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PLANNING BUREAU

FINAL DRAFT

SINGLE PROGRAMMING DOCUMENT

FOR OBJECTIVE 3

“HUMAN RESOURCES”

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INTRODUCTION

The strategic objective and the general targets of the present Single Programming Document (SPD) for Objective 3, are in compliance with the basic strategic objectives and general targets described in the Strategic Development Plan, 2004-2006 for the development of human capital, the promotion of equal opportunities and social cohesion. The SPD is also fully in line with the overarching objectives and guidelines of the European Employment Strategy (EES) as well as with the policy fields supported by the European Social Fund (ESF).

In addition, the present SPD will be implemented within a policy frame of reference, which is fully in line with the priorities presented in the Joint Assessment of Employment Priorities (JAP) and the priorities of the Joint Inclusion Memorandum (JIM).

More specifically, the main strategic objective of the current SPD is the full utilization of human capital in conditions of social cohesion. The achievement of the above strategic objective focuses on two general targets: a) the promotion of employment and b) the qualitative upgrading of human capital.

The first general target, aims at the promotion of employment and vocational education and training, mainly through the active support of employment in conditions of social cohesion and equal opportunities. The second general target, aims at the qualitative improvement of rendered education and training, mainly through the utilization of new technologies and a closer relation with labour market needs.

For the achievement of the main strategic objective and the general targets, a number of interventions were defined within the policy frame of reference, falling under three Priority Pillars as follows: 1) Development and Promotion of active labour market policies, 2) Promotion and Improvement of education and training systems and life-long learning, and 3) Technical Assistance.

The current SPD also describes the anticipated results from the implementation of interventions included under these Pillars.

For the preparation of the current SPD, all partnership consultation procedures have been followed between the Planning Bureau and the competent Ministries and organizations of the broader public sector, as well as with all other actors concerned including local authorities, Social Partners and non – governmental organizations.

At the same time, the Planning Bureau, within the framework of Social Dialogue, has asked all actors concerned to submit in writing any actions that could be co-financed by the ESF. Following the submission of these actions, the Planning Bureau, within the framework of awareness and consultations, presented to all actors concerned the strategy outline as well as the Measures to be co-financed by the ESF.

Moreover, important and useful discussions and collaboration took place between the Planning Bureau and representatives of the European Commission, DG Employment and Social Affairs, which resulted in helpful guidance and in the formulation of the structure and content of the current SPD.

The current SPD is composed of eight chapters and six appendices. More specifically:

- The first chapter describes the existing situation and the comparative advantages, weaknesses and opportunities of the labour market.
- The second chapter presents the strategy and priorities of the SPD for Human Resources
- The third chapter presents the complementarity with other programming documents
- The fourth chapter presents a summary description of the Measures by Priority Pillar
- The fifth chapter describes the financial plan of the SPD
- The sixth chapter presents the ex ante verification of additionality
- The seventh chapter, refers to partnership

- The eighth chapter, which is the last one, presents the implementation arrangements of the SPD
- The first Appendix presents the key labour market indicators in Cyprus
- The second appendix presents the analytical list of partners
- The third appendix presents the consultative committee for programming
- The fourth appendix includes the ex ante evaluation
- The fifth appendix presents the organogramme of the structural funds unit at the Planning Bureau (Managing Authority)
- The sixth appendix includes the State Aid Table

1. DESCRIPTION OF EXISTING SITUATION

1.1. Basic characteristics of the labour market and the education and training systems.

Labour Force

Total population¹ reached 680 thousand persons in 2002, exhibiting a small increase by about 6,3 thousand persons compared to 2001 (673 thousand persons). The total population of working age (15-64 years) reached 447,5 thousand persons or 65,9% of the total population. The increase of working age population, in comparison to 2001, is estimated at 3,7 thousand persons or about 59% of total population increase that was observed during the same period.

The labour force participation rates² range at high levels and in recent years they exhibit an increasing trend. The total labour force (15-64 years) participation rate stood at 70,9% in 2002, exhibiting a marginal increase of 0,1 % compared to 2001. From three age groups (young people, persons 25-54, and the elderly), the persons aged 25-54 years, as expected, exhibit the highest participation rates (84,6%), Young persons (15-24 years) exhibit a participation rate of 39,7% while the participation rate for the elderly people (55-64 years) is estimated at 50,9%. It should be noted that from the three age groups only the age group 25-54 contributed to the increase of the total participation rate that was observed during the period 2002-2001.

The total participation rate encompasses, to an extent, differences between the two sexes. More specifically, the male participation rate for 2002 was at 81% or about 20 percentage points higher than the corresponding female rate (61,6%). Even though

¹ Covers people living in private households, in the government control area, only. It excludes persons living in collective households (i.e. residential homes, boarding houses, hospitals, religious institutions, workers' hostels etc), conscripts on compulsory military service and students studying abroad.

² Number of employed and unemployed age 15-64 as a percentage of total population age 15-64.

women's participation rate is lower, it increases at a faster pace than the male participation rate.

Concerning the differences amongst the age groups with regard to gender, the male population, as might have been expected, exhibits higher participation rates in all age groups. The relevant differences are evident in the main labour force (25-54 years) where the female participation rate is lower by 20,4 percentage points (74,7%) in relation to the male participation rate (95,1%). However, this difference is more intense amongst older persons at work, where the relevant difference is of 35,1 percentage points (68,9% compared with 33,8%). On the contrary, the gap in the participation rates is insignificant for the younger age group. The young males exhibit a participation rate of 40,9% for 2002, just 2,2, percentage points higher than the corresponding rate for young women (38,7%).

To conclude, participation rates are high. The male participation rates exhibit a decreasing trend in all age groups for 2002, while the corresponding female rates are increasing. From the analysis of participation rates by age group and gender, it is evident that there is not much room for further utilization of the male human resources aged 25-54. The potentials of attracting additional labour force from the older age male groups also appear to be limited. On the other hand, there are significant potentials for stimulating the participation of non-economically active persons from the female middle and older age groups, but mainly from the younger age groups, of either sex.

Employment

The total gainfully employed population (15 years and over) reached 315,3 thousand persons in 2002 compared with 309,5 thousand in 2001. Out of this population, 306,6 thousand persons (a percentage greater than 97%) belong to the working age population (15-64 years), exhibiting an increase of 5,4 thousand persons compared to 2001.

The increase of the gainfully employed population in absolute numbers resulted in an increase of the percentage of the gainfully employed, in relation to the total population. The total employment rate for people of 15-64 years rose to 68,6% in 2002, compared with 67, 8% in 2001.

The employment rates³ appear to vary, depending on the age group of the employed population. The higher rates have been observed in the 25-54 age group (82,4%), while the lowest rates were observed in the younger (15-24 years) age group (36,4%). The employment rates for elderly persons (55-64 years) lie somewhere in the middle (49,2% for 2002).

Differences in the employment rates between male and female population are also evident as in the case of labour force participation rates. The total employment rate for women in 2002 remained lower than that of men, by approximately 20 percentage points (59,2% in relation to 78,8%). However, it should be noted that the female employment rate was the main contributor to the increase of total employment in 2002.

Compared with the figures of 2001, in 2002 the female employment rate increased by around 2 percentage points, while the male employment rate decreased by 0,6 percentage points. As a consequence, it was mainly women, rather than men, who were recruited in the new job positions created in 2002.

The gap that is observed amongst the employment rates of the two sexes, naturally, is also observed between the age groups that compose the gainfully employed population. As in the case of participation rates, the difference appears to be small amongst the younger age group of 15-24 years, but this difference increases amongst the main part of the labour force (25-54 age group) and is further enlarged for the older persons at work (55-64 years old). More specifically, the gap in the employment rates of the two sexes is estimated at 2 percentage points for the younger age group, at 21 percentage points for the age group 25-54 and at around 35 percentage points for the older age group. It is worth noting that out of 100 women of 55-64 years, only 32 (32,1%) remain employed in the labour market (compared to 67 out of 100 men of the same age group). These findings can to a great extent be attributed to and explained by the “cohort effect”, that is the fact that, when these women were younger, different social values were prevailing with regard to the employment of women. This implies that, as newer

³ Employed age 15-64 as a percentage of population age 15-64.

and newer cohorts of women with stronger attachments to the labour force reach a mature age, the employment rates will be proportionally increasing.

Regarding the types of employment that are present in the labour market, the percentage of self-employed persons in relation to total employment appears to be considerably high, at around 23% for 2002, compared with 21% for 2001. Proportionally, more men than women work as self-employed (28,6% compared with 15,9%). In 2002, 7,2% of the total gainfully employed population was working on a part time basis. This type of employment is not popular amongst the male population (4%), while for women, part-time employment is considered to be significant concentrating a percentage of 11,3% of the total female employed population. According to relevant data, part time employment exhibited a decrease in relation to 2001 (8,4%) for both sexes. Fixed time employment rates are correspondingly about the same as the ones for part time employment, (10,8% of the total female and 4,1% of male employed population). In 2002, the employment rate for temporary employment exhibited a decrease both for men and women, in comparison to 2001 (12,4% and 5% respectively).

With regard to the structure of employment, the Cypriot economy appears to be highly dependant on the tertiary (services) sector. The tertiary sector accounts for the largest part of employment, around 71,5% of the total gainfully employed population in 2002, while the secondary sector and the primary sector accounted for the remaining 23,1% and 5,4% respectively. A gradual expansion of the services sector at the expense of manufacturing and agricultural sector has been observed throughout the years, with these last two sectors exhibiting decreasing participation rates year by year.

The differences that appear in the structure of employment between the two sexes appear to be significant with regard to the two out of the three sectors of economic activity. Specifically, while the primary sector employs 4,3% of gainfully employed women and 6,3% of men, the secondary sector exhibits an over-representation of the male population (employs 31,6% of gainfully employed men and 12,1% of women), while an over-representation of women is exhibited in the tertiary sector (employs 83,6% of gainfully employed women and 62,1% of men). The female employment,

therefore, appears to be the “key” for the economy, as it is considered to be the driving force for the growth of the services sector.

Unemployment

According to the Labour Force Survey, it is estimated that in 2002 the number of unemployed amounted to 10,8 thousand persons, out of whom 4,8 thousands were men and the remaining 6 thousands were women. Compared with the figures of 2001, the absolute number of the unemployed shows a decline of 2,2 thousand persons (2,000 women and 200 men). In percentage figures, in 2002, unemployment affects 3,8% of the labour force (of the age of 15 and over), while there was a decrease of about one percentage point (0,7%) compared to the previous year.

As in the case of most of the EU Member States, the percentage of female unemployment appears to be significantly higher from the corresponding male figure. In Cyprus, the rate of female unemployment was at 4,2% in 2002, compared with 2,6% for male.

Moreover, the selective concentration of unemployment on young people is a characteristic of the labour market of many countries. This trend is also evident in the Cypriot labour market, where the unemployment rate of young people (15-24 age group) reached 7,7% in 2002, compared with a percentage of 8,4% in 2001. The corresponding figure for young women exhibited a significant reduction from 10,2% in 2001 to 7,5% in 2002, while the unemployment rate for young males exhibited an increase from 6,3% to 8%.

Finally, the long-term unemployment rate⁴ appears to be particularly low, at just about 0,7% in 2002 (1% for women and 0,5% for men) compared to 0,9% in 2001 (1,1% for women and 0,7% for men). The low long-term unemployment figure is indicative of the favourable conditions prevailing in the Cypriot labour market.

⁴ Number of persons that are unemployed more than a year as a percentage of the economically active population

Labour market exclusion and social cohesion

The problems of poverty and social exclusion are not particularly acute in Cyprus, due to a number of reasons related to general developments and changes that took place within the last decades. Firstly, the benefits from the intense economic growth that took place in the recent past, were (to a small or to a greater extent) equally distributed between the different social groups of the population. Secondly, the prevalence and maintenance of very low unemployment rates (especially short-term unemployment) eliminated a significant potential source of poverty and social exclusion. Thirdly, and maybe most importantly, the Cypriot family preserved to a great extent its traditional character composing, according to the indications, an adequate and effective informal social protection net. Therefore, the traditional solidarity within the boundaries of the extended family, reinforced by government policies, contributed to the maintenance of conditions of social cohesion.

The above analysis indicates that the pockets of exclusion are found mainly between the groups that are outside the social networks. The immigrants, widows, divorced women, single-parent families and mainly the elderly who are living alone, constitute typical cases of this phenomenon. The analysis of data from the Family Budget Survey of 2000/2001 has denoted an increased risk of poverty for the above population groups, as well as for people with low educational qualifications (no education or basic education only).

The problems of poverty and exclusion, including the exclusion from the labour market, are under the pressure of general social changes and consequently, are likely to become more intense in the near future.

The demographic phenomenon of ageing population is likely to exert pressure on the informal protection networks, while, at the same time, the growing influence of western society patterns is expected to contribute to the increase of the number of new types of families; that is, families consisting of one adult with or without children (divorced/single parents). This tendency is evident in the numbers regarding the recipients of public assistance, a figure that has been increasing in the last years (from 8.020 in 1990 to 15.386 at the end of 2001). The reinforcement of the incentives to end

the dependence on public assistance emerges as a counterbalance to the above unavoidable changes. This reinforcement concerns the employment and the participation in training and continuous education programmes, as well as the investment in different types of care for children, the elderly and persons in need.

Participation in education and training

The level of education of the Cypriot population has been drastically rising in the last decades. According to the results of the Labour Force Survey, 81% of 20 year olds possess a secondary education certificate, while 28,3% of 29 year olds possess some type of tertiary education diploma. At the same time, the proportion of population with no education is shrinking. In 1997, 6% of the female population had never attended school (with comparison to 10% in 1992 and 21% in 1976) compared to a corresponding 2% for the male population.

The net participation rate for young persons of 12-17 years old is estimated at a level of 90% and above. The higher secondary level education has two directions, the general one and the technical/vocational direction (17 specializations in 10 schools). As from the school year 2001–2002, technical vocational education is under restructuring with an emphasis on meeting the needs of the Cypriot economy and on the acquisition of general skills and IT skills. In 1998/1999 around 75% of the higher secondary education students chose courses of the general direction in public schools, 10% was registered in private schools and the remaining 15% was attending courses of the technical vocational direction. It should be noted that the demand for technical/vocational education has been declining throughout the years, in favour of the general and higher education.

During the academic year 1999/2000, 69% of secondary education graduates continued their studies in tertiary education establishments. 40% of these persons are studying in Cyprus and 54% are studying abroad. The main destinations for Cypriot students are Greece (53%), the UK (23%) and the USA (14%). It should be noted that only 15%⁵ of the students who gained a degree abroad did not return to Cyprus two years after the

⁵ “Οδοιπορικό Σταδιοδρομίας Νέων Αποφοίτων Τριτοβάθμιας Εκπαίδευσης στην Αγορά Εργασίας της Κύπρου, 1996-1998” Human Resource Development Authority.

completion of their studies, while this percentage was higher (25%) for those with a postgraduate degree.

With regard to the completion of secondary education studies, the figures are considered as satisfactory. During the school year 1997/1998 a percentage of 89,6% of the students who had enrolled three years ago completed their first level secondary studies, while 80% of the students who had enrolled 6 years ago completed their higher secondary education studies. The number of young persons, who drop out from the formal educational system before completing the compulsory education, is estimated at around 2000 persons per year, the majority (70%) being males. Approximately, 400 persons out of these drop-outs (most of them are boys) are enrolled to the Apprenticeship Scheme, which practically functions as a protective net to school drop-outs and school failure.

With regard to training, the Human Resource Development Authority (HRDA) is one of the important actors in this field. The total amount spent by the HRDA for the training and development of human resources of Cyprus amounted to £4,2 mil in 2002 compared to £3,8 mil in 2001. The number of persons who receive training under the guidance and financing of the HRDA has been increasing throughout the years. During 2002, the participation in training activities reached 33.809 (11% of the gainfully employed population) in comparison to 30.430 in 2001 (10% of the gainfully employed population). The participation in initial and continuing training reached 1.108 and 32.701 respectively.

The evaluation of the special characteristics of the labour market and of the training sector in Cyprus as well as the examination of challenges created by the accession of Cyprus to the EU, reveal that an essential and remarkable progress has been achieved in the field of training, within the last years. The progress achieved concerns the increased awareness, by the enterprises and the employees, of the significance of training and life-long learning.

Although the participation in continuing training programmes outside the scope of HRDA remains unknown, it is estimated that around 17.000 persons participate in programmes that are organized by the Education Centres for Adults.

1.2 The main labour market indicators in Cyprus and the European Union

According to estimates of the Planning Bureau, the rate of economic growth of Cyprus, in real terms, has risen by 4,1% in 2001 and by 2,2% in 2002. These estimates take into account the deceleration of the global economy, which was observed throughout the world as a result of the 11 September 2001 events in the USA. During the period 1998-2000, the annual rates of GDP growth were at around 5%. The deceleration of economic growth exhibited in 2002 is expected to continue throughout 2003 due to the uncertainty prevailing as a result of the military operations in Iraq. The estimates for 2003 show a 2-2,5% GDP growth, in real terms. It should be noted that despite the deceleration of economic growth observed in 2002, the rate of economic growth exceeds significantly the respective Community average throughout the period in question (1998-2003), contributing to a further real convergence of the Cypriot economy towards the Community average.

The gainfully employed population was significantly increased in 2001, by 2%, while in 2002 the growth rate for employment exhibited a deceleration of 1,1% reflecting the general economic decline. The trend is expected to be continued throughout 2003, with the employment growth rate reaching 0,8%.

The labour force participation rate for the age group 15-64 years in Cyprus (70,9% for 2002) can be compared favourably with regard to the corresponding EU rate (69,2%) and to the respective rates of all of the other candidate countries. The corresponding difference between the male participation rates appears to be significant (81,0% for Cyprus compared to 78,1% for the EU of 15 Member States), while Cyprus presents higher male participation rates than the rest of the candidate countries. The female participation rate in Cyprus is slightly higher than the Community average (61,6% compared to 60,2%).

The employment rate for the age group of 15-64 years is higher for Cyprus than the corresponding EU average by 4 percentage points (68,5% versus 64,3% for 2002), being the highest amongst all the candidate countries. The difference with regard to the male employment rates is estimated at around 6 percentage points compared with the

respective EU rate (78,8% compared to 72,8% in 2002), while for women this difference is estimated at 3,4 percentage points in relation to the corresponding EU average (59,0% vs. 55,6% in 2002), thus reflecting the low unemployment rates.

Finally, the unemployment rate in Cyprus ranges at low levels, compared to the corresponding EU average (3,8% as against 7,7% in 2002) as well as to the rest of the candidate countries. Similarly, the same observation can be made with regard to the important indicator of unemployment amongst the young people (only Cyprus presents a one digit figure amongst the candidate countries), as well as for the indicator of long-term unemployment (0,7% compared to 3% for EU 15 in 2002).

From the above brief comparison of the main labour market indicators, it can easily be concluded that Cyprus is at an advantageous position with respect to the Lisbon and Stockholm targets (total employment rates at 70%, 50% for older age groups and 60% for women by 2010). While these quantitative targets appear as unrealistic for many European countries (for EU Member States as well as for candidate countries), Cyprus can achieve these targets, thus contributing significantly towards achieving the targets set by the European Employment Strategy.

It is expected that the accession of Cyprus to the EU, its participation in the Internal market and its exposure to increased competition, will result to increased incomes and social prosperity, under the precondition that the economy and the human resources will be adequately prepared in order to face the challenges and opportunities that will appear. Within this framework, the Structural funds and specifically the European Social Fund will facilitate the adaptation of the human capital to enable it to respond to the structural changes which take place in the economy and which are expected to be intensified in the next few years.

1.3. Comparative advantages, weaknesses and opportunities

The Cypriot economy is a small, open and fairly flexible economy, without significant natural resources but with a strategic geographical location in the Eastern Mediterranean between three continents. The fact that it is an open economy is reflected, inter alia, to

its great dependence on international Trade, while the small size of its economy is reflected in the absence of very big size enterprises.

Cyprus depends quite heavily on the imports of goods and services (48,8% of the GDP in 2002), while the majority of the exports of goods are directed to EU countries (mainly to the UK, 26,7%) as well as to the Arab countries (21,5%). In parallel, 81,7% of the tourist arrivals come from the EU.

A declining trend has been observed throughout the years for the agricultural and industrial exports (from 61% of total exports in 1990 to 43,9% in 2002), a fact that creates a loss of competitive advantage in these sectors. This, to an extent, is attributed to the delayed introduction of technological modernization of businesses, the increase of labour costs and probably to the inadequate training and specialisation of human resources. The loss of competitive advantage is evident, particularly in some traditional industrial sectors (clothing and footwear, leather products etc.), where many businesses have closed down within the last years.

Furthermore, according to the Census of Establishments of 2000, 95% of the total number of Cypriot enterprises employs less than 10 persons. This percentage concerns businesses of a very small size that employ, in total, about 41% of total employment. About 4,5% of businesses employ 10–49 persons (19% of total employment) while only 0,5% of the total number of business employ more than 100 persons (33% of total employment). The very small size of the family businesses (a very common type of business) requires a special approach for identifying training needs and applying modern management methods and new work organization methods.

The number of foreign workers that are temporary employees has risen by 19% in 2002, thus constituting about one tenth (10,1% actually) of the total gainfully employed population. One third (33%) of the total number of foreigners is employed as house helpers in private households, while another significant proportion (22,3%) is employed in the tourist industry. From the remaining foreign workers, a percentage of 9,2% is employed in the agricultural sector, 8,8% in the manufacturing sector, 8,6% in trade and 7,9% in construction. Although there are no accurate indicators, it is considered that the employment of foreign workers does not substitute for local human capital.

In parallel to the foreign workers officially employed, there are also illegal economic migrants, the number of whom remains unknown. In addition, it should be noted that, with the fall of the Soviet Union, an important number of Russian citizens, usually of Greek origin, has moved to Cyprus. It is estimated that in the Paphos area alone there are around 2.000 persons from Pontos who live and work there. Finally, the Cypriot economy and society is deprived from valuable human capital due to the phenomenon of "brain drain".

During the last 25 years, Cyprus has exhibited a remarkable economic growth, which was strongly correlated with the restructuring of the economy in favour of the construction and manufacturing sectors initially, and in favour of the services sectors during the last decade. While in 1980 the production of primary sectors contributed to the GDP by a proportion of 11,3%, the secondary sectors by 33,6% the tertiary sectors by 55,1%, in 2002 the respective figures were 4,6%, 19,7 and 75,7%. The rapid growth of the tourist sector in particular, contributed to the absorption of the declining work force of the agricultural and industrial sectors, thus enabling the maintenance of low unemployment rates. The per capita GDP in Cyprus reached €18500 (USD 14370) in 2002, which is higher than that of many European countries.

The accession of Cyprus to the EU, is expected to lead to a further growth of the services sector and to accelerate the restructuring of sectoral employment which is already taking place, under the pressure of general changes. One such change is the ageing of the population. It is estimated that the percentage of population of 60 years and over, which was at 15,7 % in 1998 will reach 23,1% in 2028, while the increase will be faster for those of 65 years and above (from 11% to 17,8%). The drastic demographic change will influence the formulation of policies. The increase of the number of the elderly will place pressure on the costs and viability of the Social Insurance Scheme, on the health and care infrastructure and will highlight the need for actions to deal with the problem of ageing population. This phenomenon, in combination with the increase of female participation to the labour force and the improvement of living standards will contribute to the increase of demand for care services (for children and the elderly), for leisure actions, for social work and medical services.

The ability of the Cypriot economy to enter a new phase of development with an emphasis on modern services, will depend, to a great extent, on the ability to “produce” adequate (in terms of numbers) and highly trained human resources, on the pace of introduction and diffusion of new technologies and finally on the arrangements for the methods of work organisation. Within this framework, the role of the education and training systems as well as of active labour market policies for the support and facilitation of the structural changes of the Cypriot economy will be of greater significance and will be upgraded.

Even though in general the systems of education and training operate effectively, there is still significant room for improvement in many areas, while the adaptation of the technical vocational education and training to the EU priorities will also require the necessary adjustments.

A first need is to improve the attractiveness of the vocational education and training system, while at the same time the secondary technical vocational education runs the risk of being characterized as “a second choice” due to the increased popularity of university education. This applies particularly for the graduates of the Apprenticeship Scheme, who do not have access to post-secondary or tertiary technical and vocational education. Moreover, most of the students of the tertiary non-university education are secondary education graduates, while at the time the system of non-university education gradually loses its orientation towards the needs of the labour market, in favour of higher general education. As a result, the fulfillment of labour market needs is increasingly based on initial and continuous training.

The initial vocational education is half way through a restructuring, which began in September 2001. The main focus of this restructuring is on the establishment of mobility and links with the general education, the introduction of new specialisations, the renewal of the analytical programmes, the facilitation of the access to the tertiary education and in general the orientation towards the labour market needs.

The secondary technical vocational education system has not been evaluated recently and as a consequence its responsiveness to the labour market needs cannot be accurately

defined. Previous data from a specialised survey (1996), showed that 50% of technical education graduates and 80% of vocational education graduates were exercising professions relevant to their specialisations. From the graduates that entered into employment, 24% of technical education graduates and 16% of vocational education graduates remained unemployed for 6 months or more. A year after, the corresponding percentages were at 9% and 14% respectively, while after two years, these figures were at 11% and 13% respectively. Finally, 53% of technical education graduates and 13% of vocational education graduates continued their studies at a higher level education establishments.

The participation of girls in secondary technical education is considered to be low (759 girls in 200/01, or 16% of the total number of students), while the so-called male occupations are prevailing in the programme of studies. This means that the opportunities for young girls who chose to follow early the employment route are limited. This realisation gains special significance, if one takes into account the fact that the increase of labour supply in Cyprus, will unavoidably come from the utilization of the inactive female resources, where there is a relative surplus.

Non-formal education and training is provided through the Apprenticeship Scheme, which is basically addressed to drop-outs of the formal education and training systems. The apprentices are working in manufacturing industries and are offered a general and vocational education for a two-year period. The Scheme is managed by the Ministry of Labour and Social Insurance, while the theoretical part of the studies is provided by the Ministry of Education and Culture. Finally, the salaries of the apprentices for their days of study are subsidized by the HRDA. The Apprenticeship Scheme appears to have similar weaknesses with the secondary technical vocational education (the participation of women is very limited) while sometimes these weaknesses are proportionally more intense (the low social status and esteem).

In the area of training, the HRDA spent a total amount of £4,2 mil in 2002 and the participants in training activities in various programmes and primarily single-company training programmes reached 33.809 (11% of the gainfully employed population). There are about 160 private training organizations operating in Cyprus that employ around 800 trainers, while the training needs are identified through various research studies and

surveys such as short term and long term employment forecast in economic sectors and occupations.

It is generally admitted that the training system provides for limited opportunities to vulnerable groups, that is, persons with low educational qualifications, the unemployed (and especially the long term unemployed) and women who are reintegrated to the labour force. At the same time the system is mainly oriented towards those in employment or those who can easily secure employment. The participation of women in continuous training is estimated at around 40%, which is similar to their participation in employment.

The provision of training to people with disabilities also appears to be limited. Such training is provided only by one Centre, in a small number of specializations and productive workshops. This Centre though has inadequate infrastructure and personnel. According to the most recent data available, out of the total number of persons with disabilities only 14% are gainfully employed.

The offices of Public Employment Services (PES) are situated in the main cities (Nicosia, Larnaca, Limassol, Paphos with branches in Paralimni) and operate as employment offices with the ordinary responsibilities (except from the unemployment benefit), with participation of social partners in tripartite consultative committees. In 2002, the PES had 56 employees, with a proportion of PES employees to the number of gainfully employed of 1:4.334 and to the number of unemployed of 1:189. According to the Labour Force Survey of 2002, 52% of the unemployed has contacted one of the PES offices, while 98% of the unemployed estimated by this Survey, used the PES services.

In parallel to the PES, there is an increasing number of private employment agencies operating upon a permission granted by the Ministry of Labour and Social Insurance. Even though there are no accurate data, the private employment agencies are specializing in the recruitment of managerial and highly qualified personnel as well as in the recruitment of foreign workers.

The contribution of the PES to the employment policy is considered to be average and lower than the important role that they have to play. The PES are facing a number of

problems, the main ones being the following: a) increased work load from the employment of foreign workers, b) inadequate training of staff, particularly in providing counselling and career guidance c) lack of qualified personnel and appropriate methods, techniques and tools.

For the above mentioned reasons, the services provided by the PES staff with the registered unemployed usually are limited to certifying their unemployment (precondition for receiving the unemployment benefit), while there is inadequate promotion (or complete lack) of actions for activating and integrating into training and employment the unemployed with low qualifications, the long-term unemployed and women returning to the labour market.

To conclude, within the framework of the broader EU, the Cypriot labour market may be faced with some promising potentials as well as with some significant challenges. From the above analysis, it is concluded that the education, training and employment services must be modernised within the framework of the new environment, improve the quality of their services, reconsider the issue of equal opportunities and most importantly pursue the development of services for the vulnerable groups of the labour force, which at the time being are outside the scope of social welfare.

Below follows the relevant SWOT table, which summarises the advantages, the weaknesses and the opportunities of the labour market.

1.4 SWOT ANALYSIS TABLE

Advantages	Weaknesses
Conditions of almost full employment in the labour market in a peaceful industrial relations environment and the social dialogue adequately developed	Inbalances in the labour market
High participation rates in the labour force, particularly for men	Inadequate flexibility in the reorientation of the education and training systems towards the labour market needs, in combination with insufficiencies in the vocational guidance systems
Highly educated and of high mobility human resources with adequate foreign language skills	High concentration of unemployment amongst the young persons, women, the elderly
Low percentage of drop-outs and adequately developed structures for adult education, at the same time a continuous reinforcement of life-long learning systems	Part time employment and the new work organization methods remain at low levels
Completion of the educational reform in the Secondary education and extension of the Tertiary education	Delays in the development of active measures for employment, which are reinforced by the lack of an adequate network of Public Employment Services
Availability of sufficient teaching staff both in numbers and level of scientific knowledge in order to reinforce the educational field, as well as introduction of new technologies at a fast pace	Inefficiencies in the services for the provision of equal opportunities for all as well as in the support services for the vulnerable social groups
Up to date regulatory framework with regard to equal opportunities and social integration as well as for the vulnerable social groups.	Lack of an evaluation culture and inefficiencies in the monitoring and recording of intervention results

Opportunities	Threats
Adaptation of the education and training systems to the labour market needs and to the information society environment	Ageing of population, which places challenges to the social protection systems as well as to the education and training systems
Development of modern Public Employment Services for the implementation of active measures for employment	Changes in the family structure (increase of divorces and single-parent families), which require a new approach to social policy formulation
Minimization of the structural unemployment through balancing the demand and supply of specializations and skills	Increased participation of women in the labour market, which, if not accompanied by counterbalancing policies, eventually turns out at the expense of women due to their role in the family
Increased opportunities for education, training and employment within the expanded EU labour market and the single European educational area	Concentration of unemployment to specific groups, a fact that contains risks of social exclusion
Attraction of high quality labour force and repatriate scientists	Potential appearance of racism and xenophobia
Improvement of quality and effectiveness of the active measures for combating unemployment and enhancement of employment, through participation in community programmes and transfer of best practices.	Accelerated occurrence of social problems (drugs, domestic violence, juvenile crime)
Social Integration of vulnerable groups	Inadequate communication and coordination between the Public Services

2. STRATEGY AND PRIORITIES

2.1. Policy Frame of Reference

The subjectt of this section is to provide a basic policy rationale through which the ESF can provide support for promoting employability and developing human resources in Cyprus, in line with the Strategic Development Plan 2004-2006, and in accordance with the priorities identified in the Joint Assessment of Employment Priorities and in the Joint Inclusion Memorandum.

2.1.1 Strategic Development Plan 2004-2006

The Strategic Development Plan 2004-2006, places great significance on the development of human capital and the promotion of equality and social cohesion. At the same time, the Plan recognises that the upgrading, expansion and enrichment of the skills of human capital constitutes a top priority. The fulfillment of this priority will contribute to the enhancement of the country's economic and social cohesion.

According to the Plan, the main weaknesses result from the lack of a flexible reorientation of the educational system in relation to the needs of the labour market. Improved links between the systems of education and employment, will contribute, inter alia, to the elimination of imbalances, which appear today between the demand and supply of labour. Significant room for improvement exists with regard to activating the inactive female population, through the enhancement of supportive structures and the expansion of services provided as well as through the encouragement of new, flexible work organization methods. Great potentials for improvement also exist with regard to the inclusion of disabled people and people from vulnerable social groups in the labour market, through the development of an appropriate support framework.

The main objective of the Strategic Plan is **the qualitative upgrading of the human capital, the promotion of employment, and the embedding of social cohesion conditions**. This aim is further analysed into the following general targets:

- Qualitative improvement and provision of a flexible and broad education, which could be compared favourably in relation to the educational levels of the most developed countries
- Sustainability of full employment conditions, in relation to the rational utilization of human capital, flexible functioning of the labour market and continuous improvement of labour relations and of terms and conditions of employment.
- Upgrading of the quality of life of people who are threatened by social exclusion, through an integrated and comprehensive policy of equal opportunities in the sectors of education, training, employment, the functional adjustment of the social welfare and the promotion of equality between sexes.
- Development of active policies to combat unemployment, to prevent long-term unemployment and to provide support for those entering or returning to the labour market.
- Promotion of social inclusion and equal opportunities for all
- Development of education and training as part of a life-long learning policy
- Promotion of a skilled and adaptable workforce, foster innovation in work organization, support entrepreneurship and employment creation and boost human potential in research, science and technology.
- Improvement of the participation of women in the labour market.

2.1.2 Consistency in relation to the European Employment Strategy, the Joint Assessment of Employment Priorities in Cyprus and the Joint Inclusion Memorandum in Cyprus

2.1.2.1 European Employment Strategy

The formulation of the current SPD coincides with the launching of the new European Employment Strategy and the adoption of a new series of employment guidelines directed towards full employment and better jobs for all.

Reflecting the Lisbon agenda, the employment policies of Member States shall foster the three overarching and interrelated objectives of full employment, quality and productivity at work, and social cohesion and inclusion. These objectives should be pursued in a balanced manner, reflecting their equal importance in achieving the ambitions of the European Union. Further, in pursuing the three overarching objectives, the Member States shall take into account 10 guidelines.

The following Table illustrates the correspondence between the SPD and the European Employment Strategy guidelines. As it can be seen from the Table, most of the new employment guidelines are being addressed by one or more of SPD measures. Priorities that are not covered by the SPD measures will be dealt with within the context of national policies and will be funded through national resources. Further, it is evident that the SPD measures were chosen in such a way so as to: address the most immediate of the priorities, comply with the general orientation and eligibility rules of the Structural Funds, exhibit a high impact potential and provide an added value to national policies.

Relation of SPD Measures with the EES

EES Guidelines	SPD Measures						
	1.1	1.2	1.3	1.4	2.1	2.2	3.1
(1) Active and preventive measures for the unemployed and inactive (2)							
(2) Job creation and entrepreneurship							
(3) Address change and promote adaptability and mobility in the labour market							
(4) Promote development of human capital and lifelong learning							
(5) Increase labour supply and promote active ageing							
(6) Gender equality							
(7) Promote the integration of and combat the discrimination against people at a disadvantage in the labour market							
(8) Make work pay through incentives to enhance work attractiveness							
(9) Transform undeclared work into regular employment							
(10) Address regional employment disparities							

2.1.2.2 Joint Assessment of Employment Priorities in Cyprus

Cyprus participates in the Employment Policy Review, the procedure established by the European Community with a view to help the candidate countries to adapt and modernize their national policies, so as to be able to implement the European Employment Strategy.

The first stage of this procedure included the Joint Assessment of Employment Priorities (JAP), a document that was jointly agreed by the European Union and the Government of Cyprus and signed in December 2001.

The second stage included the preparation of a progress report by the Cypriot Authorities, regarding the implementation of JAP, which was submitted in mid 2002 and the joint assessment of this progress report. In addition to that, the Cyprus Authorities prepared a new progress report, which was submitted in March 2003.

The following Table illustrates the correspondence between the SPD and the Joint Assessment of Employment Priorities in Cyprus. As it can be seen from the Table, most of the policy priorities identified by the JAP are being addressed by one or more of SPD measures. Priorities that are not covered by the SPD measures will be dealt with within the context of national policies and will be funded through national resources. Further, it is evident that the SPD measures were chosen in such a way so as to: address the most immediate of the priorities, comply with the general orientation and eligibility rules of the Structural Funds, exhibit a high impact potential and provide an added value to national policies.

Relation of SPD Measures with the JAP Priority Areas

JAP Priority Areas	SPD Measure
1. Full and effective implementation of the reforms in upper secondary education in line with the planned schedule, together with the restructuring and modernization of the apprenticeship scheme.	2.1, 2.2
2. Implementation of planned measures to increase further the returns, to Cyprus, from the substantial public and private investment in tertiary education.	
3. Efforts to increase participation of adults (particularly the unemployed and potential re-entrants to the labour market) in continuing education and training.	1.2, 2.1
4. Wage developments should reflect productivity growth, having in mind wage developments and productivity increases in the trade partners of Cyprus.	
5. Maintenance of the broadly "employment-friendly" character of the system of taxation, social contributions, and unemployment compensation.	
6. Re-definition of the role of the Public Employment Services (PES) towards more active engagement with the unemployed as part of a preventive and employability-oriented strategy.	1.1
7. While the existing range of active labour-market programmes (including human resources measures) appears to be appropriate for Cyprus' needs, improved access to these programmes is required for a number of important target groups such as the unemployed, and certain groups currently not in the labour force – primarily women. Continuous monitoring and evaluation of the programmes and their impact, on existing and new target groups, will be needed to ensure that they remain relevant to clients' needs.	1.2, 1.4, 3.1
8. Every effort should be made to speed up the implementation of planned gender-equality measures.	1.4
9. There is a case for a strategic review of the overall policy on temporary employment of foreign workers in Cyprus, both in terms of its contribution to labour-market flexibility and of rights and opportunities for migrant workers.	
10. The development of regional policy should pay more explicit attention to the contribution of employment and human resources measures.	
11. Continuing the Government's work on establishing the institutional structures necessary for the implementation of ESF, taking into account the policy priorities outlined in the JAP	3.1

2.1.2.3 Joint Inclusion Memorandum in Cyprus

In accordance with the provisions of the Accession Partnership, the Government of Cyprus has prepared, with the European Commission, Directorate-General for Employment and Social Affairs, a Joint Inclusion Memorandum, with the purpose of preparing the country for full participation in the open method of coordination on social inclusion upon accession. The Memorandum outlines the principal challenges in relation to tackling poverty and social exclusion, presents the major policy measures taken by Cyprus in the light of the agreement to start translating the EU's common objectives into national policies and identifies the key policy issues for future monitoring and policy review.

In this respect, the analysis undertaken in the JIM has demonstrated that the main challenge of social inclusion in Cyprus is to catch up with the new problems created by rapid changes in society and to focus on those groups of people who bear the consequences of these problems: older people – namely, retired persons and widows – are groups which have very high poverty levels suggesting that the present pension benefits may be inadequate to secure sufficient income in old-age. Other groups, like immigrants (particularly those who are illegal and work mainly in the ‘informal’ sector of the economy) disabled people (regardless of their socio-economic background), single parents, and divorced women are also likely to suffer from poverty and social exclusion.

The following Table illustrates the correspondence between the SPD and the Joint Inclusion Memorandum in Cyprus. As it can be seen from the Table, most of the policy priorities identified by the JIM are being addressed by one or more of SPD measures. Priorities that are not covered by the SPD measures will be dealt with within the context of national policies and will be funded through national resources. Further, it is evident that the SPD measures were chosen in such a way so as to: address the most immediate of the priorities, comply with the general orientation and eligibility rules of the Structural Funds, exhibit a high impact potential and provide an added value to national policies.

Relation of SPD Measures with the JIM Priority Areas

JIM immediate policy priorities	SPD Measures
<p>1. Modernise social protection policies focussing on older persons (retired persons and widows) by following the recommendations on the actuarial valuation of the social insurance scheme and favouring the amendment of the public assistance legislation.</p>	
<p>2. Implement measures for promoting employability and higher participation rates of women and vulnerable persons, such as persons with disabilities. The envisaged modernisation of the Public Employment Services (PES) includes the strengthening of staff capacity, quantitatively and qualitatively, the expansion of the PES network through additional local offices, the provision of self-service facilities through the Internet, active partnership with other service providers and customer-oriented services. In partnership with civil society, the Grants-in-Aid Scheme will continue to be the Government's major tool for the promotion of preventive actions in the social field. Through this Scheme, family support services including measures reconciling work and family life (e.g., day care, home care) will continue to develop as close as possible to the people who need them.</p>	1.1, 1.3, 1.4
<p>3. Combat the educational disadvantage by improving every year (until full compliance with the Special Education Law is achieved by 2006) the educational settings and services (e.g., training of teachers, increase in the number of school psychologists, etc.).</p>	2.1, 2.2, 1.2
<p>4. Reinforce the statistical capacity of Cyprus in order to reverse the current lack of culture of evaluation and the lack of up to date data which prevents a proper evaluation of the efficiency of policies and measures implemented.</p>	3.1
<p>5. Promote family and care services to meet the ascertained needs in view of reconciling work and family life</p>	1.3, 1.4
<p>6. Ensure good accommodation for all, by evaluating the current housing policy to ultimately achieve a comprehensive national housing policy which effectively meets the needs of vulnerable persons (e.g. low-income households, persons with disabilities) and the revival of deprived areas.</p>	

Financial Concentration by ESF Policy Field (in million euro)

ESF Policy Fields	Total	SPD		Not EU- co- financed	Total	SPD Measures(*)
	Nat + EU	EU	National	National	National	
	1	2	3	4	5	6
Active Labour market Policies	10,000000	5,000000	5,000000		5,000000	1.1
Social inclusion	4,000000	2,000000	2,000000		2,000000	1.3
Education & Training (Life Long Learning)	20,000000	10,000000	10,000000		10,000000	2.1, 2.2
Adaptability	4,800000	2,400000	2,400000		2,400000	1.2
Gender Equality (Equal Opportunities)	4,000000	2,000000	2,000000		2,000000	1.4
Total	42,800000	21,400000	21,400000		21,400000	

(*) Indication of measures by policy field. Budgetary allocations should be considered as tentative.

2.1.3 Information Society

In the field of Information Society, the Commission has issued a new action plan, titled “eEurope 2005: An information society for all”, with the view to provide a favourable environment for private investment and for the creation of new jobs, to boost productivity, to modernize public services and to give everyone the opportunity to participate in the global information society. eEurope 2005 aims to stimulate secure services, applications and content based on a widely available broadband infrastructure.

The eEurope action plan is based on two groups of actions, which reinforce each other. On the one hand, it aims to stimulate services, applications and content, covering both online public services and e-business. On the other hand it

addresses the underlying broadband infrastructure and security matters. The action plan comprises four separate but interlinked tools, namely policy measures, good practises and demonstration projects, benchmarking of the progress made and an overall co-ordination of existing policies. Overall the action plan sets the scene for a co-ordinated European policy on information society issues.

Most of the objectives of the action plan, which are particularly relevant for the aims and contents of the current SPD, fall under the e-learning and e-business policy measures. Proposed actions in these two policy fields include the following:

-Broadband connections. By end 2005, Member States should aim that all schools and universities have Internet access for educational and research purposes over a broadband connection.

-eLearning Programme. The Commission intends to adopt a proposal for a specific eLearning programme. It will focus on the implementation of the objectives of the eLearning Action Plan from an educational perspective and run from 2004-2006. The Commission will also publish an analysis of the European market for e-learning, including the private sector.

-Re-skilling for the knowledge society. By end 2003, Member States, where appropriate using structural funds and supported by the Commission, should launch actions to provide adults (the unemployed, women returning to the labour market, etc) with the key skills needed for the knowledge society, to improve their employability and overall quality of life. These actions will take advantage of the possibilities offered by e-learning.

-SMEs. By 2003, the Commission intends to establish a European e-business support network, federating existing European, national and regional players in this field with a view to strengthen and co-ordinate actions in support of SMEs in the field of e-business. The Commission will foster geographical and sectoral

clusters of SMEs working online to encourage innovation in e-business, sharing of good practise and promotion of guidelines and standards.

2.1.4 Gender Equality

According to the Annual Report on Equal Opportunities for Women and Men in the European Union in 2002, “Gender equality has long been recognized as a fundamental principle and a fundamental right and is an “objective” within the European Union Treaty. Gender equality is for all citizens –women and men, as democratic societies can only achieve their full potential with the full participation and contribution of all. Thus, it must be underlined that gender equality is not a minority issue as it concerns the whole population. It is therefore essential that legal and administrative provisions and practices to achieve equality between men and women be focused on this objective without conceptually categorising it as a minority concern. More than anything else, however, it is essential for all the accession countries to increase their efforts to raise awareness amongst citizens of their new rights. To fully anchor law in society, it is indispensable to inform citizens about their rights and to encourage them to avail themselves of their rights in a culture of open discussion supported by the judicial capacity to deal with disputes efficiently”.

The commitment of the Cyprus Government to the promotion of equal opportunities and equal treatment of men and women has been manifest since at least 1979, through the National Development Plans. According to the Joint Inclusion Memorandum, this policy has been facilitated mainly through:

- The promotion of policy measures aiming at improving the status and position of women in economic activity and society (e.g. Programme for the Promotion of Women's Entrepreneurship);
- The expansion and modernisation of the legislative framework to combat discrimination and safeguard equal treatment (e.g. recent introduction of new legislation on equal pay, maternity issues, parental leave, etc.);

- The promotion of programmes and measures aiming at reconciling work and family life (e.g. day care facilities), and
- The reinforcement of the relevant institutional mechanisms, the most important of which was the setting up of the National Machinery for Women's Rights.

This policy has contributed to the improvement of women's status and position in the last two decades. During the period 1992-2002, the female employment rate increased by almost 10 percentage points, reaching a level of 59% in 2002 from 49.4% in 1992. Nevertheless, women's labour force participation (61.6% in 2002) continues to be much lower than men's (81.0% in 2002) and to be concentrated in a narrow range of activity sectors and occupations, resulting in segregation problems such as low representation in managerial positions. As in other European countries, women in Cyprus receive lower earnings, on average, than men (in 2001 female earnings were 73% of male earnings).

In conclusion, despite the progress achieved so far in the field of gender equality, a lot remains to be done, especially in the areas of women participation in training and employment, in equal pay and finally in reconciling work and family life.

2.2. Employment and Vocational Training Policies

For a small and open economy with limited natural resources, like the Cypriot economy, its human capital constitutes its most important factor of production, the development of which is a top priority.

The analysis of the advantages, weaknesses and opportunities of the Cypriot economy and of the labour market in particular which was outlined in the previous chapter, ensures a concrete definition of the policy priorities for the next years. More specifically, there is a need to:

- (a) activate and integrate in training and employment the groups that are currently not in the labour force. These persons will come primarily from the groups of the new entrants who are secondary education graduates, the unemployed (especially the long term unemployed and the unemployed with low educational qualifications), women (economically inactive as well as women who are re-entering the labour market), the elderly and other people with disabilities. The achievement of this target is directly related to the reorganization and modernization of the PES, the investment in care services for special groups (children and the elderly, and people who are in need for care) as well as to the flexible arrangements of work organization.
- (b) enhance the flexibility, the quality, the range and responsiveness of the systems of technical-vocational education and training. In particular, the training system must support in any of its forms (formal-unofficial, initial–continuous, private-public) the employability and the adaptability of human resources, thus facilitating the structural changes that are already taking place in the labour market and contributing to the competitiveness of the Cypriot economy. The achievement of this objective requires the “opening” of these systems to the above mentioned groups, more efficient responsiveness to the needs of the market and a review of the issue of equal opportunities.

Strategic Objective

The main strategic objective of this SPD is the development and the full utilization of human resources in conditions of social cohesion and equal opportunities.

This strategic objective coincides with the strategy objectives and the targets of the Strategic Development Plan 2004 –2006 for the development of human capital and the promotion of equal opportunities and the enhancement of social cohesion. At the same time, this objective is fully compatible and supports the European Employment Strategy,

as well as the priorities of the JAP and the JIM, as described in the previous section of this Chapter (see 2.1. “Policy Frame of Reference”).

General Targets

The attainment of this strategic objective specializes in the following two general targets:

1. Promotion of Employment

Aims at the promotion of employment and vocational education and training, mainly through the promotion of active labour market measures in conditions of social cohesion and equal opportunities.

2. Qualitative upgrading of human capital

Aims at the improvement of quality of the education and training provided, mainly through the introduction of new technologies and through a closer link with the needs of the labour market.

These two general targets are interrelated and complementary, since the increase of the labour force and the access to employment of an increased number of persons requires not only the availability of these persons but also the improvement of their employability. Therefore, the Priority Pillars and all the Measures that constitute the current SPD, were formulated in order to serve the general targets for the promotion of employment and for the upgrading of quality of human capital in conditions of social cohesion and equal opportunities.

In particular with regard to equal opportunities, the actions in favour of women not only are projected in a particular Measure of the SPD, but are also spread throughout all the Measures of the Programme. This is the result of the principle of mainstreaming, a basic principle of this SPD, which defines that the promotion of the equality objective should not be limited to the implementation of specific measures, but to the contrary all policies and measures should be directed towards the promotion of this objective. This implies

that the issues of equality should be endogenous components of the programming procedure, from the initial analysis and the formulation of a strategy, to the final evaluation. In addition, the issue of equality must be embedded in the design and implementation of all measures and priorities under each intervention.

The implementation of mainstreaming for equal opportunities within the framework of the SPD for Objective 3 will concern all the stages of the Programme implementation, from the definition of priorities upon the launch of the implementation, to the reporting and the final evaluation. Before actions are selected, they will be systematically examined, in order to ensure that they will lead to the elimination of inequalities between the two sexes in relation to employment, education and training as well as to the reconciliation between family and work life.

Great importance is also placed on the actions for the prevention of unemployment, especially long-term unemployment, within the framework of, inter alia, the enhancement of social cohesion. The preventive actions against unemployment will focus on the approach and support to the young unemployed before covering a six-month period of unemployment and the older unemployed before covering a twelve-month period of unemployment. The introduction of an individualized approach to the problems of the unemployed and the enhancement and modernization of the PES constitute essential elements of this new policy.

2.3. Justification for the Selection of Priorities and Measures

2.3.1 Priority Pillars

The interventions for the achievement of the main strategic objective of the SPD and the general targets that have been set, could be placed under the following Priority Pillars:

1. Development and promotion of active labour market policies

2. Promotion and improvement of education and training systems and life-long learning
3. Technical assistance

The First Priority Pillar includes measures, actions and projects for new entrants to the labour market, the unemployed, the microenterprises, women, and all those who are threatened by labour market exclusion, through the adjustment of their skills to labour market needs and the improvement of intermediary services. More specifically, this Pillar covers the:

- Enhancement and modernization of Public Employment Services
- Strengthening of activities to adapt the skills of the new entrants, the unemployed and the employed to labour market needs
- Promotion of equality of opportunities for access to the labour market for all, and especially for those threatened by social exclusion
- Promotion of access of women to the labour market

The Second Priority Pillar refers to the modernization and readjustment of the technical-vocational education and training systems, to the establishment of links between these systems and the promotion of life-long learning. The measures, actions and projects of the Second Priority Pillar include:

- Utilisation of new technologies within the framework of life-long learning
- Improvement and reinforcement of technical and vocational education and training

Finally, the Third Priority Pillar of this SPD covers Technical Assistance activities, which are considered to be necessary for the effective implementation, monitoring and evaluation of the SPD.

The total budget of the Programme is expected to reach 43,88 million EURO, out of which 21,94 million EURO will be financed by the ESF. It is estimated that 22,8 million EURO will be allocated to the First Priority Pilar (52% of the total budget for the Programme), while for the Second Priority Pilar 20 million EURO will be allocated (45,5% of the total budget) and 1,09 million EURO (2,5%) will be allocated to Technical Assistance.

2.3.2. Anticipated Results

2.3.2.1 Priority Pillar 1: Development and Promotion of active labour market policies

It is expected that the enhancement and the modernization of the Public Employment Services, will pave the way for a preventive deal towards unemployment and better utilization of labour force (through an individualized approach to the unemployed, the vulnerable social groups threatened by social exclusion, and the employers) and in general for the achievement of the objective for high quality services to the unemployed, the employed and the employers. The procedure for an individualized approach aims at every unemployed person on an individual basis and is adjusted to the particular needs of that person. The provision of individualized supportive and monitoring services consists of the consistent implementation of activities for provision of information, counseling, identification of skills, training, adaptation and integration to the working environment. Through the active participation of the individual to the planning, formulation and implementation of these activities, it is ensured that these programmes respond to the actual needs of the unemployed.

The enhancement and modernization of the Public Employment Services is expected to contribute to the reduction of existing unemployment, through the decrease of frictional unemployment, the faster and more effective balancing of demand and supply of labour and the improvement of the access to the labour market, through the activation of inactive work force, primarily women, people with low educational qualifications, the elderly and persons with disabilities.

This priority Pillar aims also at the adaptation of the skills of the labour force (gainfully employed and unemployed) to the labour market needs, through the development of relevant training activities and the subsidization of employment. With regard to training programmes, the Labour Force Survey⁶ showed that in 2000, there were 9.461 participants to training activities or a proportion of 1,9% of the age group of “15 and over”. The participation to education and training activities for the age group of 25-64 was estimated at 3,1% of the total population in Cyprus, while the respective figure in the European Union is at 8,4%. The participation rate in training programmes was higher for the employed (3,1%) and in particular, for the workers in the sectors of contemporary services (banking, education, health and real estate), where the educational qualifications are typically high. On the contrary, low participation rates in training activities were registered for the unemployed (2,2% of the total number of unemployed persons) and especially the unemployed women (0,7%), while it should be noted that there was no record of participation of the young unemployed (15-19 years) to training programmes, neither of middle-aged and older persons in unemployment (40-64). Finally, even lower participation rates have been recorded for people outside the labour force (0,2%)

The participation in training activities in Cyprus appears to be significantly lower in relation to the participation in corresponding programmes in the European Union. At the same time, the participation rates appear to be in favour of the employed in relation to the unemployed and the economically inactive and are also in favour of the gainfully employed in the dynamic sectors of services (in comparison to the manufacturing sector and agriculture) and of people of higher educational qualifications (compared with persons of low educational qualifications).

Within the framework of the First Priority Pillar, the development of training activities and the promotion of employment, as well as the reorientation of actions towards the target groups who are in need of those actions (new entrants, secondary education

⁶ The participation in training activities in 2000, refers to participation during the last four weeks from the time of the interview. The interviews took place during the period April-June 2000.

graduates, the unemployed and personnel of microenterprises) not only will address more effectively the needs of the individuals, but will also counterbalance the additional labour supply and the additional demand for labour. Based on the findings of the “Manpower Balance” for 2002, prepared by the HRDA, there was a labour force supply surplus of 8.000 persons. Despite of this situation, both surpluses and shortages were observed, primarily in sales persons and restaurant employees, as well as in construction workers, insurance agents and computer programmers.

Another main objective of this Priority Pillar is the integration to employment of people who are threatened by social exclusion.

Economic inequality, poverty and social exclusion are regarded as limited phenomena in Cyprus, at least in relation to the EU average. Based on a poverty line of 60% of the median income (per equivalent adult), in 1996/97 the percentage of poor persons in Cyprus was at around 14%, while the corresponding percentage in the European Union was at 17%. However, as it is mentioned in the relative section of the previous chapter, important pockets of exclusion exist amongst the elderly, amongst families with leaders of low educational qualifications, families with few members or single-parent families, as well as amongst persons with disabilities. Low employment rates are particularly observed (25% in Cyprus in relation to about 50% which is the corresponding EU average), for people with disabilities (23.785 persons according to the Census of population of 1992). In addition, low education levels have been recorded for people with disabilities (17,4% of people with disabilities have never attended school and 27,6% did not complete Primary education, in comparison with 4,2% and 10,5% which are the respective figures for the total population). The promotion of the independence of people from public assistance and their reintegration to the labour force as well as the development of equal opportunities for the vocational rehabilitation of people with disabilities will serve the purpose of equal opportunities and will contribute to the enhancement of social cohesion.

Finally, this Pillar includes actions and projects for the promotion of access of women in the labour market, through the extension and improvement of care services (for children, the elderly and people who are in need of care) through training and employment programmes for women who are not in the labour force and finally through the promotion of modern and flexible methods of work organization. These actions, which are expected to be reinforced by the enhancement and modernization of Employment Services, will contribute to the utilization and participation to training of an important number of women who, up until today, did not belong to the labour force, either because of family commitments, or because they didn't possess the appropriate skills for any of the available posts.

2.3.2.2. Priority Pillar 2: Promotion and improvement of education and training systems and life-long learning

Within the framework of this Pillar, actions and projects will be undertaken regarding the training of teachers, the familiarization of students with computers, and the introduction of new technologies in Technical and Vocational Secondary level education. Within the framework of this Pillar the modernization of the Apprenticeship Scheme will also be supported.

The training of teachers in Cyprus is achieved mainly through optional training programmes offered by the Pedagogical Institute, while teachers do not follow a systematic training on basic information technology skills. In addition, there are no systematic procedures for the identification and specification of needs, while the training programmes offered are not certified, and consequently they cannot be used for the career development of teachers. The review and modernization of the training programmes of the Pedagogical Institute, the upgrading and implementation of new programmes, the training of all secondary school teachers in IT skills in combination with the certification of training, are expected to contribute to the qualitative upgrading of the rendered education as well as to the reinforcement of the life-long learning system in Cyprus.

The familiarization of students with computers is proceeding at a fast pace. The information technology course was introduced to the curriculum of the Third grade in all Gymnasiums (63). To serve this purpose, 67 computer labs were created and adequately equipped. The various classes for IT as a learning tool are being taught in all Lyceums (36). In every Lyceum there are 2-4 computer labs with adequate equipment, which includes 18-21 PCs, 2 printers, scanner and multimedia equipment. In total, there are 76 computer labs, which are networked to PCs with access to the Internet on ISDN lines. It should be noted that the Ministry of Education has set specific targets with regard to the introduction of computers in schools: to reach a proportion of 15 children per PC in Primary schools, 9 students per computer in Gymnasiums and 5 students per computer in Lyceums, by 2003.

The objective of developing the digital learning requires, in addition to the availability of the necessary equipment, a series of complementary activities aiming at the maximization of benefits from the exploitation of new technologies. Firstly, there is a need for reviewing and adapting the analytical programmes of all specializations, with a view to utilizing the new learning methods. Within the framework of the current Priority Pillar, books, educational software and digital software will be produced and become available. Educational software will also be developed, while at the same time the translation into Greek of existing foreign software and its adjustment to the needs of the analytical programmes will also be promoted.

Upon the completion of the actions and activities of this Pillar, it is expected that the digital literacy of secondary school teachers as well as the infrastructure for electronic literacy, for the human capital as a whole, through life-long learning will be adequately developed. Consequently the Cypriot economy will be reinforced with highly IT skilled human capital and this will contribute to the achievement of the objective for the expansion of the services sector and primarily the sector of high tech services.

Another basic objective of this Pillar is to support the reform of Secondary Technical and Vocational Education, which started during the school year 2001 –2002 and is expected to be completed in 2004. Within the framework of this reform, actions have been programmed with regard to the modernization and purchase of additional equipment supported by national resources, new pedagogical approaches in the educational process and the upgrading of the IT curricula.

This Pillar is also expected to contribute to the modernization of the Apprenticeship Scheme, with specific actions and activities.

Despite the fact that the Apprenticeship Scheme has been operating for many decades, nevertheless it faces many problems such as the low social esteem and the inability of the Scheme to provide credible and recognised vocational qualifications. The Apprenticeship Scheme is addressed to students who drop out of the formal educational system, and offers specialisations such as those of construction worker, carpenter, car mechanic/electrician etc. The school education/training is of a two-year duration. The Ministry of Labour and Social Insurance has the responsibility for the administration of the Scheme, the Technical Education directorate of the Ministry of Education is responsible for the implementation of the education/training programme while the Human Resource Development Authority has the responsibility for the subsidisation of the employers for the days during which the apprentices are studying in schools.

Even though 2.000 young persons drop out of the formal educational system, only 20% choose to register in the Apprenticeship Scheme, while only 60% of those who register obtain the Final Certificate. In absolute terms, the average number of the first year apprentices from the period 1994- 2000 was about 425 persons, experiencing a clearly decreasing trend. It should be noted that although the distribution between boys and girls who drop out is 68% and 32% respectively, the representation of girls in the Apprenticeship Scheme is less than 1%.

Within the framework of this Pillar, the Apprenticeship Scheme will be improved through the redesigning of curricula, acquisition of training software and training of teachers. Upon the completion of the modernization, it is estimated that the Apprenticeship Scheme will constitute a significant, desirable and practical choice for those who are willing to continue their professional development goals through the vocational rather than the academic route.

2.3.2.3 Priority Pillar 3: Technical Assistance

This Pillar includes the required actions for Technical Assistance, which are related to the preparation and specialisation of the rest of the actions of this SPD as well as to the more effective management, implementation and evaluation of the Programme. The measure also provides for information and publicity of the Programme.

3. COMPLEMENTARITY WITH OTHER PROGRAMMING DOCUMENTS

The SPD for Objective 3, which will be co-funded exclusively by the European Social Fund (ESF), aims at the development and more efficient utilization of human capital in conditions of social cohesion and equal opportunities, through the promotion of employment and the qualitative upgrading of human capital.

There is clear division of the strategic objectives of all programming documents and the policy fields in which they develop their measures/actions. In addition, the SPD for Objective 3 complements the other programming documents, as the development and more efficient utilization of human capital constitutes a prerequisite for the enhancement of the competitiveness and the diversification of the activities on rural areas.

The maximum complementarity between the various interventions will be safeguarded by the fact that there is a single Managing Authority as well as the existing national coordination mechanism. Furthermore there will be cross membership of the main partners in all Monitoring Committees (i.e. Objective 2, Objective 3, Fisheries, Equal and INTERREG III), including also the Monitoring Committee for the Rural Development Plan.

The coordination that needs to be developed between the different interventions of the programming documents, in order to achieve the maximum synergy, is expected to be finalized during the preparation of the Programme Complements.

Complementarity with Rural Development Plan

The integrated approach for the development of rural areas is demonstrated in the Strategic Development Plan (Priority 4). The Rural Development Plan, co-funded by the *European Agricultural Guidance and Guarantee Fund / Guarantee Section* (EAGGF-

Guarantee), will primarily promote the reinforcement of rural sector competitiveness through measures related to the upgrade of operations on agricultural holdings, the support of manufacturing enterprises in the first-stage processing of agricultural products and the support of agricultural product trading businesses. Moreover, RDP interventions will focus on upgrading the socio-economic fabric of farming. Finally, RDP will also include a number of Article 33 interventions. Due to the nature of the Objective 3 Programme, no individual measure that can be funded through the Rural Development Plan will be funded under the Objective 3 SPD.

Complementarity with Objective 2 Programme

Since the Objective 2 Programme, co-funded by the *European Regional Development Fund (ERDF)*, has selected not to include ESF funding for reasons of managerial simplification the Objective 3 Programme complements the Objective 2 strategy. This will be done through measures for the enhancement of employee skills, taking into account the promoted economic activities (links between the vocational training, labour market needs and lifelong learning), as well as a number of actions for promoting equal opportunities in the labour market. Maximum complementarity will be safeguarded through selection criteria giving priority to Objective 2 areas.

Significant complementarity between the Objective 2 and the Objective 3 Single Programming Documents, is demonstrated below:

Objective 3 Programme	Objective 2 Programme
<p>- assists in the adaptation of skills of workers to the needs of enterprises including special emphasis in sectors such as tourism and manufacturing, through selection criteria. Selection criteria will also give priority in supported SMEs in rural areas and generally in businesses established in Objective 2 areas.</p>	<p>- develops new business opportunities requiring skilled labour</p>
<p>- develops employment consultation services and assists in matching labour force availability to productive sector needs. Selection criteria will give priority to micro enterprises in Objective 2 areas and also to the sectors of tourism and manufacturing.</p> <p>- promotion of the operations of public employment services, included in Objective 2 areas.</p>	<p>- promoting community facilities including multi-purpose centers, the funding of establishments of public employment services, both in rural and urban areas.</p>
<p>- promotes entrepreneurship and increased participation of women in the labour market</p>	<p>- provides for care facilities, therefore increasing the participation of women in the labour force.</p> <p>- in funding SMEs, priority will be given to women entrepreneurs.</p>

Complementarity with the Fisheries Programme

The Fisheries Programme, co-funded by the *Financial Instrument for Fisheries* (FIGF), will primarily promote the reinforcement of the Fisheries sector competitiveness through measures related to the restructuring/modernisation of the sector, the development of

aquaculture, the promotion/modernization of fish product processing and trading, the sustainable management of fish stocks and through fishermen training. Due to the nature of the Objective 3 Programme, no individual measure that can be funded through the Fisheries Programme will be funded under the Objective 3 SPD. Non-overlap between the two programmes is ensured since they both fall under the responsibility of the single Managing Authority.

Complementarity with Community Initiative INTERREG III

Cyprus will participate in all three strands of INTERREG III. However, the programme with the most significance is the INTERREG IIIA: Greece-Cyprus. The programme targets the development of border infrastructure (mainly related to marine traffic and related infrastructure and systems), economic and employment development and improvements in the areas of quality of life, culture and environment. Due to the nature of the Objective 3 Programme, no individual programme that can be funded through the Community Initiative INTERREG III will be funded under the Objective 3 SPD. Non-overlap between the two programmes is ensured since they both fall under the responsibility of the single Managing Authority.

Complementarity with Community Initiative EQUAL

The Community Initiative EQUAL complements the Objective 3 strategy through measures for facilitating access and return to the labour market (Priority Pillar 1: Employability), and reconciliation of the family and professional life (Priority Pillar 2: Equal opportunities for Women and Men). Also, activities for helping the social and professional integration of asylum seekers (Priority Pillar 3: Asylum Seekers) can assist in the social integration of the ethnic groups, especially through Greek language courses. There is hence, clear and significant complementarity between the Objective 3 and the

Community Initiative EQUAL Programme. Non-overlap between the two programmes is ensured since they both fall under the responsibility of the single Managing Authority.

Complementarity with the Cohesion Fund

Although the nature of the projects supported by the Cohesion Fund is national this will also have a positive effect in the Objective 2 areas. More specifically, in the sector of environment for projects financed by the Cohesion fund, priority will be given to sewerage systems in rural areas and landfills, which will also serve the rural areas. Also in the transport sector, projects financed by the Cohesion Fund will improve accessibility of rural areas to ports and airports. Due to the nature of the Objective 3 Programme, no individual project that can be funded through the Cohesion Fund will be funded under the Objective 3 SPD. Non-overlap between the two programmes is ensured since they both fall under the responsibility of the single Managing Authority.

4. SUMMARY DESCRIPTION OF MEASURES

4.1 Priority Pillar 1: Development and promotion of active labour market policies

The First Priority Pillar includes measures aiming at the promotion of employment and vocational education and training, mainly through the enhancement and modernization of the Public Employment Services, the formulation and implementation of training activities and of actions for the promotion of employment. The Pillar includes also measures for the promotion of equality of opportunities for all with regard to access to the labour market, primarily for women and for those who are threatened with social exclusion.

Indicators

Indicator	Target for 2006
Number of new employment offices to become operational	Approx. 8 local offices
Number of vacancies notified at the district labour offices	About 20000 persons
Number of persons or unemployed proposed for filling in vacancies by the labour officers to employers	About 7000 persons
Number of persons or unemployed placed in vacant posts	About 6000 persons
Percentage of filled vacancies	30%
New graduates of secondary education that will obtain working experience and specialized additional knowledge and skills	About 350 persons
Unemployed to undergo training	About 500 persons

Micro-enterprises that will benefit from appropriate consultancy services and training	About 600 micro-enterprises
Recipients of public assistance that will benefit from the programme	About 400 persons
Recipients of public assistance whos' dependency will be terminated	About 200 persons
Persons with a severe disabilit that will be trained	About 200 persons
Persons with disability that will improve their employability	About 750 persons
Women benefiting from social care programmes	About 2500
Women to be trained	About 600

More specifically, the Pillar includes four measures:

Measure 1.1. : Enhancement and Modernization of the Public Employment Services

Aims and General Objectives

The main aim of this measure is the development of structures that will contribute to the implementation of a preventive and employability-oriented strategy. This implies, as it has been pointed out in the JAP document, that PES will be moving towards active engagement with the groups they aim to serve (workers and employers) leading to the elimination of inefficiencies and imbalances in the labour market. This will be achieved through the provision of quality and timely services to the public and a more personalized approach to job-seekers and those who belong to vulnerable social groups, closer co-operation with private employment agencies, local authorities, and training/education organizations as well as through the provision of high quality careers guidance.

Description and Content of Measure:

The activities that are scheduled to be implemented within the framework of this measure include:

- a) Development and modernisation of the Public Employment Services Network as well as the gradual expansion of the Offices with ESF covering the operational costs for indicatively eight (8) new local employment offices.
- b) the introduction of information technology systems which provide among other the potential of self-service in searching/securing a job and in acquiring information for occupations and opportunities for training and employment.
- c) the enhancement of PES in terms of additional personnel and training, so that the Services are able to offer preventive, personalized and quality services.
- d) the promotion and establishment of active partnership arrangements and joint actions with important actors of the labour market, which will aim at the access of women, people of older age and people coming from vulnerable social groups to the labour market.

Final Beneficiaries

The Ministries/Authorities will mainly be the responsible entities, without precluding the possibility of appointing other Public Bodies.

Final Recipients

The Ministry of Labour and Social Insurance

State Aid

No state aid is involved in this measure

Allocation of financial resources

The budget allocated to the enhancement of structures amounts to 35-45% of the total expenditure of Priority Pillar 1 or to 18-23% of the total public expenditure of the SPD.

Measure 1.2: Strengthening of activities to adapt the skills of the new entrants, the unemployed and the employed to labour market needs

Aims and General Objectives

The main objective of this measure is the improvement of employability of an essential part of the labour force (new entrants who are secondary school graduates and the unemployed), through the provision of services for vocational guidance, for training, for job placement and for gaining professional experience.

An additional objective is to support microenterprises with 1-4 employees through the provision of appropriate consultancy including human resource development services and training, in order to help them in the development and more efficient utilization of their personnel. Priority for this action will be given to microenterprises in objective 2 zones.

Health and safety at work will receive close attention in the definition of the training provided, in collaboration with the social partners.

It is expected that the interventions of this particular measure targeting the unemployed and the new entrants who graduated from secondary schools, will reinforce the prevention of and fight against unemployment. These interventions are also expected to reduce the unemployment rate for women. In addition, the interventions of this measure planned for microenterprises are expected to contribute to the improvement of their efficiency and competitiveness.

Description and Content of Measure

This particular measure consists of actions for the promotion of employment of new entrants who are secondary school graduates, provision of training and subsidization for

the employment of the unemployed, as well as actions for the provision of consultancy services to microenterprises targeting the training and better utilization of the owner/manager and its personnel.

The implementation of actions of this measure will be based on the implementation of specialized, ad hoc schemes. In addition, the actions of this measure will be supported by information and advertising campaigns as well as by the creation of an efficient database. Complementary to these actions, the training of trainers and consultants for microenterprises is also planned.

Final Beneficiaries

The Ministries/Authorities will mainly be the responsive entities, without precluding the possibility of appointing Public Bodies.

Final Recipients

Indicatively, the wider public sector, the local authorities, public bodies and private organizations, professionals, clubs unions, locally organized entities, and non-governmental organizations

State Aid

The state aid to be used for this measure will be granted under the Block Exemption Regulation for training aid and the Block Exemption Regulation for employment aid.

Allocation of Financial Resources

The indicative budget of this measure amounts to 15-25% of the total expenditure of Priority Pillar 1, or 8-13% of the total public expenditure of the SPD.

Measure 1.3: Promotion of equal opportunities for access to the labour market for all, and especially for those threatened with social exclusion

Aims and General Objectives

The main objective of this measure is to support the vocational rehabilitation and the social integration of people who are threatened by social exclusion, through their encouragement, the improvement of their skills, their job placement and the provision of continuous counseling services. The actions of this specific measure aim to reduce the labour market disadvantage facing vulnerable social groups such as people with disabilities and persons under welfare assistance. At the same time, the employment and labour force participation rates are expected to increase as a result of the utilization of inactive human capital. It should be also noted that the action for the recipients of public assistance would eliminate the social stigmatization of these persons, while there would be significant savings of financial resources from the Public Funds. Similar benefits are also anticipated by the action for the people with disabilities (improvement of opportunities for education, training, vocational rehabilitation and social integration).

Description and Content of Measure

Within the framework of this measure, a number of actions have been planned for the professional rehabilitation of people with disabilities as well as actions for the support of public assistance recipients in order to reduce their dependency on public assistance and facilitate their reintegration to the labour market. Special employment schemes will be designed and implemented that will provide incentives to the employers for the employment of these persons. These schemes will be reinforced by appropriate counselling/psychological support/training activities, as well as with measures regarding special arrangements for working hours and for the provision of facilities at the work place. More specifically, it is expected that the action aimed at the recipients of public assistance will cover approximately 400 persons, who will gradually be integrated in employment while at the same time their dependency on public assistance will be terminated. This will be achieved through the provision of supportive counselling services to the recipients of public assistance and through their training and job placement, with a part of their labour cost being subsidised.

Care will be given , to the extent possible, in addressing the specific needs of particularly vulnerable groups (i.e. persons leaving prison, drug addicts) in view of ensuring their integration in the labour market and a sustainable social inclusion. Actions could be proposed for combating and preventing racism and xenophobia.

In parallel, the action for the people with disabilities includes:

- (a) The enhancement of facilities and services for social integration and vocational rehabilitation of adults with visual disabilities;
- (b) Incentive schemes for the employment of people with severe disabilities in the private sector, either through coverage of part of costs for their adjustment to the work place or through the subsidization of their labour cost;
- (c) The subsidization of contributions to the Social Insurance Fund, for the disabled who will be employed in private sector establishments.

Final Beneficiaries

The Ministries/Authorities will mainly be the responsible entities, without precluding the possibility of appointing other Public Bodies.

Final Recipients

Indicatively, the wider public sector, the local authorities, public bodies and private organizations, professionals, clubs unions, locally organized entities, and non-governmental organizations

State Aid

The state aid in this measure will be granted under the Block Exemption Regulation for training aid and the Block Exemption Regulation for employment aid.

Allocation of Financial Resources

The indicative budget of this measure amounts to 10-20% of the total expenditure of Priority Pillar 1, or 5-10% of the total public expenditure of the SPD.

Measure 1.4: Promotion of access of women to the labour market

Aims and General Objectives

The main aim of this measure is to support the integration of women to the labour market, through the acquisition of new knowledge and skills, their placement in appropriate positions and by alleviating them from family obligations such as the provision of care for the children, the elderly and other persons who are in need of care. This measure is expected to contribute to the reconciliation of family and working life, as well as to the enhancement of social cohesion. In addition, the measure is expected to stimulate the occupational integration of an important number of women, who would like to work on a part time basis or on other flexible time arrangement, but who remain inactive due to lack of appropriate opportunities. Finally, the modernization of working time organization will have positive results on enterprises, contributing to the retention of production costs at satisfactory levels, to the improvement of their productivity and the enhancement of their competitiveness.

Description and Content of Measure

The actions of this measure concern the enhancement of the operation of services that implement programmes for family support (care of the children, the elderly and people with disabilities).

The provision of care services is eligible to the extent that is provided as an accompanying measure i.e. to assist single parents, unemployed persons or women, with a view to enhance their employability. It should also be noted that a main condition for this action is linked to raising the employability of the targeted population.

The actions are addressed to non-government organizations as well as local authorities. In parallel, the measure includes actions that aim to activate the inactive female work force,

through training programmes and subsidization of their employment. In addition, actions will be promoted for the establishment of modern and flexible forms of employment, primarily in favour of women.

Final Beneficiaries

The Ministries/Authorities will mainly be the responsive entities, without precluding the possibility of appointing Public Bodies.

Final Recipients

Indicatively, the wider public sector, the local authorities, public bodies and private organizations, professionals, clubs unions, locally organized entities, and non-governmental organizations

State Aid

The state aid in this measure will be granted under the Block Exemption Regulation for training aid and the Block Exemption Regulation for employment aid.

Allocation of Financial Resources

The indicative budget of this measure amounts to 10-20% of the total expenditure of Priority Pillar 1, or 5-10% of the total public expenditure of the SPD.

4.2 Priority Pillar 2: Promotion and Improvement of education and training systems and life-long learning

The Second Priority Pillar includes measures aiming at the qualitative improvement of the rendered education and training, mainly through the utilization of new technologies and the application of modern technology to teaching methods, the development of new pedagogical approaches to teaching, the training of teachers with an emphasis on

information technologies, as well as the support of the modernization of the Apprenticeship Scheme.

Indicators

Indicator	Target for 2006
Teachers of secondary general education that will be trained on IT skills	About 6000 persons
Teachers of technical - vocational education that will be trained on IT skills	About 400 persons
Teachers of secondary - vocational education that will be trained on “e-learning” methods and systems	About 100 persons
Training of trainers	About 440 persons
Analytical programmes that will be reviewed and adjusted	100 programs

The Pillar includes two measures:

Measure 2.1: Utilization of new technologies within the framework of life-long learning

Aims and specific objectives

Being aware of the need to facilitate the transition to the information society, the Cypriot government has taken steps to equip all secondary schools (both of the general and the technical-vocational streams) with the necessary software and hardware. Yet the full utilization of IT in education requires the training of teachers and the continuous upgrading of their skills in IT related subjects. The training of teachers is considered to

be, among others, a prerequisite for the familiarization of pupils with the new technologies.

The activities and actions of this measure aim to ensure that a sizeable proportion of all teachers at the secondary level will become digitally literate and lean to use new, IT-oriented, analytical programmes in everyday teaching. This is expected to improve the quality of education and to aid the professional development of graduates.

Description and Content of Measure

The measure includes actions and activities in the field of teachers training, with an emphasis on information technologies. More specifically, the measure includes short training courses on core IT skills for a substantial number of teachers of secondary education (both general and technical), as well as longer-term training on the use of new, IT-oriented, analytical programmes. In addition, the measure foresees the training of trainers, with a view to promote in-school training by a relatively limited number of trained trainers and finally the accreditation of the skills acquired by all teachers, in accordance with tested international standards.

Final Beneficiaries

Primarily, the Ministry of Education and Culture

Final Recipients

Primarily, the Ministry of Education and Culture and the teachers

State Aid

No state aid is involved in this measure

Allocation of Financial Resources

The indicative budget of this measure amounts to 40-50% of the total expenditure of Priority Pillar 2, or 17-22% of the total public expenditure of the SPD.

Measure 2.2: Improvement and reinforcement of secondary and technical - vocational education and training

Aims and general Objectives

The aim of this measure is to strengthen the quality, the attractiveness and the labour market relevance of the secondary educational system and in particular of the technical-vocational education and training system. Planned interventions, include the introduction of modern technologies in teaching, the strengthening of the technical-vocational education and the upgrading of the Apprenticeship Scheme. The implementation of the actions envisaged by the measure is expected to contribute towards a multiplication and diversification of the educational and training opportunities and improve, at the same time, the quality of rendered education. The employability of graduates will also be enhanced, while the female participation rate in technical-vocational education and training is expected to rise substantially.

Description and Content of Measure

Indicative actions focus around the introduction of modern technologies in teaching, through the establishment of “e-learning” capability and practices in Lyceums, Technical Schools as well as in technical-vocational secondary schools. Priority will be given to the secondary vocational education and training. This action entails the revision of analytical programs, the production of supportive ICT based educational material and the acquisition, adjustment and application of the necessary software. A number of secondary technical-vocational education teachers are also to be trained on the full use of e-learning and e-training methods under measure 2.1.. In the field of secondary technical-vocational education a special study is planned, on the future development of a range of new courses and specializations, which will be closer to needs, both of persons and the labour market. The findings and results of the study are expected to lead to pilot implementation of new educational programmes. Finally, the measure includes actions to support the Apprenticeship Scheme and more specifically, the redesigning of curricula (following a

study, in close consultation with the social partners), teachers training and the application of software and other supportive material, necessary for the successful implementation of new ICT based analytical programmes.

Final Beneficiaries

Primarily, the Ministry of Education and Culture

Final Recipients

Primarily, the Ministry of Education and Culture and the students

State Aid

No state aid is involved in this measure

Allocation of Financial Resources

The indicative budget of this measure amounts to 50-60% of the total expenditure of Priority Pillar 2, or 22-27% of the total public expenditure of the SPD.

4.3. Priority Pillar 3: Technical Assistance

This Pillar includes actions, which are necessary for the support of the implementation of this SPD.

The Pillar includes one measure:

Measure 3.1: Support for the implementation of the SPD

Aims and General Objectives

The activities of this measure aim at meeting the needs for the preparation, monitoring and management of all activities of this SPD.

Description and Content of Measure

The measure, which is the only one under this particular Priority Pillar, includes the undertaking of necessary studies for the technical preparation and specialization of activities which are envisaged by this SPD, as well as actions that are referring to the enhancement and improvement of support mechanisms, management and implementation of the SPD. The measure also provides for publicity and evaluation actions of the Programme.

It provides for three actions :

- Enhancement of management and implementation.

Indicative activities will include the support of the Monitoring Committees, assistance for the preparation, selection, appraisal and monitoring of the interventions

- Strengthening of the evaluation and monitoring capacity.

Indicative activities will include studies and expertises, thematic evaluations where necessary etc.

- Publicity and information.

Indicative activities will include the development of the Communication Plan, the elaboration of guidance and publicity material, seminars and workshops etc.

The technical assistance under this measure will be provided according to Rule 11 of Reg. 1685/2000.

Final Beneficiaries

The Managing Authority, Ministries/Authorities will mainly be responsible without precluding the possibility of appointing Public Bodies

Allocation of Financial Resources

The indicative budget of this measure amounts to 2,5% of the total public expenditure of the SPD

5. FINANCIAL PLAN OF SINGLE PROGRAMMING DOCUMENT

Table 5.1: Financing by Priority Pillar and Year (in million euro)

PRIORITY PILLARS MEASURE	TOTAL COST	COMMUNITY PARTICIPATION					NATIONAL CONTRIBUTION	PRIVATE SECTOR	COHESION FUND	OTHER FINANCIAL INSTRUMENTS	EIB LOANS
		TOTAL	ERDF	ESF	EAGGF	FIFG	TOTAL				
Priority Pillar 1: Development and Promotion of active labour market policies											
2004	6,900000	3,450000		3,450000			3,450000				
2005	8,000000	4,000000		4,000000			4,000000				
2006	7,900000	3,950000		3,950000			3,950000				
TOTAL 1	22,800000	11,400000		11,400000			11,400000				
Priority Pillar 2: Promotion and Improvement of education and training systems and life-long learning											
2004	8,000000	4,000000		4,000000			4,000000				
2005	6,200000	3,100000		3,100000			3,100000				
2006	5,800000	2,900000		2,900000			2,900000				
TOTAL 2	20,000000	10,000000		10,000000			10,000000				
Priority Pillar 3: Technical Assistance											
2004	0,336316	0,168158		0,168158			0,168158				
2005	0,440112	0,220056		0,220056			0,220056				
2006	0,313966	0,156983		0,156983			0,156983				
TOTAL 3	1,090394	0,545197		0,545197			0,545197				
GENERAL TOTAL	43,890394	21,945197		21,945197			21,945197				
2004	15,236316	7,618158		7,618158			7,618158				
2005	14,640112	7,320056		7,320056			7,320056				
2006	14,013966	7,006983		7,006983			7,006983				
Concentration in Objective 2 Areas	21,945197	10,972599		10,972599			10,972598				
The share for Objective 2 regions (%)	50	50		50			50				

6. EX ANTE VERIFICATION OF ADDITIONALITY

Table 6: Ex ante evaluation of additionality for Objectives 2 and 3

Public Expenditure on active labour market policy (in million euro, 1999 prices)

	2002	Annual Average 2004-2006				
		Total	SPD		Not EU co-financed	Total
		Nat. +EU	EU	Nat.	Nat.	Nat.
(1)	(2)	(3)=4+5+6	(4)	(5)	(6)	(7)=5+6=3-4
Active labour market policies						
- Public employment services	1,4	4,1	1,5	1,5	1,1	2,6
- Labour market training	9,9	13,9	0,7	0,7	12,5	13,2
- Labour cost subsidies	0,1	0,8	0,3	0,3	0,2	0,5
- Youth measures	60,9	66,4	3,0	3,0	60,4	63,4
- Measure for the disabled	0,2	1,7	0,3	0,3	1,1	1,4
- Other (α)	0,8	1,7	0,5	0,5	0,7	1,2
TOTAL	73,3	88,6	6,6	6,3	76,0	82,3

(α) Includes the promotion of modern flexible employment forms as well as the expenses of the Human Resource Development Authority for consultancy services, strengthening of training infrastructure, and vocational qualifications

NOTES:

1. The base line level of expenditure is the year 2002 (in 1999 prices). The data sources that were used are:
 - Financial Report for the year 2002 (ready one year after)
 - Actual payments computerized report, prepared by the Treasury (ready May following year)
 - Annual Report for the year 2002, Human Resource Development Authority

2. The verification of additionality includes active labour market expenditure (i.e no expenditure on basic infrastructure) such as:
 - a) Public employment services
 - b) Labour market training
 - c) Youth measures
 - d) Subsidized employment
 - e) Measures for the disabled

7. PARTNERSHIP

In Cyprus there already exists a long experience regarding consultation both during the preparation of the previous medium-term and short-term programmes, eg five-year Strategic Development Plans and annual Development Budgets, but also during their implementation. More specifically, it is noted that during the initial stages of the preparation of the Strategic Development Plans, which were prepared on a five-year basis, the suggestion of all public bodies, local authorities, social and economic partners and other non-governmental organizations were requested. These suggestions were initially forwarded in writing and individual meeting followed. Before the completion of each Strategic Development Plan a meeting of the Economic Consultative Committee, members of which are all the social and economic partners, was also summoned for the exchange of final opinions on the Plan.

This practice, as already mentioned above, is in place for the consultation with partners aiming at the full implementation of the partnership principle as this is also required by the relevant EU regulation. During the preparation of the new Strategic Development Plan, 2004-2006, as well as of the Single Programming Document for Objective 3 an extensive procedure of consultation with all partners was followed. The procedure of consultation coordinated by the Planning Bureau, the responsible Programming Authority, according to relevant decision of the Council of Ministers, has addressed three categories of partners:

- the government Ministries and Departments, the semi-governmental organizations and the local authorities;
- the economic and social partners as well as non-governmental organizations;
- the relevant Directorates-General of the European Commission.

The first stage of the procedure of consultation with the partners involved was an initial briefing regarding the programming procedure that would be followed for the preparation of programming documents. Within this framework, apart from a seminar organised by the Directorate-General for Regional Policy in March 2002 in Larnaca, three additional seminars were organised in the period May – June 2002. In these seminars, the following issues were covered: the programming procedure, the structure of the Strategic Development Plan, the Single Programming Document for Objective 3 and the other programming documents that

will be submitted to the European Commission, the eligibility of operations, as well as the composition of the Monitoring Committees after accession.

This initial briefing was followed by a circular from the Planning Bureau requesting all partners (see analytical list in **Annex B**) to submit proposals/suggestions regarding both the Strategic Development Plan 2004–06 and the Single Programming Document for Objective 3. In the circular provided, a time-frame of approximately 2 months for submission of suggestions/proposals, was set. During the period of submission of the proposals, a number of separate meetings were held as well as other communication channels were used for discussing and processing the various proposals. A considerable amount of proposals were submitted by all partners involved. The proposals were divided amongst the various programming documents and were then evaluated.

Many of the proposals have been taken into account in formulating the strategy and the priorities as well as the design of the measures included in the SPD. Proposals that did not fit in the logic of the SPD, taking also into account the limited amount of funds and the short programming period, will be assessed and examined for funding by national funds under the development expenditure of the annual budget.

In order also to further facilitate both inter-ministerial coordination and consultation with all partners involved, in accordance to the decision of the Council of Ministers (Decision No. 55.523 dated 24 April 2002) the following two Committees were formed: (1) the Programming Committee, which is chaired by the Permanent Secretary of the Planning Bureau, and composed of the Permanent Secretaries of the Ministries of Interior, Labour and Social Insurance, Agriculture, Natural Resources and Environment, and Trade, Industry and Tourism; and (2) the Consultative Committee for Programming which is composed apart from the bodies of the broader public sector, by local authorities, social and economic partners as well as non-governmental organisations (the complete composition of the Consultative Committee is presented in **Annex C**).

After receiving all the proposals from the institutions involved and after the first screening by the Planning Bureau, a Technical Drafting Committee for the Objective 3 SPD was formed. The Technical Drafting Committee is chaired by a high official of the Planning Bureau and its permanent members are representatives from the Ministry of Labour and Social Insurance, the

Ministry of Education and Culture, the Ministry of Interior, the Cyprus Academy of Public Administration and the Human Resources Development Authority. Depending on the issues discussed at each meeting, representatives from other relevant government services, such as the Machinery for women and the Cyprus Tourism Organisation, also participated. The Technical Drafting Committee discussed and submitted comments and remarks for both the proposed measures/actions and for the preliminary drafts of the Single Programming Document.

During the preparation of the Single Programming Document, a number of on the spot field visits and contacts were also made with main actors of Objective 3. The purpose of the visits was the exchange of views, the identification of their problems and the better understanding of their proposals. In these visits, representatives of the Directorate-General for Employment and Social Affairs also participated.

With the completion of the first final draft Single Programming Document for Objective 3 in March 2003, a meeting of the Programming Committee was held to exchange views on the document. Then, the Single Programming Document for Objective 3 was submitted to all the members of the Consultative Committee for Programming, which met for discussion of the document on March 31st 2003. A representative of the Delegation of the EU in Cyprus was also invited at the meeting as an observer. At the end of the meeting a time-frame was given for submission of any further written comments/proposals on the draft text of SPD. Finally, the Single Programming Document for Objective 3 was submitted and approved by the Council of Ministers on April 30th 2003.

It is pointed out, that during the drafting stage of the Single Programming Document for Objective 3, important and useful consultations and technical meetings took place with the DG Employment and Social Affairs of the European Commission, which provided the national authorities with very constructive comments and guidance regarding the content of the draft SPD in relation to relevant EU Regulations and requirements.

With the accession of Cyprus to the EU the Consultative Committee for Programming will be replaced by separate Monitoring Committees for each Programming Document the functions of which will be in accordance with relevant articles of EU Regulation 1260/1999. The Monitoring Committee for Objective 3 will be chaired by the Permanent Secretary of the

Planning Bureau. It will be composed of representatives from relevant institutions of the broader public sector, local authorities, economic and social partners and non - governmental organisations (for further details see par. 8.5.1).

The draft Single Programming Document for Objective 3 was formally submitted to the European Commission on May 15th 2003. By June the Commission informed the Planning Bureau that the draft SPD was considered to be admissible.

The Commission's formal response was presented on the 16th of September 2003, during the first negotiating meeting that took place in Cyprus. The Technical Drafting Committee then proceeded to the revisions of the SPD according to the agreed minutes of that meeting.

On the 17th of September 2003, the Planning Bureau organized a separate meeting with the social partners for the Objective 3 programme. Most social partners associations were represented. At the meeting, the Planning Bureau, explaining the recent developments on the negotiations for the SPD Objective 3. The timetable ahead, up to the time when negotiations on the programme will have to be concluded, was also explained. The Planning Bureau inquired on whether the social partners had any additional comments than those already requested and provided for in written, but no further comments were expressed by the participants on the current draft SPD. Nevertheless, it was reminded that the main text of the SPD and all relevant information on the programming documents were available on-line in the Planning Bureau web site.

Further more, the Planning Bureau explained the process to be followed for the submission of the programme complement and stated that it would be made available for the social partners to read and express any comments they might have, as in the case of the draft SPD, before its presentation to the Commission.

8. IMPLEMENTING PROVISIONS

8.1 Introduction

In accordance with the provisions of Article 19.3 (d) of Council Regulation (EC) 1260/1999 of 21st June 1999, the present chapter sets out the implementing provisions for the Cyprus Objective 3 Single Programming Document (SPD) for the period 2004-2006. More specifically, the implementing provisions include the description of management, monitoring/evaluation and audit arrangements of the SPD, which were developed according to the basic principles of the Council Regulation 1260/99 referred above, as well as the relevant provisions of implementing Regulations of the European Commission. In this context, the designated relevant authorities are presented, as well as the procedures for implementation, monitoring, financial management and audit established in order to ensure the regularity and effectiveness of the measures of the Programme co-financed by the Structural Funds.

The management and implementation system of the Programme developed has taken also into consideration the existing institutional framework for the programming and implementation of development Programmes of the Republic of Cyprus in order to avoid the creation of parallel structures. In this respect, it is noted that the relevant departments and other bodies of the public sector of the Republic of Cyprus have a long experience in the programming and implementation of programmes and projects which have been financed both from the government budget and from funds of the EU or other international financing institutions. During the pre-accession period, the relevant authorities of the Government of the Republic of Cyprus, within the framework of the commitments that have been undertaken in the accession negotiations, have already proceeded to take the appropriate measures in order to adapt the existing mechanism for the management of funds to the requirements of the relevant Regulations of the EU.

Within the legal framework that will be established by the decision of the European Commission for the approval of the Objective 3 SPD for the period 2004-2006, the arrangements for the management of the Programme will be described in more detail at a Measure level, in the Programme Complement (PC).

The provisions of the present chapter can be amended in the context of the partnership arrangements, following a proposal by either the relevant authorities of the Republic of Cyprus or the European Commission.

During the course of the implementation of the SPD, the relevant national authorities may adopt all the appropriate measures so as to ensure the compliance with the principles of sound and efficient management of funds.

8.2 Designated Authorities for Management, Payments and Audits

8.2.1 Managing Authority

Designation

The Planning Bureau has been designated as the Managing Authority of the Programme, in accordance with the Decision of the Council of Ministers of the Republic of Cyprus No 55.114 dated 12.2.2002. The Permanent Secretary of the Planning Bureau has overall responsibility for the operation of the Managing Authority and will represent it towards the European Commission. The responsible political authority for the Planning Bureau, according to Public Service Law 1/1990 of the Republic of Cyprus, is the Minister of Finance, to whom the Planning Bureau reports directly. It is noted that the Planning Bureau constitutes also the Single Managing Authority for all the other interventions (SPD of Objective 2 and Fisheries as well as Community Initiatives INTERREG III and EQUAL) that will be co-financed by the Structural Funds of the EU in Cyprus.

The tasks and the organizational structure of the Managing Authority have been approved by the Council of Ministers of the Republic of Cyprus in its Decision dated 30.4.2003.

Tasks and Responsibilities

The Managing Authority shall be responsible for the efficiency and correctness of management and implementation of the Programme. The responsibilities and tasks of the Managing Authority are specified in Article 34 of the Council Regulation 1260/1999. Taking into consideration the existing institutional and financial framework in Cyprus as well as the nature of Measures of the SPD for Objective 3, the Managing Authority has delegated certain of its tasks to the Ministry of Labour and Social Insurance, which will act as the *Intermediate Body* with regard to the management and monitoring of some Measures of the Programme, defined in Article 2 (2), of Commission Regulation 438/2001. The tasks of the *Intermediate*

Body are presented in **par. 8.2.2**. The Managing Authority is responsible for taking the following measures:

1. The setting up of a system for gathering reliable financial and statistical information and data on the implementation, monitoring indicators and evaluation, as well as for forwarding this information and data to the European Commission in accordance with the arrangements that will be agreed, using where possible IT-based systems (*Council Regulation 1260/1999, article 34 paragraph 1a*). In this context, the Managing Authority:
 - 1.1 Has the overall responsibility for the setting up and operation of an IT-based Management Information System (MIS), which is described in **par.8.5.2** and will cover all the interventions that will be co-financed by the Structural Funds of the EU in Cyprus. It will ensure that the MIS responds to the needs of: the Monitoring Committee, the Paying Authority, the Auditing Authorities and the European Commission.
 - 1.2 It sets the framework within which the *Intermediate Body* will maintain detailed monitoring data and information in the MIS.
 - 1.3 Checks the reliability of the data submitted by the Intermediate Body with standardised controls and sample audits that carries out via the MIS.
 - 1.4 Ensures that the Intermediate Body and the Final Beneficiaries comply with the obligations for submitting all the necessary information and data in order to secure the co-financing of projects from the Government Budget.
 - 1.5 Forwards to the European Commission all the standardised files (flat files) that will be envisaged in the arrangements agreed between the relevant Authorities and European Commission for computerized exchange of data. The above files will be produce by the MIS.
2. The drafting of the Programme Complement and its possible adjustments and its submission for approval to the Monitoring Committee and subsequently to the European Commission for information purposes, (*Regulation 1260/1999, Article. 34 par. 1b and par. 3*). The Intermediate Body will forward to the Managing Authority all the information, which is required for the preparation of the Programme Complement and its possible readjustment or modification.
3. The safeguarding of the correctness and the effectiveness of the implementation of the Measures of the Programme Complement (*Council Regulation 1260/1999, article. 34 par. 1b and par. 3*). In this context the Managing Authority:

- 3.1 Issues guidelines to the Intermediate Body and the Final Beneficiaries regarding the implementation of the Programme according to the Regulations of the EU.
- 3.2 Approves the selection of operations under each Measure to be funded according to the procedure that is envisaged in **par. 8.3.**
- 3.3 Monitors the implementation of the operations, according to **par. 8.5.**
- 3.4 Safeguards that the first level of audits are conducted by the Intermediate Body, as specified in **par. 8.7.1.**

4. The drafting and submission to the European Commission of the Annual and Final Implementation Reports, following its approval by the Programme Monitoring Committee (Council Regulation 1260/1999, article 34 par.1c and article 37). In this context, the Managing Authority:
 - 4.1 Prepares the Annual Implementation Reports as well as the Final Implementation Report, based on the data that are entered in the MIS and/or any other information/data that the Intermediate Body and Final Beneficiaries are obliged to submit.
 - 4.2 Ensures that the Intermediate Body and the Paying Authority forward all the necessary information and data for the drafting of Annual Implementation Reports as well as the Final Implementation Report.
 - 4.3 Submits for approval to the Monitoring Committee the Annual Implementation Reports and the Final Implementation Report.
 - 4.4 Submits the above Reports to the European Commission (including the exchange of electronic data).
 - 4.5 Submits to the European Commission an annual report about the 5% controls as referred in Art.13 of Reg.438/2001, as well as an updated description of the management and control systems according to Art.5 of the same Regulation.

5. Cooperation with the European Commission for the ex post evaluation of the Programme according to article 43 of Council Regulation 1260/1999.

6. The maintenance of appropriate accounting coding system for all transactions relating to the Programme. In this context, the Managing Authority ensures that:
 - 6.1 The Intermediate Body takes all necessary actions so that the Final Beneficiaries maintain separate accounting system or adequate accounting coding for the co-financed operation.

- 6.2 For the Final Beneficiaries that do not maintain a separate accounting system, the Managing Authority, upon approval of the project, will provide an accounting code which the Final Beneficiary is obliged to maintain.
7. The establishment of internal control measures for the correct financial management and adoption of measures for modification/adjustments or possible financial corrections that may be required.
8. Ensurance of the compliance with the National and Community policies, of operations that are financed by the Programme (Council Regulation 1260/1999, article 12 and article 34 par 1f), provided that this compliance constitutes a pre-condition for the provision of contribution from the Structural Funds. The Managing Authority ensures that the Intermediate Body takes all necessary actions so that the Final Beneficiaries, as well as the Final Recipients comply with the obligations that arise from the National and Community legislation, and more specifically regarding Public Contracts, Environment, State Aids and Equality between Men and Women according to the procedures that are presented in **par. 8.4**. In this context, the Managing Authority:
- 8.1 Takes the appropriate measures in order to support the Intermediate Body and the Final Beneficiaries so that they are in a position to perform their tasks.
- 8.2 Ensures that the Intermediate Body carries out preventive checks during the project selection procedure and other controls during the implementation and completion of the operations.
9. The design, implementation and monitoring of the Programme procedures for publicity in cooperation with the European Commission, and formulation of a framework of publicity principles for the Intermediate Body and the Final Beneficiaries so as to ensure the compliance with the obligations regarding the information and publicity, as set out in **par. 8.9**. In this context, the Managing Authority:
- 9.1 Issues the appropriate guidelines to the Intermediate Body and Final Beneficiaries for the compliance with the provisions that are included in the Programme Complement based on the principles of Council Regulation 1159/2000 and cooperates with the European Commission for the co-ordination of Programme publicity actions.

- 9.2 Carries out the necessary sample and other checks and cooperates with the European Commission for the co-ordination of Programme publicity actions.
- 9.3 Ensures that the Intermediate Body takes all actions so that the Final Beneficiaries comply with the obligations concerning the information and publicity of the projects that are implemented, according to article 46 of Council Regulation 1260/1999 and Council Regulation 1159/2000.
- 10 The chairing and secretarial support to the meetings of the Monitoring Committee of the Programme.
- 11 The organisation of the Annual Review Meeting with the European Commission and the monitoring of the implementation of its justified recommendations (Council Regulation 1260/1999, article 34 par.2).
- 12 Provides to the European Commission the necessary data for the verification of additionality, according to article 11 of Council Regulation 1260/99.

Organisational Structure of the Managing Authority

The main responsibility for the operation of the Managing Authority will be taken up by the Structural Funds Unit, which is set up within the organizational structure of the Planning Bureau. All Directorates of the Planning Bureau will also contribute, in accordance with their existing responsibilities (sectoral policy, macroeconomics, budget, technical assistance, etc), to the fulfillment of tasks of the Managing Authority. The above Unit consists of four Subunits to which, a number of duties have been assigned and will function in a complementary way. Each Subunit will be divided into a number of teams. The organogramme of the Structural Funds Unit is presented in **Annex E**. The three Subunits will be responsible for the following:

A. Subunit for Programming and Evaluation

This Subunit will be responsible for the following:

- Drafting and/or adjustment of Programme Complement, Council Regulation 1260/99 article 34 1b
- Appraisal and pre selection of operations
- Annual Implementation Reports and Final Implementation Report of Programme, Council Regulation 1260/99 article 34 1c and 34.2

- Information and publicity of the Programme, Council Regulation 1260/99 article 34 1g
- Support of the meetings of Monitoring Committee
- Forwarding of standardised files, Council Regulation 1260/99 article 34 1a
- Evaluation and Monitoring at Programme level

B. Subunit of Monitoring, Implementation at a Project Level

This Subunit will be responsible for the following:

- Implementation of Programme Complement, Council Regulation 1260/99 article 34 1b with regard to the final approval for financing projects
- Collection of data at the project level, (Council Regulation 1260/99 article 34.1 a)
- Maintenance of accounting records, (Council Regulation 1260/99 article 34.1 e)
- Ensuring of correctness and effectiveness, Council Regulation 1260/99 article 34.1 f
- Compliance with National and Community policies
- Compliance monitoring concerning information and publicity obligations, (Council Regulation 1260/99 article 34 h)
- Provision of information

C. Control Subunit

This Subunit is responsible for the following:

- Ex Ante controls, (Council Regulation 1260/99 article 34 1f)
- Control during the implementation and the completion of operations (Council Regulation 1260/99 article 34 1f)
- Internal control of the Unit functions
- Corrective measures (Council Regulation 1260/99 article 34 1f)

D. Subunit for Organisation, Technical Support and MIS

This Subunit will be responsible for the following:

- Preparation and implementation of technical assistance activities for the support of the Managing Authority, Intermediate Bodies and Final Beneficiaries
- Preparation of Manuals and Guidelines

- Management Information System (MIS): operational support; Helpdesk, etc
- Managing Authority functions support

Staffing of the Managing Authority

The Structural Funds Unit of the Planning Bureau, which will undertake the tasks of the Managing Authority, will have staff with graduate and post-graduate education as well as supporting staff as follows:

- Head – Coordinator
- Officers of the Planning Bureau with experience on issues of regional policy, structural funds of the EU, monitoring and evaluation, appraisal of projects, etc
- Qualified Accountant
- Legal Advisor
- I.T. Officer
- Supporting staff

This structure can be amended according to the need for the better operation of the management system.

8.2.2 Intermediate Body

Designation

The Ministry of Labour and Social Insurance has been designated to be the *Intermediate Body* for certain Measures of the present Programme. The tasks delegated to the *Intermediate Body* are included in the Decision of the Council of Ministers dated 30.4.2003.

Tasks and Responsibilities

The Intermediate Body, as defined by Council Regulation 438/2001 article 2 par.2, will undertake the tasks which are delegated to it by the Managing Authority in relation to the monitoring and control of the projects implementation under the priority Pillars 1 and 2. The Intermediate Body is responsible for taking the following actions concerning the Measures that it manages:

1. The gathering of reliable financial and statistical information/data on the implementation, the monitoring indicators and the evaluation, as well as their input in the Management Information System (MIS) of the Managing Authority. In this context, the Intermediate Body:
 - 1.1 Maintains analytical monitoring information/data in the MIS with Monthly Expenditures Reports, Quarterly and Semi-annual Monitoring Progress Reports based on the information and data that each Final Beneficiary is obliged to send.
 - 1.2 Checks the reliability of the data with standardised controls that it carries out through the MIS and/or other audits.
 - 1.3 Ensures that the Final Beneficiaries comply with their obligations for the information included in the Monthly and Quarterly Monitoring Reports of the MIS, as well as the information for the financing of projects from the Government Budget which affects the financing of projects from the Government Budget.
2. Drafting of Measure Fiches in the context of the Programme Complement preparation and possible proposals for their adjustments and their submission to the Managing Authority.
3. The implementation of the Measures in the Programme Complement for which is responsible according to the framework that is agreed with the Managing Authority (Council Regulation 1260/1999, article 34 par. 1b and par. 3). In this context the Intermediate Body:
 - 3.1 Implements and manages the Measures, and submits proposals for the selection of operations according to the procedure that is envisaged in **par. 8.3**.
 - 3.2 Monitors the implementation of the operations, as per **par. 8.5**.
 - 3.3 Conducts the first level of audits, as defined in **par. 8.7.1**.
4. The submission of all necessary information and data to the Managing Authority for the drafting of the Annual Implementation Reports and the Final Implementation Report, (Council Regulation 1260/1999, article 34 par.1c and article 37).
5. The maintenance of either a separate accounting system or an appropriate accounting code of all transactions that is related to the SPD. In this context and in agreement with the Managing Authority, the Intermediate Body ensures that:
 - 5.1 The Final Beneficiaries that keep a separate single accounting system and specific accounting entry for the co-financed projects.

- 5.2 For the Final Beneficiaries that do not maintain a separate accounting system, upon approval of the project, the Managing Authority will provide accounting codes.
6. The submission of proposals to the Managing Authority for the establishment of internal audit measures for the correct financial management, and adoption of measures for required adjustments or corrective measures.
7. The safeguarding that (through the conduct of all necessary audits, based on the guidelines of the Managing Authority) the Final Beneficiaries and the Final Recipients comply with the obligations that arise from the National and Community legislation and policies (more specifically regarding: Public Contracts, Environment, State Aids and Equality Between Men and Women) according to the procedures presented in **par. 8.4.** (Council Regulation 1260/1999, article 12, article 35 par 1f). In this context, the Intermediate Body:
- 7.1 Takes the appropriate measures in order to support the Final Beneficiaries to fulfill to their obligations.
- 7.2 Carries out audits during the project selection procedure as well as during the implementation and completion of operations.
- 8 The compliance with the obligations regarding the information and publicity, according to the guidelines and framework set by the Managing Authority (**par.8.9**). In this context, the Intermediate Body implements information and publicity actions at a Measure level and monitors the correct compliance of Final Beneficiaries with obligations regarding the information and publicity for projects that are implemented, according to article 46 of Council Regulation 1260/1999 and Council Regulation 1159/2000.
- 9 The submission to the Managing Authority of all necessary information and data relating to the implementation of operations in order to inform accordingly the Monitoring Committee of the Programme.
- 10 The submission to the Managing Authority of all necessary information and data that are required for the annual review meeting with the European Commission and the implementation of its justified recommendations, according to the guidelines of the Managing Authority (Council Regulation 1260/1999, article 34 par.2).

8.2.3 Paying Authority

Designation

The Treasury of the Republic of Cyprus has been designated as the Single Paying Authority (as defined in Article 9 of Council Regulation 1260/99) for all the Programmes of the Structural Funds and for the Cohesion Fund by the Decision of the Council of Ministers with No. 55.114 and dated 12.2.2002. The tasks of paying Authority have been approved by the Council of Ministers in its Decision dated 30.4.2003.

Tasks/Responsibilities

The Paying Authority (PA), in accordance with article 32 of Regulation 1260/1999, will be responsible for:

1. Submitting applications for payment to the Commission, three times per year with the last application each year being presented no later than October 31st in accordance with Article 32(3) of Regulation 1260/1999.
2. Ensuring that the final beneficiaries receive payment of their contribution from the Funds in full through the National Budget, as quickly as possible in accordance with Article 32(1) of Regulation 1260/1999.
3. Submission of interim payment applications to the Commission, which will be accompanied by a detailed statement of expenditure at a Priority and Measure level. The PA will certify the applications provided and will ensure compliance with the conditions and requirements specified in Article 32(3) (a-f) of Regulation 1260/1999. Towards this, the PA will require the Managing Authority to certify that the above mentioned conditions have been fulfilled, before it can accept a payment request.
4. Submission of the claim for the final balance within the time frame specified and subject to the requirements of Article 32(4) of Regulation 1260/1999 (The required wind up declaration presented with the final claim will be drawn up by the Internal

Audit Directorate which is functionally independent of both the Managing Authority and the Paying Authority).

5. Submission of updated payment applications forecasts for the current and following year to the Commission not later than April 30th each year, in accordance with Article 32(7) of Regulation 1260/1999.
6. A determination of the information system, in co-operation with the Managing Authority, on how the information will be used (i.e. auditing, certifying, approving) and be processed by the Management Information System (MIS), which will be set up by the Managing Authority.
7. Carrying out second level audits over the Managing Authority, the Intermediate Body and Final Beneficiaries as envisaged in **par. 8.7.2**.
8. The payment of irregular payments that have been recovered in the Community according to article 8 of Council Regulation 438/2001.
9. Submission to the European Commission quarterly reports on the recoveries that are effected, according to Council Regulation 1681/94. In the last report of the year a statement is attached concerning the sums for which a recovery is expected, according to article 8 of Council Regulation 438/2001.
10. Proceeds to the suspension of payments in case of justifiable suspicion of irregularity, informing simultaneously the third level of audit (Internal Audit Service), the Managing Authority, the MIS, the Final Beneficiary and the Final Recipient. In case of an irregularity, it proceeds to the canceling of relevant payments following a hearing from the interested parties. The decisions of the Paying Authority, which will have to be justified and be in accordance with the principle of proportionality, can be the subject of administrative and/or judicial appeals.
11. The monitoring and the co-ordination of financial flows and the management of accounts where the credits from the Structural Funds are deposited.

Organisational structure of the Paying Authority

The PA will be a separate unit of the Treasury of the Republic of Cyprus, which will be divided into two sub-units:

- (i) The Financial Management Unit
- (ii) The Paying Authority Audit Unit

A. Financial Management Section

The Financial Management section will be responsible for:

- Preparing and submitting the payment requests to the Commission and their receipt in accordance with Articles 9 and 32 of Regulation 1260/1999.
- Ensuring that the Final Beneficiaries receive payment of their contribution from the Funds in full as quickly as possible.
- Submitting to the Commission the updated forecasts of applications for payment in accordance with Article 32(7) of Regulation 1260/1999.
- Submitting to the Commission the quarterly reports regarding the recovery of irregular payments required by Article 5 of Regulation 1681/1994.
- Repaying irregular payments recovered together with interest received on account of late payment in accordance with Article 8 of Regulation 438/2001.

B. The Audit Unit

The PA Audit Unit will be responsible for carrying out the second level audits over the Structural and Cohesion Funds. It is planned to establish three “audit groups” which will be responsible for the audit of projects.

The PA Audit Unit will:

- Decide on the areas that will be audited and the methodology that will be followed.
- Carry out second level audit over the Managing Authority, Intermediate Bodies and Final Beneficiaries.

- Evaluate the audit findings and recommend corrective measures.
- Co-operate with the Commission and the Internal Audit.

8.2.4 Independent Auditing Authority

Designation

The Independent Auditing Authority for the present Programme, which is designated to undertake the carrying out of the third level of audit, is the new Internal Audit Services established by a new Internal Audit Act.

The tasks of the Independent Auditing Authority have been approved by the Council of Ministers in its Decision dated 30.4.2003.

Functions/Responsibilities

The functions of the Independent Audit Authority are:

1. The organisation and carrying out of sample audits as provided in article 10 of E.U. Regulation 438/2001.
2. The carrying out of audits of the systems of management and audit of the Programmes of Article 10-12 of Regulation 438/2002.
3. The submission of the winding up declaration for the closure of the assistance as it is envisaged in Article 38 par.1 (e) of Regulation 1260/1999 and in article 16 of Regulation 438/2001.
4. The forwarding of information concerning the irregularities to the European Commission as envisaged by article 38 par.1 (e) of Council Regulation 1260/1999.
5. The submission of information irregularities identified to the Managing Authority and the Paying Authority.
6. The submission of necessary information.

Staffing

The Internal Audit Service, is staffed both with certified accountants and with university graduates.

Within the new Independent Internal Audit Service, there will be a separate unit which will be exclusively responsible for the audit of funds that will be granted by the European Union.

8.3 Operations Selection Procedure and Implementation of Operations

General

The selection procedure includes all stages of activities that are required for the selection and approval of operations (that is, the projects or actions that are necessarily implemented by the Final Beneficiaries), for their financing to be approved in the context of implementation of the SPD.

These procedures, which are described in the paragraphs that follow, aim towards achieving transparency and objectivity during the selection of the operations. The selection procedures will be described in more detail at a Measure level in the Programme Complement. The overall responsibility for the strict adherence of procedures lies with the Managing Authority of the Programme.

Briefly, the procedure of selection and approval of operations includes the following stages, with the starting point being the approval of the Programme Complement and the general and specific selection criteria by the Monitoring Committee, according to article 35 of Council Regulation 1260/1999 of the Programme, and are analyzed below:

- General guidelines by the Managing Authority, to the Intermediate Body and all the authorities involved for the project selection procedure.
- Call for expression of interest to the Final Beneficiaries by the Managing Authority or the Intermediate Body (for the Measures of their responsibility).
- Submission of proposals by the Final Beneficiaries to the Managing Authority or the Intermediate Body.
- Appraisal of proposals by the Managing Authority or/the Intermediate Body.

- Forwarding of the appraised proposals to the relevant Ministries for opinions/comments.
- Submission of proposal for approval of operation to the Measures that they have the responsibility by Intermediate Bodies to the Managing Authority.
- Approval decision by the Managing Authority.

General Guidelines for the Operations Selection Procedure

The Managing Authority, in order to ensure that the selection procedure, comply with the provisions of the Programme Complement, and that arise in accordance with the relevant National and Community legal and institutional framework, will issue general guidelines (which will also be contained in a Procedures Manual) which will cover:

- The content of the Invitation for Submission of Proposals and a relevant template.
- The content of the application form and a template of project fiche.
- The methodology and the type of project appraisal.
- The matching of potential Final Beneficiaries with categories of eligible operations.

Call for expression of interest

Based on the provisions that will be set out for each Measure in the Programme Complement, the Managing Authority or the Intermediate Body invites the potential Final Beneficiaries for an expression of interest and submission of project applications. Depending on the nature of the projects/ activities and the category of the Final Beneficiaries that are specified for each Measure, the appropriate publicity measures will be taken [either with written circular to all Final Beneficiaries (Public Bodies/Agencies) or with invitation through the mass media].

Submission of proposals by Final Beneficiaries

The proposals may concern either the implementation of the project, or the feasibility studies (or other technical assistance).

(a) Project proposals.

Each application includes among other things the description of the proposed project and its scope, geographical coverage and specific objectives (or where it is required a business plan), a timetable with the critical activities of the project and financial plan. For all the operations, standardized project fiches will be used by the potential Final Beneficiaries.

(b) Applications for the feasibility draft studies – technical assistance

These applications are concerned both with the preparation of feasibility studies and with the provision of services by external experts during the preparation phase of the project. The application for the funding of the feasibility studies-technical assistance is appraised on:

- The compatibility of the project sought by the feasibility study with the relevant Programme
- The compatibility with the priorities set in the Programme.

The applications are submitted to the Managing Authority or the Intermediate Body depending on the Measure that they propose to be included. The procedure for the approval of financing of feasibility/preparatory studies - services is the same as the procedure for the approval of projects.

Appraisal of proposals

In order to ensure that the framework for the selection of projects is transparent, the Managing Authority may alternatively follow the following two approaches concerning the method of appraisal of proposals for the selection of projects:

- ❖ *Direct Appraisal*: Appraisal of proposals with their submission on closing dates for submission set.
- ❖ *Comparative Appraisal*: Appraisal of proposals after a closing date for submission of proposals aiming at their ranking.

The type of appraisal to be selected depends on: the nature of the Measure, the categories of operations and the number of potential Final Beneficiaries. The procedure of comparative evaluation will be followed primarily in cases of homogeneous projects / actions with common characteristics, for which the comparison is feasible. Also, the comparative appraisal will be followed in the cases of operations that have relatively short and concurrent

timetable of maturity. A standardized appraisal template will be used, which will be prepared under the responsibility of the Managing Authority in cooperation with the Intermediate Body.

Core Selection Criteria

The Intermediate Body will appraise the applications based on the following indicative core criteria (will be presented in more detail in the Programme Complement and will be approved by the Monitoring Committee):

- a. Eligibility of operation: in the context of each Measure, as this is included in the Programme Complement (Council Regulation 1260/1999, article 18 par.3b).
- b. Viability of the operation: financial viability and economic/social benefits. If the project generates substantial net revenues, the appraisal should additionally lead to a recommendation for the rate of public co-financing contribution according to article 29 of Council Regulation 1260/1999 and based on a cost-benefit analysis. Where it is required, the cost-benefit study should also be submitted.
- c. Completeness of operation: if the objectives of the Measure are achieved in a self-ending manner or if it constitutes part of a project already included and if the project proposal contains information that has prospects of correct operation.
- d. Level of Maturity of operation: Appraisal of the maturity is based on the category of the project and the data submitted and included in the Project Fiche. Moreover, a check of the required permits is conducted. Additionally, the existence and the quality of required feasibility studies are checked and the structures for the implementation of the project / activity are evaluated.
- e. Compatibility of project/activity: with the National and Community policies (e.g. environment, competition policy (state aids), public programme, promotion of equality of opportunities).

The methodology of appraisal of projects will be publicised through the invitation for tender (the expression of interest, prior to the submission of proposals). The Managing Authority or the Intermediate Body, based on the appraisal that it has conducted, prepares a recommendation for approval or prepares a prioritized list of preselected projects.

If the proposed project/activity is considered as inadequate for approval, the Managing Authority, or the Intermediate Body informs (with the agreement of the Managing Authority)

the Final Beneficiary for the rejection, with due justification. Where it is deemed necessary, it may invite the Final Beneficiary to re-submit an amended application (Project Fiche) of the project/activity.

Forwarding of appraised proposals to the relevant Ministries for opinion

Within the context of this procedure and depending on the nature of the Measure, the opinions of the Ministries or other Bodies of the wider public sector that have the responsibility for the Measure related to the project are taken into consideration. This procedure aims mainly to ensure the conformity of the projects/activities with the relevant National and Community policies. Particular attention is given so that this procedure is completed in the shortest possible time. This procedure may be effected electronically, or with written procedure, and/or with the forming of Committees which will be comprised by the Managing Authority or the Intermediate Body.

Decisions for Financing Operations

Within a reasonable time from the date of submission of the applications, which will be specified in the relevant call for expression of interest, the Managing Authority completes the appraisal procedure and issues the relevant decision of financing. As regards to the Measures for which the responsibility for their implementation lies with the Intermediate Body, the latter submits a proposal to the Managing Authority for approval of the project. The Managing Authority after confirming that all conditions for the correct and regular implementation of the project are fulfilled decides on the approval of the operation in the Programme and then issues the relevant decision of financing. The decision for financing is communicated immediately to the Final Beneficiary and is submitted to the relevant services in order to proceed with the necessary financial commitments within the framework of the Government Budget. The decision which will be in the form of grant approval will include, inter alia, the obligations of the Final Beneficiary (e.g. for submission of data and progress reports on the financial and physical indicators), as well as the obligations for monitoring and financial control.

Where deemed necessary (e.g. for Funding Schemes), the Final Beneficiary informs, at the appropriate time, the private enterprises or the entity that implements the sub-project for the obligations that it undertakes (as Final Recipient) through the appropriate means (e.g. in the form of a letter of approval or of a relevant contract).

Within the project selection procedure, it will be ensured that all the decisions and opinions are adequately justified.

In any case, projects that have not been appraised by the Managing Authority or Intermediate Body cannot be approved and accordingly they cannot be financed in the context of the Programme.

Selection of Operations during their implementation

Operations submitted while they are in their implementation phase will be appraised according to the aforementioned procedure. The expenditure that was realised prior to the approval decision is eligible only if it has been effected after 1.1.2004, as provided by the Accession Treaty of Cyprus to the European Union and subject to the provisions of Article 30 par.2 of Council Regulation 1260/1999.

Project Data / Information in the Management Information System (MIS)

After the project is selected, the Managing Authority or the Intermediate Body (for the Measures that is responsible) are responsible for ensuring that all relevant data are entered in the Management Information System. They are also responsible for keeping all necessary data during the project implementation, as well as for the maintenance and updating of the data/information of the MIS, at least for the period that is envisaged by article 38 par. 6 of Council Regulation 1260/1999.

Modification of the Operations

Any modification of the elements of the projects and its sub-projects,(as recorded in the corresponding letters of approval by the Managing Authority, will be effected on the basis of the procedure that will be set by the Managing Authority. The modifications cannot lead to substantial adjustments of the scope of the operation in accordance to the provisions of Article 30 par.4 of Council Regulation 1260/1999. More specifically, any expenditure which is due to over-runs in the budget and the timetable, is not eligible for national and Community funding. This expenditure is rendered eligible only if prior a second approval for funding, granted within the same procedure followed for the initial approval (including also the assessment of compatibility with the national and Community policy legislation).

The budget funds committed for the implementation of the project, as approved by the Managing Authority, cannot, in any way, be used for other purposes.

Access to the documents

Within the framework of internal legislation for the access to the documents, special attention will be attributed to transparency. The documents regarding the procedure and the results of the selection of operations will be at the disposal of the responsible Monitoring Committee. Moreover, all the documents relating to the operations are registered in the Monitoring Information System.

8.4 Compliance with Community Policies

8.4.1 General

According to Article 12 of Council Regulation 1260/99, the operations that are financed by the Structural Funds must be in conformity with the provisions of the Treaty, with the instruments established under it, the measures required by aquis, and with the Community policies, including the rules on competition, the award of contracts, the protection of the environment, the elimination of inequalities, as well as promotion of equality between men and women.

The compliance with the above Community legislation and policies will be verified within the framework of project selection in each Measure of the Programme as well as during their implementation through monitoring and audit of operations that are approved.

The Managing Authority of the Programme, with the support of the responsible authorities for the relevant policies, is responsible for informing the Intermediate Body and the Final Beneficiaries as well as the Final Recipients about the provisions of relevant National and Community legislation. In order to ensure their strict compliance it will issue relevant guidelines, which will also be included in the Procedures Manual that will be published.

For the prevention of non-compliance with the Community legislation as well as avoidance irregularities, the Managing Authority and the Intermediate Body of the SPD will conduct controls before the approval of the project so as to ensure the conformity with the above policies.

The Managing Authority, in the context of the decision for approval of an operation, will draw the attention of the Final Beneficiaries to their obligations that arise from the national and Community legislation. Compliance with these provisions constitutes a pre-condition for the granting of the co-financing Decision. More specifically, with regard to the Community policies the following are provided for:

8.4.2 Public Procurement-Award of Contracts

The Managing Authority and the Intermediate Body will ensure the compliance with the terms and general principles of the Treaty of the EC, as well as with the relevant Directives that concern the preparation of public contracts by the Final Beneficiaries. For this purpose, the Managing Authority will be supported by the Directorate for Public Procurement of the Treasury of the Republic of Cyprus, which will certify the compliance of the relevant Regulations for each operation.

Notices sent for publication to the Official Journal of European Communities will specify the contribution from the Structural Funds for each project.

8.4.3 Environment

The Managing Authority ensures the conformity of the Programme to the Community legislation on the environment, and more specifically with regard to:

- Directive 85/337/EC, as amended by Directive 97/11/EC, with regard to the assessment of environmental impacts.
- The application of Directives 79/409/EC (“birds”) and 92/43/EC (“Habitats Directive”), and more specifically, with regard to the projects that could influence in a significant way, areas that can potentially be included in the network NATURA 2000. Considering that the relevant list of these areas will be communicated to the European Commission according to the commitments of the Republic of Cyprus within the framework the accession negotiations, the national authorities are committed not to allow the deterioration of the situation during the implementation of the Programmes of Structural Funds. Also, the Managing Authority will provide all necessary information and data to the European Commission for the measures that have been taken so as to avoid the deterioration of areas that require protection in the context of the above mentioned network, at the stage of approval and implementation of the relevant projects.
- Directives 76/464/EC that concern the pollution of the aquatic environment from certain dangerous substances.
- The directive that concerns nitrogenous salts, Directive 96/61/EC (IPPC).
- The preparation of waste management programmes as provided for in the Community legislation that is currently in effect.
- The issuing of licenses/permits according to Directive 96/61/EC.

It is noted that the community *acquis* regarding the sector of the environment will be incorporated in the legal and institutional framework of the Republic of Cyprus according to the provisions of the Accession Treaty.

For this purpose, the Managing Authority will be supported by the Environment Service of the Ministry of Agriculture, Natural Resources and Environment, which will certify the compliance with the relevant Community and national regulations. In cases where the national legislation has not been harmonised completely with Community legislation, the examination of compliance is conducted according to Community legislation.

8.4.4 Competition Policy – State Aids

State Aids are involved for some measures and are presented where that applies. The Managing Authority of the Programme will submit the necessary information as provided in the Regulation 1260/94 (title of regime, serial number of notification, number of approval decision, date of expiry of application of approval). The Managing Authority of the Programme is responsible also for completing and updating the referred table. The European Commission will be informed for possible amendments with submission of the Programme Complement or any other amendment that will be effected afterwards as well as for each posterior amendment.

The establishment of a new aid scheme leads to the amendment of the relevant SPD decision. Where the Programme includes aid schemes that have not been communicated or have not been approved by the European Commission (or have not been approved in the framework of interim mechanisms as provided in the Accession Treaty of Cyprus to the E.U.) approval is given on condition that a clause of suspension of these Measures is included.

The Managing Authority of the Programme will establish the appropriate mechanisms so as to monitor the rules at the national, local and Community level, including the “ de minimis ” rule as well as the aims regimes of aids that are covered in the context of regulations for block exceptions that are approved. In each case, the Managing Authority will ensure that the Final Beneficiaries submit the necessary information regarding the projects that include state aids, to the Commissioner for Public Aids for approval. No project that includes a state aid regime will be funded without the certification (in a special template certificate) by the Commissioner for Public aids. The procedures for the granting of state aids should be, to the extent possible, simple, transparent and user friendly for the Final Beneficiaries and Final Recipients.

8.4.5 Equality of opportunities between men and women

It should be taken into consideration in an essential and comprehensive way during the implementation of operations that are co-financed from the Structural Funds. For matters regarding the equality of opportunities, the Managing Authority will be supported by the Ministry of Justice and Public Order as well as by the Ministry of Labour and Social Insurance, which will certify the compliance with the relevant Regulations. Every action that

will be undertaken for this subject should be in agreement with the obligations that arise from the relevant national and Community legislation.

8.5 Monitoring

8.5.1 Monitoring Committee

The monitoring of the Programme is the primary responsibility of the Monitoring Committee, which will be officially established within three months of the decision of the European Commission for the approval of the SPD for Objective 3, in accordance with article 35 of the Council Regulation 1260/1999. The Monitoring Committee will operate also within the framework of the national institutional and legal system.

Composition

The Chairman of the Monitoring Committee of the Programme (SPD) is the Permanent Secretary of the Planning Bureau. The Monitoring Committee of the SPD is composed of representatives from:

- The Managing Authority of the SPD,
- The Paying Authority,
- The Intermediate Body,
- The Internal Audit Service,
- Ministry of Labour and Social Insurance, Ministry of Education and Culture, and other relevant Ministries/services/bodies of the broad public sector.
- The Union of Municipalities and the Union of Communities of Cyprus,
- The Economic and Social Partners
- The representative non-governmental organisations

The composition of the Monitoring Committee, to the extent possible, will have a balanced participation of men and women. In the Monitoring Committee of the SPD, representatives of the European Commission and the European Investment Bank also participate, but without the right of vote. Also, at the meetings of the Monitoring Committee experts on financial, technical, social, scientific and other subjects may be invited.

Tasks and Responsibilities

1. Draws up its rules of procedure based on the proposal of the Managing Authority.
2. According to article 15 of Council Regulation 1260/99, it approves the Programme Complement, including the physical and financial indicators which will be used for its monitoring. It also approves any further adjustment/amendment of the Programme Complement.
3. It considers and approves, within six months after the approval of the Programme, the criteria to be used for the selection of operations under each Measure.
4. It reviews on a regular basis the development as well as the progress made towards achieving the specific (and quantified) objectives of the Programme.
5. It examines the results of implementation, especially the achievement of the targets that have been set for the different Measures.
6. It considers and approves the Annual and Final Implementation Reports before they are sent to the European Commission.
7. It examines and approves any proposal to amend the contents of the decision of the European Commission on the contribution of the funds.
8. It may propose to the Managing Authority any amendment or adjustment of the SPD or Programme Complement, in order to contribute to the attainment of the SPD's objectives or improve the programme administration including also the financial management. Any amendment of the Programme will be made in accordance to article 34, par. 3 of Council Regulation 1260/1999.

The Managing Authority of the Programme, supported by the Intermediate Body, provides the Monitoring Committee with secretarial support. In order for the Monitoring Committee to perform its duties, it has the right of access to all information related to the operations of the Programme. More specifically, the Monitoring Committee, has the right of access to all the

documents concerning the selection of the projects/activities and their implementation, subject to the national provisions related to issues of confidentiality.

8.5.2 Monitoring System for Programme and Operations(Management Information System - MIS)

The responsibility for the establishment and operation of the Monitoring System of the Programme, according to the provisions of article 46 of Council Regulation 1260/1999, lies with the Managing Authority. Aiming at the effective management of the relevant information and data, the Managing Authority will establish an IT based *Management Information System* (MIS). The data that will be entered in the MIS is mainly related to the scope and activities of the projects, the involved institutions and responsible persons, the implementation, financial and technical information of the operations, the expected results and impact, data regarding the administrative procedures connected with the selection of the operations, the procedures and the data for the implementation of the operations up to their completion, as well as the results of the audits that are conducted by the relevant authorities. The MIS, which will also safeguard the existence of sufficient audit trail of operations according to article 7 of Council Regulation 438/2001, will govern all the interventions that will be co-financed by the Structural Funds of the EU in Cyprus. The Managing Authority will be responsible to ensure an adequate audit trail (according to Art.7 of Reg. 438/2001) and that the MIS satisfies the needs of the Monitoring Committees, the Paying Authority, the Auditing Authorities and the European Commission.

The MIS will be composed of the following two sub-systems:

- (a) The sub-system for the Programmes of Objective 2, Objective 3 and Fisheries as well as the Community Initiatives INTERREG and EQUAL
- (b) The sub-system for the Cohesion Fund

More specifically the sub-system for the Programmes, in which the SPD of Objective 2 is included, supports the following operations/functions:

Programming

This section includes the structure of the Programme with the Priority Axes, the Measures along with all the data that are included in the submitted SPD, and the approval decision as

well as the Programme Complement. The financial tables of the Programme are also included (Managing Authority).

Project Approval / Modification

This section includes data of the projects with their sub-projects (contracts) and the procedures from the time of submission of a proposal by the Final Beneficiary up to the decision for approval by the Managing Authority as well as any other amendments effected (Managing Authority, Intermediate Body).

Monitoring

This section includes screens for recording monthly (Monthly Financial Reports) and quarterly (Progress Reports) data of projects and sub-projects (Contracts), monitored up to the Programme level and Fund level, with the printouts of the necessary reports (including the monitoring indicators set in the Programme). The files with the necessary data that are submitted to the European Commission are also included (Managing Authority, Intermediate Body).

Financial Flows

The system supports the payment applications and certifications that are submitted to the European Commission in the form of HARD and flat files, as well as the recording of inflows and their distribution (Paying Authority)

Audits

This section includes the recording of the conclusions and results of audits conducted by all the audit authorities, and recording of observations in all the levels from the Programme – sub Programme - Measure – project – contract – payment. Answers of the Intermediate Body, the Final Beneficiaries, the Managing Authority and the final decision are also included (Audit Authorities).

Monitoring Committees

This section includes the recording of the composition, agendas and decisions of the Monitoring Committee (Managing Authority)

Supporting Operations

The supporting operations include all the coded files of the system, which are the categories of eligible activities: sectors and subsectors of each intervention, categories of eligible expenditure, output, result indicators, regional and local structure, the institutions/agencies involved in the implementation of the Programme and Project, Final Recipients (enterprises that receive aids and project promotion contractors), categories of sub-projects (contracts), management reports of sub-projects, financial sources and instruments, audit authorities, categories of invoices/receipts of the Final Beneficiaries and Final Recipients. Support files for the linkage with files of the European Commission are also provided.

Exchange of Information

1. Exchange of information with the European Commission with all the flat files envisaged.
2. Exchange of information with the Government Budget System with regard to the funds that are granted to each project and Final Beneficiary.
3. Exchange of information with Banking Institutions on the audit of payments
4. Audit of payments that are registered for the avoidance of double entry.

The system will be functional before the first transfer of Community funding to Cyprus.

8.6 Financing

8.6.1 Financial flows

So as to ensure the complete transparency of the financial flows of the Programme, in the sense that the granting of the National and Community contribution to the Final Beneficiary should be monitored in the framework of each Programme, the financial trail will be the following:

- (i) The Paying Authority is the exclusive holder of the different bank accounts for each Structural Fund. The Community payments will be deposited by the services of the European Commission directly in these accounts, for each Structural Fund - Programme. The Managing Authority (and the Intermediate Body for the Measures that is responsible) will be duly informed/notified.
- (ii) With instruction from the Paying Authority, the Community Payments received will be recorded as income in the Government Budget.
- (iii) The forecasted annual Payments (Community and National) to the Final Beneficiaries are budgeted in the Government Budget.
- (iv) When the advances/interim payments of Community Funds, with the corresponding national contribution, are paid to the Final Beneficiaries, these are recorded expenditures against the relevant provisions in the Government Budget as well as in the MIS.
- (v) In the case of a private participation, this will appear in the MIS, and when this is advanced/pre-paid to the government, it will also appear in the Government Budget.
- (vi) In the Government Budget there are data designating explicitly the intervention, the Final Beneficiary and the height of the financial contribution, such as:
- The name of the Final Beneficiary
 - The title of the project/action
 - The budget approved by the Managing Authority when a project/action is selected and incorporated in the Programme (SPD)
 - The annual distribution of the above budget
 - The Programme (SPD) under which the project/action has been incorporated.
- (vii) The Paying Authority ensures that Final Beneficiaries receive annual payments (Community and National). The funds are paid according to the Government Budget implementation procedure and the implementation rate of the projects as certified by the Managing Authority. The payment to the Final Beneficiaries is made without any reduction or withholding or posterior special surcharge, which will result to the reduction of this amount (article 32 par. 1 of Council Regulation 1260/1999).

8.6.2 Flow of financial information

- (i) The decision of approval for the financing is announced to the Final Beneficiary. The Final Beneficiary must submit (through the responsible Intermediate Body for the Measure that is responsible) to the Managing Authority the realized payments through a Monthly Expenditure Report, as well as the progress for the implementation of the project (physical and financial indicators) through a Quarterly Monitoring Report. This information is recorded in the MIS, after it has been approved and confirmed by the Managing Authority or the responsible Intermediate Body for each Measure. The Paying Authority uses this information through the MIS and crosschecks the data certified by the Managing Authority and the Intermediate Body at Measure level, with the payments from the Government Budget.
- (ii) The Paying Authority submits the applications to the European Commission after:
- It checks the accuracy of the above information and especially the payments that have been made by the Final Beneficiaries.
 - It verifies possible questions that are pending, after the relevant audits/controls.
 - The Managing Authority has certified the correctness of the data and that the management is conducted within the framework of the relevant Regulations.
 - It checks whether the Programme Complement and the relevant Annual Implementation Reports have been submitted by the Managing Authority to the European Commission.
- (iii) The MIS provides the capability of verifying the payments made since all the relevant amounts and documents of expenditure provided by the Managing Authority are recorded in the system, in order to ensure the correctness of information provided (mainly the accuracy of the recorded data and the payments realised as well as the respect of the eligibility rules).

8.7 Audits /controls

According to article 38 par.1 of Council Regulation 1260/99, the Member State is responsible to exercise financial control on Programmes (SPDs). It acts, in close cooperation with the European Commission, in a way that it ensures that Community funds are used correctly and efficiently, in accordance with the principles of sound financial management. According to article 34 of the same Regulation, the Managing Authority of the Programme has the overall responsibility for the correctness of co-financed projects/actions and the implementation of internal controls. It is also responsible for the justifications and answers, which are given to observations and to the request for corrective measures made by the European Commission according to article 38 par.4, section (a) of Council Regulation 1260/99 or in the recommendations for adjustments which are made in accordance to article 34 par. 2 of the same Regulation. For the effective exercise of controls on Structural Funds, Cyprus implements a three level system of controls:

1. The first level is an internal audit, according to Art.4 of Reg.438/2001, exercised by the Intermediate Body of the Programme. This includes the audit of all projects regarding the physical, financial and accounting correctness where the implementation takes place as well as at the head office of the bodies that have in their possession the original project fiches and the documents of expenditure.
2. The second level of audit, according to Art.9 of Reg.438/2001, concerns the analysis and evaluation of the system of the first level audits and when necessary enters into the decisions taken by the managing bodies, as well as the audit of the Final Beneficiaries. The Paying Authority of the Programmes (SPDs) conducts the audit at this level. For this purpose, the Paying Authority may use existing national administrative authorities.
3. The third level of audit concerns the overall co-ordination of audit systems as well as specialised inspections and is conducted by an Independent Audit Authority of the Government (Internal Audit Service). It conducts audits on the Managing Authority, the Paying Authority, the Intermediate Bodies and the Final Beneficiaries in order to ensure the sound and effective financial management. It also conducts sample checks on projects/actions according to the provisions of Council Regulation 438/2001 or the Regulation in force at the time that the audit is conducted.

For the conducting of specialised audits at all levels, the services of external auditors or private audit companies can be used. The European Commission, in the context of exercising its duties as the custodian for the correct implementation of the general budget of the EU, ensures that the management and control system exists and operates well, so that Community funds are used properly and effectively. To this effect, with the reservation of the audits performed by the national audit authorities and their conclusions, employees or representatives of the European Commission may conduct on the spot checks, especially sample checks, on all actions that are financed by the Structural Funds, as well as on the management and control systems, with advance notification of at least one working day. The European Commission notifies the Managing Authority for this event so that it is availed of all possible assistance. Employees or representatives of the Member State may participate in these audits. The European Commission may ask the Member state to conduct an on the spot audit in order to be assured of the legality of one or more actions. Employees or representatives of the European Commission may participate in these audits.

8.7.1 First level of audit

Ex-ante audit

The Intermediate Body checks, prior to the approval of a project/action (including the projects / actions which, are being implemented at the time the application is presented), all the preparation stages for the implementation of the project/action. More precisely, it ensures that:

- a) The Final Beneficiary has taken all the measures that could lead to the selection of contractors capable of responding to the requirements of the project,
- b) All measures have been taken to ensure the enforcement of the existing legislation.

The Managing Authority in this case ensures that all procedures are followed.

Audit at the implementation stage of the project

The control on during the implementation of the projects is ensured continuously by checks that are conducted through the MIS. On the spot checks will be conducted at least once, as a

general rule, for every project and possibly to the Final Beneficiary. Regarding low-budget and small-duration actions, especially those that are financed in the framework of the regime of state aids, on the spot check is conducted at the level of the Final Beneficiary and is supplemented by sample checks of the projects /actions. The audit includes:

- The audit of the legality and regularity of actions and procedures.
- The audit of the reliability of information that is reported by the Final Beneficiary.
- The audit of the observance of the commitments that have been undertaken by the Final Beneficiary in the context of the project.
- The audit of compliance with the rules of publicity.

Each audit becomes the object of a standardised audit report, which is recorded in the MIS.

The Managing Authority will ensure through sample checks and other checks that all audits are conducted by the Intermediate Body.

Audit at the stage of completion of the project

Following the declaration of the project completion, the Intermediate Body conducts on the spot audit of the project/activity with regard to the physical and financial indicators as well as the operational result, taking into consideration the approved project fiche and the data stored in the MIS. It signs a statement of compliance with the obligations, which accompanies the file of completion (closure) of the project, and this statement is recorded in the MIS. The results of the audits are recorded in the MIS. The Managing Authority ensures that audits are conducted by sample checks and other controls. The Managing Authority after conducting the necessary checks informs the European Commission about the conclusions of the audits as well as about the administrative or judicial actions that had to be undertaken as a consequence of these conclusions.

8.7.2 Second level of audit

The financial audit is exercised by the Paying Authority. Apart from the preliminary audit of each payment (audit for the cross-checking of information), the Paying Authority conducts sample audits of documents in the context of its responsibilities. The Paying Authority should provide all necessary data for the submission of the statement that is provided in article 38 paragraph 1, note f. of Council Regulation 1260/99 to the Ministry of Finance. The

results of the audits of the Paying Authority are recorded in the MIS and are communicated to the Managing Authority, the Intermediate Body, the Monitoring Committee, the Final Beneficiary and the European Commission. In the case where an irregularity is spotted, with the reservation of the right of defense of the interested party and after asking the opinion of the Managing Authority, the Paying Authority on its own initiative, or on the proposal of other involved authorities (Managing Authority, Monitoring Committee) may proceed to the suspension and possibly the cancellation of funding.

8.7.3 Third level of audit

This audit includes:

- The conduct of checks on the systems of audits, and audits on the legality and regularity of the entire spectrum of activities that are developed within the framework of the Programmes (SPDs).
- The conduct of sample checks for each Programme (SPD) according to the provisions of Council Regulation 438/2001 (or of the Regulation that is in force at the time of conducting the checks).
- The evaluation of results of audits that were conducted at the first and second level of audit.
- The evaluation of activities and measures that were adopted so as the authorities involved would comply with the conclusions of the audits.
- The monitoring of the administrative and judicial prosecutions in cases of irregularity and the instruction/order of the Paying Authority for the recovery of sums that have been collected.
- The communication to the European Commission, of the information that is provided in article 38 par.1 section f of Council Regulation 1260/1999.
- The submission of the statement that is provided in article 38 par. 1, note f, of Council Regulation 1260/1999.

8.8 Evaluation

8.8.1 General Provisions

In order to gauge its effectiveness, the Programme will be subject to ex-ante and ex-post evaluation (mid-term evaluation in accordance with the Accession Treaty of the EU will not be conducted). According to article 40 par. 5 of Council Regulation 1260/99, the evaluation procedures shall be laid down in the Programmes (SPDs). Articles 41 - 44 of the same Regulation specify the responsibilities of each party, while paragraph 2 of article 8 places the evaluation within the framework of the partnership arrangements. The competent Authorities of Cyprus and especially the Managing Authority and the European Commission shall assemble the appropriate resources and collect data required to ensure that the evaluation can be carried in the most effective manner. In this connection the quality of the quantified objectives and the systematic and timely collection of data for the relevant monitoring indicators have particular importance.

An evaluation framework for all interventions funded by EU Structural Funds is being developed in Cyprus. Within this framework, an evaluation and monitoring team at the Programme level is being established with the Managing Authority.

8.8.2 Ex Ante evaluation (articles 41 and 26 of Council Regulation 1260/1999)

The *ex ante* evaluation, which is the responsibility of the authorities entrusted with the preparation of the Programme, is carried out at the Programme level including the Programme Complement, by external evaluators.

Particular attention was paid to the evaluation of human resources and the cohesion with the European Strategy for the Employment and the National Action Plans for the Employment, the evaluation of environmental impacts and the promotion of equal opportunities between women and men.

8.8.3 Ex Post Evaluation (article 43 of Council Regulation 1260/99)

In accordance with article 43 of Council Regulation 1260/99, the *ex post* evaluation is under the responsibility of the European Commission, in cooperation with the Managing Authority. It will cover the utilization of resources, the effectiveness and the efficiency of the Programme and its impact and shall draw conclusions regarding policy on economic and social cohesion.

It will be carried out by independent external evaluators, and it should be completed at the latest three years after the end of the programming period.

8.9 Publicity and Information

8.9.1 Description of provisions for publicity and information

The measures of information and publicity concerning the operations of the Structural Funds aim at the increase of the transparency of the activities of the EU and Cyprus. The terms of implementation, the content and the strategy of information and publicity actions, the work of the Monitoring Committees, the implementation of the partnership arrangements and the exchange of experiences, in addition to the envisaged conditions for the application of instruments of information and publicity, are provided in the Council Regulation 1159/2000 "With regard to the actions of information and publicity that should be carried out by the Member States, concerning the interventions of the Structural Funds" (EU L 130 of 31.5.2000).

The publicity is the responsibility of the Managing Authority and the Intermediate Body (for the measures that is responsible). It will be carried out in cooperation with the European Commission, which is notified about the measures that are taken for the achievement of these objectives. The relevant national authorities will take all the appropriate administrative measures in order to ensure firstly the effective application of provisions concerning the information and publicity regarding the Measures of the Programme and secondly, the smooth cooperation with the European Commission.

The implementation of the actions of information and publicity for the operations of the Programme are suspended two months before the European, national and municipal elections.

The actions of information and publicity serve exclusively the objectives that are envisaged in Regulation 1159/2000 and aim to inform:

- The potential Final Beneficiaries, as well as the regional, local and other responsible public authorities, the professional organisations and the economic and social partners, the non-governmental organisations (especially the organisations involved for the promotion of equality between men and women and the improvement and protection of the environment), and project agencies/institutions/bodies, in order to guarantee transparency with regard to the prospects for co-funding of operations of the EU and Cyprus.

The Managing Authority ensures that an appropriate system of dissemination of information is established, which aim at safeguarding the transparency towards the various partners and potential final beneficiaries and final recipients and especially the small to medium-sized enterprises. This information includes explicit information for the proposed administrative procedures, a description of the mechanisms for file management, information related to the selection criteria of projects / activities and to the appraisal mechanisms, as well as the responsible authorities at the national or local level which could provide details for the operation of the Programmes and the selection and eligibility criteria. The Managing Authority (or the Intermediary Body for Measures that it is responsible for) is responsible for the dissemination of the aforementioned information to the potential beneficiaries.

- The public opinion with regard to the role of the EU in collaboration with the Member States.

The Managing Authority or the Intermediate Body informs the mass media (including websites, preferably bilingual) in the most appropriate way, with regard to the Measures of the Programme, which are co-financed by the EU. The contribution of the EU should be clearly distinguished (mainly with the reference to the level of the Community contribution to the operations). The press releases should indicate the mission of each Fund contributing to the operation of the Programme. The publications in the form of press releases or advertising announcement will have to mention in simple and comprehensible language for the average citizen, the contribution of the EU. A close cooperation with the Office of the European Commission in Cyprus also needs to be established.

8.9.2 Implementation of the Information and Publicity Measures

The measures of information and publicity are presented in the form of a Communication Action Plan that concerns the communication at the level of the present Programme. It is implemented with responsibility of the Managing Authority and the Intermediate Body. Each action plan includes:

- The objectives and the target groups
- The content and the strategy of communication and information actions, implied by what is mentioned above, specifying the activities that should take place in the framework of each Fund
- The indicative budget
- The administrative services or organisations that are responsible for their implementation.
- The appraisal criteria that are used for the appraisal of operations.

Emphasis will be given to the setting of the specific objectives to include more target segments/groups of the population such as young people, professional groups, etc. Additionally, emphasis will be given to the utilization of the information and communication technologies (Internet, CD-ROM, etc). The European emblem will have to appear equally with each national emblem (more details are found in Council Regulation 1159/2000). The communication action plan of the Programme will be included in the Programme Complement according to Council Regulation 1159/2000. The funds that will be committed for information and publicity, are included in the funding of the present Programme, in the framework of Priority Axis for Technical Assistance. The Managing Authority and the Intermediate Body within their internal structure will appoint the responsible person(s) for the issues of information and publicity and will inform/notify accordingly the European Commission. In the context of the annual review meeting, which is provided for in Article 34 par.2 of Council Regulation 1260/1999, the Managing Authority informs the European Commission on the progress on the issues on information and publicity, which are envisaged by the relevant provisions.

The Monitoring Committee ensures that there is sufficient information for its operations. In this regard, and with responsibility of its chairman, it informs to the extent possible the mass media on the degree of progress of the Programme for which it has the responsibility.

For significant events that are connected with the meetings of the Monitoring Committee, the high level meetings, or various grand openings, the European Commission and its office in Cyprus are informed.

The Managing Authority, with the support of the Intermediate Body, may in every case, take additional measures, particularly initiatives that will contribute to the right implementation of the policy that is followed in the context of the Structural Funds. It informs the European Commission for the initiatives undertaken so that it may contribute in the most appropriate way in their implementation. Within the framework of the partnership principle, the European Commission places its experience and its instruments at the disposal of the authorities responsible. It supports the exchange of experiences, which were acquired in the context of application of article 46 of Council Regulation 1260/1999 and provides support for informal networks of the persons in charge of information.

Key labour market indicators in Cyprus in 2002

		Unemployment rate (% of labour force)					
		Total	Male	Female	Youth	Long-term	
Cyprus		3.8	2.6	4.2	7.7	0.7	
EU15		7.7	6.9	8.7	15.1	3.0	
		Employment rate (% of population)					
		Total 15-64			Older workers 55-64		
		Total	Men	Women	Total	Men	Women
Cyprus		68.5	78.8	59.0	49.2	n.a.	n.a.
EU15		64.3	72.8	55.6	40.1	50.1	30.5
		Activity rate (% of population)					
		Total 15-64			Older workers 55-64		
		Total	Men	Women	Total	Men	Women
Cyprus		70.9	81.0	61.6	50.9	68.9	33.8
EU15		69.7	78.4	60.9	42.8	53.4	32.5
		Employment rate by educational attainment levels					
		High skilled (tertiary completed)			Low skilled (less than upper secondary)		
		Total	Men	Women	Total	Men	Women
Cyprus		87.3	91.8	82.9	52.1	64.6	41.4
EU15		82.8	86.8	78.4	49.0	61.6	37.4
		Employment distribution by main sector					
		Services		Industry	Agriculture		
Cyprus		71.5		23.1	5.4		
EU15		71.0		25.0	4.1		

Source: Harmonised unemployment and Labour force Survey, Eurostat. EU15 data refers to 2002, except for the employment rates by educational attainment levels (2001).

Analytical List of Partners

Electricity Authority of Cyprus,
Cyprus Telecommunications Authority,
Human Resource Development Authority,
Cyprus Ports Authority,
Cyprus Tourism Organism
Cyprus Airways,
Cyprus Sports Organization,
Cyprus Broadcasting Corporation,
Cyprus Theatre Organization,
Cyprus Development Bank,
University of Cyprus,
Education Council,
Union of Municipalities of Cyprus,
Union of Communities of Cyprus,
Nicosia Sewerage Board,
Limassol Sewerage Board,
Larnaca Sewerage Board,
Paralimni Sewerage Board,
Ayia Napa Sewerage Board,
Paphos Sewerage Board,
Nicosia Water Board,
Larnaca Water Board
Limassol Water Board,
Cyprus Chamber of Commerce and Industry,
Federation of Employers and Industrialists,
Youth Organization,
National Mechanism for the Rights of Women,
Cyprus Civil Servants Association (PASDYD),
Pancyprian Workers' Federation (PEO),
Confederation of Workers of Cyprus (SEK),
Democratic Workers' Federation of Cyprus (DEOK),
Cyprus Farmers Union (PEK),
"Panagrotikos" Farmers Union,
"Agrotiki" Farmers Union,
Union of Cypriot Farmers (EKA),
Cyprus Welfare Council,
Environmental Council,
Federation of Ecological and Environmental Organizations,
Scientific Technical Chamber of Cyprus,
Cyprus Federation of Professional Craftsmen and Shopkeepers (POVEK),
Cyprus Petroleum Refinery Ltd,
Cyprus Institute of Technology,
Research Promotion Foundation,
Institute for Energy,
Institute of Neurology and Genetics,
Cyprus Stock Exchange,
Cyprus Medical Association,

Office of the Commissioner for Telecommunications and Postal Regulations,
Cyprus Consumers' Association,
Bank of Cyprus Oncology Center,
American Heart Institute,
Cyprus Association of Private Hospitals,
Cyprus Mariculture Association,
Cyprus Association of Professional Foresters,
Foresters Association - Graduates of Cyprus Forestry College,
Cyprus Forestry Association.

Consultative Committee for Programming

Union of Municipalities of Cyprus,
Central Bank of Cyprus,
Audit Office of the Republic of Cyprus,
Ministry of Transportation and Works,
Ministry of Justice and Public Order,
Ministry of Education and Culture,
Ministry of Health,
Ministry of Interior,
Ministry of Agriculture, Natural Resources and Environment,
Ministry of Labour and Social Insurance,
Ministry of Trade, Industry and Tourism,
Ministry of Finance,
Treasury,
Cyprus Ports Authority,
Cyprus Tourism Organization,
Electricity Authority of Cyprus,
Cyprus Telecommunications Authority,
Human Resource Development Authority,
University of Cyprus,
Union of Communities of Cyprus,
Cyprus Chamber of Commerce and Industry
Cyprus Federation of Employers and Industrialists,
Scientific Technical Chamber of Cyprus,
Youth Organization,
National Mechanism for the Rights of Women,
Pancyprian Welfare Council,
Federation of Environmental and Ecological Organizations,
Cyprus Civil Servants Association (PASYDY),
Pancyprian Workers' Federation (PEO),
Confederation of Workers of Cyprus (SEK),
Democratic Workers' Federation of Cyprus (DEOK),
Cyprus Farmers Union (PEK),
"Panagrotikos" Farmers Union,
"Agrotiki" Farmers Union,
Union of Cypriot Farmers (EKA),
Cyprus Federation of Professional Craftsmen and Shopkeepers (POVEK),
Cyprus Consumers' Association,
Office of the Commissioner for Public Aid,

EX -ANTE EVALUATION

D.1 INTRODUCTION

The main objective of the ex-ante evaluation is the improvement and the enhancement of the quality of the Single Programming Document (SPD). Within this framework, the main assumption of the evaluator is that “the design and programming of the SPD is characterised by cohesion at all levels”. The specific objectives of the evaluator, within the framework of providing recommendations and appraisals, independent but also in co-operation with the responsible bodies for the drafting, include the following:

- The critical approach of the SPD in relation with the social, economic and political environment.
- The appraisal of the interventions of the SPD in relation with the strategic priorities and choices made, and their complementarity with the relevant national and european policies and programmes.
- The appraisal of the sufficiency of the mechanisms for the implementation, monitoring and evaluation of the SPD.
- The estimation of the expected results, the anticipated impact, the possibility of quantification of the objectives and the rational distribution of available resources for each measure.

For the needs of the present chapter, the methodological framework that is proposed by the Committee and specifically in the working paper No. 2 “The Ex-Ante Evaluation of the Structural Funds interventions” as well as the paper with the additional indicative guidelines for the candidate countries (COM (2003) 110 final), were taken into consideration.

D.2 RESULTS OF PREVIOUS EVALUATIONS AND EXPERIENCE FROM PREVIOUS POLICIES

It would be difficult to support that the interventions that were attempted in the labour market as well as the education and training policies in recent years have been evaluated systematically and completely, according to international standards. The factors that explain this particularity are related with the decreased need for evaluation. Unemployment and social exclusion are not considered critical and pressing problems in Cyprus, while the systems of employment, education and training function in a relative sufficient way. The absence of systematic evaluation efforts can also be interpreted by the fact that Cyprus did not participate in the interventions of the Structural Funds of the Community up to now, and as a result, the evaluation process was not developed in accordance to EU standards and practices.

However, for the needs of periodical policies review for administrative reasons and within the framework of planning of new interventions, a number of studies and surveys were held recently. These studies and surveys, although not strictly included in the evaluation process, allow, through the recording of the results and indicators, an important and essential estimation of the results of the implemented policies and attempted interventions in the human resources field. Within this framework, the following surveys are indicatively reported.

1. Survey on the Social Protection Systems in the 13 Applicant Countries, Cyprus Country Report, June 2002.

It includes a chapter on poverty and social exclusion and evaluations, where inter alia, the employment and education policies are evaluated.

2. Cyprus: a Country monograph on the contribution of VET and LLL Structures/Systems and on Capacity of the Public and the Private Employment Services (PES, PRES) to support the Aim of the National Employment Policies, ETF 2002.

The monograph presents the progress, results, omissions and trends in the light of the European Strategy for Employment and the four pillars, as well as in the light of the Memorandum of life-long learning.

3. An Overview of vocational Education and Training in Cyprus, European Training foundation, 1999. A diagnostic study with an extensive description and evaluation of

vocational education and training systems and recommendations for the reorganisation of the systems.

4. Recent studies by the HRDA. Specifically, the following studies are reported: "Panorama of the programmes offered by the HRDA in 2000", January 2002, "The self-employed in Cyprus at the doorstep of the 21st Century" March 2002 "Panorama of Training and Development of Human Resources in Cyprus in 2000", April 2002.

In addition to the above studies, reports such as the JAP or the JIM as well as occasional studies conducted by international consultancy firms, allow the clear identification of needs through the recording of problems and offer a first estimation of the cultural consequences. The know-how from the previous policies is thus sufficient and capable of supporting both the analysis of the current situation and the identification of priorities. Most of the benchmark indicators that are used for the description of the interventions are also available and are widely used. It is noted that the main conclusions of the available studies that include policy evaluations, were taken into consideration in order to describe the current situation in the SPD.

However, there may be a need for using the available data in an analytical framework (in contrast to a purely descriptive one) as well as for the completion of available monitoring data with evaluation material and information. It is appreciated that this omission will be covered to a large extent with the participation of Cyprus in the process of planning, programming and implementation on of the structural funds interventions. This is expected to contribute, inter alia, to the development of the evaluation culture.

Concisely, even if a comprehensive evaluation on the sufficiency and the consequences of the measures and programmes as a whole does not exist, many of the measures and policy programmes in the human resources field were evaluated recently, aiming primarily at gaining information for the evaluation process. Characteristically, the evaluation report of technical-vocational education (1996), the evaluation of the Scheme for the self-employment of unemployed University graduates (1996), and the recent evaluation of training by the HRDA (2002) are reported. The new knowledge that resulted from these evaluations was exploited within the framework of the SPD.

D.3 CURRENT SITUATION

The analysis of the current situation in the S.P.D. is precise and sufficient. As a result, the following observations have a complementary character and support the analysis.

Regarding the developments in the employment structure and level, it is clear that the increase of employment in the 90s was a result of the growth of the services sector and that women occupied the majority of job placements that were created. The larger gains for employment are however observed during the first half of the 90's. In contrast, during the second half of the decade the employment growth rates were lower due to both the acceleration of the jobs lost in the secondary sector and to the slow employment increase in the services sector. During the same decade, the highest employment rates were observed in the intermediary economic services compared to their lower rates observed at the beginning of the decade. Furthermore, impressive employment growth rates were exhibited in the social and personal services sectors as well as in the transport/communications and trade sectors. In contrast, a lower increase was observed in the hotels and restaurants sectors while employment in the manufacturing sector declined. Finally, the construction sector exhibited high employment growth rates in the first half of the decade and a relative stagnation in the second half.

Women are employed mostly in the trade, hotels and restaurants, social and personal services and manufacturing sectors. However, female employment remains at levels higher than the EU average.

Simultaneously with the changes in the sectoral composition of employment, one can also observe changes in the occupational structure between the two sexes. The occupational category (at one digit level) with the highest growth appears to be the services sector. Moreover, there is an increase in the employment rates of administrative staff and salespersons as well as of managerial executives and higher technical personnel. The category of workers exhibits a decline, a development related to the loss of jobs in the clothing/footwear units during the second half of the past decade.

Regarding the regional dimension of employment, Nicosia and Limassol regions occupied 67% of the total employed population, according to the LFS results for 2000. The employment rates in relation to the population varies in Cyprus, depending on the area of residence. Hence, it appears particularly high in the tourist areas (90% in Famagusta and 76% in Pafos), and substantially lower in the other areas (66% in Nicosia, 62% in Larnaka and 59% in Limassol). However, it is worth mentioning that the employment rate for the urban areas is estimated at 66,6% for 2000, marginally higher than the equivalent for rural areas (65,3%).

The level of education of the labour force is rising at fast rates. The percentage of the labour force with a tertiary level education currently stands at 30% compared to 18% in 1989. However, the percentage of women with tertiary education remains lower than the respective male percentage (9% in relation with 14%) a development that is important due to its relation with the female participation in the workforce (the respective male participation rate is increasing according to the level of study).

The estimated growth of the workforce in the following years is expected to be positive at least up to 2005. Even with the assumption of a zero rate of increase of immigrants and a stagnation of participation rates at the 2000 level, there will be a natural increase of the population (roughly 1% annually during 2000-2005). Hence, economic growth is not expected to be inhibited or worsened due to the labour market shortages, especially if parallel with the demographic evolution, there is an increase in women labour market participation rates, an acceleration of the rate of entry of immigrants and an expansion of professional life.

The regional inequalities that are observed in the unemployment rates follow as a rule the respective inequalities of the employment rates and are thus substantial. As one would expect, in the tourist areas where there is high employment, the unemployment rate is practically negligible (2,9% in Famagusta and 1,9% in Pafos for 2000). In contrast, in Limassol a high unemployment rate (7,2%) is observed, while an unemployment rate higher than the average national rate (4,8% for 2000), 5,3% is observed in Larnaka. The region of Nicosia has a slightly higher unemployment rate (4,4%) than the average national rate.

Despite the fact that the Cyprus economy functions almost at full employment conditions, imbalances are observed both in the level of economic activity sectors and in the level of occupations. Shortages are observed in the hotel and restaurants sectors, construction, agriculture and manufacturing sectors. To a certain extent, the shortages are covered with the employment of foreign workers. However, in certain sectors where a high concentration of foreign workers is observed, at the same time a higher unemployment rate than the average is observed. This implies that probably there is partial substitution of domestic workforce by foreign workers. These sectors are mainly the manufacturing sector (unemployment rate 6,8% for 2000) and the construction sector (5,4%). In the occupational level, the main imbalances are observed in the sales sector, the services sector and in the “basic” professions. However, more significant are the shortages in information technology and communication. This is confirmed by the high number of foreign workers that are employed in these fields in Cyprus.

The Ministry of Labour and Social Insurance is responsible for the planning and implementation of the labour market policies, in co-operation with two institutional bodies: the Public Employment Services and the Human Resource Development Authority (HRDA), a semi-government organization which refers to the Government through the Minister of Labour and Social Insurance.

The evaluation of the operation and contribution of the PES which is attempted in the relative chapter of the SPD (chapter 1, part 1.3) is correct and concise. The relative indicator (fulfillment rate of job vacancies 29%), can be useful as a base rate for the evaluation of the results of the interventions that will be attempted. The full recording of the policies results is essential and must be dealt with as an issue of great importance by the PES managers. This recording within the framework of PES is expected to become even more difficult with the development of voluntary services and with the use of self-service through the use of technology.

The HRDA was originally established in 1974 under the name of Industrial Training Authority of Cyprus. It is governed by a 13 member Board of Directors, with a tripartite structure in which Government, and Social Partners (Employer and Trade

Union) representatives participate. Its primary aim is to create a single training and human resources⁷ development policy within the framework of the overall social and economic policies of the State.

Regarding vocational training, the HRDA's activities include:

- Single-company Programmes of initial and continuous training. The main objective of these programmes, which are held within the firm is the design, organisation and implementation of training, in order to cover the needs of the company. Within this framework, the needs for initial training of new personnel are covered. The trainers may constitute part of the personnel of the firm, while a subsidy is granted to the employer which varies depending on the level and duration of the programme. During 2001, 17.925 employees were trained (in relation to 18.510 in 2000) and the total amount spent for training amounted to £840.186 (8,8% less than the respective amount for 2000).
- Multi-company programmes of continuous training. The main objective of these programmes is the participation of the employees in training programmes that are applied by institutions (public and private) and by training organisations. A subsidy is granted to the employers for the participation of their personnel in the programmes, while there is also the possibility of covering the organization cost of the programmes (for the programmes of vital importance). In 2001, the participation of 10.954 persons in institutional programmes was subsidized, approximately as many as in 2000 (10.884 persons). The total amount spent for these programmes amounted to £1.430.867 in 2001.
- Training abroad. Aiming at covering the needs of enterprises in sectors related to the import and exploitation of new technology and know-how, the participation of 327 individuals was subsidised. The subsidy covers up to 70% of the cost of the employer for tuition fees, maintenance expenses and transportation costs.
- Accelerated Programmes for initial training. These programmes last 12-24 weeks and they are addressed mainly to unemployed secondary education graduates and are organised in co-operation with the Higher Hotel Institute (for professions in the hotels and restaurants sector) and the Cyprus Productivity Center (for technical professions). These programmes aim at the training of newcomers to

⁷ Self-employed and civil servants are excluded.

cover the needs in professions that exhibit shortages. In 2001, 249 individuals participated in these programmes.

- Practical training of students and pupils. These are programmes through which trainees gain practical knowledge and skills aiming at their smooth entrance in the labour market. In 2001, the practical training of 467 students and pupils was subsidised.
- Training in the Apprenticeship Scheme. Through this programme, a subsidy is granted to the employer for the salary of the trainee for the study period. In 2001, a subsidy was granted for 333 trainees. It should be noted that there is an intertemporal reduction in the number of trainees, and difficulties in finding enterprises to accept placement of trainees, particularly in the industrial sector which exhibits a recession.
- Programmes for the recruitment of staff in enterprises. These programmes aim at the recruitment and training of unemployed university graduates and tertiary education graduates, which cover the needs of firms in managerial or supervisory personnel. The programmes last 6 or 12 months and the graduates are selected by the firm, while a subsidy is granted covering the training cost. In 2001, the training of 58 graduates was subsidised (in relation to 70 in 2000), as well as 12 graduates of the Mediterranean Institute of Management (MIM).

Finally, regarding the active programmes for the labour market, one can conclude that the existing programmes are mainly oriented towards the employed persons and to the provision of training. Notwithstanding the training programmes within the firm and the multi-company programmes mentioned, there are other available programmes aiming at training other categories of the workforce. Within this framework, there is the self-employment scheme for tertiary education graduates and three training programmes for persons with disabilities.

The self-employment scheme for tertiary education graduates provides economic incentives by subsidising the interest rate on loans obtained for self-employment. During the first 10 years of its implementation, the scheme contributed in the self-employment of 260 individuals and created additional employment opportunities for 420 individuals. According to the 1996 evaluation, the programme was reviewed in 1998 in order to make it more accessible to more professions and types of activities.

The programmes for persons with disabilities include incentives for self-employment, a programme for covering the training cost and ergonomic arrangements. Since 1993, these programmes benefited 140 individuals. The most recent programme for persons with disabilities operated in 1996 aiming at helping more actively individuals that suffer from multiple disabilities or mental illnesses. This programme is implemented by voluntary organisations (by subsidising 75% of the cost) and provides for the placement of individuals in suitable work places. During the 1997-2000 period, 103 individuals with serious disabilities entered the labour market through this programme.

Regional disparities in employment and unemployment

The issue of disparities at the sub-regional level has attracted little attention so far, given the relative small size of the island. The objective of balanced development however, dictates that severe disparities must be eliminated, particularly if these relate to employment/unemployment and to education/training.

The object of this paragraph is to present a preliminary account of inter-regional variations. The elaboration of employment and unemployment data at the level of district, using for this purpose unpublished data from the latest (2001) Population Census has not been completed yet.

Turning to levels of educational attainment, the share of persons in the labour force with low educational credentials (lower secondary education, or less), is high in the district of Ammochostos, where it comprises almost half of the labour force (48,3% to be precise). A high percentage of people with low education is also observed in the district of Larnaka (39,7%, as against 28,8% which is the national average). Of the remaining districts, the share of persons in the labour force with low education ranges from quite low levels (Lefkosia, 23,9%) to levels just below the national average (Lemesos 26,6% and Pafos 26,8%).

Finally, the labour reserve of Cyprus, i.e., the economically inactive plus the unemployed, comprise, according to the Census, of 249.355 persons. Of this total, 96.190 persons (38,6% of the total) reside in the district of Lefkosia and 75.159 (30%) in Lemesos. Larnaka (42.210 persons), Ammochostos (11.269) and Pafos (24.527), complete the picture with smaller shares.

To conclude, this exploratory exercise has shown that although disparities at the sub-regional level are not pronounced and are not negligible. It is also a possibility that more severe disparities than the ones examined above, exist at the sub-district level (municipalities and communities).

With respect to policy implications, the evidence presented here points towards activation measures for Lemesos district (Lemesos exhibits the highest of the unemployment rates and the lowest of the employment rates) and training measures for Ammochostos and Larnaka, by degree of priority. The issue of inter-regional variation of employment and unemployment however, will have to be further explored, before safe conclusions can be reached and remedies proposed.

On the issue of reducing disparities, Cyprus has the full support of the Structural Funds. In this frame, the SPD for Objective 2 is expected to tackle some of the existing disparities, while the SPD for Objective 3 will contribute towards this goal. The need to utilize all possible synergies between the two SPDs, so as to maximize results, is self-evident.

D.4 THE CHALLENGES FOR THE LABOUR MARKET AND SWOT ANALYSIS

The analysis of the current situation which is attempted both in Chapter 1 of the S.P.D. and in the previous paragraph within the framework of the ex-ante evaluation, allows the identification of the strategic challenges that the Cypriot labour market faces.

In order to support economic growth, the labour market policy should deter the appearance of potential obstacles and limitations. In order to achieve this strategic objective, the unemployment rates should be further reduced through the inclusion of the long-term unemployed, newcomers, and people with disabilities in the labour market and through efforts to increase the participation rates of women and the elderly in the labour market. Further, the restructuring of the economy should be facilitated through the increase of the sectoral and occupational mobility and through the adequate preparation of newcomers in the labour market. These needs affect at least two policy areas: a) the policy area for the development of human resources within the framework of life-long learning (initial and continuous education and training) and b) policies and programmes that influence the operation of the labour market (Public Employment Services and active measures for employment)

D.5 ESTIMATION OF THE CONSEQUENCES OF THE STRATEGY

The present section critically examines the logic and consistency of the strategy and more specifically the cohesion between the hierarchy of needs, the strategic priorities and the operational objectives of the S.P.D. The following are examined:

- the justification of the strategy and the priority pillars
- the consistency between the general and operational objectives, and finally,
- the consistency with the national and Community policies

The strategic objective of the SPD is the development and full exploitation of human resources in conditions of social cohesion and equal opportunities. This strategic objective is analysed in two general objectives and specifically in the promotion of employment, and the qualitative upgrading of human resources. These general objectives are then analysed in three Priorities Pillars. The first priority pillar refers to the development and promotion of active labour market policies, the second refers to the promotion and improvement of education, training and life-long learning systems and the third refers to the technical assistance. Table 1 examines the consistency between the objectives and the needs, as the latter emerge from the weaknesses identified in the SWOT analysis. The correlation of the objectives and needs, reveals that the objectives of the programme attempt to respond to all weaknesses identified in the SWOT analysis, with the exception of the lack of evaluation culture and weaknesses in the monitoring and recording of intervention results, which are dealt with by more than one out of the three levels of the objectives set.

TABLE 1
CONSISTENCY MATRIX OF OBJECTIVES AND NEEDS

OBJECTIVES		WEAKNESSES							TOTAL
		Shortages in the labour force and unbalanced labour market	Inadequate flexibility in the reorientation of the education and training systems towards the labour market needs, in combination with insufficiencies in the vocational guidance systems	High concentration of unemployment amongst the youth, women, the elderly and a relative high rate of long-term unemployment	Part time employment and the new work organization methods remain at low levels	Delays in the development of active measures for employment, which are reinforced by the lack of an adequate network of Public Employment Services	Inefficiencies in the services for the provision of equal opportunities for all as well as in the support services for the vulnerable social groups	Lack of an evaluation culture and inefficiencies in the monitoring and recording of intervention results	
STRATEGIC OBJECTIVE	Development and full utilisation of the human capital in social cohesion and equal opportunities conditions	√	√	√	√	√	√	√	6
GENERAL OBJECTIVES	Promotion of employment	√	√	√	√	√	√	√	6
	Qualitative upgrading of human capital	√	√	√			√		4
PRIORITY PILLARS	Development and promotion of active labour market policies	√	√	√	√	√	√		6
	Promotion and improvement of education training and lifelong learning systems	√	√				√		3
	Technical Assistance							√	1
TOTAL		5	5	4	3	3	5	1	

Table 2 presents the appraisal of the evaluator regarding the consistency of the general objectives and priorities on the one hand and the measures of the present S.P.D on the other. The table results are particularly positive. The selected Measures of the Programme present powerful consistency with the objectives and the Programme priorities except the Measure regarding the Technical Assistance, which has a “special mission” specifically the enhancement of the implementation, monitoring and evaluation of the interventions of the S.P.D.

Generally, the objective of the SPD and the further specialisation of the objectives into priorities and operational objectives exhibit consistency and complementarity, while they seem to respond completely to the needs of the Cypriot labour market (and more widely of the Cypriot economy) as these were identified in the description of the current situation and the SWOT analysis.

The strategic objective sets as a goal the exploitation of the opportunities that exist for an even better operation of the labour market (reduction of unemployment, increase of employment rates, mobilisation of economically inactive individuals, better preparation of the newcomers for entry in the labour market within an environment that strengthens social cohesion and attributes emphasis on equal opportunities.

This strategic objective when analysed further, focuses on two levels of intervention which in essence refer to the two main systems: the system of employment and the system of education.

TABLE 2

CONSISTENCY MATRIX OF OPERATIONAL OBJECTIVES (MEASURES) AND GENERAL OBJECTIVES AND PRIORITY PILLARS

MEASURES	OBJECTIVES						TOTAL
	STRATEGIC OBJECTIVE	GENERAL OBJECTIVES		PRIORITY PILLARS			
	Development and full utilisation of the human capital in social cohesion and equal opportunities conditions	Promotion of employment	Qualitative upgrading of human resources	Development and Promotion of active labour market policies	Promotion and improvement of the education, training and lifelong learning systems	Technical Assistance	
MEASURE 1.1: Enhancement and Modernisation of Public Employment Services	√	√		√			3
MEASURE 1.2: Strengthening of activities to adapt the skills of the new entrants, the unemployed and the employed to labour market needs	√	√	√	√	√		5
MEASURE 1.3: Promotion of equal opportunities for access to the labour market for all, and especially for those threatened with social exclusion	√	√	√	√	√		5
MEASURE 1.4: Promotion of the access of women to the labour market	√	√		√	√		4
MEASURE 2.1: Utilization of new technologies within the framework of life-long learning	√	√	√		√		4
MEASURE 2.2: Improvement and reinforcement of secondary and technical and vocational education and training	√	√	√		√		4
MEASURE 3.1: Support of the Implementation of the SPD						√	1
TOTAL	6	6	4	4	5	1	

The first level of intervention that is defined by the strategic objective of the Programme regards the employment system in its wider meaning (including training and active measures). The objective of promoting employment is undertaken through two interventions: through the modernisation of PES and through the coverage of the gaps that the currently available labour market measures and programmes of an active nature, exhibit. It should be noted that these two interventions are interdependent and complementary, and the attempts for activating and properly preparing individuals should be supported by the information services and assistance in job seeking. Similarly the existence and the function of a modern PES network would have a small effect, if it was not supported by a flexible system of training and subsidization of employment.

The current SPD offers a historical opportunity for Cyprus to modernise its Public Employment Services and to establish a “turn” in the policies dealing with unemployment and generally with the problems in the labour market, by passing from the “therapeutic” action to the “preventive” action and from the undifferentiated approach towards unemployment to the individual approach. Given the short length of the programming period, the implementation of this ambitious plan should be based on a specific action plan, with a clear time schedule and it should be supported the soonest possible, from the necessary studies and other preparatory material. Issues such as the sufficiency of resources, the size and the qualifications of the personnel that will staff the new units, its training, the contacts with the employers and the unemployed, the tools of the consultants, the individual action plans, the recording of results and the continuous evaluations are some of the issues for which there should be readiness in view of the programme complements. The establishment and operation of a modern and sufficient PES network, will render Cyprus capable to constrain unemployment even more (as it is shown by the experience of other EU Member-States) and to support the competitiveness of the economy by facilitating (the currently low) mobility of the labour force from the diminishing sectors and occupations to the developing sectors and the modern, dynamic, occupations of high productivity. In this effort, Cyprus will have the support of the European Social Fund, but further effort is required in order to overcome all obstacles (legal, administrative, technical).

The rest of the planned interventions for the accomplishment of the general objective of the promotion of employment, may not exhibit the value added that the modernisation of PES provides, but they are still required in order to expand the “weapons” of the active interventions, and mainly because they turn this system of active interventions wherever this is necessary, that is, towards groups that face the most serious problems and which are not currently covered by any policy programme (unemployed, newcomers, women, persons with disabilities). Most of the planned interventions demonstrate a low failure risk, given that their planning is based on the experience of similar already implemented programmes. The suggested programme for the training and employment of secondary education graduates newcomers, for example is expected to operate in parallel and in accordance with the corresponding programme for tertiary education. The only intervention for which there is no previous experience is the promotion and establishment of modern and flexible forms of employment.

Thus, it would be desired that any pilot implementation of measures and incentives for the development of new forms of employment to be combined with a diagnostic study (which would exploit good practices from other Member States) and to monitor its outcomes so as to constitute base material for future interventions.

The second general objective aims at the modernisation of the educational system and particularly the crucial secondary technical vocational education and training level. This level is very important since it feeds studies at an advanced level (general and professional) and directly or indirectly the labour market. Therefore, its importance for the total performance of the labour market and the labour productivity is fundamental and evident.

The interventions in the education system, as these are specialised in the two Measures that compose the second priority of the SPD refer to the exploitation of new technology and the undertaking of all those accompanying measures that maximise the benefit from the import of computers (i.e. growth of software, training of teachers, restructuring of analytical study programmes etc). This choice is justified since on the one hand, the Cypriot education system functions satisfactorily (low rate of drop-outs and failure, high participation rates, sufficient financing as a percentage of GDP) and

as a consequence there aren't any major needs to be satisfied urgently, and on the other hand, in the education systems of other Member States strong investments within the framework of learning with the help of new technology (often with the encouragement and economic assistance of the EU) were observed and continue to be observed. Therefore, there is a risk for the Cypriot education system to deviate from the corresponding systems of the other countries due to the progress they achieved. If this happens, it would have repercussions for the competitiveness of the Cypriot economy and for its effort to be one of the most high quality services provider in the Eastern Mediterranean.

Complementary to the exploitation of new technologies the suggested interventions aim at supporting the modernisation of the Apprenticeship System. There is no doubt, that in the last years the Apprenticeship Scheme suffers by low popularity and social prestige, a fact that is reflected in the insufficient available positions for practical exercise (which can be attributed only partially to the decline of employment in the secondary sector). The reform of the Apprenticeship Scheme, is therefore deemed necessary since independently from the current popularity of the general and higher education, there will always be a percentage of students that will choose the quick entrance in the labour market, while the Cyprus economy will also continue to need technical staff of medium specialisation. Therefore, there is no doubt a need for this intervention. Something, however, that should be considered is the “maturity” of the action, in the sense that some crucial parameters regarding the implementation of the intervention, which were already resolved during the previous years in the case of the reform of the secondary technical (vocational) training education, here remains to be arranged. The modernization of the Apprenticeship Scheme demands a strategic alliance, a good cooperation and coordination of all the involved bodies, clear cut objectives and mission, and an analytical action plan for interventions (within the framework in which Structural Funds will constitute a distinctive section). Given that the reform of the Apprenticeship scheme will demand large financial resources and a period of time that exceeds the current programming period, it is proposed to conduct an Action Plan that will deal with issues of preparatory actions, institutional arrangements and technical difficulties and which will describe that part for which assistance by the Structural Funds will be asked.

Regarding the external environment within which the SPD will be implemented and the cohesion of the SPD with the external environment, the evaluator finds that the analysis of the issue in Chapter 2, Section 2.1 (the policy framework) is sufficient, and agrees with the notion that the SPD content is fully harmonised with the European Strategy for Employment, and that it responds to a large extent to the remarks of the Commission in the JAP.

In addition to this, the evaluator estimates that the current SPD is consistent with the following challenges that are recognised in the JIM.

- The promotion of the right for employment, in particular for vulnerable groups of population, such as women, elderly people, persons with disabilities, through the development of qualitative job placements and training programmes.
- Facing the educational inferiority, in the most timely and effective way, particularly among persons with disabilities, and children that come from families with multiple social problems e.t.c.
- Strengthening family solidarity with various support programmes that respond to the constantly changing family needs.
- Improvement of the provision of services in the government, non-governmental and private sector, through better coordination and flexibility mechanisms, so as to respond to the current social needs.

Finally, regarding the consistency of the SPD with the national policies and particularly with the Strategic Development Plan 2004-2006, it is obvious that all general objectives of the SDP in the relevant field of priority (described in Section 2.2) are reflected in the SPD.

In reviewing the strategy and the priorities of the SPD under the light of the situation prevailing in the labour market, the evaluator has recorded a number of policy fields, where actions foreseen by the SPD need to be reformulated and/or expanded in order to better comply with needs. These policy areas include the following:

- Adaptability. There is a need for a better balance between the measures favoring the unemployed and the measures favoring the employed workers. Social gains must go hand in hand with economic gains, if productivity and competitiveness are to be further promoted, alongside social cohesion.
- Lack of measures for economic immigrants, and for transforming undeclared work into regular employment. The social and economic situation (e.g., the unemployment rate) of the immigrants remains largely unknown, while the JIM has brought up the issue of special language courses for persons whose mother tongue is not Greek. In general, the working poor are not directly targeted by the SPD, a fact partly to be attributed to lack of relevant knowledge.
- Diversity of beneficiaries under social inclusion. Measures under the equal opportunities for access to labour market for all could be redesigned so as to strike a better balance between the needs of the disabled and the needs of the remaining vulnerable groups.
- Lack of focus on intra-regional disparities in employment and unemployment. Actions should, by order of priority, be guided towards areas suffering from high unemployment and/or low employment rates. Relevant decisions should take in account the sectoral, occupational, demographic and educational characteristics of areas, classified at the sub-regional level.

In addition to the above, policy planners should opt for a number of specific policy-oriented studies and research, designed to cover some of the existing gaps in knowledge and increase evaluation capacity. It is also vital that the introduction of the measures foreseen by the current SPD is accompanied by close monitoring of the measures and readiness to adjust actions under the light of experience. Finally, it is evident that the success of the measures will crucially depend upon the ability of the public administration to engage adequate human resources and distribute them in line with rationality.

To conclude, the choice of the strategy and the priorities pillars in the current SPD is judged as fully justified while consistency appears to exist among the general

objectives and the measures of the Programme. Moreover, the current SPD exhibits a strong consistency with the corresponding National and Community policies.

D.6 QUANTIFICATION OF OBJECTIVES

After justifying the strategy and consistency between the strategy, the general objectives and the measures, the quantification of objectives and of the basic gaps and needs, constitutes a crucial process, because it provides the basis for the further monitoring and evaluations of the programmes results.

Community regulations anticipate within the framework of quantifying objectives (strategic and general) and measures, a reasonable diagram based on the following chain of indicators: inputs- output-results-impact. According to the methodological framework that is suggested by the Community the evaluator presents in the following Table, potential evaluation indicators, classified, by intervention field and type of intervention (impact on persons and impact on structures and systems). The table is used as reference material and sets in a way, the maximum effort possible, which realistically can be endeavoured in order to gain an impression of what the Programme can achieve. Before going into further analysis, however, it is useful, to take into consideration the following:

1. The table with the potential indicators should be weighted against the current experience of Cyprus in quantification exercises. It is reminded that the current programming period is the third one and in the other Community member states, two other planning, implementation and evaluation periods have already taken place, thus gaining the respective experience.
2. The quantification of the S.P.D. as well as the quantification of the Programming Complement which will follow, should have been based on the quantification of the Strategic Development Plan. However, in the latter no quantitative objectives are described nor its impact is estimated.
3. Beyond the general difficulty in quantifying the objectives which refer to non material results and effects (a fact that frequently leads the evaluators into heroic assumptions and proxy indicators), physical indicators can be realistically estimated only when the operational objectives of the Programme are analytically described. (i.e.at the level of Programming Complements).

The following table, outlines “the distance that must be covered” up to the Programming Complement, within the framework of which, the choice of adequate indicators (by avoiding guessing and indicators that are affected by external and imponderable factors) and their realistic estimation (by using the proper information sources) is of crucial importance.

D.7 BASIC EVALUATION INDICATORS

INTERVENTION FIELDS	OUTPUT	RESULTS	IMPACT
1. Public Employment Services			
1.1. Assistance to Individuals	<ul style="list-style-type: none"> ● Number of Beneficiaries 	<ul style="list-style-type: none"> ● Number and Percentage of Beneficiaries placed in employment 	<ul style="list-style-type: none"> ● Percentage of individuals that remain in their jobs one year after their placement
1.2. Assistance to Structures/ Systems	<ul style="list-style-type: none"> ● Number of new structures 	<ul style="list-style-type: none"> ● Number of unemployed that use new structures ● Increase in the coverage rate of the target-population 	<ul style="list-style-type: none"> ● Decrease of the unemployment rate of the target group (%)
2. Active Measures for Employment			
2.1. Assistance to Individuals	<ul style="list-style-type: none"> ● Number of Beneficiaries 	<ul style="list-style-type: none"> ● Percentage of Beneficiaries placed in employment 	<ul style="list-style-type: none"> ● Percentage of beneficiaries that were placed and remain in employment 1 year after their participation in the programmes
2.2. Assistance to Structures/ Systems	<ul style="list-style-type: none"> ● Number of positions offered (type, duration) ● Number of trainers ● Number of programmes 	<ul style="list-style-type: none"> ● Percentage of unemployed that use the measures ● Increase in the coverage rate of the target-population 	<ul style="list-style-type: none"> ● Percentage of beneficiaries that were placed and remain in employment 1 year after their participation in the programmes
3. Social Inclusion			
3.1. Assistance to Individuals	<ul style="list-style-type: none"> ● Number of Beneficiaries 	<ul style="list-style-type: none"> ● Increase of work experience (average per beneficiary) ● Increase of qualifications (number of beneficiaries acquiring a certificate) ● Percentage of satisfaction of beneficiaries 	<ul style="list-style-type: none"> ● Percentage of individuals that remain in their jobs one year after their placement ● Decrease of the unemployment rate of the target group (%)
3.2. Assistance to Structures/ Systems	<ul style="list-style-type: none"> Number of programmes offered (type, duration) 	<ul style="list-style-type: none"> ● Number of new companies ● Increase of the coverage rate of the reference population (%) 	<ul style="list-style-type: none"> ● Viability of the new companies (% that remains in operation 2 years after funding is completed)

INTERVENTION FIELDS	OUTPUT	RESULTS	IMPACT
4. Education and Training 4.2. Assistance to Structures / systems	<ul style="list-style-type: none"> ● Number of training positions created (hours, days) ● Number of programmes (type duration) ● Number of trainers that increase their qualifications 	<ul style="list-style-type: none"> ● Increase of the coverage rate of the reference population (%) 	<ul style="list-style-type: none"> ● Increase of the qualification of the target population (%)
5. Business Activities and flexibility/ mobility of the labour force 5.1. Assistance to Individuals and Firms	<ul style="list-style-type: none"> ● Number of employees that follow training programmes (type, duration) ● Number of SME's that are subsidized for training and employment (size and type) ● Number of indirect beneficiaries 	<ul style="list-style-type: none"> ● Increase of the percentage of SME's resources directed to training 	<ul style="list-style-type: none"> ● Number of beneficiaries that established a business which continues to be in operation 2 years after funding is completed (men/women) ● Gross/net employment created or maintained after 2 years (number and % of job positions)
5.2. Assistance to structures/systems	<ul style="list-style-type: none"> ● Number of supportive and consultative structures for SME's ● Number of Programmes 	<ul style="list-style-type: none"> ● Increase of the Percentage of SME'S that benefit from consultancy services 	
6. Positive Actions for Women 6.1. Assistance to individuals	<ul style="list-style-type: none"> ● Number of beneficiaries ● Amount of subsidies/loans (average per beneficiary) ● Number of hours in targeted training 	<ul style="list-style-type: none"> ● Number of women beneficiaries placed in employment 	<ul style="list-style-type: none"> ● Increase of the female participation rate in the labour market ● Increase of the female employment rate ● Decline (%) of the occupational and sectoral concentration of female employment
6.2 Assistance to structures/systems	<ul style="list-style-type: none"> ● Number of programmes ● Number of new companies 	<ul style="list-style-type: none"> ● Percentage of the target population that participates in specific actions 	<ul style="list-style-type: none"> ● Viability of new companies (% in operation 2 years after the funding is completed)

Complementary to the above indicators each measure must be represented by the proper indicators on equal opportunities, while the output must be weighted against inputs through adequate indicators. The latter typically include in this case the unit cost (e.g. average cost per beneficiary). Finally, the impacts must be free of various undesirable results that are always associated with the interventions in the field of human resources (such as dead weight, substitution etc) and to include the so-called “value added” (i.e. the impact on National Policies).

The above table is general and indicative. A more complete list of potential evaluation indicators that takes into consideration the attempted interventions of the current SPD and which is structured from the level of the Measure to the level of the Programme is presented below:

	OUTPUT	RESULTS	IMPACT
MEASURE 1.1: Enhancement and Modernisation of Public Employment Services	<ul style="list-style-type: none"> ● Absolute number and characteristics of beneficiaries (sex, employment status, qualifications etc) ● Indirect beneficiaries (e.g., target groups for information campaigns) ● Number of new structures ● Number and categories of personnel ● Number of hours of consultancy services ● Number of notified job vacancies ● Number of suggestions to employers 	<ul style="list-style-type: none"> ● Absolute number and percentage of beneficiaries that are placed in employment including self employment (sector, profession) 	<ul style="list-style-type: none"> ● Decline in the frictional unemployment rate ● Reduction of the average duration of unemployment ● Increase of the labour force participation rate
MEASURE 1.2: Strengthening of activities to adapt the skills of the new entrants, the unemployed and the employed to labour market needs	<ul style="list-style-type: none"> ● Number and characteristics of secondary education newcomers beneficiaries ● Number and characteristics of unemployed beneficiaries ● Number and characteristics of employed beneficiaries ● Number of programmes (type, duration) ● Number of trainers (expertise) ● Indirect beneficiaries (eg. Number of firms/employers that participate) 	<ul style="list-style-type: none"> ● Percentage of beneficiaries placed in employment (by category and type of programme) ● Increase of the rate of coverage of the reference population 	<ul style="list-style-type: none"> ● Decline in the unemployment rate ● Increase of the labour productivity
MEASURE 1.3: Promotion of equal opportunities for access to the labour market for all, and especially for those threatened with social exclusion	<ul style="list-style-type: none"> ● Number and characteristics of direct beneficiaries ● Indirect beneficiaries (eg. disabled persons families) ● Hours of assistance (by type and category of intervention) ● Number of programmes 	<ul style="list-style-type: none"> ● Percentage of beneficiaries placed in employment positions ● Percentage of beneficiaries that terminate their dependency on public assistance ● Percentage of beneficiaries that acquire some kind of certificate ● Increase in the rate of coverage of the reference population 	<ul style="list-style-type: none"> ● Decline in the unemployment of the target population ● Increase of the rate of the gainfully employed from the target groups

	OUTPUT	RESULTS	IMPACT
MEASURE 1.4: Promotion of access of women to the labour market	<ul style="list-style-type: none"> ● Number and characteristics of direct beneficiaries ● Number of indirect beneficiaries ● Number of family support structures ● Number of programmes 	<ul style="list-style-type: none"> ● Percentage of beneficiaries placed in employment ● Increase in the rate of coverage of the reference population 	<ul style="list-style-type: none"> ● Increase in the labour force participation of women ● Decline of female unemployment
MEASURE 2.1: Utilization of new technologies within the framework of life-long learning	<ul style="list-style-type: none"> ● Number of direct beneficiaries in secondary education ● Number of indirect beneficiaries (eg , pupils in secondary education) 	<ul style="list-style-type: none"> ● Percentage of trainees in information technology skills to the total number of teachers in secondary education 	<ul style="list-style-type: none"> ● Change (caused by the intervention) in the labour market conditions (eg, increase in the participation rate of graduates, increase in labour productivity)
MEASURE 2.2: Improvement and reinforcement of secondary technical and vocational education and training	<ul style="list-style-type: none"> ● Number of direct beneficiaries in the secondary technical and vocational education ● Number of indirect beneficiaries in the secondary technical and vocational education ● Number of new analytical programmes 	<ul style="list-style-type: none"> ● Percentage of trainees in information technology skills to the total number of teachers in secondary technical and vocational education ● Percentage of analytical programmes being restructured 	<ul style="list-style-type: none"> ● Change (caused by the intervention) in the labour market conditions (eg, increase in the participation rate of graduates, increase in labour productivity))
PRIORITY PILLAR 1: Development and Promotion of active labour market policies		<ul style="list-style-type: none"> ● Percentage of beneficiaries placed in employment (with and without subsidisation) ● Percentage of beneficiaries from vulnerable social groups that follow training or accompanying actions 	<ul style="list-style-type: none"> ● Increase in the participation rate ● Increase in the employment rate ● Decline of the unemployment rate
PRIORITY PILLAR 2: Promotion and improvement of education and training systems and life-long learning		<ul style="list-style-type: none"> ● Percentage of teachers being trained ● Percentage of analytical programmes being reformed 	<ul style="list-style-type: none"> ● Increase in the participation rates of graduates ● Decline in the unemployment rate of graduates ● Increase in labour productivity
STRATEGIC OBJECTIVE OF SPD: Development and full utilization of human resources in conditions of social cohesion and equal opportunities			<ul style="list-style-type: none"> ● Percentage increase of employment ● Percentage decline in unemployment

The same Table is presented below with the same indicators as well as the indicators for which there is available and realistic information. The indicators for which there is available information are presented in bold letters in order to assist the reader.

	OUTPUT	RESULTS	IMPACT
MEASURE 1.1: Enhancement and Modernisation of Public Employment Services	<ul style="list-style-type: none"> ● Absolute number of beneficiaries :7.000 ● Indirect beneficiaries (employers) : 3.000 ● Number of new structures: 8 ● Number of notified job vacancies:20.000 ● Number and categories of personnel ● Number of hours of consultancy services ● Number of suggestions to employers 	<ul style="list-style-type: none"> ● Absolute number and percentage of beneficiaries that are placed in employment : 6.000 (85,7%) ● Percentage of fulfillment of notified job vacancies : 30% 	<ul style="list-style-type: none"> ● Decline in the frictional unemployment rate ● Reduction of the average duration of unemployment ● Increase of the labour force participation rate
MEASURE 1.2: Strengthening of activities to adapt the skills of the new entrants, the unemployed and the employed to labour market needs	<ul style="list-style-type: none"> ● Number of secondary education newcomers beneficiaries : 350 ● Number of unemployed beneficiaries ; 500 ● Number of programmes (type, duration) ● Number of trainers (expertise) ● Indirect beneficiaries (eg. Number of firms/employers that participate) 	<ul style="list-style-type: none"> ● Percentage of beneficiaries placed in employment : 7,87% (850 individuals in a total of 10.800) ● Increase of the rate of coverage of the reference population 	<ul style="list-style-type: none"> ● Decline in the unemployment rate ● Increase of the labour productivity
MEASURE 1.3: Promotion of equal opportunities for access to the labour market for all, and especially for those threatened with social exclusion	<ul style="list-style-type: none"> ● Number of direct beneficiaries (individuals with visual disabilities, persons with heavy mobility disabilities and persons with disabilities of the senses) : 950 ● Number of beneficiaries that terminate their dependency on public assistance : 400 ● Indirect beneficiaries (eg. disabled persons families) ● Hours of assistance (by type and category of intervention) ● Number of programmes 	<ul style="list-style-type: none"> ● Percentage of beneficiaries placed in employment positions to the total number of handicapped persons not working (16.700) : 5,68% ● Percentage of beneficiaries that terminate their dependency on public assistance : 50% ● Percentage of persons that terminate their dependency on public assistance to the total number of population receiving public assistance (15.315) : 1,3% ● Percentage of beneficiaries that acquire some kind of certificate ● Increase in the rate of coverage of the reference population 	<ul style="list-style-type: none"> ● Decline in the unemployment of the target population ● Increase of the rate of the gainfully employed from the target groups
MEASURE 1.4: Promotion of access of women to the labour market	<ul style="list-style-type: none"> ● Number of direct beneficiaries : 600 ● Number of indirect beneficiaries ● Number of programmes : 10 	<ul style="list-style-type: none"> ● Percentage of beneficiaries placed in employment to the total number of unemployed women (6.000) : 10% ● Increase in the rate of coverage of the reference population 	<ul style="list-style-type: none"> ● Increase in the labour force participation of women ● Decline of female unemployment
MEASURE 2.1: Utilization of new technologies within the framework of life-long learning	<ul style="list-style-type: none"> ● Number of teachers of primary and secondary education undertaking training in information technology skills : 6.000 ● Number of teachers of secondary education undertaking training for the introduction and support of innovation: 600 ● Number of indirect beneficiaries (eg . pupils in secondary education) 	<ul style="list-style-type: none"> ● Percentage of teachers of secondary education undertaking training in information technology skills : 60% ● Percentage of teachers of secondary education undertaking training for the introduction and support of innovation: 6% 	<ul style="list-style-type: none"> ● Change (caused by the intervention) in the labour market conditions (eg. increase in the participation rate of graduates, increase in labour productivity)

	OUTPUT	RESULTS	IMPACT
MEASURE 2.2: Improvement and reinforcement of secondary technical and vocational education and training	<ul style="list-style-type: none"> ● Number of secondary technical and vocational education teachers undertaking training in information technology skills : 400 ● Number of secondary technical and vocational education teachers undertaking training in the introduction and support of innovation: 112 ● Number of indirect beneficiaries in the secondary technical and vocational education ● Number of new analytical programmes :116 	<ul style="list-style-type: none"> ● Percentage of secondary technical and vocational education teachers undertaking training in information technology skills : 80% ● Percentage of secondary technical and vocational education teachers undertaking training in the introduction and support of innovation: 22,4% ● Percentage of new analytical programmes :15,6% 	<ul style="list-style-type: none"> ● Change (caused by the intervention) in the labour market conditions (eg, increase in the participation rate of graduates, increase in labour productivity))
PRIORITY PILLAR 1: Development and Promotion of active labour market policies		<ul style="list-style-type: none"> ● Percentage of beneficiaries placed in employment (with and without subsidisation) ● Percentage of beneficiaries from vulnerable social groups that follow training or accompanying actions 	<ul style="list-style-type: none"> ● Increase in the participation rate ● Increase in the employment rate ● Decline of the unemployment rate
PRIORITY PILLAR 2: Promotion and improvement of education and training systems and life-long learning		<ul style="list-style-type: none"> ● Percentage of teachers undertaking training in information technology skills : 60% ● Percentage of teachers undertaking training for the introduction and support of innovation : 7,12% ● Percentage of analytical programmes being reformed : 15,6% 	<ul style="list-style-type: none"> ● Increase in the participation rates of graduates ● Decline in the unemployment rate of graduates ● Increase in labour productivity
STRATEGIC OBJECTIVE OF SPD: Development and full utilization of human resources in conditions of social cohesion and equal opportunities			<ul style="list-style-type: none"> ● Percentage increase of employment ● Percentage decline in unemployment

According to the Table the actions of the SPD “Human Resources” have been quantified to a large extent. However, an estimate of the total impact of the programme would not be useful to be attempted at this stage, for the reasons mentioned in the beginning of the present section. The estimation of the impact of the Programme will be attempted in the ex-post evaluation and the results of this exercise will be used as base material for the next programming period. However, even if the approximation of values for the impact indicators seems at the current stage vulnerable, it is estimated that the real impact of the programme will be substantial and visible. This is reasonable particularly for the actions

of the first priority (Pillar 1), through which the activation and placement in employment of the unemployed and the economically inactive persons is attempted. In total and excluding the already employed persons, from the actions of the first Pillar 8.850 persons are expected to benefit, out of which 6.000 will be placed in employment without subsidisation. Taking into consideration that the population outside of the labour force together with the unemployed (i.e. the “stock” of labour force) fluctuates at about 130.000 persons, then it emerges that about 7% (6,8% to be precise) of this number will benefit directly from the actions of the Programme. This in turn will have a positive impact primarily on the unemployment rate by reducing frictional unemployment and limiting the average duration of unemployment. At the same time, a positive impact is anticipated on the labour force participation rate of persons with disabilities and possibly on the respective female participation rate. Finally, one should not exclude some impact on the overall employment rate, even if the creation of additional employment lies outside the boundaries and focus of the active policies for the labour market.

D.8 COMPLEMENTARITY WITH OTHER PROGRAMMING DOCUMENTS

The SPD for Objective 3 aims at the development and full utilization of human capital in conditions of social cohesion and equal opportunities, through the promotion of employment and the qualitative upgrading of human capital. Respectively, the SPD for Objective 2, seeks the economic and social regeneration of urban and rural areas, which face serious structural problems, through the promotion of economic competitiveness and the alleviation of the development disadvantages. Finally, the Rural Development Programme, focuses on the enhancement of competitiveness of the rural sector through interventions that relate to the modernisation of agricultural activities, the reinforcement of enterprises in the manufacturing and trade of agricultural products, and the enhancement of the socio-economic web of the rural areas.

Therefore, there is a clear division between the strategic objectives of the three Single Programming Documents and of the policy fields within which their measures/actions are developed. In addition, the SPD for Objective 3 complements the other programming documents, since the development and full utilization of human capital constitutes a prerequisite for the enhancement of competitiveness and for the diversification of activities in rural areas.

The coordination that needs to be developed between the different interventions of the programming documents, in order to achieve the maximum synergy possible, is expected to be finalized during the preparation of the Programme Complements.

D.9 COHESION WITH THE EQUAL OPPORTUNITIES POLICY

In the equal opportunities policy field, efforts for the promotion of equal opportunities, mainly through the modernisation of the legal framework and the enactment of the equal treatment of Men and Women in Employment and Vocational Education Law, have been continued in Cyprus during the past years. This law secures, amongst others, the implementation of the equal treatment of men and women principle as regards vocational orientation, education and training, access to employment, the terms and conditions of employment (and dismissal) as well as the protection of women from any (direct or indirect) unfair treatment due to pregnancy, giving birth, breast feeding, maternity or illness due to pregnancy or giving birth. At the same time an important institutional innovation is being promoted, namely the establishment of a tripartite Committee for the Equality of the Sexes in Employment and Vocational Education with a consultancy character.

Moreover, during the past few years, the competent body for the equality of the sexes, the National Mechanism for Women Rights, continued to subsidise women organisations, social partners and other bodies, for actions that promote the equality of the sexes, such as the undertaking of surveys, the organisation of seminars and awareness actions.

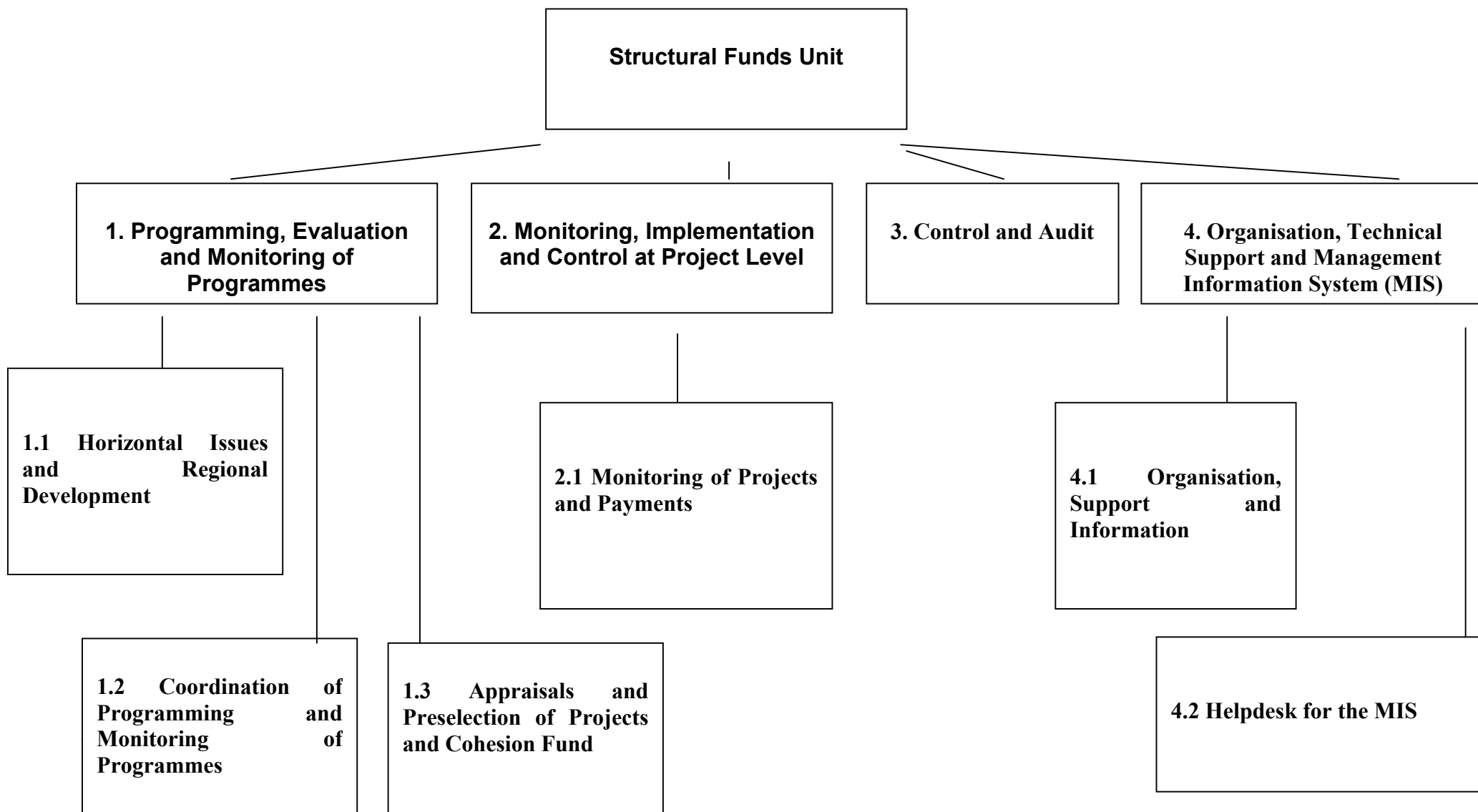
Despite the steady improvement of the status and role of women, they still continue to exhibit employment participation rates lower than the respective of males as well as unemployment rates much higher than male unemployment rates. This indicates that the margins for equal and full participation of women in all sectors of social and economic activity have not been exhausted and therefore efforts should continue.

In the context of the present SPD, the equal opportunities principle is promoted as an objective of great importance through the mainstreaming strategy. This strategy suggests that the promotion of the equal opportunities objective should be promoted, on the one hand, through specific measures, and on the other, through the mobilisation of all available policy tools, measures and programmes.

The implementation of mainstreaming for equal opportunities within the context of the SPD for Objective 3 “Human Resources” concerns all stages of the Programme implementation. This means that the choice of actions will be examined in the light of equality, and documented actions that lead to a reduction of inequalities with regard to employment, education and training and to the reconciliation of professional with family life will be preferred. Special treatment will be provided for those actions that favour the participation of women from the less favoured groups of population. However, beyond the promotion of actions that favour equal opportunities, the implementation of actions, the monitoring of their results and the estimate of their final impact will be characterised by the mainstreaming and equal opportunities principle. In practice this implies that the key to successfully introduce the principle of mainstreaming in the Programme, is to keep analytical monitoring data, indicating the sex, as well as other demographic features and other data on the women that participate in the actions of the Programme. The implementation of mainstreaming prerequisites also the existence of special know-how, since the operators of actions (such as the staff of the employment services and trainers) will have to be familiar with the particular problems that women face in the labour market.

Beyond however, the spreading of the equal opportunities principle throughout the entire programme, special actions in favour of women are also provided for in the SPD, in absolute agreement with the mainstreaming principle. Special actions for women are included in Measure 1.4. of the first Priority Pillar of the SPD, with the title “Promotion of the access of women in the labour market” which includes actions that concern the enhancement of the functioning of family support structures (care for the children, the elderly and persons with disabilities), actions for the mobilisation of the inactive female labour force (training and promotion in employment) and finally actions for the introduction and promotion of modern and flexible forms of employment. The projected budget of the Measure corresponds to 10-20% of the total budget for the First Priority Pillar.

ORGANOGRAMME OF THE STRUCTURAL FUNDS UNIT AT PLANNING BUREAU (MANAGING AUTHORITY)



Single Programming Document for Objective 3 State Aid Table

Measure	Title of aid scheme	State Aid number	Reference	Duration
1.1	No State Aid is involved			
1.2	Training for micro-enterprises* Employment aid for the unemployed*	Training Aid BER (EC No 68/2001) Employment Aid BER (EC No 2204/2002)		31.12.2006
1.3	Scheme for the training and employment of disabled and recipients of public assistance*	Training Aid BER (EC No 68/2001) Employment Aid BER (EC No 2204/2002)		31.12.2006
1.4	Training and Employment aid for women *	Training Aid BER (EC No 68/2001) Employment Aid BER (EC No 2204/2002)		31.12.2006
2.1	No State Aid is involved			
2.2	No State Aid is involved			

For any other aid, the use of which will probably be decided in the future and do not fall into the exceptions rules of the Article 88 of the Treaty, the envisaged procedure of notification will be followed.

In conformity with its duties under Article 34 (1) (g) of Council Regulation No 1260/1999, the Management Authority, will keep the above State aid table up to date and will inform the Commission on any modification of the table.

The introduction of a new aid scheme or ad hoc aid requires a modification of the assistance by a formal decision.

Article 4 of the Commission Decision approving the present programme applies to measures which contain State aid that is subject to appropriate measures or have not been yet authorised by the Commission.

* Procedure for Approval of State Aid by the Commissioner of Public Aid will be in accordance with relevant provisions of Accession Treaty regarding the so called 'interim mechanism'.