



Development of a long-term economic strategy for Cyprus

Closing report

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Purpose of this report

PwC was commissioned by the European Commission's DG REFORM to provide support for the development of a long-term economic strategy for Cyprus. The general objective of the service contract is to contribute to the institutional, administrative and growth-sustaining structural reforms in Cyprus. The specific aims of the service contract are to support the:

- Initiatives of national authorities to design their reforms according to their priorities, taking into account initial conditions and expected socioeconomic impacts.
- National authorities in enhancing their capacity to formulate, develop and implement reform policies and strategies and in pursuing an integrated approach, ensuring consistency between goals and means across sectors.
- Efforts of national authorities to define and implement appropriate processes and methodologies by considering good practices of and lessons learned by other countries in addressing similar situations.

The direct beneficiary of this contract is the Cyprus Economy and Competitiveness Council, an independent advisory body, established by a Council of Ministers' decision in June 2018. The implementation of the project is also supported by the Directorate for Competitiveness and Growth of the Directorate General for European Programs, Coordination and Development (DG EPCD), acting as Secretariat to the above Economy and Competitiveness Council. Other beneficiaries include all line Ministries in Cyprus that will be responsible for the implementation of the action plan, as endorsed by the Government. Some Ministries were also involved in the implementation of the project, either through their participation in the steering group or on an ad-hoc basis, during consultations. Finally, the Cyprus economy, policymakers, businesses, households, society at large and individual communities and citizens will benefit from the development and implementation of a sustainable long-term strategy.

The Cyprus Economy and Competitiveness Council and the DG EPCD have an important role to play in terms of "handing-over" the results of this project to those who will be called to take action and implement the action plan and communication plan to bring Vision 2035 to life.

This report succeeds the Phase 7, Outline of a communication strategy for Vision 2035 report, which develops the communication strategy for the long-term strategy to realise Cyprus' Vision 2035 to transform the country to one of the world's best places to live, work and do business. Specifically, the report stated the goals and objectives of the communication strategy, identified the target audience groups, captured the current "pulse" of key audience groups regarding Vision 2035 and the new growth model and provided strategic conclusions and key communication messages, outlined a high-level communication plan, provided indicative measures of evaluation to monitor progress against the set objectives and plan and proposed an appropriate governance framework for the implementation of the communication strategy in alignment with Phase 6.

This report is the main deliverable of Phase 8, Project Closing, which aims to summarise the results of the project and agree to the closure of the project. In summary, we present an executive overview of all previous deliverables, main achievements and challenges encountered, lessons learnt and indicators to monitor results after the completion of this service contract.

Structure of this report

The structure of the Closing report is as follows:

- Section 1 Executive summary of all deliverables;
- Section 2 Main achievements;
- Section 3 Challenges encountered;
- Section 4 Lessons learnt;
- Section 5 Monitoring indicators.

1. Executive summary of all deliverables

Phase 2: Inception

On a global level, Cyprus' development trajectory has been impressive given the relatively short period in which it has been independent. This is reflected in the World Bank's assessment three decades ago, where Cyprus was classified as one of the world's top 20 fastest growing economies on a per capita basis.^[1] Since then, Cyprus has joined the European Union (EU) — the world's largest economy and trading block in the world — and, subsequently, the Eurozone. The IMF classifies Cyprus as an advanced economy, a designation awarded to only 38 other economies globally.

But the world economy is becoming a much more competitive place. Technology is changing the rules of the game. Consumers and citizens are becoming more demanding. And business and government are constantly finding new ways to adapt and support each other.

There are some tentative signs that Cyprus is falling behind. When Cyprus joined the EU, its income per capita on a price adjusted basis was consistent with the EU average and highest amongst the nine other candidate countries. The latest data shows that Cypriot income per capita is at 89% of the EU average. On this measure, Malta and the Czech Republic have now overtaken Cyprus.

Cyprus needs to think about its long-term future and put in place a plan that delivers on this. At its heart, the plan would enhance the economy's resilience and competitiveness and pave the way forward for a socially and environmentally sustainable trajectory of growth.

This report provides the foundation to build Cyprus' vision for the next 10-15 years. The analysis is centred around the concept of competitiveness — the characteristics and factors that make a country an attractive place in which to invest, to do business, to trade with, to visit, and to live in. It draws upon interviews we carried out with the Steering Group committee members, and literature from supranational, academic and other authorities that have analysed the Cyprus economy and focused on its different sectors and themes.

We compare Cyprus' current performance in a multitude of indicators against a set of benchmark countries. The benchmark countries are Denmark, Estonia, Finland, Ireland, Israel, Malta, Netherlands, Singapore, Slovenia and the UK (where data is not produced on the same basis, we compare against the EU). Some of these countries are world-class in specific sectors and are frequently ranked as the world's most competitive economies. In this report, the bar for Cyprus has been set very high, reflecting the country's ambition to become a world class, competitive economy.

Cyprus performs relatively well against these indicators when compared to the rest of the world. However, when we compare Cyprus' *relative* performance to the benchmark countries, its performance is significantly less impressive.

Comparative strengths

This report finds that there are many economic, social and environmental factors that drive competitiveness in Cyprus. Cyprus has got the basics right. The Cypriot workforce is highly qualified, with tertiary educational attainment being the third highest in the EU. More than 90% of the Cypriot workforce speaks at least one more language, usually English—the language of business. Cyprus has a favourable tax and regulatory environment, underpinned by its EU membership. Compliance with EU regulations, combined with its low corporation tax rates,

¹ *The East Asian Miracle—Economic Growth and Public Policy*, World Bank (1993)

extensive network of double tax treaties make Cyprus an attractive destination to relocate and trade. However, the sustainability of some of these strengths should be assessed going forward.

The Cypriot population is healthy—Cyprus' life expectancy is 83 years, relative to an average of 81 years in the European benchmark countries. Living standards remain high and the labour market has been on an upwards trajectory, with unemployment falling back towards pre-crisis norms. The information and communications sector are one of the key sectors that has helped Cyprus recover from its crisis.

Then there is Cyprus' natural capital. Its climate, scenery and beaches help make Cyprus a fantastic place to live and work in. Cyprus is the 59th most popular tourist destination in the world, a sector which has played a big part in Cyprus' growth story so far. It also gives Cyprus a natural advantage in renewable energy generation, an area of, as yet, untapped economic potential. Its geographical location, while on the periphery of Europe, provides a bridge to the Middle East, North Africa and Asia, opening the country up to new opportunities.

All of this has helped Cyprus to make an impressive recovery from the economic crisis that marred the first half of the past decade. They point to Cyprus having huge and untapped economic potential. But realisation of this potential is currently impeded by the existence of long-standing structural weaknesses.

Comparative weaknesses

Notwithstanding the strengths of Cyprus, our analysis of a wide suite of economic and other indicators points out labour, capital and productivity related structural issues relative to the benchmark countries.

Focusing on the macroeconomic picture we find that Cyprus needs to diversify its economic base as it has high reliance on a few sectors. We find that since 2015, five sectors drive around 70% of economic growth. Construction and real estate are the main culprits which, in turn, rely significantly on external demand generated by Cyprus' investment and residency schemes. Focusing on exports, Cyprus' top four exports make up almost 70% of its goods export base. While on the services side, travel and tourism account for almost two-thirds of those exports. Around two third of tourism receipts are reliant on two countries.

But there are also long-standing and deep structural issues that Cyprus needs to address including:

- **Labour-related issues:** Despite a high number of people qualified with tertiary degrees, there are fundamental weaknesses in some aspects of the Cypriot education system and the outcomes it produces. Cyprus spends around 3.5% of its GDP on primary and secondary education—one of the highest amongst the benchmark economies—but scores lowest on the Programme of International Assessment (PISA) scores amongst the benchmark countries. We also find that high levels of qualification do not necessarily translate into better, more-rounded skills. In fact, digital skills, vocational education and training, and the number of STEM graduates in Cyprus are amongst the lowest of the benchmark countries. This contributes to labour market outcomes, including a high share of involuntary temporary workers, high shares of young people not in education, employment or training, and persistent mismatches between skills and business needs across sectors.
- **Capital related issues:** While Cyprus is a member of the Eurozone, we find that borrowing costs to non-financial corporations are relatively high compared to the benchmark countries. This puts businesses at a disadvantage, particularly because three-quarters of external corporate investment finance in Cyprus comes through commercial banks, one of the highest proportions from the benchmark countries. Furthermore, due to high NPLs and the overindebtedness of the private sector, banking credit is constrained and private savings in Cyprus is very low relative to the EE average. As a result, Cyprus relies on foreign investment to fill the gap.
- **Productivity related issues:** We also find that the level and growth rate of productivity in Cyprus (either labour or total factor productivity) is in the bottom quartile compared to benchmark economies. Some of this trend can be explained by too little investment, and investment focused in areas that contribute little to boosting productivity.

But other factors are also at play. Most notably, reforms are needed to better enforce contracts and property rights, and to improve the efficiency and effectiveness of the justice system. Moving to the wider public sector, inefficiencies exist in how the government is structured, how laws are appraised, made and passed, how the civil service operates and how state-owned enterprises are run. Corruption remains the second highest amongst the benchmark economies, according to Transparency International's Corruption Perceptions Index. Policy is not transparent and predictable which leads to inequitable results for corporates and individuals and could hamper competition which is fundamental to keep prices low. The lack of digitalisation within the government, businesses and the lack of engagement with e-consumers is also a threat to the country remaining stuck in the analogue era. Cyprus also falls behind on research and innovation, with less spending and investment and entrepreneurship in this area. Cyprus has masked some of these issues using its comparative strength in the taxation space—this, however, is not enough.

The structural challenges Cyprus is facing have been known for a long time and came up in our one-to-one interviews with the Steering Group members. Many of them are deeply intertwined and connected; some have not been reformed since independence in 1960. We find evidence of Cyprus relying too much on its strong advantage in the corporate tax area for too long and too little on improving the other factors that drive competitiveness. This suggests that the returns from dealing with these weaknesses will be significant. We also find that Cyprus doesn't have a state-run body with the necessary expertise to think about long-term economic planning issues without any political interference.

Social and environmental enablers of growth

Even with the right fundamentals, it is then important to consider the enablers of sustainable long-term growth. For an economy to be sustainable, growth must be aligned to protect the environment and make more efficient use of natural, human and other resources.

There is evidence that, currently, the Cypriot growth model and environmental sustainability are misaligned. The travel and tourism and construction sectors increasingly encroach on the island's natural environment and create excessive demand for water and energy, which in turn are inefficiently managed. There is misalignment between private costs and social costs. As a result, Cyprus' performance on environmental indicators is one of the worst, not just of the benchmark countries, but of the EU. Cyprus' greenhouse gas (GHG) emissions per capita are almost a third higher than the EU27 average, also due in part to its high dependence on fossil fuels; according to the European Commission, Cyprus is expected to miss its greenhouse gas reduction targets for this year, and for 2030. Inefficient water and waste management practices also leave the country vulnerable to climate change.

Sustainable growth also relies on social stability: the economy should provide equal opportunities and growth should be inclusive and shared between all citizens. Cyprus performs strongly in many of these areas. It has a relatively low gender employment and pay gap, although performance does vary by sector and Cyprus has low female representation with politics and also the ICT sector. The introduction of a guaranteed minimum income (GMI) in 2014 has also helped to raise and support real household disposable incomes and reduce income inequality. But Cyprus' Gini coefficient of income inequality is relatively high and is one impediment to progress in achieving the UN's Sustainable Development Goals.

Long term challenges and opportunities

At the same time as addressing internal challenges, Cyprus will also be faced with other challenges, some of which are external, long-term and will take a much more concerted effort to overcome. These are:

- **Technological change:** This offers up significant opportunities to drive productivity enhancements, and create new sectors and jobs. But at the same time, it brings risks of automation. We estimate that around 30% of existing jobs in Cyprus have a high risk of potential automation. While this percentage is high in absolute terms, Cyprus' risk is middling relative to the benchmark economies, due to its more service-oriented economy. To minimize the effects of this challenge, upskilling those with low and medium levels of education in digital skills is one area the state should focus on.

- **Climate change:** Cyprus is expected to suffer disproportionately from the adverse effects of climate change compared to other parts of Europe. This means managing resources, investing in renewable energy and technology and reducing reliance on mass tourism (which has a negative environmental impact) are crucial to dealing with this risk.
- **Demographic change:** By 2050, around one quarter of Cyprus' population, or 350,000 people, will be above the age of 65. Cyprus needs to ensure its newly founded General Health System can handle the pressure by making it as efficient and world class as possible. Cyprus could also look to prepare its current and future workers for tomorrow's future workplace by investing in upskilling. Also, another opportunity could be immigration but this comes with challenges including the sustainability of such a policy and the effort required to attract the right workers with relevant skills.
- **Other challenges:** Brexit is a short-term challenge for Cyprus, though this could be delayed because of the COVID-19 pandemic, making it a more medium-term challenge. The renewed focus of the European Commission on a common consolidated corporate tax base could dramatically impact Cyprus' current low-tax model. Fatigue from reforming the economy is another area of risk we see developing.

The global economy is changing at a very rapid pace. With these changes, come opportunities that Cyprus can capitalise. We spent less time on this aspect at this stage of the project, as the following phase analyses the opportunities and the drivers of growth in detail. Given our research up to this point, we identified the following key opportunities for Cyprus:

- **Hub for regional corporate headquarters:** Cyprus is in an ideal geographic location, with relatively low labour costs and a large service sector. Fixing some of its weaknesses, including digitalisation, its air connectivity, sophistication of corporate governance, public administration and judicial system, means that it could be well placed to attract regional corporate headquarters. We find evidence that foreign controlled businesses in Cyprus add significantly more value to the economy and invest more in their employees. Complementary policies would be needed to maximise the spillover impacts (i.e. knowledge and technology transfer) from multinational corporations and the local economy, which are currently low.
- **Professional services:** Cyprus has very strong human capital with language capabilities. In Cyprus, professional services ranging from architects, to accountants, business advisors and lawyers are well-qualified and relatively cheap compared to most of its main trading partners. This suggests there could be a natural arbitrage that Cyprus could exploit to grow these sectors of the economy. One way to do this is to partner up with overseas businesses. This would also aid the transfer of knowledge and help lift productivity. We have already seen some success of this in the shipping sector.
- **Educational hub:** Cyprus has a relatively short history in tertiary education but is rapidly expanding in this area. It is still a long way away from being a true educational hub. For this to happen, universities need to better coordinate with business, teach widely in the international language of business and research, English, and strive for European Union-class quality by benchmarking themselves against the best in their particular fields.
- **Energy:** Cyprus has significant offshore natural gas deposits which it could utilise for domestic consumption compared to its current heavy reliance on imported crude oil, and potentially also for trade in international markets. But given the European Commission's very strong emphasis on a European Green Deal, and lower fossil fuel prices we think this opportunity is likely to fade fast in the near future and be replaced by something bigger in which Cyprus has a natural comparative advantage in—that of solar energy.

We want to stress that success in capitalising on these opportunities is critically dependent on how Cyprus deals with its weaknesses. There is no one sector that will magically solve Cyprus' long-standing issues. Reforming efforts should span all policy areas and should be continuous and not discrete. They should not just rely on aspects of the taxation system which are easy to enact and are of less relevance to high value adding businesses. And our recommendations to focus efforts on a few sectors of the economy will only be effective if the current weaknesses which span large swathes of the economy are dealt with. Also, we want to stress that both the public

sector and private sector should cooperate and share some of the responsibility to carry out reforms. The public sector should put itself in the shoes of the private sector and vice versa.

As at the writing of this report, the COVID-19 pandemic was ongoing. The Cypriot government responded by introducing travel restrictions, sector lockdown measures and support packages. We know that the impact of these measures combined with the virus is expected to slow economic activity dramatically across the world. It could also have medium-term impacts for Cyprus, given its reliance on the air travel industry and inbound tourism. This makes Cyprus' effort to diversify its economic base and develop a long-term strategy for sustainable growth, which are key objectives of this project, even more important and urgent.

Finally, the pandemic has exposed another aspect of the Cyprus economy. We have seen the government, households and businesses adapt very rapidly in some cases by accelerating e-government services, setting up an IT infrastructure overnight and building e-commerce platforms respectively. This is testament of how fast and adaptable Cyprus can be when it wants to. The same zeal to reform and push boundaries must now be applied to the rest of the economy. The time to act is now.

Phase 3: Drivers of growth

It has never been more important to plan for the future. The COVID-19 pandemic is a stark reminder of how governments, businesses and households need to prepare for change and develop resilience to adapt to unexpected events.

In the Inception Report, we provided a status update on the Cyprus economy. This showed Cyprus' national output rebounding fast from the 2013 crisis with four sectors driving around 70% of the growth in GDP. However, we called into question the rigidity and inertia to adapt the country's education system to nurture skills for the future, the distinct lack of embrace for technological advancements and the absence of a transition towards an environmentally sustainable future. The COVID-19 pandemic has also brought to the fore concerns of a lack of resilience; the rigid structure of the Cypriot economy, its reliance on a few key sectors, and reliance on imports to drive output across the entire economy mean the economy's choice of future sectors is of strategic importance.

For a small open economy like Cyprus with a relatively small domestic market, it is vital to plan ahead to exploit future opportunities. Indeed, in the Inception Report, we found some evidence that Cyprus' income per capita on a price adjusted basis has been overtaken by some of its competitors.

So what can Cyprus do to reverse this trend, change its economic model and exploit the future drivers of growth in a socially and environmentally sustainable way? In our view there are two main areas to focus on:

- **Horizontal drivers:** Setting the economy on the right foundations by fixing long-standing and structural weaknesses which will help the private sector to be competitive, resilient and operate at its most effective. This includes preparing the current and future workforce to the challenges of the future. But it also means building new public institutions, rethinking systems and processes in the public sector all of which will help steer Cyprus towards a more competitive, green and digital future consistent with the European Union's agenda and the UN's Sustainable Development Goals.
- **Vertical drivers:** Identifying and nurturing the sectors that will drive future long-term growth in an environmentally and socially sustainable manner. For a small, open economy like Cyprus these sectors should be chosen with global trends in mind. They also need to consider Cyprus' domestic dynamics including skills, competencies and societal priorities. For the existing vertical drivers, the emphasis should be on 'fixing' the sectors. For newer sectors, the focus should be to 'build' the foundations for future growth.

The focus of this report is on the vertical drivers, where we identify the sectors that are likely to fuel Cyprus' future growth in a sustainable manner. We also provide over 40 policy recommendations specific to each identified sector

along with best practices and case studies identified from other countries. These are areas Cypriot authorities could consider investing some of the expected proceeds from the “Next Generation EU” funds.

However, even though we have not focused on the horizontal drivers of growth at this stage, we stress that these are equally as important to consider as part of a wider Cyprus Growth Plan. This message was strongly echoed in our series of almost fifty interviews we led, with stakeholders from the Cypriot public sector to academia to civil society and former policymakers. Many interviewees emphasised the urgent need to implement cross-cutting, horizontal reforms in order to catalyse growth in the vertical drivers, or sectors.

PwC International Competitiveness Index (PCI)

In this report, we supplement our analysis to better understand Cyprus’ competitiveness by constructing our own PwC International Competitiveness Index (PCI). The PCI compares Cyprus’ performance on five main themes—Labour, Capital, Productivity, Social and Environmental—against the same ten benchmark economies we used in our previous report. Using the latest data, we find that Cyprus ranks last on the PCI, clustered closely together with Israel, Malta and Estonia.

These results affirm that Cyprus’ main strengths lie in the pillars of Capital, mainly because of its competitive tax regime, and Social, with relatively strong outcomes for income and gender equality. However, Cyprus performs less well on the pillars of Labour, predominantly due to structural issues in its education systems which produce relatively poor outcomes, Productivity, mainly because of poor air connectivity and low levels of R&D, and Sustainability due to relatively high CO² emissions per capita.

To give an indication of the impact targeted policy action can have on Cyprus’ score on the PCI, we carry out scenario analysis. Specifically, we assume Cypriot policymakers enact a relatively modest action-based reform plan which aims to converge the country’s performance on the weaker indicators to the current average recorded in the ten benchmark economies. Assuming the plan is fully implemented on a timely basis, Cyprus’ rank on the PCI jumps from 11th to the 5th position. Based on this analysis, we suggest potential targets on indicators authorities in Cyprus could focus on in the future.

We supplement this analysis with the more detailed insights from interviews with stakeholders, who suggest almost twenty distinct reasons for what is holding back Cyprus’ potential. The most popular reasons are:

- Inability to implement change due to lack of capacity within government and coordination failure between the various parties affected by proposed reforms (35% of respondents);
- Wider cultural factors including a combination of conservatism, complacency and a mindset averse to change, which ultimately leads to inaction, or urgent, last minute action which isn’t fully thought through (32% of respondents); and
- The presidential system of government centred around the Executive branch which does not necessarily hold a majority in the legislative branch in the House of Representatives leading to bottlenecks and disagreements on the way forward (28% of respondents).

Vertical drivers of growth

To identify the vertical drivers of growth for Cyprus, or the sectors of the future, we describe the global political, economic, social, technological and environmental trends we expect in the medium-to-long term. These have been developed as part of PwC’s in-house view on global, regional and national trends, including our ADAPT (Asymmetry, Disruption, Age, Polarisation and Trust) framework. We also take into account the medium-term implications of COVID-19.

For Cyprus, our conclusion is that it needs to diversify and modernise its product and service offering to the rest of the world, taking into account the patterns in demand not just within Europe, but also of the growing middle class in Asia, the Middle East and Africa, which offer new potential trading opportunities and a chance for export diversification. Being a small, open island Cyprus also faces significant pressure to become more resilient, diversify and shorten supply chains. Unsurprisingly, we conclude that Cyprus can simply not continue to avoid

embracing the digital, skills and sustainability agendas affecting all aspects of the economy, government and wider society. Instead, it needs to accelerate progress towards knowledge and green economy.

Set against this context, we conduct a filtering process to identify the key sectors and sub-sectors that could drive medium-term growth in Cyprus. Specifically, we assess future external and domestic demand prospects to get an understanding of which sectors are expected to overperform wider economic activity. We then overlay this with an assessment of the extent to which each sector contributes to key strategic objectives: resilience, sustainability and alignment to EU agendas, including the Green Deal and Next Generation EU.

From this filtering process and through our conversations with PwC experts, we identify a long list of fast-growing and strategic subsectors that Cyprus could capitalise on. Based on our assessment of the current state of the Cypriot economy, policy landscape and its future challenges, we narrow this list to focus on five priority subsectors or market niches. These are: **tertiary education, solar energy, agrotourism and health and wellness tourism, agritech and Cypriot speciality foods**. We also highlight the strategic importance of **light manufacturing** (specifically, generics pharmaceuticals manufacturing and food manufacturing). Our analysis also reinforces the importance of the **professional services sector** as central to the future of the Cyprus economy and its position as a knowledge-based economy, whether it's ship management, headquartering of ICT firms and other corporates, or growing and emerging opportunities in fintech and cyber security.

With the right support – and, crucially, the right horizontal reform programme – Cyprus can hope to capitalise on emerging consumer, economic and environmental trends. Unsurprisingly, the Asian emerging markets offer some of the biggest external growth prospects across the board; most notably in the tertiary education sector in which our analysis points to significant opportunities for attracting foreign students in India, Indonesia, as well as closer to home countries such as Israel. Cyprus should not ignore growth in neighbouring countries such as Egypt and Jordan, in which growth in demand across some of the key sectors is likely to outpace that of Cyprus' current trading partners. Indeed, Israel – with its thriving start-up and innovation economy – offers potential for Cyprus to collaborate with on key sectors such as agri-tech and solar energy, facilitating knowledge sharing and technology transfer.

The sectors discussed in this report should not be interpreted as the only drivers of growth and should not detract from the importance of other sectors to the Cyprus economy, or the potential of others to create value. Instead, we consider them to represent a diverse list of potential priorities for the government to support. They represent a balance between reinforcing key sectors and building capabilities in smaller, newer sectors; they represent a careful balance between strong growth opportunities and sustainability; and they represent a balance between building resilience in the domestic market and recognising export potential and scalability.

We place alignment with the EU's long-term ambition at the heart of our analysis. The drivers of growth reflect the move towards a sustainable, high-value, technologically enabled and resilient future. As part of this, we recognise the importance of natural gas as a short-term transition tool away from fossil fuels for Cyprus, but emphasise that this must not detract from the need to accelerate the move to a clean energy future *today*, placing a central emphasis on the solar energy sector throughout this report.

Policy recommendations

To sharpen our policy recommendations relevant to these priority growth drivers, we conduct a current state assessment to identify the areas of strengths and weaknesses of each sector. This helps us understand where policymakers' attention should be focused. We then outline the policy recommendations that the authorities should consider as part of a long-term strategy to realise growth in a sustainable manner. At this stage, these policy recommendations should be viewed as a high-level indication of the level of effort, stakeholder involvement and the direction of focus that is required; Cypriot authorities should begin thinking about the practicalities of implementation.

Looking across more than 40 sector specific policy recommendations, four themes emerge. Some of these are consistent with the spirit of the European Commission's Country Specific Recommendations and PwC's "Restart Cyprus" publication. We outline the themes along with some examples of our recommendations:

- **Plan:** In some of the sub-sectors we identify, we noticed the absence of a strategic planning document specific for the 'subsectors. For example, Cyprus aims to be a regional centre for higher education, but we have not seen details on the type of university model pursued, target market(s), how the sector is planning to adapt to Brexit, use of English language in courses all of which require consideration and action to make and keep the sub-sector competitive. We provide suggestions on what a potential future plan for the tertiary sector should look like. Across most sectors, we also note the lack of frequently updated data which is the necessary evidence base on which to design and refine policy. We recommend appropriate policies to rectify this which we think should be looked at as soon as possible. Planning is also critical for key horizontal areas, such as Cyprus' connectivity to other countries; developing a long-term air strategy will be crucial to supporting growth in sectors such as tertiary education and tourism.
- **Coordinate:** Government needs to step up to the challenge and fulfil a coordinating role for the key sub-sectors where and when required. For example, one of our recommendations for the solar market is for the government to create an Office of Renewable Energy within the Ministry of Energy, Commerce and Industry. This Office should act as a single point of contact for citizens to understand the latest rules, regulations and grants available. The Office should also set-up, coordinate and monitor solar energy targets across government owned assets (including building, schools etc), state-owned enterprises and municipalities. Doing so will encourage the take-up of solar energy across the larger sectors of the Cypriot economy.
- **Collaborate:** For the key sub-sectors we identify the need for better collaboration between the public sector, the private sector and local universities. This is critical for Cyprus to ensure its current skills mismatch does not deteriorate. For example, for the agritech sub-sector we recommend co-designing university degrees with industry, government and the academic community to equip young Cypriots with the skills to innovate and start-up new agricultural entities. We recommend co-designing vocational education courses in renewable energy and agritech with businesses, following the Dutch model which contributes to the country's high rank on the Labour pillar of the PCI.
- **Quality:** Increasing and maintaining high levels of quality consistent with modern requirements is an important way to keep a sector competitive. For most of the identified key subsectors the need to maintain standards and uphold professionalism is paramount. For example, for the tourism sector we recommend the creation of a network of 'green rated' hotels in Cyprus for environmentally conscious tourists. For the agricultural sector we refer to the example of the Netherlands which has dramatically reduced the levels of antibiotics in farming and wider agriculture. And for the tertiary education sub sector we present how the UK's approach to setting and maintaining teaching standards at universities could be transposed to Cyprus.

To conclude, we note that to date, Cyprus' economic model has served the country relatively well. However, unstoppable global trends, over which Cyprus has little control, means that the country needs to seriously think about building new sectors and fixing existing ones whilst fitting this around Cyprus' obligations as an EU member state. Doing so will also help make the Cypriot workforce more agile and competitive and should at least halt the deepening of skills mismatches.

At the same time, the experience from COVID-19 shows that Cyprus, like any other advanced economy, needs to embark on a journey to improve on its resilience through a combination of digitalisation, diversification and change. In the interviews we conducted we sensed an eagerness for the status quo to change. Our Drivers of Growth report is the first step in this journey.

Phase 4: Growth model options

Cyprus's growth model has served it well. Cyprus made an impressive recovery after the financial crisis of 2012-13, which was underpinned by three pillars: financial stability, sustainable finances and structural reforms, focused particularly on its financial sector.

However, Cyprus now needs to change to reflect the ambitions of its society and to become more sustainable, liveable and more resilient to shocks. Our *Inception Report* identified the challenges facing Cyprus and our *Drivers of Growth Report* identified the barriers to growth and the reforms needed to unleash the country's growth potential. Addressing these challenges to achieve sustainable long-term growth requires Cyprus to adopt a new long-term growth strategy. In particular, a strategy that balances economic growth with liveability, and balances progress in the present with the aspirations of the future generations to come.

The choice of a new growth strategy is particularly pertinent at the time of writing, as the country is faced with the challenge of recovery from the COVID-19 crisis and the need for resilience against unprecedented shocks is clear.

This report develops an inspiring vision for Cyprus in 2035, which a successful new growth strategy could deliver. We call this Vision 2035. The Vision aims to inspire households, businesses, and policymakers to nurture change by bringing the entirety of Cyprus's society along this journey. It is underpinned by three Strategic Pillars, which we expand into a wider set of more descriptive and specific Strategic Objectives. Monitoring Cyprus's progress will be key to achieving the goals set out in Vision 2035. As such, this report also outlines a non-exhaustive list of KPIs that map to Cyprus's Strategic Objectives for the authorities progress to track over time.

To deliver Vision 2035, we identify three growth models, each of which present a different brand for Cyprus. The growth models are:

- **Europe's business and trade hub:** Where Cyprus is the best place in Europe for headquartering or to outsource a function (or functions) of large and medium sized multinational corporations (MNC) and the world's dream remote working location (digital 'nomads').

In this growth model, Cyprus builds on its competitive advantage of a well-developed professional services sector and its prime Mediterranean location to become Europe's business and trade hub. Cyprus attracts MNCs looking to headquarter or outsource functions in the European Union focusing on high-value activities including risk management, fund administration, strategy consulting, bespoke architectural, engineering services etc.).

With this comes Cyprus's role as a trade hub as MNCs use Cyprus as a key connection point between Europe, the Middle East as well as North Africa to trade their goods and services across borders or use it as a base to logistics hub to re-export to other markets.

- **Leader in sustainability:** Where Cyprus becomes a cutting edge centre for solar and other renewable energy research. A hotbed for the implementation of the circular economy, the production of green fuels and the blue economy. A medium-sized export-oriented manufacturing centre of solar electricity apparatus (panels, batteries and circuitry) and world leading installer of solar electricity apparatus.

In this growth model, Cyprus builds on its natural comparative advantage by developing on its sustainability credentials. In particular:

- **Renewables:** Growing its capability in solar energy and its ongoing initiatives in funding and investment in renewable energy products to become the world's cutting edge centre for research in renewables and a pioneer in the blue economy. The shift to renewables also includes pioneering technologies including green fuels.
 - **Circular economy:** Dramatically improving on its circular economy practices, with significant investments in water and waste management so that they cover the entire island and all sectors of the economy. This is supplemented by a more ambitious upgrade to its electricity grid network so that it becomes "smart".
 - **Manufacturing:** Cyprus also becomes a medium-size manufacturer of equipment required for solar energy (e.g. solar panels, circuit boards, batteries) as well as the installer of such products, as demand for solar technology grows across Europe.
- **High-tech capital of Europe:** Where Cyprus is the best place in Europe to start, fund and grow high tech IT businesses focused around e-health, green and agricultural technology (Agri-tech) by fostering and attracting digital talent.

In this growth model, Cyprus builds on its competitive advantage of a fast growing ICT sector (which has significantly high levels of productivity compared to other sectors of the economy), and relatively strong

performance of some of its universities relative to the size of the economy to become the high-tech capital of Europe. The growth model also builds on the momentum of ongoing initiatives to boost R&D, including the new Research and Innovation Strategy Framework in 2019.

Each of these growth models offers significantly better economic performance and outcomes compared to Cyprus's status quo, which we think is no longer sustainable from an economic, environmental and social point of view. Specifically, we estimate that if any of the three growth models we propose are adopted the Cyprus economy will be 10-12% bigger by 2035 compared to a state where Cyprus does not change its current economic model.

Finally, we evaluate each growth model on its strengths, weaknesses, opportunities and threats. We combine this assessment with insights, opinions and views gleaned from key stakeholders and subject matter experts across Cypriot society, businesses, academia and civic society as well as our conclusions in the *Inception Report* and *Drivers of Growth Report* to inform our choice of a PwC preferred growth model.

We conclude that our preferred growth model is an enhancement of *Europe's business and trade hub*, i.e. one where Cyprus opts to be *Europe's sustainable business and trade hub*. This choice takes *Europe's business and trade hub* model as its core but enhances with the green economy aspects of the *Leader in sustainability* model and the development of niche high-tech services (e-health, agritech and green technologies) from the *High-tech capital of Europe* model. We evaluate this growth model on its strengths, weaknesses, opportunities and threats to justify its selection as our preferred model.

Doing so, Cyprus builds and uncovers its current and future comparative advantages whilst also aggressively bridges its gap in the sustainability area and starts to keep pace with the hugely transformational shifts we expect internationally in the coming years and decades. Our preferred model will also help make the island more self-sustainable by reducing imports of refined oil which currently make up around 10% of its GDP.

We recognise the need for policymakers to think hard about what the next steps in Cyprus's development story is. This report serves as a foundation for that decision-making process, considering the choices in the growth scenarios we have presented.

Phase 5: A new sustainable growth strategy

Cyprus has the potential to be one of the best countries in the world. However, to make this happen, it needs a long-term plan: one which transforms the current economic model so that it addresses the global and local challenges of the future—including digitalisation, automation, climate change and rising levels of competition from within and outside the EU—which maximises economic growth in a sustainable and resilient manner to the benefit of all Cypriots. This report sets out the long-term plan to make this happen.

Over the course of the past fourteen months we conducted three large-scale workshops, more than 150 interviews involving Cyprus' public sector, businesses, academia and civil society and worked closely with the Cyprus Economy and Competitiveness Council (CyECC), the European Commission and Cypriot authorities to identify what that future vision should look like—also known as Vision 2035—and how the current economic model should evolve to deliver this.

This report sets out the plan to realise Cyprus' Vision 2035 and to transform the country to one of the world's best places to live, work and do business. In our opinion, it is the first document of its kind in Cyprus which:

- Describes and outlines actions in over 120 initiative areas and more than 50 case studies necessary to transform Cyprus' economic model to an outward-looking, low-carbon, high-tech economy which is sustainable and resilient for all Cypriots, making full use of the resources and opportunities offered by the European Union (including the Next Generation EU);
- Considers the entire fabric of the country including civil society, the wider green economy and environment, and future generations. It is not just focused on the economy;
- Sets out a governance framework responsible to deliver Cyprus' Vision 2035 and catalyse change supplemented, at a later stage, with a more granular and time-bound Action Plan;
- Defines success by setting targets based on publicly available Key Performance Indicators (KPIs) which can be transparently used to set direction, measure progress and highlight areas of success or failures; and
- Recognises that everyone has a vested interest to realise Vision 2035, with specific calls to actions

outlining what is expected from Cyprus' policymakers, businesses, academia and citizens to make Vision 2035 a reality.

Vision 2035 means Cyprus needs to restart and adopt a new growth model

The initiatives we recommend in this report are based on Cyprus' Vision 2035, which is highly aspirational but plausible for the country's future. The Vision aims to make Cyprus one of the world's best places to live, work and do business. It is based on three main pillars which intend to transform Cyprus into one of the world's leading model nations with a thriving, resilient economy and a just, inclusive society. These three pillars are then supported by more granular strategic objectives which are summarised in the adjacent figure.

The vehicle that will realise Cyprus' Vision 2035 is its growth model. CyECC decided that the country should aim to be Europe's sustainable business and trade hub. This means that the growth model has Europe's business and trade hub at its core, but is enhanced by the green and blue economy and the development of niche high-tech services (including in the research heavy areas of e-health, agritech and green technologies including renewables) to drive sustainability and diversification. By any means, this does not mean that we are favouring one sector over the other. All the sectors of the Cyprus economy have their role to play to deliver Vision 2035.

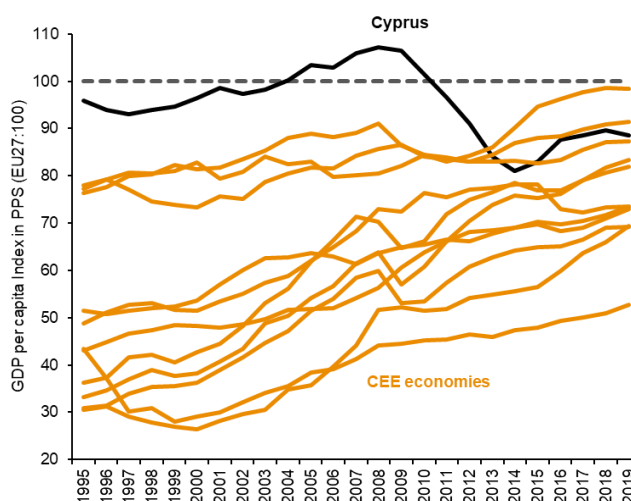
A new economic growth model is needed

While Cyprus has made a strong recovery in the past five years in terms of GDP growth, its relative economic performance compared to other economies is stagnating. The graph shows GDP per capita in Purchasing Power Standards (PPS), indexed to the EU27 average for Cyprus (in black) and the Central Eastern European (CEE) economies over the past two decades.

Cyprus has been a member of the EU since 2004, having joined with eight other Central and Eastern European countries and Malta. In 2004, Cyprus had the highest level of income per capita (a proxy of standards of living) amongst these economies. In fact, after joining the EU, Cyprus managed to increase its distance from the other economies and sustained income levels that were higher compared to the EU average.

This has however ceased to be the case. Since 2013, countries like Malta and the Czech Republic have overtaken Cyprus. Our analysis and stakeholder interviews over the course of this project suggest that:

- **Cypriot incomes are struggling to catch up:** Cyprus's current economic model is not delivering the economic prosperity that will push Cyprus towards the EU's average (let alone the frontier) to deliver real outcomes and higher living standards and wellbeing for its citizens.
- **Standing still means others can overtake:** Not reforming and standing still in the international economy comes with a relative cost. This could reflect the fact that Cyprus's appetite for reform has been slowing, after years of plans and European Commission and IMF recommendations; the implementation of necessary institutional, business-friendly, and social policies has slowed down and, in many cases, stalled.



Source: Portdata

Note: Cyprus is represented by the black line; Malta and the CEE economies are in yellow. The CEE economies are Bulgaria, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia, and Slovenia.

A new economic growth model is needed to revive growth in Cyprus, propel the recovery from the COVID-19 pandemic, and set Cyprus on a new and more sustainable trajectory for long-term growth.

In the *Growth model options report*, we identified a vision for the Cyprus economy in 2035 and the growth model that can achieve this ambition. This report sets out the strategy for policymakers, businesses and citizens to achieve Vision 2035.

At its core, it is an economic strategy. But it is also much broader than that. Economic performance is important for growth, but the broader implications to competitiveness, productivity, innovation, skills and sustainability are equally important. As such, we combine economic initiatives with a holistic set of social and environmental policies and

strategies to improve resilience, self-sustainability, liveability, the green economy, digitalisation, equality, and diversity and inclusiveness.

Cyprus Vision 2035



We developed a Vision for the Cyprus economy in 2035 which will form the heart of Cyprus's long-term economic strategy. We call this "Vision 2035". The Vision was designed to be ambitious, aspirational, and even utopian. It should inspire households, businesses, and policymakers to encourage and nurture change by bringing the entirety of Cyprus's society along this journey.

Stakeholder feedback on Vision 2035

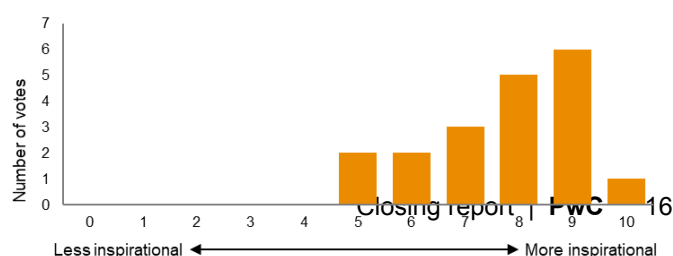
Our vision for the Cyprus economy is inspired by the aspirations of Cypriot society we have gleaned through stakeholder interviews conducted as part of our *Drivers of Growth Report* and generated with an understanding of the current competitive advantages (strengths, weaknesses, opportunities and threats) identified and summarised in the *Inception Report*.

This Vision was further refined based on feedback from participants of a workshop we delivered during this phase of work. The workshop brought together representatives from across Cypriot society to understand how inspiring they found The Vision and what could improve it.

We held a workshop with 50 participants from across the private sector, public sector, academia and civil society. The interactive session was used to gather feedback and impressions on Vision 2035. The feedback from the workshop is used throughout the report.

Once Vision 2035 was presented to the audience we carried out a snap poll to gauge the level of inspiration felt by the participants. With 10 being the highest inspiration level and 0 the lowest. The poll was anonymous.

A total of 19 votes were cast out of the 50 participants (38% response rate). The majority of the votes were for a vote of 9. The average score based on all collected scores was 7.7 indicating that the majority of the participants consider the Vision fairly to strongly inspirational. The mode score recorded was 9



which suggests that the majority of the participants thought Vision 2035 was strongly inspirational.

Vision 2035 is underpinned by three pillars and more than ten strategic objectives

The Vision rests on three strategic pillars as depicted below. The Strategic Pillars are the high-level themes which capture the essence of the Vision. Each of the three pillars are in turn supported by strategic objectives. The Strategic Objectives are aspirational targets Cyprus needs to hit in the future to deliver on the Vision.

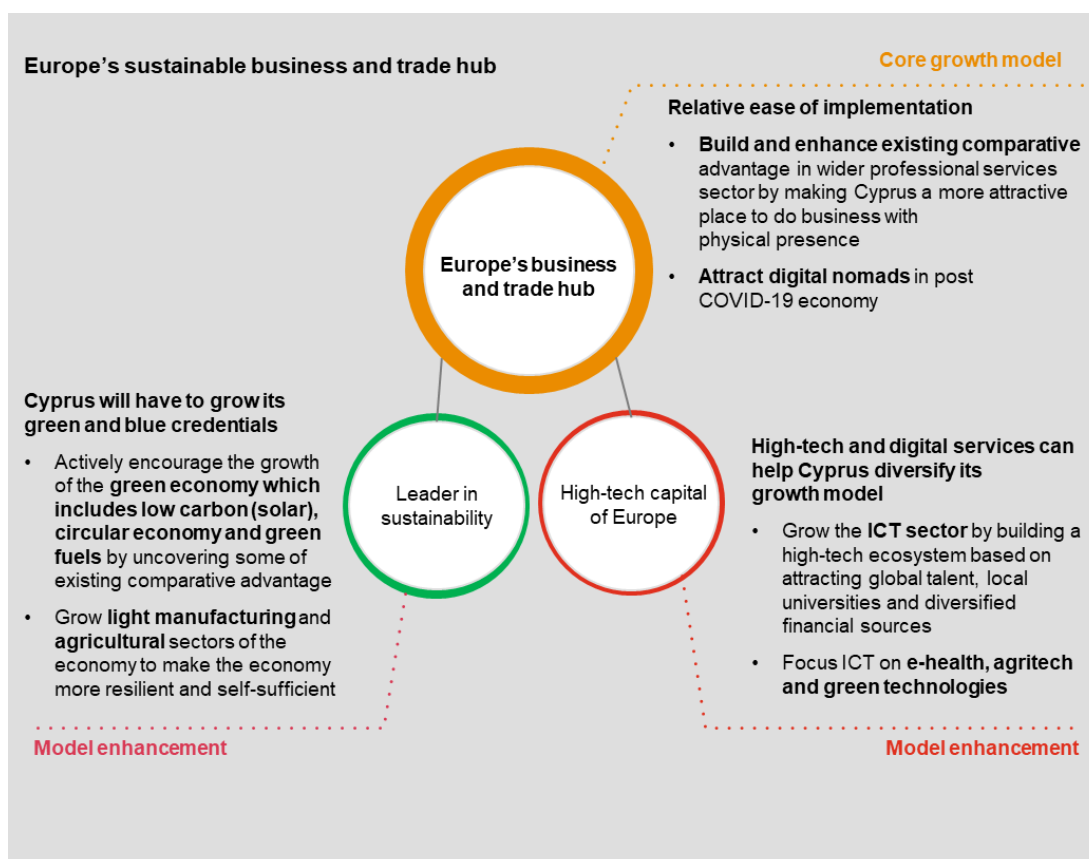
Pillars	World leading model nation	Thriving and resilient economy	Just and inclusive society
	<p>By 2035, we will be one of the world's leading model nations shaping its future with an effective government machinery which serves citizens and businesses – large and small – every single hour of the day through its digital platform. The regulatory bodies will maintain an open, transparent and fair marketplace for local and foreign businesses supported by an efficient judicial system which resolves disputes fast. Policymaking will follow international best practice, consistent with EU guidelines and governance but also tweaked to adapt to local conditions and aspirations. By doing so, Cyprus takes ownership to shape its future destiny. The private sector will engage in responsible and ethical business activities that respect the law, the environment, and create value for the whole of society.</p>	<p>We will be a thriving and resilient economy at the crossroads between Europe and the Middle East with high, growing levels of productivity and a powerhouse of innovation. The economic cycle will be significantly less reliant on natural resources and underpinned by the principles of digitalisation and a greener economy. The Cyprus economy will be more diversified and thus economic growth will be more sustainable and so more resilient to external or internal shocks.</p>	<p>All citizens will enjoy happy, healthy and safe lives with good rewarding jobs and a high standard of living in a just and inclusive society. We will boast a world class education system, an excellent health care system and a society that adheres to the rule of law, combats corruption and which promotes liveability, equal access and opportunities for all in a sustainable manner.</p>
Strategic Objectives	<div>...with an effective government machinery</div> <div>...supported by an efficient judicial system which resolves disputes fast</div> <div>...which is an open, transparent and fair marketplace for local and foreign businesses</div> <div>...which takes ownership to shape its future destiny</div>	<div>...with high and growing levels of productivity</div> <div>...powerhouse of innovation</div> <div>...supported by digitalisation</div> <div>...and a greener economy</div> <div>...so that the economy is diversified, sustainable and more resilient</div>	<div>...with a world class education system</div> <div>...with an excellent and accessible healthcare system</div> <div>...which adheres to the rule of law and combats corruption</div> <div>... which promotes liveability, equal access and opportunities for all</div>

To realise Vision 2035, Cyprus will need to adapt its growth model and become Europe's sustainable business and trade hub. The objective of the *"A long-term strategy for sustainable growth for Cyprus"* report was to develop a new growth that can drive sustainable growth in Cyprus and deliver Vision 2035. **This model was selected by the CyECC as Europe's sustainable businesses and trade hub.**

There are three aspects to this model:

1. Europe's business and trade hub: Where Cyprus is the best place in Europe for headquartering or to outsource a function (or functions) of large and medium sized multinational corporations (MNC) and the world's dream remote working location (digital 'nomads')
2. Leader in sustainability: development of the green economy (i.e. renewable energy, cyclical economy, smart cities)
3. High-tech capital of Europe: development of niche high-tech services (e-health, agritech and green technologies)

We recognise that Cyprus cannot achieve everything in its growth model, however combining the core model with the sustainability and digitalisation focus of the other growth models will lead to a greater primary and secondary sectoral contribution to growth and will help to build a more resilient economy.



Each component of the growth model builds on Cyprus's strengths and proactively addresses weaknesses and challenges



Europe's business and trade hub is at the core of Cyprus's new growth model due to its relative ease of implementation. Cyprus already has a strong comparative advantage in services and a reasonable international reputation as a business hub. In this growth model, the movement towards headquartering and other functions enhances its existing comparative advantage to move towards a growth model where value is created through the physical presence of MNCs and medium-sized firms. Cyprus can leverage its existing professional services sector to develop more niche, high-value activities including risk management, fund administration, strategy consulting, bespoke architectural, engineering services, shipping services etc.

To enhance its current competitive advantage Cyprus will need to signal that it is a transparent and credible place to do business. In practice this means being the best in class with international anti-money laundering (AML)

norms and combating corruption in all forms of life e.g. by implementing the Group of States against Corruption (GRECO) and other bodies' recommendations.

Achieving this growth model will require concerted efforts to address the weaknesses in this growth model, such as the lack of air connectivity, concerns about corruption, the credibility of institutions and the risk of automation of key services. Furthermore, Cyprus will need to implement this growth model in a way that does not make it vulnerable to the threats, such as the decline in the capitalisation of large MNCs who are likely to be Cyprus's targets for setting up HQs in Cyprus or excessive reliance on its low corporation tax rates which is something that will gradually fade as tax avoidance schemes are gradually wound down in the EU. Cyprus will therefore need to build its competitiveness predominantly by focusing on non-tax issues ranging from improving its livability to enhancing its international reputation by reducing corruption in all walks of life.



Leader in sustainability

The shift to more green and sustainable practices is going to be the focus of the European Commission and the international community for the foreseeable future. In particular, green reform is a key priority for the Recovery and Resilience Facility. Building sustainable aspects into Cyprus's growth model will help Cyprus to achieve the minimum threshold of committing 37% of expenditure in its recovery and resilience plan to climate investments and reforms. Doing so also contributes to a much more sustainable economic trajectory whilst seeking to break the link between natural resource exploitation and economic development. It also helps Cyprus uncover underutilised areas of comparative advantage including the generation of electricity using the sun.

Incorporating these elements into Cyprus's growth model will require Cyprus to build on its natural capital to develop its comparative advantage in this area, with a particular focus on transforming the manufacturing sector and embedding the circular economy.



High-tech capital of Europe

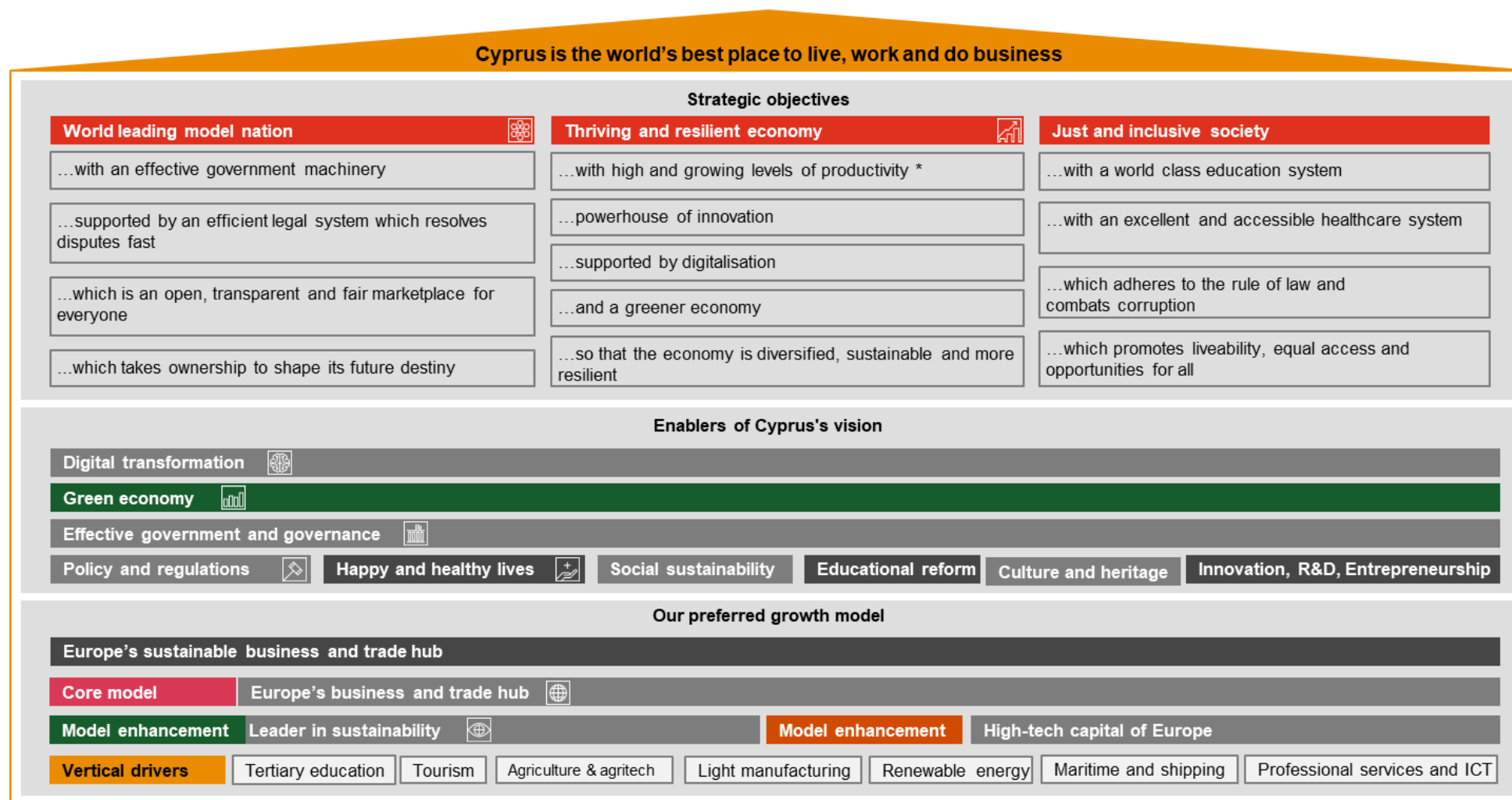
Digitalisation is both a key enabler and key sector that will be driving Cyprus's future growth. Digitalisation is a key priority for the Recovery and Resilience Facility, and the high-tech aspects of the growth model will help Cyprus to achieve the minimum threshold of committing 20% of expenditure in its recovery and resilience plan to fostering digital transition.

Digitalisation is a horizontal enabler across all our growth models, and so will underpin our preferred growth model. The COVID-19 pandemic has demonstrated the need for digital technology to be at the forefront of any growth model. The shift to remote working is unlikely to disappear entirely as the recovery from COVID-19 gets underway, and this period has highlighted how digital technologies can drive efficiencies. Digitalisation is therefore a key horizontal enabler driver of Cyprus's future growth.

The model sees the ICT sector as a key vertical driver of growth. Cyprus will build on its comparative advantage in services to diversify into more high-tech digital services such as e-health, agri-tech and green-tech. At the same time, Cyprus can use innovations in its ICT sector to grow the value-add of its wider suite of professional services (ranging from consulting to engineering and shipping services) thus building a more resilient economy. This demonstrates how a new growth model will not see new sectors being created, rather that the changes will occur within the sectors and how activities are performed. For example, the implementation of e-health technologies will change how services in the health sector are delivered.

The model further improves resilience by diversifying Cyprus's services sector and highlights the need for Cyprus to embrace global trends towards digitalisation.

Vision 2035 is the foundation of the long term economic strategy



The horizontal and vertical initiatives will fix and build Cyprus' present and future





So what actions can Cyprus do to pursue this new growth model and exploit the future drivers of growth in a socially and environmentally sustainable way? This report

focuses on two main types of actions which will set the direction of economic activity. These are:


- **Horizontal initiatives:** Sector agnostic initiatives which have a wide-reaching impact across the entire economy, society and the environment. These initiatives intend to build the appropriate foundations and fix long-standing structural weaknesses which will help the economy to be competitive, resilient, fair and productive so that people can achieve their potential.
- **Vertical initiatives:** Sector specific initiatives which have a narrower impact. These initiatives intend to build the necessary preconditions for sector-specific growth consistent with Cyprus' Vision 2035 and fix any other sector-specific inconsistencies.

The strategy to achieve Vision 2035 therefore applies a two-pronged approach and identifies both how to fix and build horizontal and vertical capabilities to fulfil Cyprus' ambition across the three pillars. We outline some of the key initiatives along with the KPIs.





The first pillar of Vision 2035 is to make the country one of the world's leading model nations with an efficient, effective government machinery that sets the rules in the marketplace

Strategic objectives		Key horizontal initiatives	Target outcomes by 2035
	Effective government machinery	<ul style="list-style-type: none"> Drive the digital transformation with the Government as a Platform service delivery model that centralises procedures, creates efficiency gains, and makes public services more accessible for businesses and citizens alike Accelerate and finalise local municipality reforms, underpinned by clear principles, frameworks, and KPIs to offer greater autonomy, transparency and accountability to municipalities for local services, such as waste management Transform the civil service into a modern employer with a merit-based performance appraisal and promotion system to motivate, inspire and drive its people to upskill, to innovate, and to ultimately implement Vision 2035 	80-85 percentile World Governance Indicators: government effectiveness, voice and accountability Up from 73rd percentile in 2019
	Efficient legal system which resolves disputes fast	<ul style="list-style-type: none"> Accelerate progress on planned reforms to make the system faster and efficient, thus improving access. This involves clearing the backlog of delayed cases, improving court administration, digital transformation (including shift of court proceedings online) and increasing specialisation of courts and judges To make the justice system more forward-looking, we recommend a comprehensive forecast of future needs to house new courts, initiatives to upskill judges, and ways to ensure the digital transformation is a continuous process which embraces innovations such as artificial intelligence and predictive analytics over the long-term 	< 200 days time to resolve civil, commercial, administrative and other cases 20-25 global rank International property rights index
	Open, transparent and fair marketplace	<ul style="list-style-type: none"> Strengthening the Commission for the Protection of Competition and the Cyprus Advertising Regulation Organisation by revising its mandate to align to Vision 2035. Urgently set up an independent Pensions Regulator. Increase access to finance by establishing new financial instruments including an equity fund, a National Promotion Agency to act as a catalyst for EU funds, and a credit bureau to provide data-driven credit worthiness services. We recommend several initiatives to improve financial literacy, which is critical to enable citizens and businesses to take advantage of the opportunities of Vision 2035 and support long-term wellbeing 	60-65% Share of external investment finance from bank loans
	Ownership of future destiny	<ul style="list-style-type: none"> Establish a preeminent body which co-ordinates, leads and monitors the implementation of Vision 2035, holding each Ministry to account for their assigned actions and targets Create of a long-term planning unit, tasked to assess long-term trends and challenges to inform policy, and a National Infrastructure Commission to provide impartial and expert advice for major long-term infrastructure challenges Elevate and enhance the role of the Fiscal Council to provide authoritative analysis and research on the long-term sustainability of public finances and more aggressively scrutinise public finances 	Successful implementation of Vision 2035 and achievement of its target outcomes

The second pillar's focus is to develop a thriving economy which is innovative, resilient, diversified underpinned by the principles of digitalisation and the green economy

Strategic objectives		Key horizontal initiatives	Target outcomes by 2035
	Powerhouse of innovation	<ul style="list-style-type: none"> Develop a long-term R&I strategy and a 'Regulation of the Future' taskforce to provide assurances and regulatory certainty to businesses, entrepreneurs and investors of the long-term potential opportunities in Cyprus Re-evaluate legislation on spin-offs and set up and operate a central Knowledge Transfer Office to facilitate the commercialisation of research and drive private sector and academia collaboration on relevant research Refine and augment the government's Innovative Company initiative and the start-up visa Create a culture with entrepreneurial education in schools and after school clubs 	<p>2.5 – 3% R&D spending as a share of GDP</p> <p>15th – 20th global rank Global Innovation and Entrepreneurship Indices</p>
	Supported by digitalisation	<ul style="list-style-type: none"> Boost existing Deputy Ministry action plans to drive digitalisation and integrated information systems for the National Health Service, customs department, ports, and department of register of companies, among others Set up a National Testbed Programme to build Cyprus' brand for Artificial Intelligence, Internet of Things, e-health, smart mobility and agritech Improve connectivity and coverage with a national broadband plan that is cost-effective. Set up a National e-Identify and e-Signature Management Programme 	<p>10 – 15 rank Digital Economy and Society Index</p> <p>8 – 13 rank UN e-Government Development Index</p>
	A greener economy	<ul style="list-style-type: none"> Liberalise the electricity market by 2022 and invest in infrastructure like smart grids, battery technology, demand management systems, regional electricity connections and renewable energy. Increase energy efficiency standards and ban the sale (new and used) of internal combustion engine cars by 2035 Radically increase investment to develop smart cities and sustainable transport, while focusing investment in the strategic road network to maintenance Investment in the infrastructure required for a circular economy, including recycling plants, and incentives to change behaviour using education, legislation, fines, and better monitoring and enforcement using drones 	<p>55% cut in emissions >50% renewable share In line with EU Green Deal targets</p>
	Diversified, sustainable and resilient	<ul style="list-style-type: none"> Set up an investment promotion taskforce within CIPA to proactively target CEOs and promote Vision 2035 Better attract and nurture international firms with an aftercare programme and initiatives to improve air connectivity including a taskforce to identify priority routes and an airline partnership initiative Establish a STEM visa fast track and create a Digital Nomad ecosystem to bring talent to Cyprus Bolster the remit and capabilities of the Trade Service as an export promotion agency to help companies achieve scale and reach new export markets 	<p>40-45% Contribution to GVA from top 5 sectors</p> <p>40 – 45 global rank IATA Air Connectivity Index</p>







The third pillar ensures that Cyprus's Vision 2035 sets the conditions to ensure that the spread of its prosperity is fair and inclusive for all of its citizens

Strategic objectives		Key horizontal initiatives	Target outcomes by 2035
	World class education system	<ul style="list-style-type: none"> Using existing resources, update Cyprus' school curriculum to deliver much better outcomes so that it is fit for a modern workplace, with subjects including environmental education, digital and financial literacy, relationships education, and modern ways of teaching to overhaul rote learning and develop skills, such as critical thinking, complex problem-solving, team-working, emotional intelligence, and entrepreneurship. Improve and promote vocational education with new vocational secondary schools and the re-establishment of a Higher Education Technical Institute, both providing courses co-designed and led by employers Create a culture of lifelong learning with a National Careers Service and a refresh of the Adult Education Centres 	<p>510 – 530 Mean score in PISA</p> <p>20 – 25% Share of pupils enrolled in vocational education</p>
	Excellent and accessible healthcare system	<ul style="list-style-type: none"> Raise the quality of healthcare standards through international accreditation, to improve the sectors' international reputation. Raise the bar of care provided with health managers and clinical leadership. Develop a long-term digital vision for the health sector including a roadmap for digital integration across hospitals Develop plans to move towards a value-based General Health System, supported by improved data collection Embrace change by using virtual care solutions to improve accessibility through med-tech start-up support and pilots Make forward-looking investments in elderly and assisted living communities 	<p>80 – 85% Self-perceived health, % at good or very good</p> <p>35-40% Out of pocket expenditure on healthcare</p>
	Adheres to the rule of law and combats corruption	<ul style="list-style-type: none"> Without fail, the authorities must implement all of the MONEYVAL and GRECO recommendations urgently to combat anti-money laundering and corruption, including a revision of requirements on financial institutions to international standards Support ongoing plans to establish an Independent Authority Against Corruption consistent with best international practice including public hearing selections and rotating members. We emphasise the need for a whistleblowing agency (including an environmental offences office), a code of conduct for MPs, ethics training for public servants and ethics education for students. 	<p>33 – 37 Corruption Perceptions Index rank</p> <p>75th – 80th WGI: Control of Corruption percentile rank</p>
	Promotes liveability, equal access and opportunities for all	<ul style="list-style-type: none"> Promote liveability with affordable housing, green spaces and improve aesthetics in the built environment Elevate the role and strengthen the capacity of the Commissioner for Administration and the Protection of Human Rights to assume further responsibility for implementing annual National Diversity and Inclusion Action Plans Build momentum for diversity by requiring more companies to publish gender pay gaps, tie procurement to ethical employer accreditations, appoint diversity managers in the public sector, and mandatory unconscious bias training Develop long-term rural regeneration plans and outreach programmes for vulnerable groups for social cohesion 	<p>5 – 10% Gender employment gap</p> <p>15 – 20% Share people at risk of poverty or social exclusion</p>

All sectors of the economy are important and need to sign up to the Vision 2035 and the principles underpinning it

However, we suggest vertical initiatives for a range of diverse sectors. The sectors discussed here and in this report should not be interpreted as the only vertical drivers of growth and should not detract from the importance of other sectors to the Cyprus economy, or the potential of others to create value. Instead, we consider them to represent

a diverse list of potential priorities for the government to support. They represent a balance between reinforcing existing sectors and building capabilities in smaller, newer sectors; they represent a careful balance between strong growth opportunities and sustainability; and they represent a balance between building resilience in the domestic market and recognising export potential and scalability.

Sector	Key vertical initiatives	Sector	Key vertical initiatives
 Tertiary education	<ul style="list-style-type: none"> • Driving improvements in teaching quality towards leading international standards with reforms to quality assurance and accreditation and annual performance appraisals for teachers. • Promote collaboration, clustering and scale in the sector, through participation in sector skills councils, shared spaces and national centres of excellence, and international partnerships • Attracting international students with modern pedagogy, teaching in English, hybrid online learning opportunities, and reforms to the student visa system and requirements. 	 Tourism	<ul style="list-style-type: none"> • Driving circularity and sustainability in the sector with a network of green-rated hotels with a government certification framework that can implement legislative targets, such as share of renewable energy. • Promote the agrotourism sector by improving the functionality of the Cyprus Agrotourism Company to provide digital and hospitality training in rural areas and marketing support. Develop a clear framework for planning permissions to enable renovations and investment. • Raise the quality of private and public health care to European standards through international accreditation.
 Renewable energy	<ul style="list-style-type: none"> • Drive widespread adoption of solar PV panels by mandating their installation on new and renovated buildings, investing in their installation on public buildings, and offering financial incentives to households and businesses, for example in manufacturing and hotels • Drive R&D in solar energy by marketing Cyprus as a test bed for solar energy research and hosting an international conference to promote Cyprus' potential and further the research agenda. • Make the long-term investments in infrastructure, such as offshore wind and regional electricity pipelines to enable scale in the sector. 	 Light manufacturing	<ul style="list-style-type: none"> • Establishment of the first eco-industrial science park in South East Europe that carefully designs special economic zones for manufacturing of green tech equipment. It should promote clustering, supported by aftercare services and logistics support • Upskill Cyprus' manufacturing workforce to prepare for Industry 4.0 and a net zero and circular future with the re-establishment of a technical college and improvements to STEM teaching • Promote investment and innovation in the sector with innovation vouchers and accelerated depreciation allowances
 Agriculture and agritech	<ul style="list-style-type: none"> • Modernise the role of the agricultural co-operatives to help farms in achieving scale and competitiveness, supported by financial and organisational incentives for mergers and digital transformation. • Move agricultural practices into the 21st century with a national centre of excellence in agritech and build an ecosystem of users • Promote the awareness and adoption of agritech by farmers with pilot farms, exhibitions, training, and financial support. • Organise and promote speciality foods with an organised trade body, further protections of origin and a Food Standards Agency. 	 Maritime and shipping	<ul style="list-style-type: none"> • Accelerate the digital transformation with digitalisation of port process and, over the long-term, the integration of intelligent IoT solutions. • Strengthen ties between the sector and education with awareness of blue careers, incentives for blue R&I for universities and the creation of relevant curricula. • Support companies to decarbonise with workshops and pilots on best practice and increasing legislation on use of clean fuel. • Grow Cyprus' as an international hub for shipping with attractive port charging schemes and concessions.

Not acting risks significantly harming the Cyprus economy, causing irreversible damage to its environment and its social fabric, resulting in lower wellbeing and standards of living

There are four areas that require the attention of everyone now

When implementing Vision 2035, the authorities must recognise that the set of initiatives will be more successful if they are applied in sequence, reinforcing each other – but they should not delay progress along any of the dimensions. However, we emphasise the critical importance of the following four areas which require the urgent attention of policymakers:

- **The public sector**, to improve efficiency and long-term strategic planning and to enable Cyprus to take full advantage of Vision 2035's other initiatives and opportunities. To do this, the civil service's system needs to be digitalised and its people upskilled. Doing so will better shape and structure the government's machinery to address the country's future needs, as well as empowering municipalities to better deliver local public services.
- **Green and digitalisation**, to fundamentally change the way businesses operate, sell and interact with others, and how citizens live, travel and consume. This includes creating a Deputy Ministry of Climate Action, the Environment and Sustainability to promote, coordinate and drive green economy initiatives and rapidly make the transition to a low-carbon economy. Progress must begin to educate, building digital skills and raising awareness of how to live sustainable lives in green, clean and liveable urban and rural areas. Urgent progress must be made to enforcing existing environmental laws to ensure Cyprus's fragile biodiversity and natural beaches are protected.
- **Education**, to begin the long journey of students and those in-training to learn newer, more relevant skills which can be applied in any modern workplace and help to grow the knowledge economy. This includes updating school curricula and shifting the focus to equip students with critical thinking, complex problem-solving, entrepreneurship, creativity and originality to reflect the sophisticated societies we live in and the skills businesses need to compete in the modern world.
- **Justice system**, to build trust and credibility in the eyes of the citizens by awarding justice on a much speedier basis and help reduce levels of corruption. Doing so will signal to Cypriots and the rest of the world that Cyprus is a credible place to do business.

The risks and costs of inaction are too large to ignore

- Cyprus' real GDP per capita relative to the EU average has, over the past decade, declined and stagnated. If Cyprus continues with its current growth model, this trend will continue and will result in decreasing standards of living for all Cypriots.
- The global market is an increasingly competitive and evolving place. Cyprus cannot continue to rely on its historical competitive advantages, such as its low corporation tax rate. It must develop a more holistic set of offerings to its citizens, businesses, workers and investors that makes their decision to do business, work and live in Cyprus resilient to global developments, such as the possibility of corporate tax harmonisation across the EU.
- Over the past decade alone, Cyprus has experienced several crises – financial, fiscal and health. Cyprus' recovery from the 2013 crisis was driven by a narrow set of sectors, such as construction and real estate, which is not only at odds with sustainability, but also resilience for the next crisis. To reduce Cyprus' vulnerability and increase its ability to absorb and recover from external shocks, diversifying its economy is imperative. This includes its mix of sectors, its exports, its skills and its competitive advantages. If this doesn't happen, it is likely to plunge from one crisis to the next.
- The coming decades will add environmental crises to the aforementioned list. Without decisive action to drive forward the green economy and embed sustainability in how businesses operate, in how financial institutions make decisions, and in how citizens live, Cyprus will be exposed to financial, physical and sovereign risk. As a Mediterranean island, Cyprus will experience some of the most adverse effects of climate change in Europe, putting sectors like agriculture and tourism, which are reliant on its environment, at risk.
- With the price of carbon now generally expected to double, or even triple by 2030, the cost of Cyprus' current economic growth model is no longer viable. Accelerating the green transformation is not only the right thing to do for generational equity, but it will now also be significantly cheaper in the long-run.

Emerging research, for example by the IMF, is also beginning to reveal the negative impact of a country's environmental vulnerability or lack of resilience to climate change on sovereign credit ratings. Higher costs of borrowing are likely to amplify the deterioration of public finances in a non-green scenario.

This is a plan for all of Cyprus. It will only be successful if policymakers, businesses, academia and citizens understand it requires a permanent shift in mindset— breaking away from habits or behaviours of the past.

A call to action to all segments of Cypriot society – everyone has a role to make Vision 2035 a reality

This strategy outlines the policies, investments and structural reforms that policymakers should implement to deliver Vision 2035. But Vision 2035 will only be a success if all players within Cyprus' economy and society share its ambition, engage with its initiatives and embrace the opportunities it can provide.

To do so, policymakers must effectively communicate Vision 2035 and all must take responsibility for learning about Vision 2035, the opportunities it can offer, and the schemes, incentives and financial support that policymakers will make available. In this way, they can begin planning for the future, learning new skills, and making the necessary investments to ensure they are not left behind.

While Vision 2035 has identified a number of key horizontal drivers of growth and proposed sector-sector specific initiatives, this does not mean its initiatives are only relevant to the businesses, academics and workers within those sectors. Vision 2035 envisages a transformation of the whole economy. Industry forums and trade associations must play a role in coordinating across all sectors to ensure their ambitions, investments and business models are aligned to Vision 2035 – for example, in their green, digital and skills agendas. Their role is to manage and promote broad and wide-scale change, innovation and transformation.

Policymakers



The successful implementation of Vision 2035 ultimately relies on the commitment and drive of **policyholders** to take ownership for its delivery, carefully scope and design specific policies and investments, and monitor and evaluate progress. They must lead by example by driving forward the green, digital and upskilling agendas throughout the public sector. Critically, they must develop a credible track record to instil confidence and drive investment from the private sector. They must also recognise that reforming is a continuous journey and does not stop with Vision 2035. Policymakers must ensure that Cyprus' growth plan is refreshed every five years to reflect the latest global, EU and national developments.

Businesses



Businesses must embrace new ideas and ways of working in line with Vision 2035's sustainable, digital and innovative ambitions. They should think outside of traditional markets and explore new export destinations. They must actively engage with policymakers – for example through forums such as the proposed sector skills councils – to make better policy decisions that have relevance, create the right incentives and minimise distortions. They must take responsibility for upskilling their employees and embrace collaboration and the sharing of best practice to drive sector-wide progress. In doing so, they must trust younger generations to bring new ideas and innovations to the table. For businesses within the key vertical drivers of growth, they must engage fully with the proposed initiatives.

Academia



Academia must ensure that university education is an extension of the refreshed school curricula and that they continue to update their teaching based on the latest research and pedagogical methods. Given the high preference for university education within Cypriot society, it is the responsibility of academia to prepare young people for the world of work and the opportunities of Vision 2035. Academia must also ensure that their research and innovation programmes are aligned to Vision 2035 and have relevance for businesses, solving real life problems and increasing their commercialisation. They must embrace collaboration with businesses, policymakers and international universities and researchers.

Citizens



Citizens must demand more from their government, holding their local and national political representatives to account for progress towards Vision 2035. They should also engage with ESG agendas and send a strong demand signal to businesses to develop environmental, social and governance strategies, create sustainable goods and services, and promote diversity and inclusion. They must also take responsibility for their own journey of lifelong learning and upskilling. Ultimately, they should be flexible, embracing new opportunities and challenging existing assumptions about certain professions. Critically, they must learn about *why* they need to lead more sustainable lives, and *how* they can do this.

Phase 6: Action plan for the implementation of Vision 2035

In the previous phases we conducted interactive stakeholder engagement activities involving Cyprus' public and wider public sector, businesses, academia and civil society and worked closely with the Cyprus Economy and Competitiveness Council, Cyprus authorities and the European Commission (DG REFORM) to identify Vision 2035 and develop concrete recommendations on how the current economic model should evolve to deliver this vision.

This report sets out the action plan for the implementation of the long-term strategy to realise Cyprus' Vision 2035 and to transform the country to one of the world's best places to live, work and do business. Specifically this report:

- Sets out a governance structure to underpin the successful coordination, monitoring and implementation of Cyprus' Vision 2035 as well as, lay the foundations for ongoing long-term strategic planning and development looking beyond political cycles;
- Describes initiatives whose combined implementation will deliver Vision 2035, providing information such as the initiative's title, context, key activities, prospective owner, other contributing stakeholders, indicative timeframe for implementation, links to other national strategies, studies and plans and case studies that may provide further food for thought and inspiration;
- Considers the expected impact and ease of implementation of each initiative on the basis of criteria to support their relative prioritisation and sequencing over the time horizon;
- Provides a brief guide to support prospective initiative owners in initiating, planning, driving and managing the implementation of their respective initiatives.

The action plan to deliver Vision 2035 consists of 242 initiatives, which cover all horizontal (cross-cutting institutional, social, economic and environmental initiatives that are critical to unlocking potential across the economy and society) and vertical (sector-specific initiatives required to realise the sector's growth and potential) areas presented in the long-term strategy. 38% (92) of these initiatives across all areas are also included, partially or fully, in the Cyprus Recovery & Resilience Plan (RRP) and 30% (74) of the initiatives are planned to commence by Jan. 2022. Vision 2035 is underway through the RRP.

Setting up an appropriate governance structure is the catalyst for taking Cyprus from vision to execution successfully, in a coordinated and timely manner

A coherent governance structure should be set up to underpin the successful implementation of Cyprus' Vision 2035, as well as the development and implementation of any subsequent national strategic plans in the future. An appropriate governance structure will create authority and accountability, while putting in place the relationships and information mechanisms that will enable effective decision-making, coordination and monitoring, risk management and communication of outcomes achieved. In essence, setting up an appropriate governance structure is the catalyst for taking Cyprus from vision to execution successfully, in a coordinated manner.

At the heart of this governance structure, Cyprus should establish a:

- I. **Directorate of Strategy Development** under the Permanent Secretary of the Ministry of Finance to be responsible for the ongoing monitoring of national and international economic and social landscape and trends, performing the necessary analysis and modeling with an aim to develop coherent and comprehensive national strategies (incl. setting strategic priorities and goals, liaising and providing guidance to the Line Ministries and Deputy Ministries concerning their respective 3-year strategic plans) and strategic planning (incl. the linkage of implementation with the national budget and the annual budget process in collaboration with the Directorate of Budget of the Ministry of Finance). This Directorate may be an evolution of the existing Directorate of Strategy, Coordination and Communication of the Ministry of Finance;
- I. **Directorate of Strategy Coordination & Communication** under the Permanent Secretary of the European Programmes, Coordination and Development (DG ECPD) to be responsible for effectively coordinating, facilitating, monitoring and reporting on the implementation of the Vision 2035 and any subsequent national strategic plans in the future. The Directorate should also be responsible for holding the initiative owners of Vision 2035 (or any subsequent strategic plan) to account for their progress on initiative implementation as well as, be "the voice" of Vision 2035, responsible for driving the communication and socialisation of the Vision and action plan to citizens and businesses of Cyprus, and internationally. This Directorate may be an evolution of the existing Directorate for Strategic Growth & Competitiveness of the DG EPCD.

It is essential that both Directorates work in close collaboration and coordination with each other as well as be responsible for looking beyond political cycles. Also, both Directorates should be liaising closely with the Strategic Units of the Line Ministries and Deputy Ministries and other authorities. Specifically:

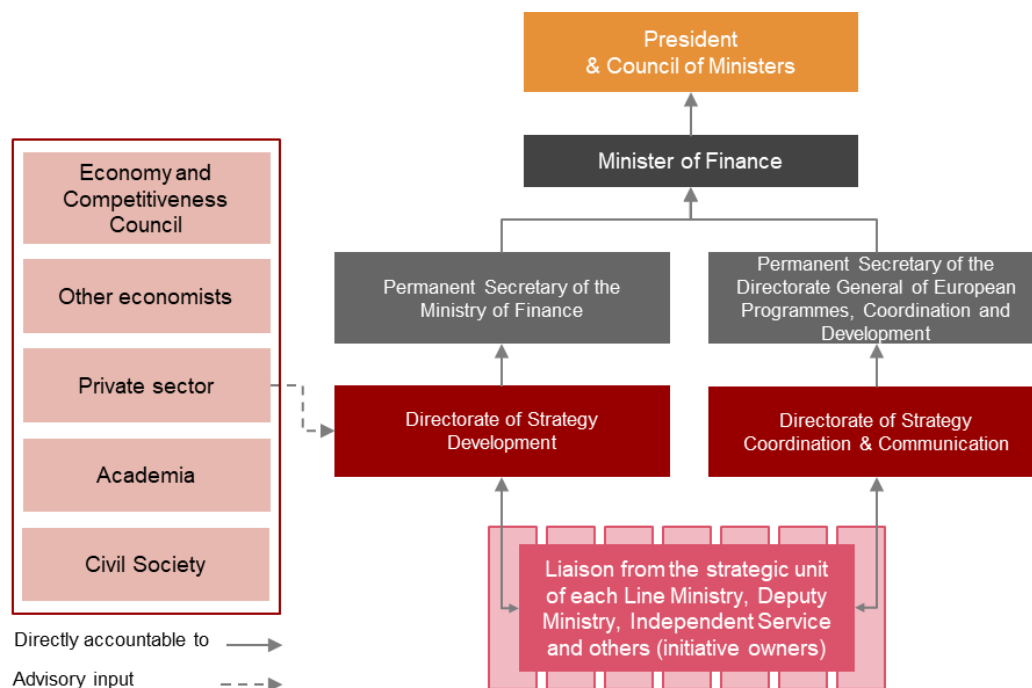
- The Directorate of Strategy Development should be liaising with the aforementioned in relation to the development of the 3-year strategic plans in alignment with the Vision 2035 and linking as needed with the

national budget to safeguard implementation. To ensure that the strategic planning and development process does not happen in a vacuum, the Directorate should also be engaging and drawing the right expertise and feedback from the private sector, the academia, the Economy and Competitiveness Council, other economists and civil society where and when necessary.

- The Directorate of Strategy Coordination & Communication should be liaising with the Strategic Units of the Line Ministries and Deputy Ministries and other authorities at predetermined intervals to collect and compile data/information on the progress of initiatives (status of key activities, timelines, budget, stumbling blocks, etc).

Ultimately, the key decisions with regards to the Vision 2035 and any other subsequent national strategic plans rest with the President and the Council of Ministers. Therefore, it is important to regularly report on implementation progress while flagging key risks and potential delays/failures.

Following, we provide a more detailed description of the responsibilities, competencies and relationships that the two Directorates should have under this governance structure. It is noted that these apply both to Cyprus' Vision 2035, which is the scope of this report, but also to any subsequent national strategic plans in the future.



In the report, we provide a more detailed description of the responsibilities, competencies and relationships that the two Directorates should have under this governance structure.

Reforming is a continuous journey

Reforming is a continuous journey which means that the Cyprus authorities should not stop with Vision 2035. But rather, Vision 2035 aims to develop the right governance structures and attitudes within the public and wider public sector to ensure that Cyprus's growth plan is effectively planned, monitored, evaluated and refreshed to reflect the latest global, EU and national developments and best practice policies. The governance structure set out in this report will lay the foundations for this.

Despite efforts to provide a comprehensive and complete action plan, it should be recognised that the development and implementation of long-term strategic plans is a dynamic and evolutionary process, whereby the economic and social conditions and the administrative capacity within the public and wider public sector will naturally lead to changes to the action plan presented in this report. The governance structure set out in this report will safeguard that the Vision 2035 and specific initiatives therein are continuously monitored with an aim to drive their implementation and also fine-tune and adjust them as needed.

Action plan summary

The action plan to deliver Vision 2035 consists of 242 initiatives, which cover all horizontal and vertical areas presented and analysed in the long-term strategy. 38% (92) of these initiatives across all areas are also included, partially or fully, in the Cyprus Recovery & Resilience Plan (RRP) and 30% (74) of the initiatives are planned to commence by Jan. 2022 as shown in the table below:

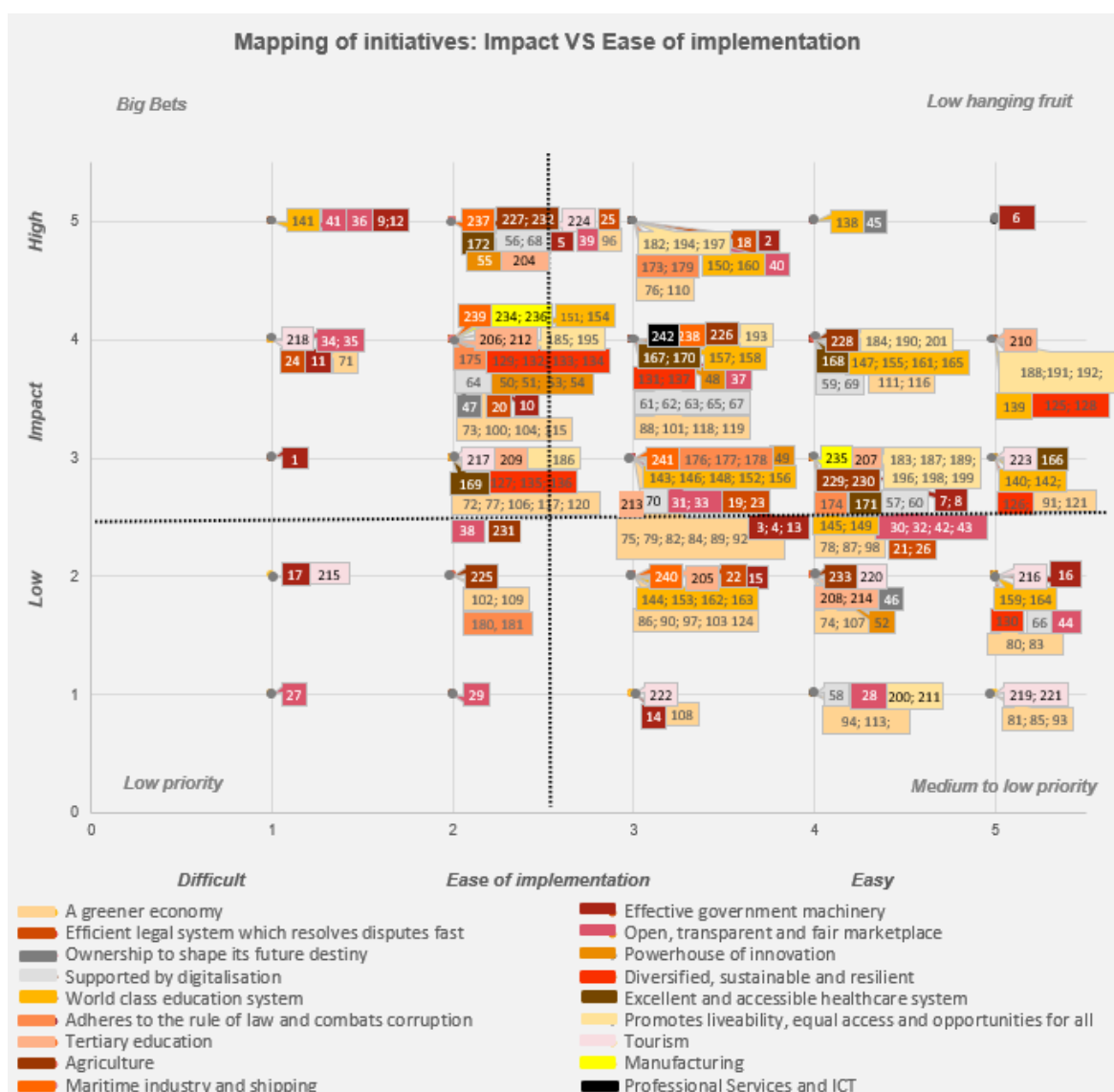
	Strategic Objective	No. of Initiatives	No. of initiatives fully/partially covered by RRP	No. of initiatives already in progress
Horizontal	Effective government machinery	17	6	6
	Efficient legal system which resolves disputes fast	9	4	4
	Open, transparent and fair marketplace	18	10	6
	Ownership to shape its future destiny	3	0	0
	Powerhouse of innovation	8	7	7
	Supported by digitalisation	15	6	4
	A greener economy	54	20	15
	Diversified, sustainable and resilient	13	2	1
	World class education system	28	14	14
	Excellent and accessible healthcare system	7	2	2
	Adheres to the rule of law and combats corruption	9	4	0
	Promote liveability, equal access and opportunities for all	22	3	2
Vertical	Tertiary education	11	2	3
	Tourism	10	3	3
	Agriculture	9	4	2
	Manufacturing	3	2	1
	Maritime industry and shipping	5	2	3
	Professional Services and ICT	1	1	1
	TOTAL	242	92	74
			37.9%	30.5%

Sequencing of initiatives

Sequencing appropriately the implementation of such a wide-reaching set of long-term reforms, investments and policies (initiatives) is challenging, but critical. The principles we have applied in determining the sequencing of the initiatives are:

- Avoid delaying reforms along any dimensions while respecting their complementarity and dependencies;
- Prioritised initiatives which underpin progress in others, are assessed as low-hanging fruits and aim to create fundamental change in the status quo.

All 242 initiatives developed to materialise Vision 2035 were evaluated qualitatively against two key main parameters; expected impact and expected ease of implementation. Each parameter was comprised of a set of distinct criteria. Accordingly, the initiatives were mapped against an impact vs ease of implementation matrix as shown on the graph below:



Throughout the action plan 40 different initiative owners are identified and 81% of the initiatives are assigned to 12 (30%) of these owners. This fact combined with the need to upfront load the implementation of horizontal initiatives to unlock growth potential raises considerations over the administrative capacity of Cyprus authorities to deliver.

Finally, we note that Vision 2035 was inspired and informed by a number of national strategies, studies and plans. To the extent possible we present and specify these links across all initiatives developed in this action plan.

Phase 7: Outline of a communication strategy for Vision 2035

In developing the long-term strategy for Cyprus, we engaged multiple stakeholders through varying types of interactive activities involving Cyprus' public and wider public sector, businesses, academia, social partners and civil society. We worked closely with the Cyprus Economy and Competitiveness Council, Cyprus authorities and the European Commission (DG REFORM) to define Vision 2035 and the new growth model of Cyprus.

This report outlines the communication strategy for the implementation of the long-term strategy to realise Cyprus' Vision 2035 to transform the country to one of the world's best places to live, work and do business. Specifically this report:

- Proposes an appropriate governance framework for the implementation of the communication strategy and plan (in alignment and continuation to Phase 6 report);
- Outlines the goals and objectives of the communication strategy;
- Identifies the audience for the broad communication and socialisation of Vision 2035 and the new growth

model;

- Provides an overview of the approach we have followed in conducting focus groups to capture the “pulse” of stakeholders regarding Vision 2035 and the new growth model;
- Presents the key findings from the discussions we held with focus groups;
- Provides strategic conclusions and key communication messages to widely communicate Vision 2035 and the new growth model;
- Outlines a high-level communication plan;
- Provides indicative measures of evaluation to monitor progress against the set objectives and plan.

Due to the broad nature of Vision 2035 and the new growth model, the target audience for communication and socialisation purposes is every citizen of Cyprus. Specifically, we identify broad audience groups; policymakers, businesses, academia, social partners and citizens. These groups may also be segmented as internal stakeholders (policymakers) and external stakeholders (businesses, academia, social partners and citizens). The target audience may be segmented in many different groups taking into consideration characteristics such as profession, age, gender, etc.

It is recognised that the communication strategy is the primary mechanism which will drive the socialisation and adoption of Vision 2035. Therefore, the primary goal of the communication strategy is to underpin and drive the implementation and adoption of Vision 2035 and the new growth model of Cyprus. Specifically, the communication strategy aims to achieve the following objectives:

- Inform all stakeholders and build awareness regarding Vision 2035 and the new growth model;
- Identify and aid in overcoming resistance and barriers to change;
- Encourage acceptance by the general public;
- Gain buy-in and commitment of all stakeholders to support implementation;
- Encourage engagement and participation in the implementation by all relevant stakeholders;
- Drive accountability amongst stakeholders to make Vision 2035 and the new growth model a reality.

In developing the outline of the communication strategy, we analysed and took into consideration the results of all previous stakeholder engagement activities performed between February 2020 and September 2021 for developing Vision 2035 and the new growth model as well as, the results from discussions with focus groups conducted in November 2021. The focus groups comprised of private sector employees, self-employed persons, public servants, small and medium business owners and company executives. It is noted that none of the participants was engaged in any of the previous phases of the project.

The focus groups were conducted using a structured discussion guide, which aimed at capturing the participants views and perceptions on the current course of the Cyprus economy, the need for a new growth model, the characteristics it should incorporate, challenges to be faced and overcome and the necessity of consent and agreement by all stakeholders to implement a new growth model. Additionally, we tested the sentences, phrases and words used to describe Vision 2035 and the new growth model to understand what stands out and resonates best with the various audience groups.

With the support of a communications expert, we were able to extract and document strategic conclusions taking into consideration all stakeholder engagement activities performed to date. This led to the development of key communication messages aimed at effectively communicating Vision 2035 and the new growth model with the target audience.

The outline of a communication plan presented in this report aims to provide guidance on addressing how to communicate, to whom and when.

Important considerations in developing a comprehensive and effective communication plan

A communication plan should aim to address the “how” to communicate, to “whom” and “when”.

In developing the communication plan, it is important to consider and carefully take into account:

1. The audience (who is being targeted through the communication);
2. The communication channels (how to reach out to the targeted audience);
3. The communication messages (what are the key messages to be disseminated and emphasised on) and
4. The implementation stage and frequency of communication (when to communicate).

These four pillars are further described below.

Audience



As described in Section 2 of this report, the broad audience (stakeholder) groups to be targeted through appropriate communication are the policymakers, businesses, academia, social partners and citizens.

Of course, given the breadth of scope of Vision 2035 and the new growth model, it is possible to segment the target audience in multiple ways using various characteristics.

The characteristics of each target audience group (e.g. profession, age, etc.) will determine which communication channels and messages are most appropriate.

Periodically, it is important to pause and “listen” to the “pulse” of all target audience groups in an aim to tailor communication activities and messages to maximise relevance, appeal and impact.

Communication channels

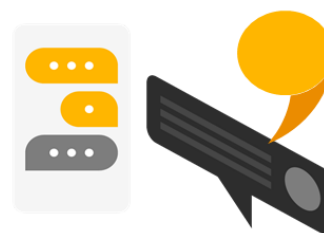


A communication channel is a form of media that enables you to interact with one or many people.

Examples of communication channels which may be used for the purposes of communicating Vision 2035 and the new growth model over the next 13 years are: Website, Social media, Press releases, Display advertising (e.g. billboards), Chatbots, Video chat, Email (e.g. Newsletter), TV, Radio and Brochures.

To make sure you are re selecting the appropriate communication channels, it is essential to look at the target audiences and its specific characteristics.

Key communication messages



A communication message is information conveyed by words.

In Section 5 of this report, we provide a number of key communication messages which may be used as is, or as inspiration, for the purposes of communicating widely Vision 2035 and the new growth model during the initial phases of implementation.

As implementation progresses over time, it is important to continue developing relevant and appropriate communication messages to maintain hype and momentum and communicate results achieved and impact.

Communication messages must be tailored taking into consideration the characteristics of the target audience, the overall “pulse” of the target audience and the communication objective.

Implementation stage and communication frequency



As the implementation of Vision 2035 and the new growth model progresses over time, the communication strategy and plan must be adapted, and further developed.

Initially, the communication strategy and plan should aim to address questions such as:

- What is Vision 2035 and the new growth model?
- What does it entail (strategic objectives and specific implementation measures)?
- Why is this necessary?
- How does it include and needs me?
- What is in it for me?

Subsequently, the communication strategy and plan should aim to address questions such as:

- How are we progressing against set goals?
- What are the results achieved to date?

It is also important to consider the frequency of communication during each stage and with each target group separately.

Proposed communication actions

A communication plan is comprised of multiple communication activities, which must be wide-reaching, effective and appropriate. To effectively achieve the objectives of the communication strategy, it is necessary to design and run several communication actions as each has its own strategic importance and can target different audience groups and sub-groups. The breadth and diversity of the identified target groups requires the use of several communication channels to effectively inform, communicate and engage the audience regarding the long-term economic strategy for Cyprus. The stakeholder analysis and mapping may support in selecting the types and frequency of communication activities tailored according to the level of influence and stake in the change of each stakeholder group. It is anticipated that the parallel and simultaneous use of multiple communication channels will maximize results. In response to the global Covid-19 pandemic and its consequences, the communication activities should be flexible enough and could be organized and implemented fully or partly virtually (online) so that the Vision's promotion is not interrupted during this unprecedented crisis.

Below we propose a set of indicative communication actions to support you in defining a detailed communication plan for Vision 2035. The first box concerns communication actions aimed at widely building awareness and gaining buy-in and adoption of Vision 2035 by the Cyprus society. The second box concerns communication actions aimed at maintaining hype and momentum by showcasing results and impact achieved through the implementation of Vision 2035.

Building awareness and gaining buy-in and adoption (primarily in 2022)

1. **Deliver presentations and facilitate discussions with initiative owners** to build awareness concerning Vision 2035 and the new growth model (with particular focus on the initiatives they are asked to drive), drive adoption, gain buy-in and commitment in timely implementing the initiatives of the long-term economic strategy as per expectations agreed.
2. Identify, onboard through training and provide clear guidelines to **"communication ambassadors"** in all target audience groups (if possible) to share content on social media, attend panel discussions, give speeches, etc.
3. If needed, **facilitate discussions with political parties and other organised groups** build awareness concerning Vision 2035 and the new growth model (with particular focus on the anticipated economic and social effects), gain buy-in and commitment to support implementation.
4. **Design and run a local campaign(s)** to build awareness on, and momentum surrounding Vision 2035 and the new growth model amongst all citizens of Cyprus. Such a campaign may utilise multiple channels of communication such as TV, radio, display advertising, etc. Consider the utilisation of an appropriate narrative as shown in Appendix 8.2.
5. **Develop a dedicated website and social media accounts** (e.g. Tweeter, LinkedIn, etc.) to provide immediate and real-time information concerning Vision 2035 (e.g. what it is, what it entails, timeline, flagship projects, implementation progress, contact details, etc.) aimed at all target audiences (incl. competent authorities involved with the implementation).
6. **Design and run an international campaign(s)** to build awareness on, and momentum surrounding, Vision 2035 amongst the international community. Such a campaign may utilise the network of Cypriot embassies and CIPA.
7. **Design and organise targeted events** (e.g. roadshows) to inform specific groups of people (e.g. people with disabilities, unemployed, people living in rural and mountainous areas, etc.) on the new growth model and how it will affect them.

Communicating results and impact achieved (2023 onwards)

Ongoing communication over the course of the implementation of Vision 2035 it is important to communicate progress and results achieved through the set strategic KPIs (see Appendix 8.2).

1. If initiative owners will have a role to play in communicating results of their respective Initiatives, it is important that they are fully informed and comply with their communication responsibilities.
2. **Develop and disseminate semi-annual newsletters** to all subscribers (wide public). These newsletters may summarise the overall progress made in implementing Vision 2035, highlight flagship initiatives under implementation, highlight the results of flagship initiatives that have been completed, summarise the social and economic impact of Vision 2035 since the commencement of its implementation, call to action all citizens when needed.
3. **Develop and disseminate semi-annual newsletters** to all initiative owners and contributing stakeholders (competent authorities). These newsletters may summarise the overall progress made in implementing Vision 2035, key developments impacting implementation, highlight success stories, praise teams performing beyond expectations, bring together policymakers to brainstorm and improve the design of certain initiatives, etc.
4. Prepare, announce, present and make publicly available an **annual report** providing an account of all that has been accomplished in the year in relation to the implementation of Vision 2035, acknowledge key impediments to implementation and outline corrective actions, outline priorities for the following year, etc.
5. **Organize an annual event** to widely communicate progress and promote results achieved through the implementation of Vision 2035. Aim at maintaining hype and momentum surrounding Vision 2035 amongst citizens of Cyprus.
6. **Design and run local campaigns** to drive mass awareness on flagship projects (their implementation and results).
7. **Design and run international campaigns** with the support of Cypriot embassies and CIPA to maintain interest and momentum amongst the international community by showcasing results achieved through the implementation of Vision 2035.

Safeguarding the implementation of the communication strategy and plan

The development of an appropriate communication plan is a dynamic process, which must evolve in alignment with the action plan for the implementation of Vision 2035 and the new growth model, the available annual budget, the results and impact achieved and the ever-changing "pulse" of the target audiences over time. We propose that a Communication team is embedded within the Strategic coordination and monitoring of implementation Unit to be responsible for driving the communication and socialisation of the Vision 2035 and the new growth model.

Finally, to facilitate the ongoing monitoring, measurement, and analysis of progress against the stated communication objectives and plan, we provide indicative measures of evaluation (these are presented in [Section 5](#) of this report).

2. Main achievements

PwC was commissioned by the European Commission's DG REFORM to provide technical support for the development of a long-term economic strategy for Cyprus.

The **general** achievements of this service contract and its deliverables are:

- Drove efforts to develop and socialise Cyprus' Vision 2035 and the vehicle through which this vision will be realised, the new growth model. Both are urgently needed to enhance the economy's resilience and competitiveness and pave the way forward for a socially and environmentally sustainable trajectory of growth.
- Kept the key stakeholder groups, primarily policymakers and businesses, thinking focused on designing Vision 2035 and the new growth model based on the long-term challenges facing Cyprus, despite the COVID-19 pandemic and the short-term challenges it created.
- Brought together multiple and somewhat disjoint efforts and contributed to the synthesis of an all-encompassing and coherent long-term strategy for Cyprus.
- Contributed to long-term policy thinking, designing and making.
- Contributed to the institutional, administrative and growth-sustaining structural reforms in Cyprus.
- Supported initiatives of national authorities to design reforms according to their priorities, considering initial conditions and expected socioeconomic impacts.
- Supported national authorities in enhancing their capacity to formulate, develop and implement reform policies and strategies and in pursuing an integrated approach, ensuring consistency between goals and means across sectors.
- Supported national authorities to define and implement appropriate processes and methodologies by considering good practices of and lessons learnt by other countries in addressing similar situations.

The **specific** achievements of this service contract and its deliverables are:

- Endorsement of all deliverables produced under this service contract by the Cyprus Economy and Competitiveness Council. Specifically:
 - Phase 2: Inception report;
 - Phase 3: Drivers of growth report;
 - Phase 4: Growth model options report;
 - Phase 5: Long-term strategy report;
 - Phase 6: Action plan for implementation report;
 - Phase 7: Outline of a communication strategy report.
- Development of a long-term economic strategy for Cyprus through a structured and interactive process, which engaged and consulted stakeholders from the public and wider public sector, private sector, academia, social partners and citizens. The interactive stakeholder engagement activities were designed so as to collect and include representative and diverse views and opinions.
- Specifically, the interactive stakeholder engagement activities performed throughout this service contract were as follows:
 - For the Inception phase, we held one-to-one interviews with all Steering Group (SG) members in the period 03/04/2020 – 24/04/2020. Through these interviews, we were particularly interested to collect the stakeholders' personal views on the recent performance of the Cyprus economy, particularly in relation to its competitiveness as well as, the factors affecting Cyprus' long-term sustainable economic performance and growth.
 - For the Drivers of growth phase, we held one-to-one interviews with 45 stakeholders from the public and wider public sector, private sector, academia, and civil society in the period 04/05/2020 – 16/06/2020. Through these interviews, we were particularly interested to collect the stakeholders' views on the comparative and competitive advantages of the Cyprus economy as well as, ideas on drivers of growth and sectors/sub-sectors with future potential for sustainable growth. We aimed to better understand what the stakeholders perceive are the strengths and weaknesses of the Cyprus economy, especially those that are currently underdeveloped / underutilised, as well as the threats and opportunities the economy faces both at the present and in the future.
 - For the Growth model options phase, we held two large-scale working seminars with a total of 66 participants. The working seminars covered both the technocratic and communication aspects

and so they included a presentation of each scenario option as well as the mechanics and assumptions underpinning it.

- For the Long-term strategy phase, we conducted:
 - 38 interviews took place from 08/02/2021 - 08/03/2021. Twelve (12) interviews were conducted with PwC experts from the local and global network and 26 interviews were with other industry experts representing a total of 23 organisations from the government and wider public sector, private sector, academia and civil society.
 - 2 large-scale workshops were conducted on 31/03/2021 - 09/04/2021, with a total of 71 participants. Twenty-one (21) of these stakeholders were continuously engaged throughout the project with assigned responsibilities as part of the project Steering Group and/or Cyprus Economy and Competitiveness Council members. The other 50 stakeholders were invited to participate representing a total of 38 organisations from the government and wider public sector, private sector, academia, social partners and civil society.
 - Presented the resulting Vision 2035 in a public consultation conference organised by the Cypriot authorities.
- For the Outline of a communication strategy phase, we conducted four (4) focus groups on the 03/11/2021 and 04/11/2021 with a total of 32 participants (civil servants, private sector employees, self-employed persons, owners of Small and Medium Enterprises (SMEs), General Managers, Managing Directors or Chief Financial Officers (CFOs)) who had not participated in any of the previous stakeholder engagement activities for the development of Vision 2035 and the new growth model. The objectives of the focus groups were to socialise further the results of our work to date, the long-term strategy for Cyprus and Vision 2035 and all it entails, capture the overall “pulse” of the Cyprus society at large concerning Vision 2035 and the new growth model; and identify key communication words and phrases that will appeal to the target audience.
- Adoption of a long-term strategy to achieve sustainable growth (Vision 2035 and the new growth model) by the Economy and Competitiveness Council.
- Development of a detailed action plan for the implementation of the long-term growth strategy through specific initiatives.
- Provision of a coherent governance framework to safeguard and drive the implementation of the long-term growth strategy through appropriate institutional arrangements and a clear understanding of all stakeholders’ roles and responsibilities.
- Development of the outline of the communication strategy to underpin and drive the adoption and implementation of Vision 2035 and the new growth model of Cyprus by all policymakers, businesses, academia, social partners and citizens.

It is noted that the achievement of the outcomes and the longer-term impact of this service contract depends to a large extent on the degree of endorsement and implementation of the deliverables by Cyprus, as well as on wider policy conditions, which remain outside the responsibility of the European Commission and PwC. Such endorsement and implementation remains the exclusive responsibility of Cyprus.

3. Challenges encountered

This service contract, for the development of a long-term economic strategy for Cyprus, had a maximum duration of 24 months for the execution of all tasks and submission of all deliverables. The main challenges encountered throughout the course of this service contract were:

COVID-19

- The breakout of the COVID-19 pandemic shortly after the commencement of this service contract created challenges as:
 - The baseline completely shifted and the analysis needed to be conducted with a new and uncertain future in mind.
 - Stakeholders engaged throughout the initial phases of the project were somewhat “distracted” by the short-term implications of the pandemic and it took considerable effort in our interviews and discussions in shifting focus on the long-term issues facing Cyprus.

Link to Cyprus Recovery & Resilience Plan (RRP)

- The development of the RRP in the period December 2020 - May 2021 posed both an opportunity and a challenge. To ensure alignment between the RRP and Vision 2035, the project team had to accelerate and front load efforts on Phase 5, Long-term economic strategy report, so as to timely complete and provide recommendations on specific initiatives related to the implementation of the new growth model.

Link to other national strategies, plans and studies

- This is a country-wide and all-encompassing strategy, which requires understanding and considering the current status of multiple other national strategies, plans and studies underway. The specific challenges faced were:
 - Collecting, analysing and synthesizing a large volume of input from existing strategies, plans and studies, often related to a specific horizontal (e.g. Action Plan for the Circular Economy) or vertical (e.g. National Tourism Strategy 2030) area of interest.
 - Considering and filtering through the material to select the most relevant and up-to-date insights and embedding them in the long-term strategy while safeguarding the coherence of the strategy end-to-end.
 - Lack of publicly available information concerning the current implementation status of each strategy, plan and study.

Methodology

- The methodology for the delivery of this service contract comprised of eight (8) phases in total. Each phase was designed in such a way that it built on the findings and conclusions of its predecessors. The specific challenges faced were:
 - In Phases 2-5 of the project, it took approximately two (2) months from the original submission date of a deliverable to its finalisation and acceptance by the Steering Group and DG REFORM. This was not accounted for in the original time frames set in the service contract.
 - Given the above, the project team would commence a phase while in parallel closing off the previous phase of the project. This parallel work stretched the team resources thinly and at times resulted in reworks due a shifting baseline.
 - Phases 1-5 resulted in an accumulated three (3) month delay to the overall project plan, which put a lot of pressure on the delivery of Phases 6-8 of the project within a very compact timeframe of only 4.5 months.

Stakeholder engagement

- This was a high profile, visionary and strategic project, which required considerable volume and ongoing stakeholder engagement. The specific challenges faced were:
 - Complex logistics in organising efficiently and effectively a very large volume of interactive activities (more than 130 different activities) with all stakeholder groups and within the predefined time frames.

- Due to the COVID-19 pandemic, interactive stakeholder activities (e.g. discussions, interviews, workshops, working seminars, etc.) were performed virtually as opposed to in person, which at times proved harder to build rapport with participants and therefore, be better positioned to dig deeper into the ideas, thoughts and opinions of the participants.
- Complexity in collecting, analysing and synthesizing such a large volume of input, comments and feedback.
- Complexity in considering and filtering through often differing viewpoints.

4. Lessons learnt

This service contract, for the development of a long-term economic strategy for Cyprus, comprised of eight (8) phases in total, each building on the findings, results and conclusions of its predecessors. The main lessons learnt throughout the course of this service contract were:

Methodology

- Given the large volume and significant importance of horizontal initiatives proposed, it might have been more value-adding if Phase 5 was comprised of two sequential parts, (a) development of horizontal initiatives and (b) development of vertical (sectoral) initiatives. This two-stage approach would have enabled the project team to think more thoroughly through the cross-cutting interventions required which would underpin growth across all sectors first and subsequently think about how to drive growth in specific sectors.

Stakeholder engagement

- An elaborate series of stakeholder interviews was performed throughout the course of the project, specifically 12 interviews during Phase 2, 45 interviews during Phase 3 and 61 interviews during Phase 5. Steering Group members expressed the opinion of valuing this “bottom-up” type of input slightly less valuable than the “top-down” input from a more strategic type of analysis.
- Continuing from the above point, layers of interactive stakeholder engagement activities, spread across the development of a project, is value-adding as it develops a co-creative environment; however the volume and type of activities must be carefully thought of and managed. For example:
 - The series of interviews conducted during Phase 3 could have been replaced by a mass online survey, which may have been more effective in attaining quantitative data about challenges, prospects and sectors;
 - The marginal gains from additional interviews declined steeply after around 15 interviews. The project team specifically noted that after the first 15 interviews, we stopped getting new ideas, insights and information. Therefore, each series of interviews should be capped at a maximum of 20.
 - Carefully designed and executed workshops and working sessions can at times be more effective and value-adding than individual interviews. Specifically during Phase 5, the elaborate series of 61 interviews could have been replaced by a slightly larger number of workshops and working sessions designed.
- Throughout the interactive stakeholder engagement activities we noted that it was particularly challenging to get stakeholders to dig into much detail on the “how”. We believe that better preparation by the stakeholders on their specific areas of expertise (e.g. ideas for specific policy recommendations) would have resulted in a more fruitful discussion.

Deliverables

- Over the course of this service contract, the project team produced a total of seven (7) reports (including this report). The page count of these report is as follows:
 - Phase 2: Inception report - 247 pages;
 - Phase 3: Drivers of growth report - 268 pages;
 - Phase 4: Growth model options report - 80 pages;
 - Phase 5: Long-term strategy report - 276 pages;
 - Phase 6: Action plan for implementation report - 402 pages;
 - Phase 7: Outline of a communication strategy report - 76 pages;
 - Phase 8: Project closing report - 58 pages.

We find that shorter reports can often have a greater impact.

- Visuals and summary diagrams in reports are important. This is because presenting information in a visual form, allows the reader to have two different methods of understanding the information.
- Continuing from the above point, MS PowerPoint provides greater flexibility than MS Word in visually and diagrammatically presenting information therefore, in many cases it is a more effective tool to use.
- As previously mentioned, in Phases 2-5 of the project, it took approximately two (2) months from the original submission date of a deliverable to its finalisation and acceptance by the Steering Group and DG

REFORM. This was due to an extended period for the collection of comments and feedback and multiple iterations (approximately 3-4 versions) for each report. There needs to be better control and management of timeframes (submission, feedback consolidation, revision, etc.) and scope so that each phase of the project is completed as per the contract terms, or agreed project plan. This is to avoid overlaps between phases.

Contract terms

- During the course of this 24-month project, we faced instances where the tasks and/or approach as described in the contract (RfS plus PwC proposal) did not address the most up-to-date needs of the project and in the most value-adding way. Given the dynamic and ever-changing environment within which we operate, the need for deviations is likely. Therefore, flexibility should be built into service contracts (especially those with duration longer than 12 months) to allow the Steering Group, the tenderer and DG REFORM to commonly agree and deviate (if needed) from the original terms (phases, tasks, methodologies and deliverables).

5. Monitoring indicators

Hand-in-hand with the development of the long-term growth strategy of Cyprus, we also developed key performance indicators (KPIs) to monitor the results and impact after the conclusion of this service contract. In this section of the report, we compile all KPIs developed to monitor progress against the implementation of:

- A. Vision 2035 and the new growth model (Strategic outcome KPIs);
- B. Action plan for Vision 2035 (Aggregated operational / output KPIs);
- C. Action plan for individual initiatives under Vision 2035 (Operational / output KPIs);
- D. Communication plan for Vision 2035 (Operational / output KPIs).

Vision 2035 and the new growth model

Strategic (Outcome) KPIs to monitor progress against Vision 2035 by strategic objective:

- Effective government machinery,
- Efficient legal system which resolves disputes fast,
- Open, transparent and fair marketplace for everyone,
- Powerhouse of innovation,
- Supported by digitalisation,
- Greener economy,
- Diversified, sustainable and more resilient economy,
- World class education system,
- Excellent and accessible healthcare system,
- Adheres to rule of law and combats corruption,
- Liveability, equal access and opportunities for all.






KPIs and targets

Effective government machinery

Outcomes

- 1 Transform the Civil Service to a modern employer which grows and develops its people and reacts fast to changes in the global, regional and local ecosystem
- 2 Grow a civil service which serves the needs of its citizens, international and local businesses and its EU partners
- 3 Build a local government which serves the needs of its community

KPIs and targets

Key performance indicator	Year of latest available data ¹	Current state	Target by 2035	Benchmark
 World Governance Indicators: Government effectiveness (Percentile rank)¹	2019	1.0	2.0	Singapore: 2.2
 World Governance Indicators: Voice and Accountability (Percentile rank)¹	2019	1.1	1.6	New Zealand: 1.6
 Share of civil servants completing annual CPD at the CAPA	N/A	N/A	75%	N/A
 Remuneration of civil servants as a share of GDP	NA	NA	Consistent with EU average	NA
 Digitalisation and completion of top 200 requests by citizens within 1 working day	N/A	N/A	100%	N/A

Data from Eurostat unless otherwise stated.

¹ World Bank, World Governance Indicators. +2.5=maximum, -2.5=minimum

Note: Latest available data is used up to 2019. 2020, where available, is excluded due to the COVID-19 pandemic.




KPIs and targets

Efficient legal system which resolves disputes fast

Outcomes

- 1 Build a modern judicial system where justice is served fast to grow a lasting culture where the rule of law prevails

KPIs and targets

Key performance indicator	Year of latest available data	Current state	Target by 2035	Benchmark
 EU Justice Scoreboard: Time needed to resolve civil, commercial, administrative and other cases¹	2018	737 days	< 200 days	Denmark – 24 days
 EU Justice Scoreboard: Number of pending civil, commercial and administrative and other cases (1st instance/per 100 inhabitants)²	2018	6	1.5 – 1.75	Netherlands – 1.5
 International property rights index³	2020	Global Rank: 41	20 – 25	Ireland – 20 Estonia – 24 Malta – 33

Data from Eurostat unless otherwise stated.

¹ European Commission, 2020 EU Justice Scoreboard, 2020.

² Ibid.

³ Property Rights Alliance, International Property Rights Index.

Note: Latest available data is used up to 2019. 2020, where available, is excluded due to the COVID-19 pandemic.



KPIs and targets

Open, transparent and fair marketplace for everyone

Outcomes

- 1 Set up a level-playing field for all businesses in Cyprus
- 2 Diversify the sources of finances for businesses in Cyprus consistent with that of other European economies
- 3 Reduce the role of the informal economy

KPIs and targets

Key performance indicator	Year of latest available data	Current state	Target by 2035	Benchmark
 % of external corporate investment finance from bank loans ¹	2019	82.3%	60 – 65%	EU average – 59.5%
 Share of adults who are financially literate ²	2019	35%	65 – 70%	EU average – 52%
 Size of informal economy as % of GDP ³	2016	30.4%	15 – 20%	Austria – 9.6%
 Bank non-performing loans to total gross loans (%)	2019	17%	10 to 15 percentile in the Eurozone	Ireland, Malta – 3%

Data from Eurostat unless otherwise stated.

¹ European Investment Bank, EIB Investment Survey, 2020. ² Standard & Poor, Global Financial Literacy Study, 2014. ³ IMF Working Papers, Explaining the Shadow Economy in Europe: Size, Causes and Policy Options, 2019.

Note: Latest available data is used up to 2019. 2020, where available, is excluded due to the COVID-19 pandemic.






KPIs and targets

Powerhouse of innovation

Outcomes

- 1 Boost innovation that leads to commercialised innovations
- 2 Create a vibrant and productive start-up/entrepreneurial ecosystem

KPIs and targets

Key performance indicator	Year of latest available data	Current state	Target by 2035	Benchmark
 R&D spending as % of GDP	2019	0.63%	2.5% – 3%	EU27 average – 2.2%
 Global Innovation Index¹	2020	World Rank: 29	15 – 20	Netherlands – 5 Israel – 13
 Global Entrepreneurship Index²	2018	Rank: 32	15 – 20	Netherlands – 11 Israel – 16
 Business investment, as a share of GDP	2019	8%	15-20%	EU27 average – 14%
 Business enterprises, share of total R&D funds³	2018	35%	50-60%	N/A
 Patent applications to the European Patent Office, per million inhabitants	2019	54	125-150	EU27 average – 148 Denmark – 415

Data from Eurostat unless otherwise stated.

¹ Cornell INSEAD WIPD, Global Innovation Index. ² The Global Entrepreneurship and Development Institute, Global Entrepreneurship Index. ³ Cystat.

Note: Latest available data is used up to 2019. 2020, where available, is excluded due to the COVID-19 pandemic.







KPIs and targets

Supported by digitalisation

Outcomes

- 1 Transform Cyprus's digital public services delivery model into a Government as a Platform
- 2 Set up a digital infrastructure ecosystem which will allow businesses, households and the government to start interacting digitally
- 3 Driven by a user-centric and efficient digital government
- 4 Build a leading digital economy with more competitive and future-proofed industries, leveraging the growing local ICT sector

KPIs and targets

Key performance indicator	Year of latest available data	Current state	Target by 2035	Benchmark
 E-government Development Index¹	2020*	Global Rank: 18th	8th – 13th	Denmark – 1st Netherlands – 10th
 Share of total enterprises (excluding financial sector) with e-commerce sales	2019	14%	20 – 25%	EU27 – 20% Ireland – 29%
 Digital Economy and Society Index²	2019	EU28 Rank: 22nd	10th – 15th	Finland – 1st Malta – 10th
 Connectivity sub-component of the DESI	2019	EU28 Rank: 21st	10th – 15th	Finland – 5th Estonia – 13th
 IMD World Digital Competitiveness Index	2019	Global rank: 54th	25th – 30th	Netherlands – 6th Ireland – 19th
 Individuals with basic or above basic digital skills	2019	45%	85% – 95%	EU27 – 56% Estonia – 62%

A long-term strategy for sustainable growth for Cyprus
Data from Eurostat unless otherwise stated.

¹ United Nations E-Government Knowledgebase, E-government Development Index. ² European Commission, The Digital Economy and Society Index (DESI). ³ European Commission, Mobile and Fixed Broadband Prices in Europe, 2019.

Note: Latest available data is used up to 2019. 2020, where available, is excluded due to the COVID-19 pandemic.
*Data for UN's E-government Index used for 2020 as no data for 2019 is available.

KPIs and targets









Greener economy

Outcomes

- 1 Transition to a renewable energy system that capitalises Cyprus's solar energy potential
- 2 Improve energy efficiency and reduce carbon emissions across large sectors of Cyprus's economy including transport and the built environment
- 3 Drive the transformation towards a circular, zero-waste economy across businesses and households
- 4 Develop environmental resilience in people, businesses and ecosystems against the risks and uncertainty posed by climate change

¹As part of the European Green Deal, the Commission proposed in September 2020 to raise the 2030 greenhouse gas emission reduction target, including emissions and removals, to at least 55% compared to 1990. By June 2021, the Commission will also announce more ambitious targets for renewable energy and energy efficiency improvements.

KPIs and targets

	Key performance indicator	Year of latest available data	Current state	Target by 2035	Benchmark
	Change in greenhouse gas emissions per capita since 1990 ¹	2018	+53.8%	-55%	Green Deal target: -55% by 2030*
	Share of renewable energy in total energy consumption	2019	13.8%	>50%	Green Deal target – 33%* by 2030
	Exposure to pollution, grime or other environmental problems, % of households	2019	8.5%	5%	Ireland – 6.5%
	Recycling rates of municipal waste	2019	15%	80%	Green Deal target – 65%
	Landfill rate	2016	67%	15%	Green Deal target – 10%
	Energy efficiency	NA	NA	40% improvement	Green Deal target: 32.5%* improvement by 2030
	Environmental Performance Index ¹	2020	Global Rank: 31 st	15 th – 20 th	Netherlands – 11 th Malta – 23 rd
	Traffic and public transport use	There is currently no data available on either road traffic or public transport use. The authorities should prioritise collecting data on both, in line with Eurostat methodologies.			

Note: Latest available data is used up to 2019. 2020, where available, is excluded due to the COVID-19 pandemic.




KPIs and targets

Diversified, sustainable and more resilient economy

Outcomes

- 1 Attract and nurture foreign companies through targeted and personal networking
- 2 Bring the best possible talent to Cyprus to complement the local workforce
- 3 Support businesses to achieve scale and promote export growth in key markets
- 4 Improving Cyprus's air connectivity to key markets and making Cyprus a great and convenient place to do work, study, visit and live

KPIs and targets

Key performance indicator	Year of latest available data	Current state	Target by 2035	Benchmark
 Contribution to GVA from the top 5 largest sectors	Average 2015-19	48%	40-45%	N/A
 GVA share of primary and secondary sectors (excluding construction)	2019	11%	15%	N/A
 Air Connectivity Index¹	2019	Global Rank: 70	40 – 45	UK – 6 Singapore – 23 Ireland – 36

A long-term strategy for sustainable growth for Cyprus

Data from Eurostat unless otherwise stated.

¹ International Air Transport Association, Air Connectivity: Measuring the connections that drive economic growth, 2019.

Note: Latest available data is used up to 2019. 2020, where available, is excluded due to the COVID-19 pandemic.








KPIs and targets

World class education system

Outcomes

- 1 Form a strong link between education and business to build in-demand skills
- 2 Transform the education system with a curriculum and infrastructure designed to develop skills for a modern workplace
- 3 Invest in vocational education with a clear link to Vision 2035
- 4 Forge a culture of lifelong learning and upskilling

KPIs and targets

	Key performance indicator	Year of latest available data	Current state	Target by 2035	Benchmark
	Young people neither in employment nor in education and training, % of total population	2019	14.1%	8% – 12%	EU27 – 12.5% Iceland – 5.7%
	Job mismatch rate (horizontal skills mismatch), total economy ¹	2019	28.7%	15% – 20%	EU27 – 27.9% Finland – 24%
	Over-qualification rate (vertical skills mismatch), total economy ²	2019	33.6%	20% – 25%	EU27 – 21.9% Netherlands – 16.3%
	Mean score in PISA 2018 (average of reading, mathematics and science) ³	2018	438	510 – 530	OECD – 488 Estonia – 525
	Share of pupils enrolled in vocational education	2019	17%	20%-25%	EU27 – 48% Malta – 28%
	Adult participation in learning	2019	5.9%	10% – 15%	EU27 – 10.8% Sweden – 34.3%
	Number of universities in the Top 250 Times World University Rankings ⁴	2021	0	1 – 2	N/A

Data from Eurostat unless otherwise stated. ¹ 'Skills mismatch (%)' refers to the percentage of the population aged 25-34 who are employed in job misaligned to their subject of study. ² 'Skills mismatch (%)' refers to the share of employees aged 25-34 who are over-qualified for their position. ³ OECD, PISA 2018 Results: Combined Executive Summaries, 2018. ⁴ Times Higher Education, World University Rankings 2021
Note: Latest available data is used up to 2019. 2020, where available, is excluded due to the COVID-19 pandemic.





KPIs and targets

Excellent and accessible healthcare system

Outcomes

- 1 Develop a modern healthcare system, future-proofed for health, demographics and digital trends

KPIs and targets

Key performance indicator	Year of latest available data	Current state	Target by 2035	Benchmark
 Out of pocket expenditure on healthcare (% of total current expenditure)	2018	45%	35 – 40%	EU27 – 16% Estonia – 25%
 Self-perceived health, % of population at good or very good	2019	78%	85-90%	Ireland – 84% Greece – 79%
 Childhood obesity rates (obesity level among five- to nine-year-olds)¹	2019	43%	35 – 40%	OECD35 – 31.4% Estonia – 22.8%
 Prevalence of current tobacco use (% of adults)²	2018	36.7%	25 – 30%	Norway – 13% Italy – 23.4% Estonia – 30.5%

Data from Eurostat unless otherwise stated.

¹ OECD, Cyprus Country Health Profile, 2019.

² World Bank, World Development Indicators.

Note: Latest available data is used up to 2019. 2020, where available, is excluded due to the COVID-19 pandemic.







KPIs and targets

Adheres to rule of law and combats corruption

Outcomes

1 Combat corruption across the entire spectrum of Cypriot society, business and government

KPIs and targets

Key performance indicator	Year of latest available data	Current state	Target by 2035	Benchmark
 Corruption Perceptions Index rank¹	2019	Global Rank: 41	33 – 37	New Zealand & Denmark – 1 Ireland – 18
 World Governance Indicators: Control of Corruption (Percentile rank)²	2019	71.6th	75 – 80	Denmark – 97.6 France – 88.9
 % reporting that corruption or bribery is one of the three biggest problems in the country³	2016	49%	30 – 35%	Netherlands – 17% Estonia – 25%
 % reporting that 'most of state authorities' are involved in corruption⁴	2017 – 20 wave	43%	10% – 15%	NA
 % reporting that 'most of business executives' are involved in corruption⁴	2017 – 20 wave	33%	10% – 15%	NA
 Basel AML index⁵ Note: a lower ranking indicates a better performance	2020	Global rank: 88	110 – 105	UK – 116 Israel – 130

Data from Eurostat unless otherwise stated. ¹ Transparency International, Corruption Perceptions Index 2020. ² World Bank, Worldwide Governance Indicators. ³ Transparency International, Global Corruption Barometer, Europe and Central Asia 9th edition, 2016. ⁴ World Values Survey Wave 7. ⁵ Basel Institute of Governance.

Note: Latest available data is used up to 2019. 2020, where available, is excluded due to the COVID-19 pandemic.

PwC

11







KPIs and targets

Liveability, equal access and opportunities for all

Outcomes

- 1 Improve and maintain liveability for all Cypriots
- 2 Ensure that all citizens have equal access to opportunities in all walks of life
- 3 Establish a future of shared prosperity by levelling up regions and regenerating rural economies

KPIs and targets

Key performance indicator	Year of latest available data	Current state	Target by 2035	Benchmark
 Gender employment gap	2019	11.6%	5 – 10%	EU27 – 11.7% Finland – 2.9%
 Employment rate of people aged 55-64	2019	60%	65 – 70%	EU27 – 60% Sweden – 78%
 Severe material deprivation rate of foreign nationals aged 18+ in Cyprus	2016	13.5%	7 – 9%	EU27 – 9.2% Malta – 2.5%
 Gini coefficient of equivalised disposable income (0: perfect equality, 100: perfect inequality)	2019	31.1	28 – 30	EU27 – 30.2 Slovenia – 24
 Share of people at risk of poverty or social exclusion¹	2019	22%	15 – 20%	EU27 – 21% Slovenia – 14%
 Percentage of the population rating their satisfaction as high (%)	2018	22%	35 – 40%	Ireland – 45% Denmark – 41%

Data from Eurostat unless otherwise stated. ¹ This indicator corresponds to the sum of persons who are: at risk of poverty or severely materially deprived or living in households with very low work intensity.
 *Note: Latest available data is used up to 2019. 2020, where available, is excluded due to the COVID-19 pandemic.

Action plan for Vision 2035

Indicative KPIs to monitor progress against the action plan for the implementation of Vision 2035 and the new growth model:

Completion KPIs

- **Percentage completion of the action plan**
(Number of initiatives completed / total number of initiatives) * 100
- **Initiatives progressed**
Total number of initiatives commenced and progressed within the period
- **Initiatives completed**
Total number of initiatives completed within the period

Timeliness KPIs

- **On-time completion percentage**
(Number of initiatives completed on time / Total number of initiatives planned to be completed within the period) * 100
- **Number of timeframe adjustments to the plan**
Number of adjustments to the timeframe of initiatives planned within the period
- **Time spent**
The total amount of time spent on the implementation of each initiative planned in the period
- **Planned versus real time spent**
(Total amount of actual time spent in managing and implementing initiatives / Total amount of time estimated for the management and implementation of initiatives planned within the period) * 100

Budget KPIs

- **Total budget**
Total budget consumed for the implementation of initiatives planned in the period. It may be interesting to see the breakdown of total budget consumed by source of funding.
- **Budget variance**
Total actual budget spent for the implementation of initiatives - Total estimated budget for the implementation of the same initiatives planned within the period
- **Budget iterations**
Total number of budget versions developed within the period and submitted for approval

Effectiveness KPIs

- **Number of milestones completed on time**
Total number of planned milestones completed within the set timeframes
- **Number of changed initiatives**
Total number of changes (e.g. scope, type, etc.) to initiatives planned within the period
- **Number of cancelled initiatives**
Total number of initiatives planned within the period which were paused or canceled

Quality KPIs

- **Number of errors**

Number of incidents where an initiative had to be reworked / redone affecting budget and/or timelines

- **Complaints**

Total number of complaints received within the period

Action plan for specific initiatives

Indicative KPIs to monitor progress against the action plan for the implementation of a specific initiative included in the overall action plan of Vision 2035 and the new growth model:

Completion KPIs

- **Percentage completion of the initiative project plan**

(Number of actions completed / total number of actions planned within the period) * 100

- **Actions progressed**

Total number of actions commenced and progressed within the period

- **Actions completed**

Total number of actions completed within the period

- **Schedule variance**

EV (earned value) - PV (planned value), where EV = Percentage completion of the initiative * Total initiative budget and PV = Percentage of initiative remaining to be implemented * Total initiative budget

Timeliness KPIs

- **On-time completion percentage**

(Number of actions completed on time / Total number of actions planned to be completed within the period) * 100

- **Number of timeframe adjustments to the plan**

Number of adjustments to the timeframe of actions planned within the period

- **Time spent**

The total amount of time spent on the implementation of each phase (or action) planned in the period

- **Planned versus real time spent**

(Total amount of actual time spent in managing and implementing actions / Total amount of time estimated for the management and implementation of actions planned within the period) * 100

Budget KPIs

- **Total budget**

Total budget consumed for the implementation of the initiative

- **Budget variance**

Total actual budget spent for the implementation of actions - Total estimated budget for the implementation of the same actions planned within the period

- **Budget iterations**

Total number of budget versions developed and submitted for approval

Effectiveness KPIs

- **Number of milestones completed on time**

Total number of planned milestones completed within the set timeframes

- **Number of changed actions**
Total number of changes (e.g. scope, type, etc.) to actions planned within the period
- **Number of cancelled actions**
Total number of actions planned within the period which were paused or canceled

Quality KPIs

- **Number of errors**
Number of incidents where an action had to be reworked / redone affecting budget and/or timelines
- **Complaints**
Total number of complaints received within the period

Communication plan for Vision 2035

Indicative KPIs to monitor progress against the communication plan for the implementation of the communication strategy of Vision 2035 and the new growth model:

Completion KPIs

- **Percentage completion of the initiative project plan**
(Number of actions completed / total number of actions planned within the period) * 100
- **Actions progressed**
Total number of actions commenced and progressed within the period
- **Actions completed**
Total number of actions completed within the period

Timeliness KPIs

- **On-time completion percentage**
(Number of actions completed on time / Total number of actions planned to be completed within the period) * 100
- **Number of timeframe adjustments to the plan**
Number of adjustments to the timeframe of actions planned within the period
- **Time spent**
The total amount of time spent on the implementation of each phase (or action) planned in the period
- **Planned versus real time spent**
(Total amount of actual time spent in managing and implementing actions / Total amount of time estimated for the management and implementation of actions planned within the period) * 100

Budget KPIs

- **Total budget**
Total budget consumed for the implementation of the initiative
- **Budget variance**
Total actual budget spent for the implementation of actions - Total estimated budget for the implementation of the same actions planned within the period
- **Budget iterations**
Total number of budget versions developed within the period (e.g. year) and submitted for approval

Effectiveness KPIs









- **Number of milestones completed on time**
Total number of planned milestones completed within the set timeframes
- **Number of changed actions**
Total number of changes (e.g. scope, type, etc.) to actions planned within the period
- **Number of cancelled actions**
Total number of actions planned within the period which were paused or canceled

Quality KPIs

- **Pulse of the public**
Measurement through the collection of qualitative information through a survey
- **Number of errors**
Number of incidents where something had to be reworked / redone affecting budget and/or timelines
- **Complaints**
Total number of complaints received within the period

In addition to the above, results against set communication objectives may be monitored through the following measures which are applicable to individual communication campaigns by channel of communication (see next page):

Indicative measures of evaluation by communication objective and channel of communication

	Awareness and reach	Engagement	Sentiment and adoption	Implementation	Examples and ideas
 Social media	Count of how many people have seen the content published (e.g. videos, ads, posts, etc). Perform demographic analysis of audience reached (e.g. geography, age, profession, etc.).	Measure the volume of platform-specific functions (e.g. likes, shares, etc.).	Qualitatively measure sentiment through platform-specific functions (e.g. likes, dislikes, sentiment analysis on comments, etc.).	Measure actions taken by target audience (e.g. what percentage of people shown an Ad for a talk or event RSVP?). Quantify the cost per action (e.g. For an ad for a talk or event, then it is the budget consumed per RSVP).	Instagram pages, Facebook pages, TikTok videos, YouTube pages, video ads, informative short or long videos.
 Newspapers, magazines, etc.	For own newspapers, magazines, etc. measure sales and restock volumes and rates. For publications and ads through a third party you may only measure something if the third party can provide such data.	N/A	Survey	N/A unless there is a specific call to action for the target audience on the material.	Ads in newspapers and magazines, creation of free monthly magazine or regular short periodicals.
 Billboards, posters, etc.	N/A but can estimate the number of persons reached by modelling traffic flow.	N/A	Survey	N/A unless there is a specific call to action for the target audience on the billboard.	Posters in different zones, billboards in and out of cities.
 Flyers, pamphlets, etc.	Measure flyer restock rate and volume.	N/A	Survey	N/A unless there is a specific call to action for the target audience on the material.	Pamphlets to shops, stores, bars, kiosks and places of work.
 Radio	N/A but can estimate the number of persons reached through audience rates for specific programs.	N/A	Survey	N/A unless there is a specific call to action for the target audience through the radio.	Talk shows, expert speakers, ads through the radio.
 TV	N/A but can estimate the number of persons reached through audience rates for specific programs.	N/A	Survey	N/A unless there is a specific call to action for the target audience through the TV.	Talk shows, presenters, expert speakers, ads through TV.
 Events, talks, etc.	Measure the number of attendees (virtually or in person), the number of viewers on stream.	Possibility to measure event-specific metrics (e.g. number of questions posed during panel discussion, etc.).	Qualitatively measure sentiment through event-specific elements (e.g. feedback received via "smile" machines, written comments during or post events, sentiment analysis during event and on comments).	N/A unless there is a specific call to action for the target audience during the event.	Expert speakers, fun runs, fairs, networking events, fairs, awards, concerts, treasure hunts.
 Website	Measure the number of visits and number of repeat visits. Analyse demographics, source page and destination page when visitors exit Vision 2035 website.	Measure time spent browsing on the Vision 2035 website. Perform user path analysis.	Qualitatively measure sentiment through website functions such as "star" reviews, "smiles", complaints section and other prompts aimed at capturing sentiment.	Estimate cost per action, (e.g. For an event ad, then the budget consumed per RSVP). Measure average time to conversion. Perform user path analysis. Look at actions per visit and average number of visits before action.	Informative pages, how to help, how to get in contact, what can you do, what does it mean for you, show live progress, show key wins, results achieved.

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