



**Expert evaluation network
delivering policy analysis on the
performance of Cohesion policy 2007-2013
Year 3 – 2013**

**Task 2: Country Report on Achievements of
Cohesion policy**

Cyprus

Version: Final

**Lena Tsipouri, Sophia Athanassopoulou
National and Kapodistrian University of Athens**

**A report to the European Commission
Directorate-General Regional Policy**

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List of abbreviations

- AIR Annual Implementation Report
- DESMI Dedicated multi-annual framework programme for the support of RTDI
- DIDAKTOR PhD Degrees in Cooperation with Enterprises
- EC European Commission
- ECB European Central Bank
- EIB European Investment Bank
- ESM European Stability Mechanism
- FEI Financial Engineering Instruments
- FLPG First Loss Portfolio Guarantee Product
- FRSP Funded Risk Sharing Product
- IMF International Monetary Fund
- JEREMIE Joint European Resources for Micro to Medium Enterprises
- JASPERS Joint Assistance to Support Projects in European Regions
- MA Managing Authority
- NSRF National Strategic Reference Framework
- OP Operational Programme
- PENEK Programme for the Support of Young Researchers
- RES Renewable Energy Resources
- RPF Research Promotion Foundation

Executive summary

Cyprus remained into the financial crisis in 2012, which culminated in July 2013 with an official application to the European Stability Mechanism (ESM) and a severe crisis in the banking sector. A mandatory levy in bank deposits created a major blow to the economic climate. This 'bail-in' resulted in reduced liquidity and restriction on transactions. Part of the economic adjustments will not be completed in 2013, so their short-term negative effects are likely to be shifted to 2014. Real GDP growth is projected for the second, third and fourth quarter of 2013 at -5.4%, -6.7% and -6.5% respectively. For the whole of 2013, real GDP growth is projected negative at -5.7%. However, there is a risk that estimates are overoptimistic and the economy may deteriorate further so that GDP diminishes by -7.3%¹.

In this crisis, the role of development aid has increased significantly. The Operational Programme (OP) Sustainable Development and Competitiveness is overcommitted to ensure that all funds will be spent by the end of the period. The changes undertaken in the OP and the clear and visible priority given to initiatives for the financial support of SMEs and the promotion of innovation are the most important efforts made to revive the economy. Despite these efforts (which are too recent to produce significant impacts), unemployment remains a serious problem and there is little evidence that it is tackled by the ERDF: employment is mainly addressed by the OP Employment, Human Capital, and Social Cohesion co-financed by the ESF. An important decision of the European Commission (EC) was to add, from its regular budget, an additional EUR 200 million for Cyprus, EUR 100 million out of which will be made available in 2014. The additional EU funds are earmarked to help Cyprus to invest in energy efficiency, support SMEs and create or maintain jobs that otherwise could be lost. This type of financing will be provided through the Structural Funds and the Flexibility Instrument in 2014 onwards which enables extra funding in clearly identified cases (in addition to the agreed EU regional development funding).

In August 2013, the total absorption rate (advance payment and total of real certified and non-certified expenditure divided by total available funds) of ERDF was 74.2% and 65.0% for the Cohesion Fund². At the end of 2012, Transport presented the largest absorption rate, accounting for 125.3% of total community contribution. Territorial Development ranked second, with certified expenditure at 55.3%. Delays are observed in Enterprise Environment as well as Environment and Energy priority areas, principally attributed to the delays in the certification of eligible expenditure (Enterprise Environment) and to delays in the implementation of large infrastructure projects (solid waste treatment plants). In an effort to speed up the certification process, the Managing Authority (MA) organised informative workshops with the Intermediaries and the Beneficiaries, introduced a Users' Support office for on-line advice to end users of the management information system and set up a team of Accounting Officials for the support of the on-going audits. Moreover, the introduction of new legislative provisions and the signing of the EUR 200 million loan with the European Investment Bank (EIB) (allowing to cover public contribution in co-financed investments) will help reach planned expenditure by 2015.

¹ <http://www.ucy.ac.cy/data/ecorece/EconomicOutlookJul13.pdf>

² Planning Bureau, Internal Statistics.

The outcome of the overall Cohesion policy in the country is positive but the funding is limited compared to the needs of the country, in particular after the crisis. In 2012, progress was recorded in the areas of Enterprise Environment and Transport, with over-achievements (outcomes exceeding targets) principally in the former. Achievements in new business creation are linked to the crisis with unemployed people trying to make their living as entrepreneurs. Interventions in less prosperous areas have contributed to improving cohesion; however the funds are so low that the overall impact is almost imperceptible.

Given the difficulties of the economy, future challenges for Cohesion policy include mainly the turnaround of the negative economic climate, private investments to reverse recession and contribute to employment creation and increased efficiency of spending. Supporting export – oriented companies is crucial in this context. The adjustment of education to the needs of the labour market is another important area for future intervention. The foreseen extraction of hydrocarbons later in the decade constitutes an important opportunity and the energy sector is considered as one of the areas for smart specialisation in the future. However, one has to keep in mind that the reserves and the magnitude of their contribution to the economy are not yet clear. Additional focus areas may be related to high value added services (education and health).

1. The socio-economic context

Main points from the previous country report:

- Financial distress as evidenced by decreasing GDP growth rates, still at about one third of the EU average, increasing unemployment and excessive fiscal deficits;
- Liquidity crunch of the banking sector, caused by the Greek Private Sector Involvement³, which resulted to total losses of EUR 4,700 million for Cypriot banks (25% of GDP)⁴ and made imperative for the country to seek financial support from EU-ECB-IMF⁵ Troika for the recapitalisation of its financial sector;
- Regional development policies remained practically unaffected, with ERDF and Cohesion Fund resources overcommitted and implementation according to schedule. The development gap between urban and rural areas remained and funding from Structural Funds in the next programming period will not be enough to bridge the gap.

Developments since the 2012 report

In 2013, Cyprus remained in financial crisis that culminated in May 2013, when the Troika and the Cyprus government agreed to a mandatory taxation of all bank deposits above EUR 100,000. This measure was taken in an effort to ease credit pressures on the public sector, save one of the two over-indebted banks, while forcing an immediate bankruptcy/resolution of the second one. The banking sector almost paralysed for more than a month. In June 2013, Cyprus filed an official application for funding to the ESM and the IMF. This triggered a bail out mechanisms supervised by the Troika.

There is no evidence of any major change of regional disparities, as the crisis hit the whole population. However, since the country is considered as one region at NUTS 2 level, there are no systematic statistics on this topic. The 2013 crisis has, however, shifted policy concern from regional development (which has never had a prominent position) to an overall financial consolidation.

In March 2013, unemployment rate was at 15.9%⁶, compared to 11.8% in 2012 and 7.9% at the end of 2011 (see Excel Table 1). GDP decelerated in 2012 by 2.4%, compared to 0.5% increase in 2012 (see Excel Table 2).

The OP Sustainable Development and Competitiveness is fully activated with tenders accounting for 102.4% of the total budget. In terms of commitments, 117.6% of the funds of the programme have already been committed, in an effort to secure EU funding prior to the end of the third year following the year of the annual budget commitment (n+2 rule stipulating that funds not spent until 2016 are lost for the country). The financial support of SMEs through

³ PSI: the agreement to exchange Greek Sovereign Bonds held by the private sector at a value of approximately 30% of their nominal value.

⁴ Annual Implementation Report (AIR) OP Sustainable Development and Competitiveness, June 2013

⁵ European Central Bank (ECB), International Monetary Fund (IMF).

⁶

<http://www.mof.gov.cy/mof/cystat/statistics.nsf/All/F0B158AE18C620E9C2257B1A002D0CDA?OpenDocument&sub=1&sel=1&e=&print>

initiatives of DESMI (the dedicated multi-annual framework programme for the support of RTDI in Cyprus) and the promotion of a Plan for Entrepreneurship Innovation were prioritised.

Following the signing of the Memorandum of Understanding with the Troika, the Cyprus government filed an application for the enactment of the 85%-15% rule⁷ and it was granted an allowance of even 95%-5% but only for front-loading; eventually the EU contribution will be less than 85% because of over commitments. A loan of EUR 200 million was signed between Cyprus government and the EIB to cover the public contribution (matching funds) in co-financed investments.

2. The regional development policy pursued, the EU contribution to this and policy achievements over the period

The regional development policy pursued

Main points from the previous country report:

- Cyprus is one single NUTS 2 region, hence the development policy is designed and implemented at the national level. The OP Sustainable Development and Competitiveness is the only programme co-financed by the ERDF, which promotes Convergence and Competitiveness objectives, while the OP Employment, Human Capital, and Social Cohesion co-financed by the ESF promotes the Competitiveness and Employment objective. The Cohesion Fund is also financing projects in the area of Sustainable Development and Competitiveness.
- Based on the allocation of funding at the end of 2012, priority was given to the areas of Enterprise Environment as well as Environment and Energy, which accounted for 65.3% of funds allocated, as opposed to 67.4% at the end of 2011 (see Excel Table 3). The decrease compared to last year is attributed primarily to a shift of funds from Enterprise Environment to Territorial Development. More specifically, funds shifted from the sub areas RTDI and linked activities and Support for innovation in SMEs (EUR 39.3 million) to Planning and Rehabilitation (EUR 37.1 million). Through Financial Engineering Instruments (FEIs), SMEs received in 2012 96.5% of the anticipated funding from the Funded Risk Sharing Product (FRSP), while the First Loss Portfolio Guarantee Product (FLPG) was abolished at the end of 2012 due to its low appeal to the market. The project was addressed to SMEs, but did not meet their expectations / needs in the context of the crisis.
- Total funds allocated are almost equally distributed between Convergence and Competitiveness objectives.
- Territorial development funded by the ERDF is limited in the Cyprus-Greece cooperation, which was delayed considerably because of shortcoming of the Greek administration. The provision of EUR 2 million for the Cyprus-Turkey cooperation failed for political reasons.

⁷ This rule refers to the change of the general rule of 75%-25% EU –national funding of the National Strategic Reference Framework (NSRF). Following the crisis countries in financial trouble can apply to modify the ratio of funding between ERDF and public funds to 85% (Structural Funds) and 15% (national funds)

Developments since the 2012 report

The severe financial crisis, the destruction of the greatest and more efficient power generating facility of the island in Mari, which provided about 60% of total power generation capacity of the island, and the delays observed in the implementation of the programme in priority axis Enterprise and Environment caused a revision of the OP Sustainable Development and Competitiveness in April 2013. The revision provided for:

- The inclusion in Enterprise Environment priority area of actions related to the contribution of renewable energy to the energy balance of the country;
- The transfer of funds (EUR 21 million) from Enterprise Environment priority area (Society of Knowledge and Innovation) to Urban and Rural regeneration and Productive Environment sub priority area of the Enterprise Environment, aiming to approve additional projects for the funding of SMEs and youth entrepreneurship;
- The promotion of additional initiatives for renewable energy in the Enterprise Environment priority area;
- The updating of the list of large projects with the construction of a new Sewerage network and the expansion of road infrastructure from Limassol port to Limassol-Paphos highway;
- The modification of the existing core and output indicators.

Unemployment remains a serious problem and is not tackled directly by ERDF, but through the OP "Employment, Human Capital and Social Cohesion co financed by ESF. Starting from a low level of 4.7% in 2006, unemployment rate had almost tripled by the end of 2012. In April 2013, a series of measures were announced by the government, aiming to address the high level of unemployment rates:

- Three new schemes (Flexible Forms of Employment Subsidy Scheme, Subsidised Employment Scheme for the Hotel, Food and Tourism Industry, Scheme for Job Placement of Young Unemployed Tertiary Education Graduates for the acquisition of work experience in enterprises / organisations) for the creation of about 8,000 new jobs through the reallocation of ERDF. Estimated budget is at about EUR 31 million;
- Tax reliefs to enterprises for the hire of new recruits;
- Continuation of the schemes for the promotion of innovation, for female and youth entrepreneurship⁸.

The EC recognised that the country cannot cope with the magnitude of the crisis without additional help and decided to add, from its regular budget, an extra EUR 200 million for Cyprus, EUR 100 million out of which will be made available in 2014. The additional EU funds are earmarked to help Cyprus to invest in energy efficiency, support SMEs and create or maintain jobs that otherwise could be lost. This type of financing will be provided through the Structural Funds and the Flexibility Instrument in 2014 onwards. This process enables extra funding in clearly identified cases (in addition to the agreed EU regional development funding).

⁸ Cyprus National Reform Programme 2013, Europe 2020 Strategy for: Smart, Sustainable and Inclusive Growth, Planning Bureau, May 2013.

Policy implementation

Main points from the previous country reports:

- By the end of 2011, about 90.56% of the budget of the OP Sustainable Development and Competitiveness had been activated (EUR 524.9 million) through 117 calls.
- In total, 1,008 projects were incorporated with total budget (public expenditure) of approximately EUR 681.4 million (or 117.5% of the OP budget), 210 projects out of which were incorporated within 2011 with the budget of EUR 80 million (or 13.8% of the total budget of the OP). Annual rates of incorporation were slightly lower compared to the previous year.
- Delays were recorded in priority axes Enterprise Environment and Environment and Energy.
- The Joint European Resources for Micro to Medium Enterprises (JEREMIE) programme (FRSP scheme) was interrupted until November 2011, due to the downgrade of the creditworthiness of the Bank of Cyprus⁹ in summer 2011 and the enactment of the provisions "About the loss of creditworthiness".
- Concerns were raised about the implementation within the current programming period of major projects promoted in the area of Urban Rehabilitation (Cultural Centre in Nicosia).

Developments since the 2012 report

At the end of 2012, 102.4% of the budget of the OP Sustainable Development and Competitiveness was spent (EUR 592.5 million) through 121 calls. Four of these calls were launched in 2012, with a total budget of EUR 67.6 million. Commitments were at 117.6% of the total OP budget¹⁰.

Demand of funds is very high for youth entrepreneurship since, in the current unemployment and labour market conditions, parents are willing to support their children with their savings (used as matching funds) to start new businesses. On the average, 10% of the applications are rejected because they do not reach the evaluation threshold but from those that are accepted about 1/3 is not implemented because of lacking private funds (and access to bank loans). Export-oriented companies are those that implement their plans.

FEIs promoted under JEREMIE are the main mechanisms allowing SMEs to access finance, following the internal problems of the banking sector. The JEREMIE programme did not run smoothly throughout 2012 due to the financial crisis of the banking system. FLPG did not meet market expectations and was abolished at the end of 2012, when it was decided that its funds would be channelled to FRSP.

Changes in the financial distribution of the EU contribution were agreed in three areas:

- Knowledge Society and Innovation: reduction from EUR 92.2 million to EUR 74.4 million.

⁹ Together with other Cypriot banks mainly due to their significant exposure to Greek economy

¹⁰ There is a policy decision that the total budget of all projects selected is more than the budget earmarked for the calls because experience demonstrates that many of the projects selected are eventually not implemented (for lack of private funding or changes in market expectations).

- Productive environment: increase from EUR 47.6 million to EUR 57.0 million.
- Revitalisation of urban and rural development: increase from EUR 127.1 million to EUR 135.6 million.

These changes envisage the promotion of additional projects for Renewable Energy Resources (RES) as well as the transfer of funds to the projects for the reinforcement of urban development. The second one concerns the promotion of additional support schemes for SMEs in combination with the enhancement of innovation in SMEs as well as support of youth entrepreneurship¹¹.

Progress of the expenditure

In 2012, Transport presented the largest absorption rate, accounting for 125.3% of total community contribution. Territorial Development ranked second, with certified expenditure at 55.3% of the total contribution. Delays are still observed in Enterprise Environment as well as in Environment and Energy priority areas, principally attributed to the delays in the certification of eligible expenditure (Enterprise Environment) and to delays in the implementation of the infrastructure projects Solid Waste Management Systems for Households in Limassol and Nicosia. The delays in the certification of eligible expenditure were mainly attributed to the extensive audits of incurred expenses, performed by the MA and the delays in the acquisition of compliance certificates from the beneficiaries. However, the issue of new guidance for compliance certificates and close technical cooperation of MA with beneficiaries are expected to speed up the certification. In particular: In the sub priority area Society of Knowledge and Innovation of the Enterprise Environment priority area, total expenditure was at EUR 34.3 million, and about 23% of that had been certified. In addition, another EUR 0.4 million was spent in the first quarter of 2013. The Research Promotion Foundation (RPF) estimates that the total of EUR 34.7 million will not be certified by the end of 2013 since the beneficiaries will not be able to issue the necessary compliance certificates but also because there are delays in the audit of the incurred expenses from the MA and Cyprus Treasury.

Delays prevented the take-off of the Integrated Solid Waste Treatment facilities in Nicosia and Limassol; the Managing Authority, the Ministry of Interior (Beneficiary) and the Audit Department (Intermediary) are taking all necessary steps in cooperation with the Joint Assistance to Support Projects in European Regions (JASPERS) unit, to speed up the process.

Table 1 - Relative policy priority areas as reflected by approvals of allocated Community contribution (expenditure/total funding) (%)

Policy area	Expenditure/Total funding (%)
1. Enterprise Environment	29.4
2. Human resources	-
3. Transport	125.3
4. Environment and energy	17.5
5. Territorial development	55.3
6. Technical assistance	39.1

Source: Own calculations on the basis of DG Regio data.

¹¹ 6th Meeting of the Monitoring Committee, presentation on the Evaluation Study of the OP "Sustainable Development and Competitiveness", 20th June 2012.

Progress of the commitments

There are inconsistencies in reported commitments for 2012 versus 2011 per sub priority areas principally attributed to new distribution of funds resulting from the revision of the OP Sustainable Development and Competitiveness. Commitments are lower in 2012 than 2011 in the areas of Enterprise Environment (1.1 RTDI and linked activities, 1.2 Support for innovation in SMEs, 1.4 ICT and related services) and Transport. However, total commitments remained the same as in 2011. Environment and Energy and Enterprise Environment presented the highest commitments, accounting for 39.6% and 25.7% of total. Environment and Energy and Territorial Development increased their relative importance at the expense of Transport and Enterprise Environment, as evidenced by Table 2.

Table 2 - Commitments by priority area

Policy area	% to total 2011	% to total 2012
1. Enterprise environment	29.6	25.7
2. Human resources	-	-
3. Transport	12.1	10.4
4. Environment and energy	37.7	39.6
5. Territorial development	16.8	20.5
6. Technical assistance	3.8	3.8
Total	100.0	100.0

Source: Own calculations from Excel Table 4.

In an effort to speed up the certification process, the MA organised information workshops with the Intermediaries and the Beneficiaries, introduced a Users' Support office for on line support of end users of the management information system and set up a team of Accounting Officials for the support of the on-going audits. It is expected that these changes will expedite the certification process.

Moreover, the introduction of new legislative provisions and the signing of the EUR 200 million loan with EIB to cover public contribution in co-financed investments will help reach planned expenditure by 2015. Some projects are expected to conclude in 2016, but way before the acceptable deadline for physical completion (31.03.2017).

Achievements of the programmes so far

Main points from the previous country report:

- In the Enterprise support policy area, including ICT and related activities, there was satisfactory progress, with funds channelled to youth and female entrepreneurship. FEIs promoted under JEREMIE, progressed slowly. Achievements were not satisfactory in RTDI due to delays in the implementation of the projects promoted by the RPF in the framework of DESMI;
- There is a limited number of ERDF funded projects in Human Resources, with the vast majority of the programmes' beneficiaries being researchers and PhD students.
- Good progress was recorded in Transport priority area, with the works on the upgrading of Limassol port and the construction of Limassol-Paphos Motorway moving ahead on schedule. In the area of sustainable urban road transportation, the

construction of Archaggelos Avenue in Nicosia ended in 2011, and 1.8 km of new road networks with exclusive bus lanes; this will also allow to serve persons with disabilities. Improvements were also made to the above-the-ground part of the Transfer Station in the Solomou Square in Nicosia;

- In Energy and Environment, there were delays in the two large solid waste management projects. Wastewater projects were on track, with the exception of a significant delay recorded in the construction of the Wastewater Treatment Station in the Astromeriti area. RES projects were proceeding well;
- In Territorial development, there were no significant problems, except for small delays in the implementation of the projects related to rural development support.

Developments since the 2012 report

In 2012, progress was recorded in the areas of Enterprise Environment and Transport, with over-achievements (outcomes exceeding targets) principally in the former. A more detailed analysis of the achievements by Policy Area is provided below.

Enterprise support including ICT and RTDI

The nature of the support and the early launch of the implementation of the aid-schemes in the area of Enterprise Support resulted in timely and satisfactory tangible outputs. Grant schemes of the Ministry of Energy, Commerce, Industry and Tourism are the driving force behind employment creation in this priority area. At the end of 2012, 254 new SMEs in the industry and services sector were supported for technological upgrading, compared to a target of 250 and a baseline of 130. Compared to 2011, there was a 23.9% increase.

Based on the Evaluation of the OP Sustainable Development and Competitiveness, it is estimated that about 1,320 new jobs will be created by 2015 in tourism (110), industrial SMEs (365), female entrepreneurship (335), youth entrepreneurship (510), excluding the jobs that will be created from the second round of tender of the initiative "Industrial SMEs", as well as interventions in crafts employing less than 3 people. The second round of tender of the initiative "Industrial SMEs" is expected to increase further employment by 1,500 new jobs, exceeding the target of 1,170 new jobs initially set.¹²

In an effort to boost youth and female support schemes and meet increasing demand, the Ministry of Energy, Commerce, Industry and Tourism decided to increase the financing budget of 3 grant schemes by EUR 12.6 million. At the end of 2012, 30 new businesses had been created by women (almost quadruple since 2011), compared to a target of 125 by 2015 and 43 new businesses by young entrepreneurs (65.3% increase from 2011), compared to a target of 150 by the end of 2015.

Financing of SMEs improved through the implementation of the JEREMIE scheme. At the end of the first quarter of 2013, the implementation rate of JEREMIE was at 96.5% of the total budget, with 250 loans granted for a total budget of EUR 19.3 million. It was decided that another EUR 7.5 million would be managed by the Bank of Cyprus for the funding of FRSP.

¹² Evaluation study of the implementation process of the OP "Sustainable Development and Competitiveness".

In the area of RTDI, the achievements are satisfactory (keeping in mind that the overall funds to the RPF were reduced), with the majority of the projects included in DESMI 2008 being concluded; in 2012, 100 new research proposals were accepted for financing and 78 new contracts were signed for a total budget of EUR 6.1 million. The majority of the new projects are carried out in the areas of Technology and Information Technology, especially those concerning the development of R&I in enterprises.

Core indicators surpassed targets; by the end of 2012, 198 projects were concluded with a research centre as the contactor, compared to a target of 110 by 2015 and there were 210 cooperation projects between enterprises and research institutions (28% increase since 2011), compared to a target of 50 by end 2015, and a baseline of 62. In total, 9 new strategic research units had been created (all of them in 2010), compared to a target of 15 by end 2015.

At the end of 2012, 536 research jobs had been created (25.8% increase from 2011) compared to a target of 1,360 jobs.

The internal evaluation of DESMI revealed several problems including overlaps in some actions. The representatives of the business sector claim that the mechanism promoting support for RTDI activities in enterprises is still too complex, requiring lot of documentation and timely audit procedures. Conversely, the administration claims that firms sometimes (not seldom) apply for support seeking for financial resources rather than the essential assistance and involvement in innovation. More targeted approach is needed based on the extended consultation with enterprises. The major problem, however, is the fact that the main “beneficiaries” of such programmes remain consultant companies and not the productive sector. Among the programmes promoted by the RPF, EUROSTARS is the one most valued, while the support in terms of Innovation vouchers or IPR support are under-exploited.

Moreover, policy is not sufficiently evidence-based. Impact assessments are not explicit and the budget is spread thinly among many small programmes without focusing on few selected areas. The new smart specialisation strategy and anticipated changes in RTDI governance are expected to change the situation in the new programming period.

Human Resources

Programmes promoting human resources in research (such as the “Programme for the Support of Young Researchers” (PENEK)) need evidence on the career paths of the beneficiaries.

The vast majority of interventions targeting Human Resources development are included in the OP “Employment, Human Capital and Social Cohesion” and co-financed by the ESF.

Few measures are run by the RPF that promotes human resources in research (such as “PENEK”, “PhD Degrees in Cooperation with Enterprises (DIDACTOR)” and the “Research for Enterprises” programme).

Although they target research centres and enterprises, the vast majority of the programmes’ beneficiaries are researchers working or/and elaborating their PhD in the research/academic units. According to the findings of the on-going evaluation of the OP “Sustainable Development and Competitiveness”, 21 out of 23 doctoral students supported by in the framework of DIDACTOR work in research centres and only two students have been employed in the enterprises in order to utilise the results of their research in the productive process of an

enterprise. DIDAKTOR contributes to research capacities of the country, through the creation of 37 new jobs since its implementation in 2009¹³.

The majority of the projects incorporated under the PENEK support the researchers working out their PhD in an academic organisation with only a few being employed in enterprises and elaborating their doctorate in cooperation with academic organisations. Based on data collected by the RPF, 2,683 man months of employment have been created from the implementation of the programmes¹⁴ and 91 new jobs¹⁵.

The programme “Research for Enterprises”, co funded by the OP Sustainable Development and Competitiveness, has contributed to 5.7-9.8 man months of employment per research project in the period 2009-2013, while for 2014, the average employment per research project is estimated at 2.4 man months of employment. The programme has also created cooperation between enterprises and research organisations of other EU Member States, accounting for about 1/3 of the enterprises participating in the programme¹⁶.

Transport

Good progress continued in Road and Port Infrastructure projects promoted by the OP “Sustainable Development and Competitiveness”, including the upgrade of Limassol port and the upgrading of road infrastructure.

Works concerning upgrading of the Port in Limassol have recorded tangible outcomes since 2009 and continue to progress well, but with no tangible outcomes in 2012. When completed (2015), the project is expected to increase port capacity to 1,005,000 TEU¹⁷ and extend the existing scaffolding by 500 m while upgrading it in a total length of 2,530 m.

With respect to road infrastructure, one of the two road projects has been completed, while the other is progressing smoothly. In 2012, 1.2 km of new TEN roads was constructed (42.9% of target) on Limassol-Paphos Motorway. In addition, 3.2 km of TEN roads were reconstructed (88.2% increase from last year), compared to a target of 4.9 km by end 2015 (65.3% achievement). The reconstructed road network improved 1.7 km of the existing road network close to the new Pancyprian Gymnastic Association Stadium of Nicosia and 1.46 km of the Limassol - Paphos Motorway.

Considering the significant progress made until now and the almost lack of delays, it seems that the projects will be timely completed and will achieve their targets. Based on the analysis of the projects being implemented (as referred in the on-going evaluation study of the OP), it is assessed that the journey time of trucks and heavy vehicles from Limassol Port to Paphos through Limassol - Paphos Motorway will be reduced by 10 minutes.

¹³ Evaluation Study of the effectiveness of the OP “Sustainable Development and Competitiveness” and the OP “Employment, Human Capital and Social Cohesion on gender, equal opportunities and people with disabilities

¹⁴ Evaluation of the OP “Sustainable Development and Competitiveness”.

¹⁵ Evaluation Study of the effectiveness of the OP “Sustainable Development and Competitiveness” and the OP “Employment, Human Capital and Social Cohesion on gender, equal opportunities and people with disabilities.

¹⁶ Evaluation Study of the effectiveness of the OP “Sustainable Development and Competitiveness” and the OP “Employment, Human Capital and Social Cohesion on gender, equal opportunities and people with disabilities.

¹⁷ TEU = Twenty-foot equivalent unit.

In the area of sustainable urban road transportation all projects are proceeding according to plan with the exception of the Cyprus Cultural Centre in Nicosia, which never took off. As there was still no progress in the particular project, it is expected to be taken off the Programme in the immediate future. Lack of national funding, delays and lack of maturity of the project fully justify this decision.

Environment and Energy

Solid waste management projects continue to lie behind schedule. The index estimated for the period by the end of 2011 showed that the percentage of population served by sanitary landfills was at only 0.8%, while the target was set at 100% by 2015. Significant delays concerning the implementation of the two projects for the construction of the integrated domestic solid waste management facilities for households, in Nicosia and Limassol, have still not been overcome for third year in a row. The delays are related both to the general complexity of the large-scale projects in the field of environment and to the local communities' resistance (estimate of the appropriate size, positioning of the incinerator). These issues were further perplexed by concerns over state aid issues. At the end of 2012, phase 1 (study preparation) had been concluded for both projects and tenders for the construction and operation of the units are expected in the second semester of 2013.

Wastewater resources are progressing smoothly for all approved projects (drainage systems of Kokkinochori, Athienou, Atsromeriti-Peristeronas), but there are over commitments. Concerning the Major Project targeting the establishment of the drainage system in Kokkinochori (total budget: EUR 96.7 million), 15 contracts have already been signed (out of which five are the construction contracts for the collection network) and 4 contracts are in progress, while 1 has been completed. In February and March 2013, two new construction contracts were tendered, while 4 others are to be tendered within 2013. The evaluation study estimates that based on the relevant incorporated projects, the potential for the Waste Water Treatment will reach 28.44 million cubic metres annually¹⁸ against the target of 28.7¹⁹ million cubic metres²⁰. By the end of 2011, an increase of 0.31 million cubic metres was recorded, but there was no progress in 2012. Based on the funded projects, the additional population served by the projects of the wastewater treatment reaches 67,125 citizens (while the total population in Cyprus in 2011 is slightly more than 860,000²¹).

Projects in the field of the RES are characterised by comparatively high demand. No project in RES was concluded in 2012 and yet another project needs to be concluded by 2015.

The energy generated from RES estimated for the end of 2012 (the annual turnover) reached 1,737,619 KWh (11.2% increase from 2011) compared to the target of 3,800,000 KWh by 2015 (45.7% achievement) and it is only generated from one of the two realised energy projects. The increase in the capacity of renewable energy production equal to 1.1 MW (very close to the

¹⁸ Or 7,537 cubic metres a day, from which the major volume of 5,114 cubic metres coming from the Major Project in Kokkinochori.

¹⁹ The target value was changed from 28.1 million cubic metres.

²⁰ Evaluation study of the implementation process of the OP "Sustainable Development and Competitiveness".

²¹ Statistical Service of Cyprus.

planned 1.4 MW by 2015) has been recorded, which constitutes 0.1% of the total established capacity in the island (1,118 MW).

Territorial development

In 2012, no additional projects were included in this priority area since the budget for urban and rural area projects was overcommitted (120%). Output indicators remained almost the same with a total of urban development projects having being completed and a target of 8 by 2015. Output indicator related to cultural centres increased to 4 in 2012, accounting for 50% of the target. For the improvement of mountainous areas and the enhancement of accessibility, 24 new master plans were concluded in 2012, benefiting about 1,250 people. The total number of master plans in the period 2007-2013 is equal to 106 versus a target of 67 by 2015 (158.2% over-achievement).

In the context of the scheme targeting the enrichment of the tourist product, five out of twelve approved for funding projects (out of target 80) have already been completed and led to the upgrading of a considerable number of accommodation facilities (728 beds; 390 in 2011). It is expected, however, that both indicators will show variation from the initial targets and in order to be more realistic, the MA is about to modify the target from 80 to 20 investment plans and from 2,885 to 2,000 beds.

No significant problems occurred in 2012.

Table 3 - Main physical indicators and achievements

Policy area	Main indicators (core and non-core)	Actual outcomes and results (physical outcomes plus brief note on what has been achieved)
Enterprise Support and ICT	New SMEs supported	254 new business so far supported for technological upgrading
	Female and youth entrepreneurs supported	30 new businesses so far created by women compared to a target of 125 by 2015 and 43 new businesses by young entrepreneurs, compared to a target of 150 by the end of 2015. The support of women and youth entrepreneurship is expected to enhance employment prospects.
	Loans granted	250 loans granted through the JEREMIE scheme (FRSP). The enhanced financing prospects are expected to increase the competitiveness of SMEs
RTDI	Research jobs created	536 research jobs so far but the target is still lagging behind
	No. of cooperation project enterprises-research institutions	210 cooperation project between enterprises and research institutions compared to a target of 50
Human Resources	New man-months of employment	2,683 man months of employment were created through the implementation of DIDAKTOR and PENEK. The indicator has a direct impact also on research jobs.
Transport	km of reconstructed roads	3.2 km of reconstructed roads which improved by 1.7 km the existing road network close to the new Pancyprian Gymnastic Association Stadium of Nicosia and by 1.46 km the Limassol - Paphos Motorway
Territorial Development	Improvement of accommodation facilities	There were 728 new beds at the end of 2012 which are expected to enhance and upgrade the tourist product

Source: Annual Implementation Report (AIR) of OP Sustainable Development and Competitiveness and own calculations.

Note: No progress was realised in the area of Environment and Energy and progress in Human Resources was not.

3. Effects of intervention

Main points from the previous country report:

- Impacts from the interventions co-financed by the Community funds are evidenced by a number of evaluation studies released in 2012 both for the OP Sustainable Development and Competitiveness and for the thematic area innovation and entrepreneurship.
- Support to entrepreneurship and RTDI were the areas with visible effects, such as the improvement of the business environment. Significant contribution to the improvement of the quality of life in the selected local communities was made through the implementation of the projects targeting better waste management and water treatment, though their impact will be assessed in the next programming period.
- JEREMIE financial products facilitated the access to finance for SMEs, with visible results, especially in the areas of road and port infrastructure, entrepreneurship and renewable energy sources.

There is no systematic new quantitative evidence on broader impacts. Thus, only interview results indicate the areas of longer terms impacts, which take the form of behavioural changes:

- Policy makers suggest that the Alternative Energy Initiative for public buildings has served its purpose, diminished costs and is a good pilot for expanding the scheme in the future. It is likely that municipalities will try to imitate the scheme for the private sector.
- The ERDF supported actions have also helped employment creation.
- Last but not least an evaluation culture is in the process of being built up. While before the Structural Funds' intervention there were no external evaluations, experience has accumulated and now non-mandatory thematic evaluation is launched.

Developments since the 2012 report

Cyprus is one region and there is no systematic measurement of regional disparities. The ERDF support has addressed rural areas but with marginal funds. The funds are insufficient compared to their needs but some progress has been made. However, the majority of ERDF was used for Enterprise Development and Infrastructure, which was largely absorbed by the major cities. In that sense ERDF contributes more to the country narrowing its gap with the EU than to intra-country cohesion.

Enterprise support including ICT and RTDI priority area performed well, principally due to the new financing schemes promoted by the government for youth and female entrepreneurs, as well as for SMEs. The Energy and Environment priority area was dominated by the on-going delays in solid waste management projects for the third year in a row and the Structural Funds' intervention did not succeed in overcoming bureaucratic problems and concerns over state aid issues.

4. Evaluations and good practice in evaluation

Main points from the previous country report:

- No shifts were made with respect to the evaluation strategy in place, but slight amendments in time schedules of the indicative plan for the evaluations.
- The Board of the RPF decided to launch an Evaluation Study for its own activities expected to be finalised by 2014.
 - Two evaluation reports were completed both of the OPs Sustainable Development and Competitiveness and Employment, Human Capital and Social Cohesion and their Communication Plan.
- Two evaluations were launched in thematic areas active employment policies and employment in Cyprus that will be implemented in 2015.

Developments since the 2012 report

Despite the tradition of the Anglo-Saxon administration the government of Cyprus had no deeply embedded evaluation culture before the accession of the country to the EU. This has, however, changed quite rapidly. The Planning Bureau, responsible for the Structural Funds management has organised the mandatory evaluations in a systematic way during the current

programming period. Calls for tenders were international and consortia of local and foreign consultants have applied and have been selected.

Recognising the value of the mid-term reviews the Planning Bureau went a step further and started launching evaluations that addressed specific questions of interest to the administration.

The quality of the evaluations is satisfactory but not yet excellent. The government and consultants are still in a learning process, which they seem to assimilate well. Results are discussed and by and large determining amendments during the programming period, as well as serving as a basis for the design of the next programmes for the next programming period.

Compared to 2012, no changes have been recorded in the strategy for evaluating the effects of interventions co-financed by the ERDF and Cohesion Fund, the resources made available and the capacity for undertaking the evaluations concerned. Except for the evaluation of the Communication Plan for the OPs "Sustainable Development and Competitiveness" and "Employment, Human Capital and Social Cohesion" and the first on-going evaluations of the implementation process of the OPs, available since last year, no new Evaluation reports have been recorded.

In 2012, the results of the mid-term evaluation were taken into consideration and have formed the rationale for shifts in expenditures within the current programme (in favour of energy) as well as the basis for the preparation of the actions for the next programming period. One more evaluation is under way: the evaluation of the effectiveness of the OP "Sustainable Development and Competitiveness" and the OP "Employment, Human Capital and Social Cohesion on gender, equal opportunities and people with disabilities", launched by the Planning Bureau. This study will address employment issues in detail.

Overall policy making is gradually recognising the role of evaluation and launching new evaluations (see below the evaluation on gender, equal opportunities and people with disabilities) over and above the legal obligations imposed by the Structural Funds. It is likely that a thematic evaluation on R&D innovation impacts of the ERDF/ESF will be launched towards the end of 2013.

The evaluation study of the OP "Sustainable Development and Competitiveness" refers to the OP as a whole and it does cover all the policy areas included in the programme. The main findings of the report are presented in the table 5 below. The evaluation study concludes that ERDF funds contribute significantly to confronting the consequences of the crisis.

The evaluation study of the effectiveness of the OP "*Sustainable Development and Competitiveness*" and the OP "*Employment, Human Capital and Social Cohesion on gender, equal opportunities and people with disabilities*" presents the current environment in Cyprus in terms of gender equality and equal opportunities and examines the extent to which these two programmes abide by the principles of these policies.

Apart from the abovementioned report, another output of the study is the preliminary plans of the amended texts of the two OPs which will take into consideration the results of the studies. The latter have already been submitted and accepted by the Steering Committee. By the end of 2012, the final versions of the amended OPs prepared by the Planning Bureau are expected to be submitted to the EC.

The revision of Sustainable Development and Competitiveness, aimed at:

- Reformulate the current mode of the OP based on the new data.
- Place emphasis on targets/categories of intervention as energy production from RES energy conservation and support to the Productive Environment, especially to innovation in enterprises, etc.
- Focus on incorporation and implementation of large infrastructure projects is needed together with some amendments in the management.
- Reconsider the necessity of the projects and actions that are not being implemented or those that appear to have significant delays in their implementation (and hence possibly will not be completed during the current programming period).
- Update financial tables and, in general, of financial allocations is necessary. This is also the case for the system of indicators where there is such a need.

In order for the evaluation activity in Cyprus to improve, it is necessary to:

- Go beyond evaluations of the central authority and launch thematic and portfolio evaluations, in particular in areas that are important for the country (energy, agro-food).
- Increase ambitions and experiment with new methodologies adapted to the small size of the country.

Table 5 - Evaluations

Title and date of completion	Policy area and scope (*)	Main objectives and focus (*)	Main findings	Method used (*)	Full reference or link to publication
Evaluation study of the implementation process of the OP "Sustainable Development and Competitiveness" - May, 2012	9	The general objective is the evaluation of the OP's implementation in terms of achievements related to the sustainable development objective.	<p>- financial targets for 2011 have been wholly reached covered as well as more than 70% of the target of 2012 has already been reached. Physical outcomes and results have been achieved to a great degree.</p> <p>In particular:</p> <p>- There are significant delays in completion of the two Major Projects in the field of the environment infrastructure as well as the delay in submission of application of the Major Project (Cultural Centre) in the territorial development priority axis. Regularisation of financial data is needed for the Basic Infrastructures priority axis, while Productive Environment needs further reinforcement. The interventions introduced under the Knowledge Society and Innovation priority axis showed low implementation rates and the axis needs to be revised.</p> <p>- The process for the achievement of the targets set for the strategic indicators²² is judged as satisfactory (the only exception is the establishment of sanitary landfills).</p> <p>- It is also assessed that the OP contributes significantly to confronting the consequences of the crisis, taking into account the shortage of funding imposed by the crisis in the financial sector.</p>	3	http://www.structuralfunds.org.cy/default.aspx?articleID=968
Evaluation Study of the effectiveness of the OP "Sustainable Development and Competitiveness" and the OP "Employment, Human Capital and Social Cohesion on	3		<p>- OP Sustainable Development and Competitiveness takes into consideration the principles of non-discrimination/equality mainstreaming in initiatives related to gender equality</p> <p>-Projects are selected for inclusion in the OP Sustainable Development and Competitiveness taking into account equal opportunities</p> <p>- For the measurement of the achievements of OP Sustainable Development and Competitiveness in terms of gender equality and equal opportunities there are three indicators; one related directly to gender equality (number of new businesses established by women entrepreneurs) and two indicators indirectly</p>	3	Evaluation Study of the effectiveness of the OP "Sustainable Development and Competitiveness" and the OP "Employment, Human Capital and Social Cohesion on gender, equal opportunities and people with disabilities, Draft of

²² The strategic indicators include:

- Creation of direct gross job positions.
- R&D expenditure as a % of GDP.
- Population served from the Sanitary Landfills.
- Increase in the percentage of transportations through the Public Transportation System.
- Contribution of the renewable sources to the total energy consumption.
- New enterprises created in the manufacturing and service sectors.

gender, equal opportunities and people with disabilities			related to equal opportunities (new businesses established by young people and the core indicator associated with the number of jobs created in the implementation of the programme) ties (Final Report, Enoros Consulting, LKN Analysis Management Consultants,, and Analysis Ltd
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Note: () Legend:*

Policy area and scope: 1. RTDI; 2. Enterprise support and ICT; 3. Human Resources (ERDF only); 4. Transport; 5. Environment; 6. Energy; 7. Territorial development (urban areas, tourism, rural development, cultural heritage, health, public security, local development); 8. Capacity and institution building; 9. Multi-area (e.g. evaluations of programmes, mid-term evaluations); 10. Transversal aspects (e.g. gender or equal opportunities, sustainable development, employment)

Main objective and focus: 1. assess the arrangements and procedures for managing or administering programmes; 2. support monitoring, or check the progress made in implementing programmes, such as many mid-term evaluations; 3. assess the outcome or effects of programmes in terms of the results achieved and their contribution to attaining socio-economic policy objectives

Method used: 1. Counterfactual; 2. Cost-benefit analysis; 3. Other quantitative; 4. Qualitative

5. Further Remarks - New challenges for policy

As stated in the 2012 report, important challenges to be addressed over the remainder of the programming period include emphasis on business competitiveness and RES, shift to export activities, the introduction of additional FEIs and efforts to overcome administrative difficulties.

Four main lessons can be drawn from the overall evaluation of the current period:

- The ERDF funds are in the process of being effectively spent, with high leverage and processional monitoring. Their relative value has increased considerably towards the end of the period, as the crisis affected Cyprus very profoundly. During the coming years the EU support will be crucial for the regeneration of the Cyprus economy.
- The Enterprise Environment area has been given highest priority and has absorbed funds on time. However, this absorption could not, until now, help restructure the productive sector. Despite priority in RTDI this area has suffered from inertia and national administrative constraints that are in the process of being resolved. Ways to further develop/build competitive advantages, exploit external economies and concentration of resources, but also expand the neighbourhood policy are important for the future. The Smart Specialisation Strategy, which is in consultation process at the moment, is expected to address that.
- In terms of cohesion Cyprus is one region and there is no systematic measurement of regional disparities. The ERDF support has addressed rural areas with marginal funds, insufficient compared to their needs. The majority of ERDF was absorbed by beneficiaries in the major cities contributing to European rather than Cypriot cohesion.
- A major benefit of the process of EU Structural Funds management is the improvement of administrative capabilities in development planning and implementation. The organisational set up has improved, consultation processes are now integrated in all major decisions and systematic evaluations, which were absent in the past have taken off.

In the next programming period, the Structural Funds will be reduced (if one does not take into consideration the additional EUR 200 million offered as special assistance) in a climate of limited liquidity. Thus every effort is necessary for better governance and monitoring of the development process. Hence, in more detail the following recommendations can form a basis for the future discussion:

Although the on-going evaluation assesses that the strategy and targets set in the OP as well as the focus on competitiveness remain valid, the increasingly unfavourable economic environment calls for more emphasis on business competitiveness, energy production from RES and energy savings. This is even more important now, as the issue of bank liquidity is aggravated.

The competitiveness and entrepreneurship priority support is thinly spread, to a large extent, among micro-companies offering traditional local services. Anecdotal evidence suggests that consulting companies and intermediaries absorb a disproportionately high share but as there is no systematic evidence on this; future evaluations need to take this particular aspect into consideration. This cannot increase national competitiveness and medium sized or larger

companies with export chances need to be identified and supported. Important steps forward are undertaken in terms of planning for the next programming period. It is important to develop better evidence-based policies, identify the potential of clusters and exports. The Smart Specialisation strategy is expected to boost concentration of resources: while this is not explicit yet hydrocarbons constitute one possible eligible sector in this concentration process; new services (education and health) are also expected to play an increasing role and offer a possibility for attracting foreign resources. The discussion on the concentration is on-going. The liquidity problems and expected to increase austerity since Troika negotiations risk draining working capital for the business sector. While JEREMIE is trying to address such a problem, more FEIs may be needed in the future.

One political issue is also relevant: in territorial cooperation earmarking funds for common projects with Turkey can play a constructive role in the main problem of the country, since they could enhance cooperation between the two countries. While this could not materialise in the current period, efforts to renew it in the future are recommended.

Finally, in administrative terms, an implication highlighted in the evaluation study is that the significant over-budgeting used to ensure full absorption of the Structural Funds entails administrative complexity in order to retain implementation within the frameworks of the strategy and the objectives set.

References

Evaluations

a. Evaluations of specific OPs

Evaluation study of the implementation process of the OP “Sustainable Development and Competitiveness”

Scope: Across all policy areas of the OP

Focus: On-going evaluation of the implementation of the OP in relation to the achievements of the targets set taking into consideration the sustainable development objective

Method used: SWOT analysis, Coherence, Effects and Logical Analysis Matrixes, Problems, Interventions, Targets and Expected Impacts Charts, Bibliographic Research and Diagnostic Analysis. For the selected objectives of both Programmes, Field Research will be carried out for which the specific questionnaires will be used.

Period referred: 2007-2013

b. Thematic Evaluations

Evaluation Study of the effectiveness of the OP “Sustainable Development and Competitiveness” and the OP “*Employment, Human Capital and Social Cohesion* on gender, equal opportunities and people with disabilities

Scope: Human Resources

Focus: Evaluation of the two OPs in terms of gender equality and equal opportunities

Method used: SWOT analysis, interviews, structured questionnaires

Period referred: 2007-2013

Other references

European Commission, Regional Policy – Info regio European Cohesion Policy in Cyprus

European Commission (2012) Expert Evaluation Network. Delivering Policy Analysis on the Performance of Cohesion Policy 2007-2013. Year 2 – 2012. Task 2: Country Report on Achievement of Cohesion Policy – Cyprus.

European Commission, Eurostat

Planning Bureau (2007a) National Strategic Development Plan 2007-2013

Planning Bureau (2007b) The Operational Programme Sustainable Development and Competitiveness, 2007-2013

Planning Bureau (2007c) National Strategic Reference Framework for Cohesion Policy (NSRF), 2007-2013 (only in Greek)

Planning Bureau (2009a) Evaluation of the Indicators of the Operational Programmes “Sustainable Development and Competitiveness” and “Employment, Human Capital and Social Cohesion” (Summary), December 2009

Planning Bureau (2011a) The Operational Programme Sustainable Development and Competitiveness, 2007-2013. Annual Implementation Report for 2010. June 2011 (in Greek)

Planning Bureau (2011b) Indicative Evaluation Plan. Third meeting of the Steering Committee for the evaluation activities of the Programmes of the National Strategic Reference Framework for the period 2007-2013, presentation prepared by T. Patsali. November 2011

Planning Bureau (2012a) The Operational Programme Sustainable Development and Competitiveness, 2007-2013. Annual Implementation Report for 2011. June 2012 (in Greek)

Interviews

Organisation	Name
Ministry of Energy, Commerce, Industry and Tourism	Christos Fotiadis, Senior Officer of Trade and Industry
Ministry of Energy, Commerce, Industry and Tourism	Bambos Charalambous, Director of Trade and Industry in Technology Service
Ministry of Education and Culture	Irini Petridou, Minister's personal assistant
Planning Bureau	Efstrathios Konstantinidis, Coordination Officer A '-Address Structural Funds & Cohesion Fund
Planning Bureau	Adonis Konstantinidis, Coordination Officer A '-Address Structural Funds & Cohesion Fund
Planning Bureau	Anthi Filippidou, Officer, Territorial Cooperation
Planning Bureau	Litsa Katsanou, Coordination Officer, Territorial Cooperation
Planning Bureau	Chryso Mihail, Head of Unit Structural Funds and Cohesion Fund
Planning Bureau	Toula Patsali Planning Officer, Directorate of Structural Funds and Cohesion Fund
RPF	Kalypso Sepou, Head of Unit European Research Programmes and International Collaboration
RPF	Leonidas Antoniou, Head of National Research Programmes Unit, RPF

Annex 1 - Evaluation grid for examples of good practice in evaluation

Evaluation Grid A - Evaluation study of the implementation process of the OP "Sustainable Development and Competitiveness"

BASIC INFORMATION	
Country: Cyprus	
Policy area:	
Title of evaluation and full reference:	
Intervention period covered 2007-2013	
Timing of the evaluation 2012- Mid-term review	
Budget (if known): EUR	
Evaluator: LKN Analysis, OMAS SA, ENVIROPLAN	
Method: Other quantitative, Qualitative	
Main objectives and main findings: The objective was the identification of absorption and physical progress in view of potential shifts of funding or priorities in the remaining time of the programme. The main findings refer to the significant role of the crisis and despite that the progress in certain key areas (RTDI funding). Overall the programme is considered as having been and remaining relevant and coherent.	
Appraisal: It is the first systematic work done in this area in Cyprus. The SWOT analysis is detailed and the surveys and interviews systematic. It complies with the terms of reference and concludes with recommendations as requested.	
CHECK LIST	
Score each item listed below from 0 to 2 as follows: 0: No; 1: Yes, but not fully; 2: Yes	
Report	
Are the objectives, methods and findings of the evaluation clearly set out?	2
Are the findings and recommendations clearly supported by the analysis?	1
Are the methods used suitable given the objectives of the valuation and have they been well applied?	1
Are the quantitative and qualitative data used reliable and suitable for the purpose of the evaluation?	2
Are the potential effects of other factors (e.g. the economic situation) on the outcome fully taken into account?	2
Is a serious attempt made to distinguish the effects of the intervention from these other factors?	1

Annex 2 - Tables

See Excel Tables 1-4:

Excel Table 1 – Regional disparities and trends

Excel Table 2 – Macro-economic developments

Excel Table 3 - Financial allocation by main policy area

Excel Table 4 - Commitments by main policy area (by end-2012)

Annex Table A - Broad policy areas and correspondence with fields of intervention (FOI)

Policy area		Code	Priority themes	
1. Enterprise environment	RTDI and linked activities	01	R&TD activities in research centres	
		02	R&TD infrastructure and centres of competence in a specific technology	
		05	Advanced support services for firms and groups of firms	
		07	Investment in firms directly linked to research and innovation (...)	
		74	Developing human potential in the field of research and innovation, in particular through post-graduate studies ...	
	Innovation support for SMEs	03	Technology transfer and improvement of cooperation networks ...	
		04	Assistance to R&TD, particularly in SMEs (including access to R&TD services in research centres)	
		06	Assistance to SMEs for the promotion of environmentally-friendly products and production processes (...)	
		09	Other measures to stimulate research and innovation and entrepreneurship in SMEs	
		14	Services and applications for SMEs (e-commerce, education and training, networking, etc.)	
		15	Other measures for improving access to and efficient use of ICT by SMEs	
	ICT and related services	11	Information and communication technologies (...)	
		12	Information and communication technologies (TEN-ICT)	
		13	Services and applications for citizens (e-health, e-government, e-learning, e-inclusion, etc.)	
	Other investment in firms	08	Other investment in firms	
	2. Human resources	Education and training	62	Development of life-long learning systems and strategies in firms; training and services for employees ...
			63	Design and dissemination of innovative and more productive ways of organising work
			64	Development of special services for employment, training and support in connection with restructuring of sectors ...
			72	Design, introduction and implementing of reforms in education and training systems ...
73			Measures to increase participation in education and training throughout the life-cycle ...	
Labour market policies		65	Modernisation and strengthening labour market institutions	
		66	Implementing active and preventive measures on the labour market	
		67	Measures encouraging active ageing and prolonging working lives	
		68	Support for self-employment and business start-up	
		69	Measures to improve access to employment and increase sustainable participation and progress of women ...	
		70	Specific action to increase migrants' participation in employment ...	
		71	Pathways to integration and re-entry into employment for disadvantaged people ...	
		80	Promoting the partnerships, pacts and initiatives through the networking of relevant stakeholders	
3. Transport	Rail	16	Railways	
		17	Railways (TEN-T)	

Policy area		Code	Priority themes
		18	Mobile rail assets
		19	Mobile rail assets (TEN-T)
	Road	20	Motorways
		21	Motorways (TEN-T)
		22	National roads
		23	Regional/local roads
		24	Cycle tracks
	Other transport	25	Urban transport
		26	Multimodal transport
		27	Multimodal transport (TEN-T)
		28	Intelligent transport systems
		29	Airports
		30	Ports
		31	Inland waterways (regional and local)
32		Inland waterways (TEN-T)	
4. Environment and energy	Energy infrastructure	33	Electricity
		34	Electricity (TEN-E)
		35	Natural gas
		36	Natural gas (TEN-E)
		37	Petroleum products
		38	Petroleum products (TEN-E)
		39	Renewable energy: wind
		40	Renewable energy: solar
		41	Renewable energy: biomass
		42	Renewable energy: hydroelectric, geothermal and other
	43	Energy efficiency, co-generation, energy management	
	Environment and risk prevention	44	Management of household and industrial waste
		45	Management and distribution of water (drink water)
		46	Water treatment (waste water)
		47	Air quality
		48	Integrated prevention and pollution control
		49	Mitigation and adaption to climate change
		50	Rehabilitation of industrial sites and contaminated land
		51	Promotion of biodiversity and nature protection (including Natura 2000)
		52	Promotion of clean urban transport
53		Risk prevention (...)	
54	Other measures to preserve the environment and prevent risks		
5. Territorial development	Social Infrastructure	10	Telephone infrastructure (including broadband networks)
		75	Education infrastructure
		76	Health infrastructure
		77	Childcare infrastructure
		78	Housing infrastructure
		79	Other social infrastructure
	Tourism and culture	55	Promotion of natural assets
		56	Protection and development of natural heritage

Policy area	Code	Priority themes
	57	Other assistance to improve tourist services
	58	Protection and preservation of the cultural heritage
	59	Development of cultural infrastructure
	60	Other assistance to improve cultural services
	61	Integrated projects for urban and rural regeneration
	62	Compensation of any additional costs due to accessibility deficit and territorial fragmentation
Planning and rehabilitation	82	Compensation of any additional costs due to accessibility deficit and territorial fragmentation
	83	Specific action addressed to compensate additional costs due to size market factors
6. Technical assistance	84	Support to compensate additional costs due to climate conditions and relief difficulties
	81	Mechanisms for improving good policy and programme design, monitoring and evaluation ...
	85	Preparation, implementation, monitoring and inspection
	86	Evaluation and studies; information and communication

Annex Table B - Unemployment Rate in Cyprus (15-64 years old)

Year	Unemployment Rate (%)	% change
2006	4.7	
2007	4.0	-14.9
2008	3.8	-5.0
2009	5.5	44.7
2010	6.5	18.2
2011	8.1	24.6
2012	12.1	49.4

Source: Eurostat.

Annex Table C - Changes in physical indicators

Policy area	Actual outcomes and results (physical outcomes plus brief note on what has been achieved)				
	Main Indicators	2011	2012	% change	Results to target (%)
Enterprise support and ICT	New business supported	205	254	23.9	101.6
	Female and youth entrepreneurs supported	34	81	138.2	26.5
RTDI	Research jobs created	426	536	25.8	39.4
	No. of cooperation project enterprises-research institutions	164	210	28.0	420.0
Transport	km of new TEN roads	-	1.2	n/a	42.9
	km of reconstructed roads	1.7	3.2	88.2	65.3
Environment and Energy	No. of renewable energy projects	2.0	2.0	0.0	66.7
	Energy generated from RES (kWh)	1,562,244	1,737,619	11.2	45.7
Territorial Development	No. of urban regeneration projects	4.0	4.0	0.0	50.0

Source: AIR of OP Sustainable Development and Competitiveness and own calculations.