

Revamping the economy via green and digital transition

By Constantinos Petrides, Minister of Finance
Nicosia, 20 October 2021

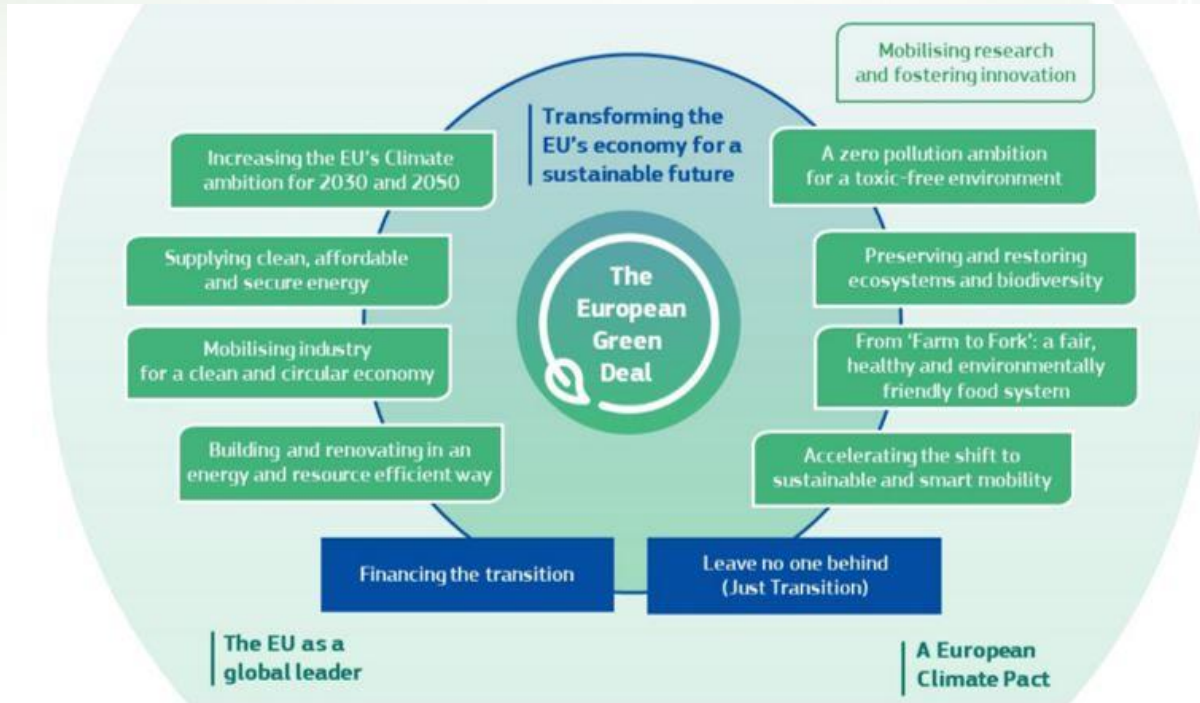
EU leading transition

“Changes in climate, technology and demography are transforming our societies and way of life...we have to work together to allay fears and create opportunities...Europe must lead the transition to a healthy planet and a new digital world.”

Ursula von der Leyen, July 2019



Headline ambitions for green & digital transitions



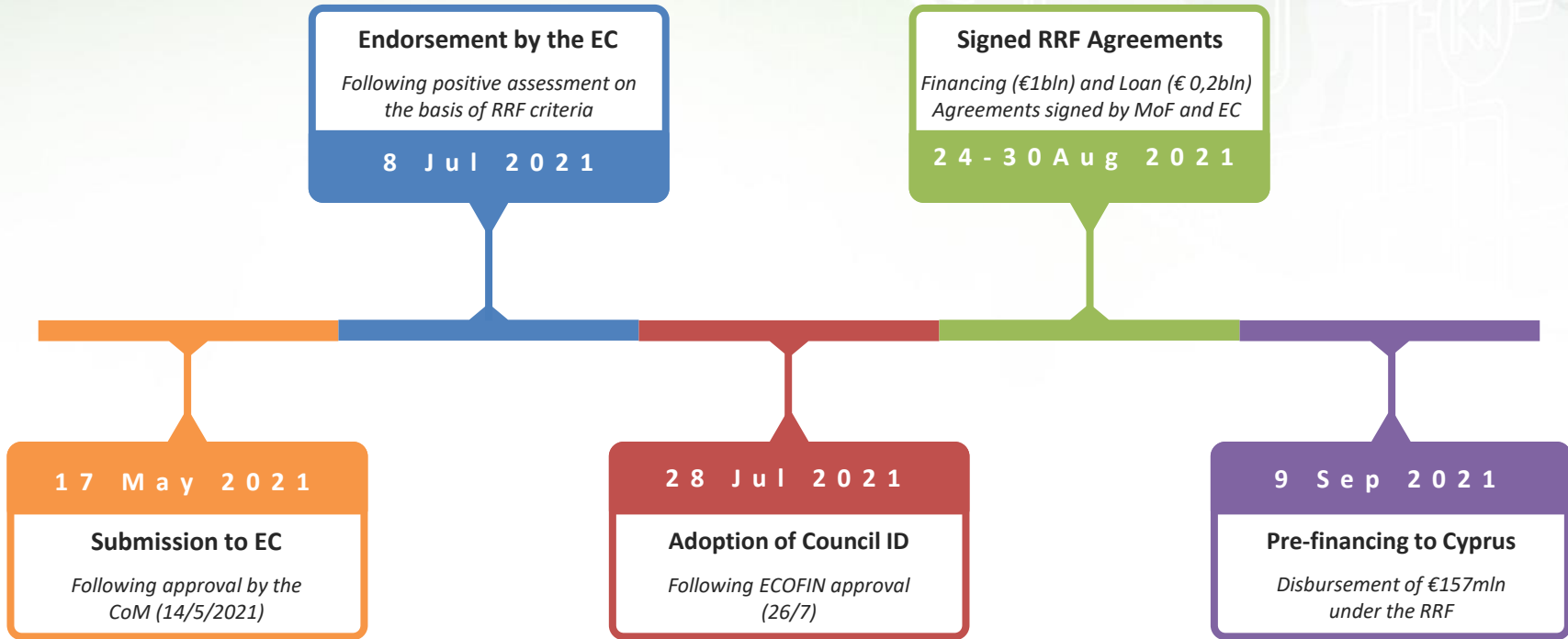
NextGenerationEU

RECOVERY AND RESILIENCE FACILITY

Financial support to public investments and reforms



RRP Cyprus submission & approval



The Cypriot Plan



Cyprus Recovery
and Resilience Plan
2021-2026

CYPRUS RRP TOTAL INVESTMENTS

€1,2 bln

from EU Recovery and Resilience Mechanism

+ more than €1 bln

additional private funds mobilised in Cyprus

(133 measures in total - reforms & investments)

58

reforms

75

investments

41%

green
transition

23%

digital
transition

RRP Cyprus

Strategic goals

“Strengthening the economy’s resilience and the country’s potential for economically, socially and environmentally sustainable long-term growth and welfare”

A country with **high levels of resilience, productivity and competitiveness** through a sustainable model of long-term growth

A country where the education system and **workforce development are aligned with the skills needed for the future**

A country with high performance in **Green and Digital transition**

A country with a **resilient health system** that follows best practices from top health systems around the world

A **welfare state** with a strong protection network for those in need of state assistance

A state of **law, transparency and accountability**, with strong anti-corruption mechanisms

...moving within the framework and directions specified by the long-term economic strategy (LTES)

LTS – Vision 2035

Cyprus is the world's best place to live, work and do business

Strategic objectives

World leading model nation

...with an effective government machinery

...supported by an efficient legal system which resolves disputes fast

...which is an open, transparent and fair marketplace for everyone

...which takes ownership to shape its future destiny

Thriving and resilient economy

...with high and growing levels of productivity *

...powerhouse of innovation

...supported by digitalisation

...and a greener economy

...so that the economy is diversified, sustainable and more resilient

Just and inclusive society

...with a world class education system

...with an excellent and accessible healthcare system

... which adheres to the rule of law and combats corruption

...which promotes liveability, equal access and opportunities for all

Enablers of Cyprus's vision

Digital transformation

Green economy

Effective government and governance

Policy and regulations

Happy and healthy lives

Social sustainability

Educational reform

Innovation, R&D, Entrepreneurship

Our preferred growth model

Europe's sustainable business and trade hub

Core model Europe's business and trade hub

Model enhancement Leader in sustainability **Model enhancement** High-tech capital of Europe

Vertical drivers

Tertiary education

Tourism

Agritech

Light manufacturing

Renewable energy

The initiatives proposed and developed within the long-term strategy and this action plan may be further segmented into:



Horizontals: The cross-cutting institutional, social, economic and environmental initiatives that are critical to unlocking potential across the economy and society



Verticals: The sector-specific initiatives required to realise the sector's growth and potential



Fix

The initiatives Cyprus needs to undertake to address its current structural issues, bottlenecks and impediments to business, investment and growth – in other words, to **get the basics right**.



Build


The forward-looking initiatives Cyprus needs to undertake to move forward to achieve Vision 2035 and **build for the future**.


LTS – Enablers of CY vision


Enablers of Cyprus's vision


Digital transformation 


Green economy 

Effective government and governance 

Policy and regulations 

Happy and healthy lives 


Social sustainability 


Educational reform 

Innovation, R&D, Entrepreneurship

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Agri-tech

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RRP Cyprus - Laying the foundations for recovery

#NextGenEU | JULY 2021

Cyprus's recovery and resilience plan

The European Commission has given a positive assessment to **Cyprus recovery and resilience plan, consisting of €1 billion in grants and €200 million in loans.**

The financing provided by the Recovery and Resilience Facility – at the heart of NextGenerationEU – will support the implementation by 2026 of crucial investment and reform measures put forward by Cyprus to emerge stronger from the COVID-19 pandemic.

The Cypriot plan forms part of an unprecedented coordinated EU response to the COVID-19 crisis, to address common European challenges by embracing the green and digital transitions, to strengthen economic and social resilience and the cohesion of the Single Market. In particular, the Cypriot plan will support energy efficiency and renewable energy generation, connectivity and the digitalisation of the public administration, and improve education and training across the country.

Source: EC Factsheet on Cyprus' recovery and resilience plan

RRP Cyprus - Laying the foundations for recovery

EC assessment – *“The RRP consists of a **wide and balanced set of reforms and investments that supports addressing the main policy challenges of the Cypriot society and economy, while at the same time responding adequately to the impacts of the COVID-19 crisis.** The RRP is designed around the overarching objective of **strengthening the economy's resilience and the country's potential for economically, socially and environmentally sustainable long-term growth and welfare.**”*

Key measures to secure Cyprus's Green Transition

EC assessment – “The RRP aims to contribute to addressing key challenges related to the green transition...”, “The Cypriot plan's contribution to the green transition amounts to 41% of its total allocation This exceeds the minimum of 37% required by the RRF Regulation.”

41% of the plan's total allocation for reforms and investments support climate objectives



- ▶ **Green taxation:** introducing a carbon tax for fuels, a gradual introduction of a levy on water, and a charge on landfill waste.



- ▶ **Energy efficiency and renewables:** financing various support schemes to implement energy efficiency measures and renewable energy investments and to combat energy poverty. **€89 million**



- ▶ **Energy interconnector:** contributing to the EuroAsia Interconnector project, which will connect Cyprus to the EU electricity network and boost renewable energy production. **€100 million**



- ▶ **Promoting sustainable and green mobility:** encouraging a shift from private cars to public transport, cycling, walking, and promoting the use of clean vehicles. **€87 million**

Key measures to support Cyprus's Digital Transition

EC assessment – “The RRP also includes measures aimed at contributing to the digital transformation...”, “The Cypriot plan's contribution to the digital transition amounts to 23% of its total allocation This exceeds the minimum of 20% required by the RRF Regulation.”

23% of the plan's total allocation for reforms and investments support digital objectives



- ▶ **Supporting connectivity:** enhancing access to communication infrastructure and supporting an inclusive digital transformation. **€87 million**



- ▶ **Digitisation of public services:** building a secured, integrated and modern digital architecture to support the transition to a combination of digital public services. **€133 million**



- ▶ **Promoting digital education and skills:** upgrading digital infrastructure and tools in schools, providing teachers with digital training and upskilling and reskilling programmes for different parts of the Cypriot society. **€30 million**



- ▶ **Enabling the digital health transition:** modernising the IT systems of the National Health System and deploying cross border e-health services. **€10 million**

Complementarity of Funds towards the twin transition

GREEN TRANSITION

- Cohesion policy
- Common agricultural policy
- Just Transition Fund
- Horizon Europe
- Recovery and Resilience Facility
- LIFE programme
- Connecting Europe Facility

DIGITAL TRANSITION

- Horizon Europe
- Digital Europe programme
- Connecting Europe Facility
- Cohesion policy
- Recovery and Resilience Facility

Initiatives also at national level

A recent example - ***Attracting International Companies and talent in Cyprus***

- **Business Facilitation Unit** – Upgrading and evolving the current Fast Track Business Activation Mechanism through digitalization and new services offering to international companies wishing to establish a presence in Cyprus
- **New Policy for the issuance of temporary Residence and Employment Permits to third-country nationals** – Expanded and simplified to allow international companies easier access to foreign talent
- **Immigration procedures streamlining** – Faster and simplified process to Category E long-stay permits
- **Citizenship** – Reducing the required period of employment in Cyprus to 5 years, and further to 4 years with a Greek language certificate
- **Digital Nomad Visa** – For both freelancers and individuals employed in companies abroad
- **Tax Incentives** – 50% tax exemption for new residents earning more than €55,000

Action Plan approved (Oct 2021) by the Council of Ministers, including a series of measures compatible with the Long Term Strategy targets of redefining Cyprus growth model by offering more diversified and complex products and services.

Key measures to reinforce Cyprus's economic & social resilience

EC assessment – “The Commission considers that Cyprus's plan includes an extensive set of mutually reinforcing reforms and investments that contribute to addressing all or a significant subset of the economic and social challenges outlined in the country-specific recommendations addressed to Cyprus.”...
“The RRP also contributes to addressing challenges of the Cypriot economy with regards to competitiveness, productivity and the need to diversify the growth model...”



- ▶ **Aggressive tax planning:** adopting a reform to introduce a withholding tax on outbound payments made to EU-listed non-cooperative and low tax jurisdictions and other measures to curb aggressive tax planning.



- ▶ **Supporting early childhood education and care:** extending free compulsory pre-primary education from the age of four, investing in childcare centres accompanied by a national action plan on early childhood education fostering equal opportunities for all children and fulltime labour market participation of carers, mostly women.

€33 million



- ▶ **Increasing the quality of education and training:** reforming the teaching profession and secondary schools' curricula, establishing modern vocational education and training schools and introducing a higher education graduate tracking system. **€ 51 million**



- ▶ **Fostering youth employment:** improving the effectiveness of the Public Employment Services (PES), providing coaching and career guidance for young people not in employment, education or training and an incentive scheme for employers to hire young people.

€17 million



- ▶ **Modernisation of justice and business environment:** increasing the efficiency of courts and reviewing company law to improve the business environment. **€15 million**

RRP Cyprus

Positive Economic Impact

EC Assessment – Based on two different scenarios, in the medium-term (2021-2026) :

- The baseline scenario leads to a cumulative increase in GDP by about 9.1%
- In the low productivity scenario a cumulative increase in GDP by about 5.9%

CY Assessment – The Cypriot economy is expected to benefit significantly through the implementation of the reforms and investments planned under the RRP by 2026. According to the economic impact assessment, carried out by the Economics Research Centre of the University of Cyprus (CypERC):

- the RRP can lead to a cumulative economic growth and more **specifically increase the GDP by about 7% in the medium-term (2022-2026)**,
- the Plan can **increase employment by more than 2.5%, or by around 11,000 new jobs** during the period 2021-2026.

Medium term GDP growth predictions from the analysis carried out by (CypERC), lie between the two scenarios of Commission's predictions. However long run predictions of the CypERC analysis are more optimistic since they take into account the effects of structural reforms, that have a significant impact on the economy in the long run.

Our Plan - Our Vision



Republic of Cyprus



Funded by the
European Union
NextGenerationEU

Cyprus **tomorrow**

RECOVERY AND RESILIENCE PLAN

A close-up photograph of a person's eye, showing a greenish-brown iris and dark eyelashes. The background is blurred with bokeh light effects.

Cyprus Recovery and Resilience Plan (RRP) 2021-2026



Παράδειση από το *Μαθηματικά*, 2019

The background features a green and white color scheme. A white diagonal line separates a solid green top-left corner from a white bottom-right area. A faint, white line-art diagram of a network or communication system is overlaid on the white area, showing a globe, a speaker, a smartphone, a laptop, and various connection lines.

Thank you for your attention

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