

Cyprus *Country Profile*



28/08/2020

Prepared for SCP/RAC by Circular Economy Portugal

www.switchmed.eu



Mediterranean
Action Plan
Barcelona
Convention








1. Introduction.....	3
2. Policy and regulatory framework.....	4
3. Market demand and investment climate.....	5
4. Socio-cultural context	5
5. Opportunities & Obstacles	6
6. Appendix: bibliography	9

1. Introduction

Cyprus made a long progress since its economy relied on the agriculture sector and it was able to diversify to a more service-based economy, mostly due to tourism, and some manufacturing industries. However, Cyprus faces today two main economic challenges, high debt, and great dependency on imported goods.

Cyprus' economy is still characterised by economic imbalances. Cyprus' imbalances include high stocks of private, public and external debt and non-performing loans. In this context, there is also a need to step up reforms in key areas to attract productivity-enhancing investments, diversify the economy and help foster inclusive and environmentally sustainable growth in the long term (European Commission, SWD (2020) 512 final)¹. Cyprus economic growth has remained resilient so far, but is expected to slow down in the coming years. GDP growth, projected to be 3,2%% in 2019, has remained strong, supported by resilient domestic demand. Meanwhile, net exports had a negative impact, reflecting a less supportive external environment. The economy was expected to continue growing —albeit at a slower pace —by around 2,8%% in 2020 and 2,5% in 2021, in view of the anticipated weakness of the global economy but these figures are to be recalculated after the coronavirus crisis.

Growth is heavily resilient on sectors vulnerable to external developments notably tourism, foreign-funded construction activity, in particular, residential construction, and services in connection with the setting up and providing services to foreign companies under the special purpose entities' regime. To a certain extent, this is to be anticipated for a small, open, service-oriented economy. However, to increase the country's potential growth and to improve its resilience to economic developments, diversifying the economy to mitigate these risks is essential. Moreover, Cyprus is vulnerable to potential changes in the international corporate tax framework, which could jeopardise its role as a business service hub. There are new emerging sectors, such as tertiary education, ICT and energy, but so far their impact on growth has been limited. It would be important to support the development of these sectors, which also have the potential to raise the country's future productivity.

Quick Facts		
	Population	1.20 million (840.000 under the Government controlled area)
	GDP per capita	30.1 USD
	10-year average annual GDP growth	%
	Ecological footprint	4.4 gha/capita ²
	Renewable energy share (2018)	13.78 %

¹ https://ec.europa.eu/info/sites/info/files/2020-european_semester_country-report-cyprus_en.pdf

² https://www.footprintnetwork.org/content/images/article_uploads/Cyprus.pdf

	Unemployment rate	7.1%
	Global Gender Gap Index 0-1 (gender parity)	0.6

2. Policy and regulatory framework

Cyprus to this date doesn't have drawn an action plan or a policy framework for the implementation of circular economy (CE) in the country. As noted by the national expert, Cyprus has put Circular Economy in the national agenda with the Ministry of Energy, Commerce & Industry to have commissioned a study to determine the current industry state regarding Circular Economy and assess potential opportunities. Furthermore, the Ministry of Agriculture, Rural Development & Environment has incorporated CE into its national strategy, aimed at reducing emissions in the non-ETS³ sectors and to develop a CE strategy in line with the 2030 Energy & climate action plan.

Additionally, the government, through the Ministry of Agriculture, Rural development and Environment, has a Support Scheme to support the implementation of EMAS⁴ in public or private organizations/companies. This scheme intends to provide governmental sponsorship to all interested in applying Environmental Management Systems according to EMAS to reduce the use of natural resources and continue to improve their environmental performance. The grant covers 70% of total eligible expense up to 2.000€. However, in general, policy and funding measures and other means of promoting the circular economy still largely depend on co-financing through the European Structural and Investment Funds (ESIF).

In 2015, both the Municipal Waste Management Plan and the National Waste Prevention Programme were adopted, with main objectives being to achieve 50% recycling at least for paper, plastic, metal and glass, 15% in the separate collection of the organic content of municipal waste, and a 20% reduction in landfill. Recycling and infrastructures for collection and waste separation are still the main gaps and focus for environmental policies, since the targets set by the European union are far from being achieved.

³ ETS – Emission Trading System

⁴ EU EMAS - EU Eco-Management and Audit Scheme

3. Market demand and investment climate

Cyprus presents a very low number of people employed in the circular economy, only 1.99% of the total employment in 2016. This number is aligned with the national expert's perception regarding the very low level (1 on a scale 1 to 5) of green and circular entrepreneurship in sectors as agriculture, construction, or energy. The use of secondary use of materials in Cyprus is also a good indicator of the weak level of circularity in the economy, only 2.3% (2016), well below from the European average.

Cypriot SME's investment ambitious are very low since, for example, private investment on green businesses according to the national expert is also very low. There is too a lack of external cooperation within this sector, apart from grants and subsidies assistance, which can be a big obstacle given the small size of the internal market.

Usually, eco-innovation is driven by individuals, research institutes and companies, however, there is no leading public or private institute in this matter. Supporting this is, for example, the low number of products (87) and licenses (7) registered in the EU Ecolabel scheme (data from 2018). Nevertheless, Cyprus presents a positive assessment of the environmental performance of its SMEs since there is a high number of entrepreneurs that aim to build green businesses and have the chance to receive support for it.

One other positive indicator from Cyprus' economy it is the revenue from environment-related taxes, which accounted for 2.93 % of GDP in 2017 (above EU-28 average) since tax revenues on the environment and consumption are high, this makes Cyprus's tax structure in relative growth and environmentally-friendly.

4. Socio-cultural context

In general, Cypriot society, on one hand, express concernment about the environment (according to the 2017 Special Eurobarometer, 92% of Cypriot people were worried, for example, about the plastic products on the environment) and they strongly support circular economy initiatives and environmental protection measures.

On the other hand, as the national expert pointed out, the general knowledge about circular economy and sustainability is quite low (2 on a scale of 1 to 5), perhaps due to the lack or non-existing adequate and accessible professional training and education programs about these topics. However, it was reported that skilled workforce is highly available to learn and engage with environmental or sustainable techniques.

An important aspect to take in consideration relates to a not well-balanced participation between men and women at the decision-making level in the public sphere, being this domain dominated by men. In this sense, women have still a dominant role in the domestic sphere, which makes them the main purchasers of goods and products. Studies found that women are more likely to buy green or sustainable products and also have and express more concerns about the environment and about the impact of their actions on it, which can act as good characteristic and opportunity for the growth of green and circular products.

5. Opportunities & Obstacles

Based on all the collected information, the table below summarises the main opportunities and obstacles verified in Cyprus to circular and green businesses:

	Opportunities	Obstacles
<i>General economic context and investment climate</i>	<p>Economy based in small size companies which are oriented mostly to international markets</p> <p>Most SMEs which offer green products and services generate more than 50 % of their revenue from them</p>	<p>Small internal market size – high production costs</p> <p>Lack of market-based incentives supporting the transition towards circularity</p> <p>Lack of a holistic approach to circular economy initiatives</p> <p>Physical location: the country is remote from other countries which acts as a massive disincentive to implement CE</p>
<i>General political context</i>	<p>High level of commitment from public authorities to policies that support circular economy</p>	<p>Lack of coordination between different administrative levels</p> <p>Lack of capacity at local level</p>
<i>Policy and regulatory (both national and regional/local)</i>	<p>Online platform (Ariadni) that compiles all necessary information and services for SMEs</p>	<p>Inexistence of a national plan or strategy focused on the implementation of CE</p> <p>Lack of effective legislation towards eco-innovation</p>
<i>Subsidies and fiscal benefits</i>	<p>A new Green Tax Reform will be introduced in 2021</p>	<p>High dependency from SMEs on public support for green initiatives</p>
<i>Public procurement</i>	<p>Since 2012, Cyprus's Government has implemented a Green Public Procurement Action Plan (mandatory for all state authorities)</p> <p>Since 2014, the Ministry of environment awards the best practices in GPP</p> <p>In some sectors, GPP is used at a very high level: in 90 % of product and services purchases, such as office IT and imaging equipment and 100 % of road sign, public fountain and toilet cistern purchases, for example</p>	<p>Low level of GPP, accounts for 1 to 5% of total expenditure</p> <p>Public procurement is mostly led by financial criteria</p> <p>Low variety of green products available in the market that match the criteria set by the GPP</p>

<i>General knowledge and awareness about CE</i>	Cyprus Federation of Employers & Industrialists (OEB) organises educational and awareness raising initiatives and capacity building workshops and it's responsible for an online platform that shares good practices on CE	Average consumer and SMEs awareness about sustainable and circular products
<i>Consumer demand (linked to previous point)</i>	There is an increasing interest in sustainability topics and the impact of consumption on the environment	Average, but not growing, consumer demand for circular and green products
<i>Public-private partnerships</i>		
<i>Support programs or platforms for green and circular businesses</i>	<p>OEB is the leading organization to work and promote the implementation of circular economy within Cypriot companies (for example, Circular Economy in the Hotel Sector, which involves capacity building and business coaching⁵)</p> <p>Besides European funding, there is a wide variety of national and regional funds available to support eco-innovation</p>	Great focus of subsidies and platforms towards waste management and energy efficiency (dependency of imported sources)
<i>Professional training and education on CE / Skilled labour</i>	Increasing number of NGOs working on environmental education and training	Lack of information and technical skills on environmental topics
<i>Specific economic sectors</i>	<p>Cyprus Sustainable Tourism Initiative: aims to turn Cyprus in a leader in sustainable tourism</p> <p>Adoption of the Municipal Waste Management Plan and the National Waste Prevention Programme (2015)</p>	<p>There are no mature, distinct eco-innovation sectors in Cyprus</p> <p>Lack of infrastructure and systems for collecting recyclables and for diverting biodegradable waste from landfills</p>
<i>Other socio-cultural factors (incl. gender issues)</i>		<p>Overall problematic environmental culture</p> <p>Gender equality issues based on stereotypes with a lack of enforcement of legislation that safeguards women's' rights</p>
<i>Other commercial or legal challenges</i>		Current taxation patterns: virgin raw materials are often cheaper than secondary ones, weakening incentives to engage in business transformation

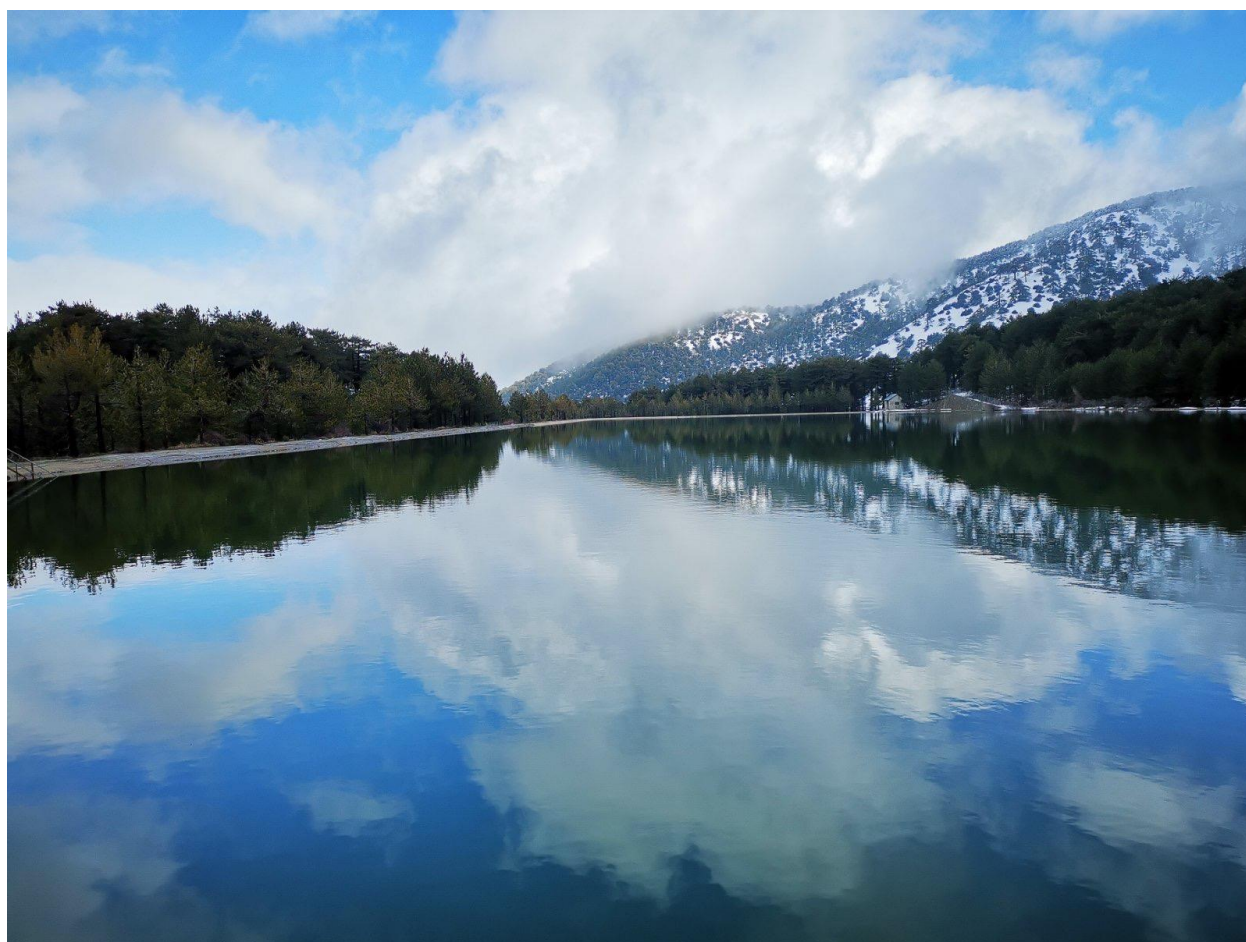
⁵ <https://www.oeb.org.cy/en/drasis/hotels4climate/>

		There are taxation and regulatory barriers to use secondary materials
<i>Available technologies and infrastructure</i>	Smart Specialization Strategy (S3Cy): development of an Action Plan to overcome the main barriers in the R&D sector (enhance entrepreneurial innovation, facilitation of knowledge transfer and enhance of private sector's investments on R&I)	The R&D sector is quite new in the country, resulting in a fragmented system that lacks coordination between stakeholders

6. Appendix: bibliography

Below are some of the policies, platforms and initiatives promoting in a way or another green and circular economy in Cyprus:

Document	Year	Source
Cyprus's Energy Agency		http://www.cea.org.cy/en/services/prasines-dimosies-symvasis/
Ariadni - Government Gateway Portal		https://eservices.cyprus.gov.cy/EN/Pages/Home.aspx
Cyprus Employers and Industrialist Federation (OEB)		https://www.oeb.org.cy/en/
Cyprus's Circular Economy Platform		http://cypruscircular.oeb.org.cy/
Cyprus Sustainable Tourism Initiative		https://csti-cyprus.org/
Smart Specialization Strategy for Cyprus	2014	https://s3platform.irc.ec.europa.eu/documents/20182/122769/S3CY_Executive+Summary_EN.pdf/c223adae-5e44-4339-a2b3-39038456e391



Disclaimer

This publication was produced with the financial support of the European Union. Its contents are the sole responsibility of SCP/RAC and do not necessarily reflect the views of the European Union.

Please visit us at: www.switchmed.eu/policy