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PRESS RELEASE

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Support Group for Cyprus, first Activity Report: helping Cyprus pursue reforms and restore growth

The Support Group for Cyprus today published its first report on technical assistance for Cyprus. The Support Group was launched by European Commission President José Manuel Barroso in March 2013 to coordinate the technical assistance requested by Cyprus in order to help implement specific reforms set out in its economic adjustment programme, alleviate the social consequences of the economic downturn and revive and diversify the economy. A specific focus has been placed on enhancing competitiveness, job creation and economic growth in the country. In this respect, the Support Group stands ready to assist in the development of a comprehensive growth strategy for Cyprus.

Vice-President Olli Rehn, responsible for Economic and Monetary Affairs and the Euro, said: *"The Cypriot authorities are carrying out the reforms set out in the programme with commitment and determination. These reforms are helping Cyprus to repair its financial sector, restore healthy public finances and carry out important economic reforms, while protecting the most vulnerable in society. The Commission will continue to stand by the Cypriot people, not least through the Support Group for Cyprus, which is a concrete expression of European solidarity."*

The experts of the Support Group assess technical assistance needs on the ground, help design the projects to be implemented and mobilise sources of funding. The initial technical assistance activities have been financed through the EU budget, notably through the European Social Fund and the European Regional Development Fund.

The Support Group's focus is now to move projects into the implementation phase and complete the recruitment of three experts, who will be based in the Cypriot administration and will work in the areas of health systems and services, public financial management, and energy markets.

The Support Group's first activity report, which covers the period September-December 2013, presents the state-of-play of its work in six key policy areas: the budgetary framework and public financial management, revenue administration, immovable property tax reform, the welfare system, healthcare and renewable energy. The Support Group is helping to shape important reforms in Cyprus, particularly in the areas of revenue administration, the welfare system and healthcare:

Revenue administration

Cyprus is committed to reforming its revenue administration to enhance its tax collection capacity and step up the fight against tax fraud and evasion. This includes a comprehensive long-term reform leading to the establishment of an integrated domestic tax department. The full integration of the Inland Revenue Department and the VAT Services is expected to be an important test case for wider public administration reform in Cyprus to which the authorities are committed in order to improve the functioning and cost-effectiveness of the public sector.

Technical assistance for this reform of revenue administration in Cyprus has been provided jointly by the European Commission (Directorate-General for Taxation and Customs Union and the Support Group) and the International Monetary Fund (IMF).

The welfare system

The Cypriot Government is committed in the context of the economic adjustment programme to implementing an ambitious reform of the social welfare system by 1 July 2014. Key social and economic objectives of the reform include ensuring the efficient use of public funds, establishing an appropriate balance between social benefits and work incentives, securing a minimum level of income to ensure a decent standard of living, helping to reduce inequalities, and protecting the more vulnerable households.

A comprehensive database and the IT requirements to support the administration of the reformed welfare system should be in place by May 2014. The Support Group is providing technical assistance in the design of this comprehensive IT system which, once operational, will help centralise the competences and responsibilities related to the administration and provision of social benefits in the Ministry of Labour and Social Insurance and rationalise the provision of these benefits.

Healthcare

The planned introduction of a National Health System (NHS) presents the Cypriot authorities with an opportunity to modernise and enhance the provision of healthcare services in the country. The authorities have undertaken initial steps to implement a series of reform measures to strengthen the sustainability of the funding structures and the efficiency of healthcare provided to patients. The Support Group is assisting in the initial phase of setting up an integrated IT/communication system in the NHS that the country is developing.

Background

The Support Group for Cyprus was launched by the European Commission in March 2013. Administratively, the Support Group is attached to the Commission's Directorate-General for Economic and Financial Affairs. Its general coordination is ensured by Vice-President Rehn. The Support Group, which is based in Brussels, will be complemented by a small team of resident experts in Nicosia. The Support Group is composed of full-time Commission staff, seconded national experts and temporary staff. The Support Group draws on expertise and contributions from appropriate services of the European Commission, from EU Member States and international organisations such as the IMF.

The Support Group has the joint mandate of:

(1) helping to alleviate the social consequences of the economic downturn by mobilising EU funds and by supporting the efforts of the Cypriot authorities to restore financial, economic and social stability, and

(2) bringing in further expertise to facilitate the emergence of new sources of economic activity.

The Support Group works very closely with the Cypriot authorities by providing technical expertise to support the implementation of the economic adjustment programme and initiatives to restore balanced and sustainable economic growth. The Support Group is central to the Commission's efforts to support Cyprus's reform agenda. It coordinates all technical assistance provided by the Commission, other than technical assistance provided directly under the Structural and Investment and other EU funds.

For more information:

The activity report is available on the website of the Support Group for Cyprus:

http://ec.europa.eu/economy_finance/assistance_eu_ms/cyprus/sgcy_en.htm

Compliance report:

http://ec.europa.eu/economy_finance/publications/occasional_paper/2014/op189_en.htm

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