spreadsheets under the title 'Public Finance – Expenditure of General Government by Function'³.

A close look at the methods and practices used by CYSTAT to collect and collate data on public social expenditure reveals that the various departments and ministries managing budgets or accounts related to social expenditure maintain their own internal (inter-sectoral/departmental/ministerial) monitoring frameworks related to their own jurisdiction, the detailed status of which is neither easily nor readily accessible. In their regular reports (especially annual reports), they cite some succinct data, which in turn point to the reasonable and somewhat safe conclusion that there exist 'isolated' monitoring frameworks or mechanisms. However, it is not possible to assess how detailed and comprehensive these are. The existence of such mechanisms or monitoring frameworks is also supported by the fact that the various ministries, services and departments are required by law⁴ to report to the Treasury on the level of execution of their budgets, which includes social spending. This is also confirmed by the monthly reports on the Treasury's website covering the progress by the State in executing its

¹ Among the top priorities of the Deputy Ministry (established in July 2021) is the modernisation of the existing social welfare framework.

² [Social Protection Survey](#)

³ [Public Finance - Expenditure of General Government by Function](#)

⁴ [The Law on the Management of Revenue and Expenditure and the Accounting of the Republic of 2002](#) (in Greek).

budget⁵ (in Greek). The Treasury records all transactions of the State budget using the International Public Sector Accounting Standards. The online accounting database of the Treasury, 'FIMAS', records all transactions of the State on a daily basis. FIMAS provides detailed information (20,000 budget expenditure codes and 1,000 budget revenue codes) for many budgetary activities (State budget), but also revenue and expenditure details for extra-budgetary funds and social insurance funds. The Government Finance Statistics Division accesses FIMAS to obtain all transactions and produce the accounts for the general government tables on a monthly basis.

In terms of health spending, since the introduction of the new National Health System (NHS) in June 2019, there are three health budgets managed by three different public bodies / legal entities: the MoH⁶, the HIO⁷ and the SHSO⁸. These three different budgets or partial oversight frameworks monitor health spending. There is no formal framework for monitoring and controlling health expenditure in any of these three organisations. However, there are mechanisms that mandate and facilitate the monitoring of health expenditure, and in that sense they could be considered as sub-frameworks for monitoring. For example, in the case of the MoH, in accordance with the Budget Law and in addition to the obligation to report to the Treasury, the Parliament requests information on how certain funds have been allocated, particularly in relation to subsidies/sponsorship to non-governmental organisations and institutions. In addition, the accounting department of the MoH reports bi-annually to the Permanent Secretary of the MoH and the health minister, on an ad hoc basis, on progress in the implementation of the budget. The basic tool for monitoring and controlling operating expenditure at the HIO is worth mentioning. It is an integrated information system that records all medical services provided – including services related to long-term care (LTC), such as homecare – and reimbursed to contracted healthcare providers. This is a very detailed and useful monitoring mechanism that requires providers to capture all relevant care claims within a specific timeframe, while information on healthcare costs (medical claims) is readily available and detailed. For data sensitivity reasons, very few individuals authorised by the HIO have access to these data.

In addition, for the purpose of proper control of the payment of social benefits and allowances, an in-service audit is conducted at the MLWSI; and at the same time random checks are carried out by officials before payment claims are sent to the Treasury. The MLWSI's accounting and financial management department also conducts periodical reviews. This strongly suggests that social expenditure is regularly monitored to ensure that it remains within budgeted amounts. Specifically, with respect to the SIS, data on contributions and social expenditure are prepared each month by each accounting office of each service or department within the MLWSI, for the purposes of monitoring and for the preparation of final statements for funds⁹ administered by the SIS. These data are available both internally for budget monitoring/execution and to the Treasury. These data are also reported to CYPSTAT on a monthly and annual basis.

⁵ [Progress of the State of execution of the State budget](#)

⁶ The MoH budget includes all those services which have remained under its jurisdiction such as public health services, prevention and diagnosis programmes, dental care, and the State General Laboratory.

⁷ The HIO is a public legal entity, established to implement the new NHS and is responsible for the monitoring and management of the private providers contracted with the new system.

⁸ The SHSO is a public organisation responsible for the management, economic and administrative autonomy of public hospitals and the operation and development of public sector health services. It has its own budget that covers the financial needs of public hospitals and health centres operating in Cyprus.

⁹ These funds include the social insurance fund, the central holiday fund, the redundancy fund, and the insolvency fund.

1.2 Separate monitoring framework(s) linked to schemes provided by employers

Social insurance funds (which include occupational pensions)¹⁰ make up a distinct government sub-sector. All transactions involving the social insurance sub-sector are recorded in FIMAS and extracted by the Public Finance Statistics (PFS) section of CYSTAT on a monthly basis. The financial reports for the six social insurance funds¹¹ under the responsibility of the MLWSI are collected on an annual basis.

The schemes of the governmental, semi-governmental and wider public sectors are part of the monitoring framework of the State and are therefore included in the PFS reports and in the annual Social Protection Survey reports. With regards to the pension and provident schemes of non-governmental/public organisations, these data are collected by CYSTAT and included in the annual Social Protection Survey reports.

1.3 Distinction between current expenditure and capital expenditure

No distinction is made explicitly between current and capital expenditure on social programmes. This is confirmed by the Social Protection Survey of CYSTAT, which does not contain this type of disaggregated information. However, the total amount of capital expenditure on social spending is included in the monthly reports of the Treasury¹² without being further analysed into its constituent parts¹³. It can be said with certainty that this information can be found in detail in the internal monitoring systems and mechanisms of the relevant ministries and other services or departments¹⁴.

1.4 Type of monitoring: level and outcomes

Existing national frameworks only monitor spending levels and not social outcomes. The national frameworks are based on the COFOG/ESSPROS commitments.

The country framework for monitoring all expenditure levels, including public social spending, can be divided into two sub-categories: a) central government; and b) local government, as follows.

(a) The central government sub-sector¹⁵: All data on government transactions are received in electronic form from the Treasury. The government budget contains about 20,000 expenditure budget codes and about 1,000 revenue codes¹⁶. The PFS section of CYSTAT monitors all budget codes on a monthly, quarterly, and annual basis. All budget codes are classified according to the European System of Accounts (ESA) 2010 as well as NACE¹⁷ and by function (COFOG). The Treasury provides all necessary information within 20 days from the end of each calendar month so that all ESA 2010 transmission requirements can be met.

¹⁰ These include the HIO and six social insurance funds managed by the MLWSI.

¹¹ The six social insurance funds are: the medical treatment scheme fund, the government hourly-paid staff provident fund, the social insurance fund, the central holiday fund, the redundancy fund, and the insolvency fund.

¹² Published on the Treasury's website: <http://www.treasury.gov.cy/treasury/treasurynew.nsf/All/D8D672B5C59602C9C225868F002D329D?OpenDocument> (in Greek).

¹³ No distinction between current and capital and no description of expenses.

¹⁴ Following interviews and feedback from the MoH and MLWSI.

¹⁵ It includes 15 central budgetary units (ministries, constitutional powers, and constitutional services), 21 extra-budgetary funds, and 30 semi-government organisations that are included under central government according to the market/non-market test and the qualitative criterion.

¹⁶ For social spending budget and revenue codes please see: '[European system of accounts](#)' p.511 (D codes relating to distributive transactions).

¹⁷ NACE: European statistical classification of economic activities.

(b) Local government sub-sector¹⁸: All local authorities are required to submit summary reports of their monthly revenue and expenditure¹⁹ to the Treasury within 20 days of the end of each calendar month. The annual reports of local authorities are provided as soon as they are available. Upon submission of these data to CYSTAT, all transactions are coded in accordance with ESA 2010.

1.5 Level of granularity of public social spending

Public social protection spending is published on the CYSTAT website and is divided into the following categories:

- (a) by functions in current prices;
- (b) by programmes/schemes in current prices; and
- (c) by types in current prices (i.e. means-tested or non-means-tested, in cash or in kind, and periodic or lump sum).

In addition, revenue data are broken down by social insurance provider, social contributions, general government contributions and other income at current prices. Both expenditure and revenue data are published annually by CYSTAT. Social protection expenditure as a percentage of GDP is also presented and published on an annual basis by CYSTAT.

Information on public expenditure on healthcare is also published annually by CYSTAT in a separate publication entitled 'Health and Hospital Statistics', which includes total and current health expenditure (or estimates if actual data are not available) and the share of current health expenditure in GDP.

1.6 Breakdown of public social spending

There are no tools/frameworks (at least not published ones) that provide an overview of public social spending broken down by specific population groups or sections (e.g. income or age groups).

1.7 Timing and public accessibility of data

According to the five-year work programme (2018-2022) of CYSTAT, the following reports are published online and are publicly available.

- (a) Health and Hospital Statistics (available in Greek and English up to 2015) – Country-specific framework with public health expenditure data (see Section 1.5). Published annually in March, 15 months after the end of the respective reference year.
- (b) Social Protection Survey (available in Greek) – Collection and synthesis of data on expenditure and revenue of the social protection system according to the ESSPROS classification. The social protection system includes elements of benefits such as pensions, benefits, and allowances, as well as elements of public and private health expenditure. Data are published annually in December, 24 months after the end of the reference year. The deadline for submitting the data to Eurostat is June each year (18 months after the end of the reference year).

¹⁸ It includes 39 municipalities (nine of them occupied since the Turkish invasion in 1974) and 576 village authorities (community boards, 171 of them occupied).

¹⁹ Likely to include social insurance, pensions and home/daycare services provided mainly to older people.

(c) Compilation of national accounts details – Collection and compilation of national accounts data (including social expenditure). The annual deadlines for submitting data to Eurostat are March (first estimate of the previous year n-1) and October (revised estimate of previous year n-1 and finalised data for year n-2). Published in March and October.

(d) Quarterly government accounts – Export and processing of all public transactions from the Treasury accounting software (FIMAS). Collection and processing of financial accounting inventory carried out by the Treasury in relation to the local authorities and to the organisations under the central and local government sub-sectors. Submitted to Eurostat and published three months of the end of the reporting quarter.

(e) The MLWSI's accounting and financial management department conducts monthly reviews, particularly in June, September, October, November, and December of each year. These closely monitor the amounts of allowances disbursed to ensure that the budget is being adhered to and that the necessary funds are in place to make the planned payments.

Research data are usually published with a delay of two to two and a half years. For example, according to the CYSTAT timetable, the preparation, collection, and control of the Social Protection Survey data for 2019 took from September 2020 to June 2021. The data were sent to Eurostat in June 2021, and their publication on the CYSTAT website, and the release of the Social Protection Survey report, are expected in early 2022.

1.8 Sub-national frameworks

There are no proper and well established sub-national monitoring frameworks for social spending in Cyprus.

2 Reporting/review tools for public social spending

The level and allocation of public social spending in Cyprus is the combined outcome of several political, economic, and social factors. However, it is fair to say that there has been a lasting effect from the relatively recent financial crisis and the subsequent Memorandum of Understanding (MoU)²⁰ agreed between the Republic of Cyprus and the tripartite coalition of lenders in 2013, mainly by focusing the national debate on issues of fiscal sustainability at the expense of a more active pursuit of social objectives. Within this framework, policy decisions and actions to shape public social spending have revolved around issues such as better targeting and more effective means-testing. In the first reports of the European Semester for Cyprus in 2012, reference was already made to the need to control, maintain and better target the country's social spending – a general point that was also reiterated in a number of subsequent reports (European Commission, 2012, 2013, 2015). At the same time, there is no explicit mention of the need to carry out spending reviews, which could of course have helped to further improve the efficiency and effectiveness of social spending in particular (European Commission, 2014).

The introduction of the GMI²¹ scheme in 2014 was a crucial social protection reform serving several aims, one of which was to streamline social spending (Koutsampelas, 2016). The new GMI scheme established clearer and better defined eligibility criteria for

²⁰ In April 2013, an MoU on a binding specific economic policy was signed between the European Commission, the European Stability Mechanism, and the Republic of Cyprus to provide financial assistance to Cyprus, with the aim of addressing its short- and medium-term financial, fiscal and structural challenges.

²¹ The GMI was introduced in 2014 with the aim of guaranteeing a socially acceptable minimum standard of living for individuals (and families) legally residing in the Republic of Cyprus whose income and other economic resources are insufficient to meet their basic and special needs. The new GMI gradually replaced the public assistance system, introducing stricter means-testing mechanisms.

those in need, thereby limiting, in principle, the number of duplicate benefits and cases of abuse of the system. It could be said that the GMI has, in a sense, acted as a surveillance tool for the control of social spending, since before its introduction there were no specific criteria for the granting of social transfers, and their granting or refusal often depended on the discretion of the respective director of the SWS. According to the 2017 European Semester Report and the country report for Cyprus in 2020²², the reform of the welfare system addressed several shortcomings of the previous system, with the aim of better supporting vulnerable households, while the overall line of the social budget remained unchanged (European Commission, 2017). The implementation of the GMI²³ and the rationalisation of all benefits based on specific criteria and monitoring procedures allowed for a more effective distribution of benefits, reducing the waste of valuable resources. Further improvement and development of the GMI scheme, focusing on social outcomes as well, could potentially promote the monitoring of social outcomes in addition to social spending. Overall, social dialogue and the focus of national policy on the effectiveness of social spending in Cyprus during the 2011-2016 economic crisis were influenced to a large extent by the fiscal targets and strict budgetary criteria of the MoU (which further influenced the formulation of public policy in the years that followed) and to a lesser extent by specific social indicators related to poverty and social inequality. The MoU's dominance²⁴ over public social policy 'dictated', and to some extent, controlled decisions on the level and allocation of social spending on pensions and other cash and in-kind benefits that could have had a positive impact on current social challenges, such as further reducing poverty and social exclusion. Indeed, the further deepening of the economic crisis in Cyprus in 2013-2015 caused a steep increase in the number of people at risk of poverty or social exclusion (AROPE). Indicatively, in 2015 (a year dedicated to the implementation of the MoU), the AROPE indicator in the country was 28.9% (far from the 2020 target of 19.3%). It can be said that the then steep deterioration in social outcomes had not been adequately compensated for by social policies (an example is the weakening of income support for families with children during the financial crisis; see Koutsampelas & Pashardes, 2017).

The tools used to assess the effectiveness²⁵ of public expenditure outputs and outcomes in Cyprus are largely based on Eurostat indicators^{26/27}, which are also used in the context of the European Pillar of Social Rights. The collection of relevant data and the compilation of social indicators is carried out by CYSTAT through the EU-SILC²⁸. These data are transmitted to Eurostat every year in September and published on its website in the same month. Currently, CY-SILC data for 2008-2020 are available in the form of predefined tables²⁹. From 2017 onwards, the results of the CY-SILC survey have been

²² <https://eur-lex.europa.eu/legal-content/EN/TXT/?qid=1584543810241&uri=CELEX:52020SC0512>

²³ Implementation of the GMI involved the introduction of a national register of beneficiaries, which was created in order to reduce the abuse of the system and to help the collection of important information, with the aim of potentially streamlining benefits by creating a database containing profiles and eligibility information for beneficiaries of all types of social transfers.

²⁴ Between 2000 and 2014, social transfers were lower than those in the Eurozone, but by 2012 convergence had been achieved. The gap widened again in 2013-2014, demonstrating the impact of streamlining social transfers during the programme (European Commission, 2016).

²⁵ In the broad sense of whether particular social objectives are met.

²⁶ This information is available online at Eurostat ([EU-SILC and Social Scoreboard Indicators](#); the latest values are for 2019) and on the CYSTAT website ([Living Conditions, Social Protection](#)).

²⁷ [EU-SILC](#) is designed to collect timely and comparable cross-sectional and longitudinal multi-dimensional microdata on income distribution, poverty and social exclusion. It also covers various related EU living conditions and poverty policies, such as child poverty, access to healthcare and other services, housing, over-indebtedness and quality of life. It is also the main source of data for microsimulation purposes and flash estimates of income distribution and poverty rates.

²⁸ Regulation (EU) 2019/1700 establishing a common framework for European statistics on individuals and households, based on data collected from individual samples.

²⁹ [Predefined tables: EU-SILC data.](#)

disseminated through press releases³⁰, announcements³¹ and infographics³². Previous reports (publications) are available on the CYSTAT website only in Greek for the years 2005-2008, 2008-2011, 2010-2013, 2011-2014 and 2012-2015. These reports examined the phenomenon of relative poverty in Cyprus, identified population groups at higher risk of poverty, and provided data on income distribution and quality of life.

In general, the monitoring and evaluation of these social indicators has helped policy-makers in Cyprus to assess the extent to which the targets set for reducing poverty, social exclusion and income inequality have been met and, consequently, the need to intensify or redirect their policy efforts. Indeed, the country's National Reform Programmes typically refer to inequality and poverty indicators, often identifying groups at high risk of poverty and proposing specific measures to address these risks.

The Social Insurance Law³³ provides for the conduct of an actuarial review every three years, or at the discretion of the Minister of Labour, Welfare and Social Insurance, to continuously assess the sustainability of social security funds in terms of the adequacy of contributions to cover benefits and other obligations. Ad hoc actuarial reviews may also be conducted from time to time to examine whether changes in legislation relating to benefit adequacy could affect the viability of the fund³⁴.

GMI provision is based on the actual cost of living; in accordance with the provisions of the relevant legislation³⁵, a study is conducted on a regular yet unspecified basis, regarding both basic living needs and housing needs, and the relevant amounts are adjusted accordingly.

There are no other structural or ad hoc monitoring/reporting/auditing tools for assessing social protection expenditure, although it is quite possible that the relevant ministries and departments have developed their own internal review tools. It is not possible to determine how comprehensive these internal monitoring or reporting tools are, as they are neither easily nor readily accessible. In the meantime, the EUROMOD microsimulation model is a potentially useful tool. EUROMOD is a static tax-benefit microsimulation model for the European Union managed by the European Commission's Joint Research Centre in collaboration with Eurostat; the Cypriot national team is based at the MLWSI. Although we are not aware of the extent to which the model is actually used by the MLWSI in evaluating policy reforms, a regular report is published (see e.g. Nearchou & Stavrakis, 2020) that provides some useful quantitative information, including the policy implications (i.e. the impact on poverty and inequality) of incremental changes in the tax and benefit system (see pp.70-71 in Nearchou & Stavrakis, 2020). This could be described as a useful tool for monitoring and evaluating policy outcomes related to social spending.

Finally, the role of the integrated information system used by the HIO to monitor health expenditure, which acts as a monitoring, reporting and review tool, should be mentioned as a good practice. It is a powerful tool that provides detailed information on the services

³⁰ Most recent release publication: 30 August 2021 (revised version: 2 November 2021) dedicated to social protection and inclusion indicators including the AROPE rate, the at-risk-of-poverty (AROP) threshold, the AROP rate by age, severe material and social deprivation (SMSD), and very low work intensity (LDI). More details can be found her: <https://www.cystat.gov.cy/en/SubthemeStatistics?s=44>.

³¹ Since 2018, every year in April CYSTAT publishes a one-page document with information on the Severe Material and Social Deprivation (SMSD) index. The data presented each year always relate to the previous year.

³² In October 2020, CYSTAT published for the first time an [infographic for 'Poverty and Social exclusion' concerning the year 2019](#). This infographic presents statistical information on the AROP rate by gender, age, and educational level and how it differs before and after social benefits for the beneficiaries. In addition, it presents statistics for the SMSD index and housing condition indicators.

³³ [The Social Insurance Law](#).

³⁴ This is a provision of this law (which concerns only social security funds), and there is no other information available regarding these actuarial reviews and the degree of consistency with which this provision of the law is complied with. It is thus a potential reviewing tool but cannot be classified as a monitoring framework.

³⁵ [The Law on Guaranteed Minimum Income and Social Benefits of 2014](#) (in Greek).

provided by individual health professionals, enables the nearly synchronous online monitoring of health spending, and provides the ability to identify unjustifiable practices, provider-induced demand, system abuse (e.g. overprescribing), or fraud. Audits already conducted by the HIO have uncovered instances of system abuse, particularly by specialists, and have resulted in sanctions ranging from a warning to suspension or (in extreme cases) termination of contracts. In this context, this integrated information system, in conjunction with the global budget³⁶, could be considered a good practice for monitoring and controlling health expenditure in Cyprus. This system has the potential to be further developed in the future to include LTC services, and to link spending to health-specific indicators so that outcomes and effectiveness can be more meaningfully assessed.

³⁶ The global budget is based on annual planning and the foreseen needs by category, such as personal doctors (GPs), specialists, hospital care, medicines, and diagnostic and microbiological tests. In contrast to the budgets of the MoH and SHSO, the budget of the HIO is a global one by category of services provided by the contracted private providers. This means that each health service is costed and reimbursed according to the units assigned to it and the unit price, which varies according to the volume of this service provided on a monthly basis.

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