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**THE CHOICE OF INDICATORS IN
THE LIME ASSESSMENT
FRAMEWORK (LAF)**

**Part 2: Product and Capital Market
Regulations**

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* This study is part of a project sponsored by the Planning Bureau and funded by the Research Promotion Foundation (RPF) through the Economics Research Center (ERC). It aims to reach a better appreciation of the LAF methodology and, following a critical assessment, to propose improvements to this approach. Its application to Cyprus is scrutinised and several suggestions are offered and quantified.



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INTRODUCTION

This document contains a detailed description and analysis of all indicators included in the second part of the LIME Assessment Framework (LAF). LAF is a tool developed by the Lisbon Methodology (LIME) Working Group of the Economic Policy Committee (EPC) in order to evaluate the economic progress of all Member States and progress with their structural reforms, based on the Lisbon Strategy targets and guidelines.

The second part is an analysis of 282 indicators in 20 policy areas related to: (i) Labour market, (ii) Product and capital market regulations, (iii) Innovation and knowledge and (iv) Macroeconomy. Each policy area contains multiple indicators varying in number from eight to twenty-one, depending on the area. An aggregate score is calculated for each policy area both in levels and changes over time. In the calculations of the aggregate score, only a subset of indicators are included, called the “narrow list” indicators, while the remaining indicators are called the “wider list” indicators. Each narrow list indicator can get different aggregation weights as assigned by the LIME Working Group. All data and calculations are included in an automated Excel based application, called the “Maquette”.

In this note, we provide information for each indicator, such as definition, indicator source, data source, indicator type (performance/policy), time coverage, geographical coverage, data and score values for Cyprus, aggregation weights, reason excluded from narrow list, comments on data quality and score calculations, alternative data and score values in cases of inaccuracies and general comments on the appropriateness of each indicator for Cyprus. In addition, we provide suggestions for improvement such as alternative indicators for the narrow list, alternative aggregation weights, improved indicator definitions and more accurate data sources that could be used.

In addition to indicator specific information, we provide relevant information from the existing literature for Cyprus when available, and appendices with more information regarding regulations, institutions and relevant market conditions for each section.

“The Choice of Indicators in LAF” is divided into four parts, one for each section:

- *Part 1 relates to labour market policies and includes the following policy areas: Active labour market policies, making work-pay: interplay of tax and benefit system, labour taxation to stimulate labour demand, job protection and labour market segmentation/ dualisation, increasing working time, specific labour supply measures for women, specific labour supply measures for older workers, wage*

- bargaining and wage-setting policies, immigration and integration policies, labour market mismatch and labour mobility.*
- *Part 2 contains areas for product and capital market regulations: Competition policy framework, sector specific regulation, entrepreneurship and business environment, business dynamics – start-up conditions, financial markets and access to finance, market integration – openness to trade and investment.*
 - *Part 3 has to do with education and knowledge with three policy areas: R&D and innovation and ICT, education and lifelong learning.*
 - *Finally, part 4 relates to macroeconomic indicators with two policy areas: Orientation and sustainability of public finances and Macroeconomic background information.*

Part 1 uses data coming from the LAF Maquette updated up to May 2009. For parts 2, 3, and 4, a newer Maquette version is used; updated up to December 2009.

2 PRODUCT AND CAPITAL MARKET REGULATIONS

2.1. Competition Policy Framework

The development of a competition policy framework aims at a more effective state involvement in the economy and a better functioning of product markets, which can improve productivity and growth. Competition policy measures include measures to promote liberalisation, reduce state aid and government subsidies, abolish restrictive public procurement rules, and ensure competition law enforcement in order to prevent anti-competitive or collusive behaviour. Reducing state aid minimizes distortions of competition and also government failures. A more competitive market implies lower market prices, which limits inflation in the general economy and increases consumer welfare.

2.1.1. Total state aid as a percentage of GDP

Description: The ratio of total state aid, as defined under Article 87(1) EC Treaty, to Gross domestic product (GDP).

“The numerator is the sum of: (i) State aid granted to specific sectors (agriculture, fisheries, manufacturing, coal, transport except railways and other services), (ii) State aid given on an ad-hoc basis to individual companies (e.g. for rescue and restructuring) and (iii) State aid for horizontal objectives, such as research and development, safeguarding the environment, energy saving, support to small and medium-sized enterprises, employment creation, the promotion of training and aid for regional development. “

Note that, general measures and public subsidies that have no effect on trade or do not distort (or threaten to distort) competition are not included as they are not subject to the Commission’s investigative powers. Community funding is also excluded.

(-) A low value is desirable

Indicator Source: Economic reform, STRIND, Eurostat¹

Data source: Eurostat (EU Member States submit the basic data to the European Commission on a yearly basis, normally not later than 6 months after the end of the reference period).

¹ http://epp.eurostat.ec.europa.eu/cache/ITY_SDDS/EN/gov_oth_staid_esms.htm

Other data info: GDP is defined in conformity with the European System of National and Regional Accounts in the Community (ESA 95). All data are quoted at constant 1995 prices but have been re-referenced on the year 2004.

Data values for Cyprus (% of GDP):

	1999	2000	2001	2002	2003	2004	2005	2006	2007
CY		2,58	2,99	3,23	2,30	1,63	1,48	0,76	0,40
EU15		0,60	0,62	0,65	0,56	0,59	0,58	0,56	

LAF Maquette, December 2009

Comments on data:

Data are not comparable for all countries and all years². Despite the fact that for 2004 onwards state aid on agricultural sectors is added for the new MSs, the % of state aid for Cyprus is, on the contrary, reduced due to the entering of Cyprus in the EU.

Time coverage: 1999-2007

Geographical coverage: 27MSs

Indicator values for Cyprus:

LAF Maquette INDICATOR 1: Total state aid

	Level		Growth-change		Qualification	
	Rate	Score on level	Change	Total score on growth rate	Level	Growth rate
CY	0,4	7	-0,31	30	+	++
EU15	0,6		-0,01			
St.dev.	0,2		0,03			

LAF Maquette, December 2009

Aggregation weight: 50% (narrow list indicator)

General comments

The percentage of total state aid in Cyprus is slightly below the EU15 average. Hence the score on level is fairly good. The score in changes is evaluated as good, which indicates a large improvement during the last few years.

² "For the ten new Member States, data on State aid exclude the fisheries and transport sectors for all years. Furthermore, data on State aid to agriculture sector are included only for 2004 onwards. Data on State aid for Bulgaria and Romania exclude the agricultural, fisheries and transport sectors. As a result, for example, State aid as a percentage of GDP is underestimated for the new Member States, Bulgaria and Romania."

2.1.2. Sectoral and ad hoc state aid as a percentage of total GDP

Description: “The numerator is the sum of: (i) State aid granted to specific sectors (agriculture, fisheries, manufacturing, coal, transport except railways and other services), and (ii) State aid given on an ad-hoc basis to individual companies e.g., for rescue and restructuring. It therefore excludes State aid for horizontal objectives such as research and development, safeguarding the environment, energy saving, support to small and medium-sized enterprises, employment creation, the promotion of training and aid for regional development.”

(-) A low value is desirable

Indicator Source: Economic reform, STRIND, Eurostat³

Data source: Eurostat (EU Member States submit the basic data to the European Commission on a yearly basis, normally not later than 6 months after the end of the reference period).

Other data info: GDP is defined in conformity with the European System of National and Regional Accounts in the Community (ESA 95). All data are quoted at constant 1995 prices but have been re-referenced on the year 2004.

Data values for Cyprus (% of GDP):

	1999	2000	2001	2002	2003	2004	2005	2006	2007
CY	0,00	1,49	1,77	1,78	1,61	0,56	0,54	0,02	0,01
CY*		1,49	1,77	1,78	1,61	0,56	0,54	0,02	0,01
EU15	0,14	0,13	0,15	0,16	0,09	0,09	0,07	0,06	0,06

LAF Maquette, December 2009

Comments on data:

For Cyprus and possibly other countries, the indicator value for 1999 is missing, but counted as zero in the Maquette. This has implications on the calculations of the score in changes for all countries and needs to be corrected.

Time coverage: 1999- 2007

Geographical coverage: 27 MSs

³ http://epp.eurostat.ec.europa.eu/cache/ITY_SDDS/EN/gov_oth_staid_esms.htm

Indicator values for Cyprus:**LAF Maquette INDICATOR 2: Sectoral and ad-hoc State aid**

	Level		Growth-change		Qualification	
	Rate	Score on level	Change	Total score on growth rate	Level	Growth rate
CY	0,01	3,2	0,00	-6,58	=	-
CY*	0,01	3,2	-0,21	30,0	=	++
EU15	0,06		-0,01			
St.dev.	0,11		0,02			

* Indicates the corrected change and score on growth, after removing the zero value for 1999.

LAF Maquette, December 2009

Comments on score calculations:

The score on growth is mistakenly calculated as -7, while it is actually 30 when comparing the 2000 value of 1,49 to the 2006 value of 0,02. The reason is that a missing value for 1999 is counted as zero.

Aggregation weight: 50% (narrow list indicator)

General comments

Sectoral and ad hoc state aid for Cyprus is evaluated as neutral compared to the EU15 countries. It has been significantly reduced over time, so the score evaluation on growth is good. Comparing this indicator with the previous one, we observe that after the entering of Cyprus into the EU, most of the State aid expenditure is for horizontal objectives.

2.1.3. Public procurement – Value of public procurement which is openly advertised, as a percentage of GDP

Description: “The numerator is the value of public procurement, which is openly advertised in the Official Journal of the European Communities. For each of the sectors - works, supplies and services- the number of calls for competition published is multiplied by an average based, in general, on all the prices provided in the contract award notices published in the Official Journal of the European Communities, Supplement S during the relevant year.”

“The denominator is the GDP (gross domestic product), which is defined in conformity with the European System of National and Regional Accounts in the Community (ESA 95).”

“Caveats: does not take into account the institutional settings of Member States, e.g. tenders managed by local authorities or regions, overall size of the public sector. Therefore, a comparison across Member States has to be dealt with care.”

(+) A high value is desirable

Indicator Source: STRIND, Eurostat⁴

Data source: The Official Journal of the European Communities, S Series.

Other data info: In the case of Czech Republic, Estonia, Ireland, Greece, Cyprus, Latvia, Lithuania, Luxembourg, Malta, Slovenia, Slovakia and Portugal the averages are based on all available prices, including those for previous years. For Belgium, Denmark, the Netherlands and Finland the averages are based on all prices from 2001.

Data values for Cyprus (% of GDP):

	1999	2000	2001	2002	2003	2004	2005	2006	2007
CY						1,26	3,51	4,40	5,15
EU15	1,78	2,35	2,43	2,61	3,49	2,69	2,76	3,15	2,77

LAF Maquette, December 2009

Time coverage: 1999-2007

Geographical coverage: 27 MSs (15 MSs up to 2003)

⁴ http://epp.eurostat.ec.europa.eu/cache/ITY_SDDS/EN/gov_oth_procur_esms.htm

Indicator values for Cyprus:

LAF Maquette INDICATOR 3: Public Procurement as a % of GDP

	Level		Growth-change		Qualification	
	Rate	Score on level	Change	Total score on growth rate	Level	Growth rate
CY	5,2	21	1,30	30	++	++
EU15	2,8		0,12			
St.dev.	1,1		0,08			

LAF Maquette, December 2009

Aggregation weight: 50% (Narrow list indicator)

General comments

Since 2004 Cyprus has been improving significantly, so the score on growth is evaluated as good. The score in level terms is also good.

2.1.4. Public procurement – Value of public procurement which is openly advertised, as a percentage of total public procurement

Description: The numerator is the value of public procurement, which is openly advertised in the Official Journal of the European Communities. For each of the sectors - works, supplies and services- the number of calls for competition published is multiplied by an average based, in general, on all the prices provided in the contract award notices published in the Official Journal of the European Communities, Supplement S during the relevant year.

“The denominator is the total value of public procurement. This is the sum of utilities procurement and the ESA 95 data for the aggregates P2 (intermediate consumption), P51 (Gross fixed capital formation) and D6311_D63121_D63131PAY (social transfers in kind related to expenditure on products supplied to households via market producers, payable) for S.13 (general government sector) of table 2 (“main aggregates of general government”) of the ESA95 transmission programme.”⁵

(+) A high value is desirable

Indicator Source: STRIND, Eurostat

Data source: The Official Journal of the European Communities, S Series

⁵ Eurostat, http://epp.eurostat.ec.europa.eu/cache/ITY_SDDS/EN/gov_oth_procur_esms.htm

Data values for Cyprus (% of public procurement):

	1999	2000	2001	2002	2003	2004	2005	2006	2007
CY						10,38	31,32	37,14	48,85
EU15	11,33	15,14	15,56	16,52	21,94	16,43	16,70	18,86	16,60

LAF Maquette, December 2009

Time coverage: 1999-2007Geographical coverage: 27 MSs (15 MSs up to 2003)Indicator values for Cyprus:**LAF Maquette INDICATOR 4: Public Procurement as a % of total public procurement**

	Level		Growth-change		Qualification	
	Rate	Score on level	Change	Total score on growth rate	Level	Growth rate
CY	48,9	30	12,82	30	++	++
EU15	16,6		0,66			
St.dev.	7,7		0,42			

LAF Maquette, December 2009

Aggregation weight: 50% (Narrow list indicator)General comments

Since 2004 Cyprus has been improving significantly, so both scores on level and growth terms are evaluated as good.

2.1.5. Barriers to competition- Legal barriers

Description: This indicator measures the scope of explicit legal limitations on the number of competitors allowed in a wide range of business sectors.

(-) A low value is desirable

Indicator Source: OECD (One of 16 low-level indicators in the OECD system of indicators of Product Market Regulation)⁶.

Data source: N/A

Time coverage: 2003; 2008

⁶ http://www.oecd.org/document/1/0,3343,en_2649_34323_2367297_1_1_1_1,00.html

Geographical coverage: 19 MSs

Aggregation weight: 0% (wider list indicator)

Reason excluded from narrow list: Insufficient time coverage

No data available for Cyprus

2.1.6. Barriers to competition – Antitrust exceptions

Description: This indicator measures the scope of exemptions to competition law for public enterprises.

(-) A low value is desirable

Indicator Source: OECD (One of 16 low-level indicators in the OECD system of indicators of Product Market Regulation).

Data source: N/A

Time coverage: 2003; 2008

Geographical coverage: 19MS

Aggregation weight: 0% (wider list indicator)

Reason excluded from narrow list: Insufficient time coverage

No data available for Cyprus

2.1.7. State control – Involvement in business operation

Description: This indicator measures the existence of government special voting rights in privately-owned firms, constraints on the sale of state-owned equity stakes, and the extent to which legislative bodies control the strategic choices of public enterprises.

(-) A low value is desirable

Indicator Source: OECD (One of 16 low-level indicators in the OECD system of indicators of Product Market Regulation).

Data source: N/A

Time coverage: 2003; 2008

Geographical coverage: 19 MSs

Aggregation weight: 0% (wider list indicator)

Reason excluded from narrow list: Insufficient time coverage

No data available for Cyprus

2.1.8. Regulation impact

Description: It is the average impact of regulation in non-manufacturing sectors (post telecom; energy, finance, transport, distribution, business services) on other industries (sectors that use non-manufacturing output as intermediate input in the production process).

(-) A low value is desirable

Indicator Source: OECD (These indicators have been estimated over the period 1975 to 2003 for 36 ISIC rev 3 sectors in 21 OECD countries).

Data source: N/A

Time coverage: 1999-2003

Geographical coverage: 14MSs

Aggregation weight: 0% (wider list indicator)

Reason excluded from narrow list: Not mentioned - Limited geographical and time coverage

No data available for Cyprus

2.1.9. The competition law and policy indicator

Description: The indicator assesses policies aimed at preserving market competition in general (i.e., antitrust law and enforcement), or specifically designed to promote competitive pressures in network industries. The indicator ranges from 0 to 6, with 6 designating and overall framework least conducive to competition.

(-) A low value is desirable

Indicator Source: OECD

Data source: N/A

Time coverage: 2003 only

Geographical coverage: 16MSs

Aggregation weight: 0% (wider list indicator)

Reason excluded from narrow list: Insufficient time coverage

No data available for Cyprus

2.1.10. Comparative price levels

Description: The indicator measures comparative price levels of final consumption by private households including indirect taxes. Comparative price levels are the ratio between purchasing power parities (PPPs) and market exchange rate for each country. PPPs are currency conversion rates that convert economic indicators expressed in national currencies to a common currency, called Purchasing Power Standard (PPS), which equalises the purchasing power of different national currencies and thus allows meaningful comparison. The ratio is shown in relation to the EU average. If the index of the comparative price levels shown for a country is higher/ lower than 100, the country concerned is relatively expensive/cheap as compared with the EU average.

Caveats: include taxes - Wealth effect, only the deviation from the regression line with GDP per capita should be considered.

(-) A low value is desirable

Indicator Source: STRIND, Eurostat⁷

Data source: National Accounts

Other data info: The comparative price levels in the Structural Indicators refer to the National Accounts aggregate "Individual Consumption Expenditure by Households".

⁷ <http://epp.eurostat.ec.europa.eu/tgm/table.do?tab=table&init=1&plugin=1&language=en&pcode=tsier010>

Data values for Cyprus (index EU27=100):

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
CY	87,4	88,1	88,9	89,1	90,9	91,2	89,7	90,1	87,7	89,6
EU15	105,5	104,9	104,7	104,9	105,2	105,4	104,8	104,9	104,7	104,3

LAF Maquette, December 2009

Comments on data:

Only 2006 values were included in previous versions of the Maquette and this was 97,4, for CY, which is much different than the revised one.

Time coverage: 1999-2008

Geographical coverage: 27MSs

Indicator values for Cyprus:

LAF Maquette INDICATOR 10: Comparative price levels

	Level		Growth-change		Qualification	
	Rate	Score on level	Change	Total score on growth rate	Level	Growth rate
CY	89,6	18	0,24	-4	++	0
EU15	104,3		-0,13			
St.dev.	8,1		0,96			
CY*	-0,2	-0,2	0,70	-2	0	0
EU15*	-0,3		-1,10			
St.dev.*	2,5		9,21			

*Indicates calculations when treating the indicator as an index.

LAF Maquette, December 2009

Comments on score calculations:

There is some ambiguity regarding the nature of this indicator, which is currently treated as a rate. After treating the indicator as an index, the relative score for Cyprus becomes 0 in levels and -2 in change terms, which is a neutral performance relative to the EU15.

Aggregation weight: 100% (narrow list indicator)

General comments

Cyprus has a good performance in level terms and neutral in changes. From a technical point of view, it is not clear whether this indicator should be treated as a rate or an index. More investigation needed.

2.1.11. Average Mark-up

Description: “Average mark-up for the total industry. Ratio of the difference between price and marginal cost over price. Estimates are obtained using the methodology developed by Roeger (1995) to the EUKLEMS data. The assumptions on which this estimation is based are profit maximization, cost minimization and constant returns to scale.

Caveats: also an indicator of profitability and usually calculated as the difference between price and average cost (instead of marginal). Cost could rise because of inefficiency and low competitive pressure or strategic move to raise barrier to entry (advertising surplus capacity).”

(-) A low value is desirable

Indicator Source: ECFIN

Data source: EU-KLEMS data

Time coverage: 2004 only

Geographical coverage: 14MSs

Aggregation weight: 0% (wider list indicator)

Reason excluded from narrow list: Insufficient time coverage

No data available for Cyprus

2.1. A. Indicator Evaluation for policy area “Competition policy framework”

In this section, we list all indicators included in the narrow and wider list, along with the relevant aggregation weight used in the Maquette for each of them. In the columns next to each indicator we summarize any problems observed that affect the reliability or the relevance of the indicator for this policy area, focusing on the case of Cyprus. The problems have already been analyzed in detail.

Table 2.1.1: Indicator Evaluation for policy area “Policies increasing working time”

Indicator	Weight	No data available for Cyprus in the Maquette	Incorrect/ inaccurate data for Cyprus	Not representative / useful indicator for Cyprus	Insufficient description/ unclear computation procedure	Inappropriate indicator for this policy area	Possible improvement for the indicator
Narrow List Indicators:							
1. Total State aid	0,5		Value for 1999 should be treated as missing not zero				
2. Sectoral and ad-hoc state aid	0,5						
3. Public procurement as %GDP	0,5						
4. Public procurement as % of total public procurement	0,5						
10. Comparative price levels	1,0				Score computations: Indicator should be treated as index		
Wider List Indicators:							
5. Barriers to competition- Legal barriers		No data available for Cyprus					
6. Barriers to competition –Antitrust exceptions							
7.State control- Involvement in business operation							
8. Regulation impact							
9. The competition law and policy indicator							
11. Average mark-up							

2.1. B. Aggregate Scores on “Competition policy framework”

To calculate the aggregate score both in levels and changes, we calculate the weighted average of the indicators included in the narrow list given the aggregation weights specified.

Table 2.1.2: Competition policy framework– Aggregate scores on levels

Indicators	Total State aid - as a percentage of GDP (-)	Sectoral and ad hoc State aid - as a percentage of GDP (-)	Public procurement - as a percentage of GDP (+)	Public procurement - as a percentage of total public procurement (+)	Comparative price levels – of final consumption by private households including indirect taxes (EU-27=100) (-)	Aggregate score
Indicator type	policy	policy	policy	policy	performance	
Weights	0,5	0,5	0,5	0,5	1,0	
CY	7,19	3,20	21,36	30,00	18,23	16,4
EU15	0,56	0,06	2,77	16,60	104,30	
std-dev	0,22	0,16	1,11	7,68	8,07	
Gap EU15-EU27	0,03	-0,03	-0,34	-2,09	3,99	
Gap EU15-Five best	-0,71	-0,15	-5,08	-36,04	-20,30	
Gap EU15-EU5	0,12	0,04	0,60	4,58	-8,26	

LAF Maquette, December 2009

Table 2.1.3: Competition policy framework– Aggregate scores on growth

Indicators	Total State aid - as a percentage of GDP (-)	Sectoral and ad hoc State aid - as a percentage of GDP (-)	Public procurement - as a percentage of GDP (+)	Public procurement - as a percentage of total public procurement (+)	Comparative price levels – of final consumption by private households including indirect taxes (EU-27=100) (-)	Aggregate score
Indicator type	policy	policy	policy	policy	performance	
Weights	0,5	0,5	0,5	0,5	1,0	
CY	30,00	-6,58	30,00	30,00	-3,96	13
CY*	30,00	30,00	30,00	30,00	-3,96	19
EU15	-0,01	-0,01	0,12	0,66	-0,13	
std-dev	0,03	0,02	0,08	0,42	0,96	
Gap EU15-EU27	0,01	0,00	-0,08	-0,37	-0,29	
Gap EU15-Five best	-0,10	-0,03	-1,41	-6,14	-2,85	
Gap EU15-EU5	0,03	-0,01	0,04	0,27	-0,58	

LAF Maquette, December 2009

The aggregate score for this policy area is 16 and the area is evaluated as good. In terms of growth, the aggregate score, shown in Table 2.1.3, is 13. By taking into account the mistake previously mentioned for indicator 2.1.2 (i.e. treating the missing value for 1999 as zero), we calculate the corrected score on growth terms, which is 19. Note that the aggregate score on levels has increased dramatically from -18 in the June 2008 version to 16 in December 2009 both because of improvement in the sector and improvement in the data.

2.1. C. General evaluation of the policy area

According to the above choice of indicators, Cyprus is currently evaluated above the EU15 average in the area. There has been a continuous improvement, since the entering of Cyprus in the EU, which is obvious when observing the scores on growth relative to the EU15 countries. However, there are still things that need to be improved, which are not measured by the indicators used for the calculations of the aggregate score. Ideally, indicators that measure mark-ups for all Member States in specific industries, or an index for the efficiency of the national committees for the protection of competition might add to the evaluation of this area. More attention should be given to oligopolistic markets with homogeneous products like gas retailers, pharmacy stores etc.

In Cyprus “The Commission for Protection of Competition” (CPC) is responsible for the proper operation of the market, in accordance with the rules of fair competition far from any anticompetitive distortions as a means to boost economic growth and social welfare. The Protection of Competition Law 2008 in conjunction with the Control of Concentrations of Enterprises Laws 1999 and 2000, place the rules and principles that have as an objective the maintenance of effective competition within the Cypriot market.

For more information see:

http://www.competition.gov.cy/competition/competition.nsf/aboutcpc_en/aboutcpc_en?OpenDocument#

2.2. Sector specific regulation (telecom, energy)

“Even though the development of a competition friendly policy framework fosters growth and innovation through a more effective state involvement in the economy and a better functioning of product markets, the general business environment, the relative intensity in factor use, the incentives to pursue opportunities, and the specific capabilities required for transforming them into successful business vary between sectors. In particular, the efficiency of energy markets is of key importance to the EU economy as these sectors provide direct services for consumers and essential inputs for other industries.”

Generally, more competition at the sectoral level is expected to raise the aggregate level of competition in the product market which should positively affect productivity. However many interactions affect the channels through which the process is supposed to occur. On the one hand, in the literature, a main direct impact is identified due to the removal of barriers to penetrate new markets. This could lower sectoral mark-ups, foster innovation, increase employment and growth prospects, and contribute to higher levels of investment. On the other hand, the following main indirect effects have been identified in the literature: increased allocative efficiency, increased productive efficiency, enhanced dynamic efficiency.

2.2.1. Market share of the incumbent in fixed telecommunications – local calls (including calls to the internet), as a percentage of the total market

Description: The market share is the local calls market segment of the incumbent in each country. The incumbent is defined as the enterprise active on the market just before liberalisation. A local call is a call within local networks. The market share is calculated as the share of the incumbent's share of minutes of connection. Where this is not available, retail revenues of the total market are used.

(-) A low value is desirable

Indicator Source: STRIND, Eurostat⁸

Data source: National Regulatory Authorities (NRAs) / European Commission, DG INFSO

⁸ <http://epp.eurostat.ec.europa.eu/tgm/table.do?tab=table&init=1&plugin=1&language=en&pcode=tsier070>

Data values for Cyprus (%):

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
CY					100						
EU15				82,0	77,0	71,0	69,0				

LAF Maquette, December 2009

Comments on data:

Data for Cyprus are not available in the Maquette, or Eurostat's website. The incumbent in telecommunications in Cyprus is the Cyprus Telecommunication Authority (CYTA) and it was a monopoly until 2003 when the market was liberalized. So the data for Cyprus should be a 100 for all years before 2004. This share is estimated to be around 85% for 2009. See further investigation of the data below.

Time coverage: 2001-2005Geographical coverage: 17MSsIndicator values for Cyprus:**LAF Maquette INDICATOR 1: Market share of the incumbent in fixed telecommunications- local calls**

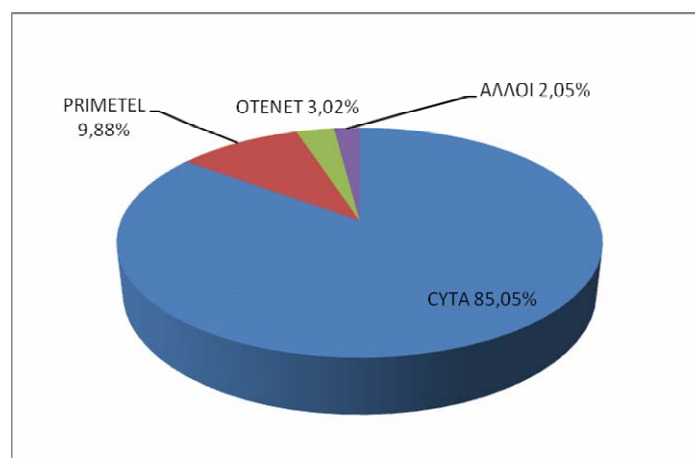
	Level		Growth-change		Qualification	
	Rate	Score on level	Change	Total score on growth rate	Level	Growth rate
CY	N/A	N/A	N/A	N/A	N/A	N/A
EU15	69,0		N/A			
St.dev.	10,3		#DIV/0!			

LAF Maquette, December 2009

Further investigation of the data:

According to the Office of the Commissioner in Electronic Communication and Postal Regulation (OCECPR) statistics, the volume share of fixed telecommunications for local calls was 85% for CYTA during the first quarter 2009, while it was 92% for 2008 respectively. (Includes calls in the following categories: landline to local landline, landline to mobile, landline to internet and landline to non-standard numbers). See Figure 2.2.1 below.

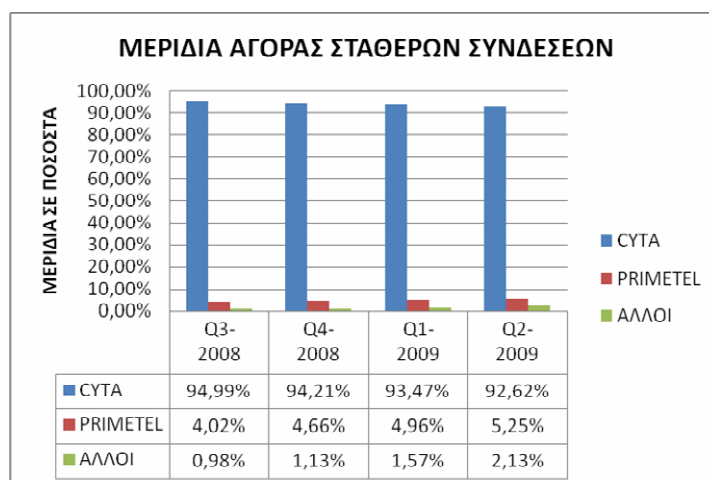
Figure 2.2.1: Volume shares in fixed telecommunications – local calls, 1ST Quarter 2009



Source: OCECPR Market Observatory statistics, November 2009

Moreover, the number of landline connections was 416.513 in the first quarter 2009, with the market share of CYTA at 92,6%. The corresponding shares for the last year can be seen in Figure 2.2.2.

Figure 2.2.2: Market shares for landline connections, 2008- 2009



Source: OCECPR Market Observatory statistics, November 2009

Aggregation weight: 0% (wider list indicator)

Reason excluded from narrow list: Part of indicator 2.2.4

General comments

Data need to be updated by Eurostat for all countries. Official data should be available for most EU countries for the last 5 years. The Office of the Commissioner in Electronic Communication and Postal Regulation (OCECPR) of each MS, should be able to provide data on market shares.

2.2.2. Market share of the incumbent in fixed telecommunications – long distance calls, as a percentage of the total market

Description: The market share in the national long distance calls market segment of the incumbent in each country. The incumbent is defined as the enterprise active on the market just before liberalisation. A national long distance call is a call from one local network to another. The market share is calculated as the share of the incumbent's share of minutes of connection. Where this is not available, retail revenues of the total market are used.

(-) A low value is desirable

Indicator Source: STRIND

Data source: National Regulatory Authorities (NRAs) / European Commission, DG INFSO

Data values for Cyprus (%):

	1999	2000	2001	2002	2003	2004	2005	2006	2007
CY					100				
EU15				70	67	65,0	63,0		

LAF Maquette, December 2009

Comments on data:

Data for Cyprus are not available in the Maquette, or Eurostat's website. Since all national calls are charged the same in Cyprus. This indicator possibly has the same value as the previous indicator. See comments for indicator 2.2.1.

Time coverage: 2002-2005

Geographical coverage: 19MSs

Indicator values for Cyprus:

LAF Maquette INDICATOR 2: Market share of the incumbent in fixed telecommunications- long distance calls

	Level		Growth-change		Qualification	
	Rate	Score on level	Change	Total score on growth rate	Level	Growth rate
CY	N/A	N/A	N/A	N/A	N/A	N/A
EU15	63,0		N/A			
St.dev.	9,2		#DIV/0!			

LAF Maquette, December 2009

Aggregation weight: 0% (wider list indicator)

Reason excluded from narrow list: Part of indicator 4

General comments

Again, data need to be updated by Eurostat for all countries. This kind of information should be available for most EU countries for the last 5 years. The Office of the Commissioner in Electronic Communication and Postal Regulation (OCECPR) of each MS, should be able to provide data on market shares.

Because of the small size of Cyprus, there is one price charged for all national calls, so this indicator possibly has the same values as the previous one. There are no long-distance calls within Cyprus.

2.2.3. Market share of the incumbent in fixed telecommunications – international calls, as a percentage of the total market

Description: The market share in the international calls market segment of the incumbent in each country. The incumbent is defined as the enterprise active on the market just before liberalisation. The market share is calculated as the share of the incumbent's share of minutes of connection. Where this is not available, retail revenues of the total market are used, with footnotes.

(-) A low value is desirable

Indicator Source: STRIND

Data source: National Regulatory Authorities (NRAs) / European Commission, DG INFSO

Data values for Cyprus (%):

	1999	2000	2001	2002	2003	2004	2005	2006	2007
CY					100		86		
EU15				62,00	60,00	55,00	52,00		

LAF Maquette, December 2009

Comments on data:

Data for Cyprus are not available in the Maquette, or Eurostat's website. The incumbent in telecommunications in Cyprus is the Cyprus Telecommunication Authority (CYTA) and it was a monopoly until 2003 when the market was liberalized. So the data for Cyprus is 100 for all years before 2004.

Time coverage: 2002-2005

Geographical coverage: 20MSs

Indicator values for Cyprus:

**LAF Maquette INDICATOR 3: Market share of the incumbent in fixed telecommunications-
International calls**

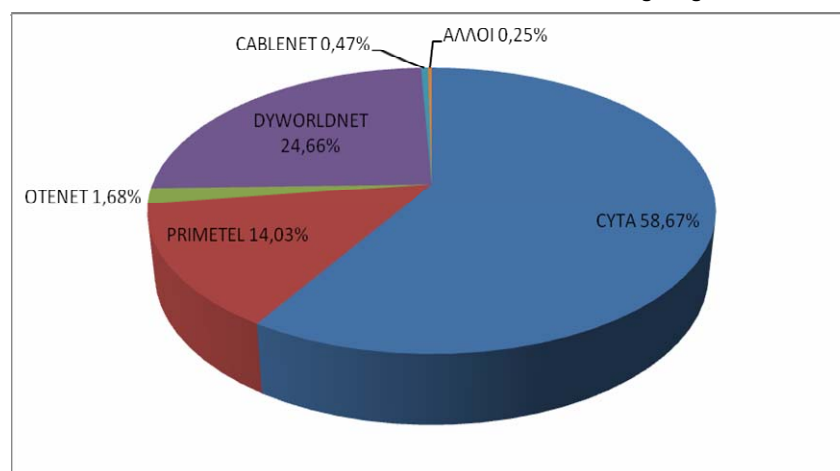
	Level		Growth-change		Qualification	
	Rate	Score on level	Change	Total score on growth rate	Level	Growth rate
CY	86,0	-30	N/A	N/A	--	N/A
EU15	52,0		N/A			
St.dev.	11,2		#DIV/0!			

LAF Maquette, December 2009

Further investigation on the data:

According to OCECPR Statistics, in the market of fixed telecommunications outgoing international calls, CYTA has 58,67% of the market in 2009, while 60,11% in 2008. This percentage includes pre-paid phone cards as well. See Figure 2.2.3 below.

Figure 2.2.3: Volume shares for fixed telecommunications outgoing international calls



Source: OCECPR Market Observatory statistics, November 2009

Aggregation weight: 0% (wider list indicator)

Reason excluded from narrow list: Included in Indicator 2.2.4

General comments

Cyprus is evaluated as the worst performing country in this indicator. The bad evaluation for Cyprus is based only on the 2005 value. There has been a large improvement since then (from 86% to 58%), which possibly improves the rank of Cyprus among the EU countries. The Office of the Commissioner in Electronic Communication and Postal Regulation (OCECPR) of each MS, should be able to provide data on market shares. Data need to be updated and countries need to be evaluated in changes as well.

2.2.4. Average of the market share of the incumbent in fixed telecommunications (local, national, international)

Description: Average of the market share of the incumbent in fixed telecommunications (local, national and international, i.e. indicators 2.2.1-2.2.3).

(-) A low value is desirable

Indicator Source: Own calculations using STRIND

Data source: Eurostat

Data values for Cyprus (%):

	1999	2000	2001	2002	2003	2004	2005	2006	2007
CY					100		86		
EU15				71,33	68,00	63,67	61,33		

LAF Maquette, December 2009

Comments on data:

Data for Cyprus are not available for most years in the Maquette, or Eurostat's website. The incumbent in telecommunications in Cyprus is the Cyprus Telecommunication Authority (CYTA) and it was a monopoly until 2003 when the market was liberalized. So the data for Cyprus is 100 for all years before 2004. Also the average provided for 2005 is based only on one value.

Time coverage: 2002-2005Geographical coverage: 20MSsIndicator values for Cyprus:**LAF Maquette INDICATOR 4: Average of the market share of the incumbent in fixed telecommunications**

	Level		Growth-change		Qualification	
	Rate	Score on level	Change	Total score on growth rate	Level	Growth rate
CY	86,0	-26	N/A	N/A	--	N/A
EU15	61,3		N/A			
St.dev.	9,3		#DIV/0!			

LAF Maquette, December 2008

Aggregation weight: 300% (narrow list indicator)General comments

Since local calls and national long distance calls in Cyprus are identical, this indicator should be the average of only indicators 2.2.1 and 2.2.3. Data for these indicators are problematic. Please see comments for indicators 2.2.1-3.

2.2.5. Market share of the leading operator in mobile telecommunication, as a percentage of the total market

Description: This indicator measures the leading operator in mobile telecommunications' share of all subscriptions. The market share of the leading operator is calculated on the basis of the estimates of the number of mobile subscribers.

(-) A low value is desirable

Indicator Source: STRIND⁹

Data source: National Regulatory Authorities (NRAs)

Data values for Cyprus (%):

	1999	2000	2001	2002	2003	2004	2005	2006	2007
CY					100	100	94	90	
EU15			48	47	47	43	42	39	

LAF Maquette, December 2009

Comments on data:

The data for Cyprus should be 100 for all years before 2004. For 2008, this percentage drops to around 85% and 82% for the first half of 2009. See further investigation on the data provided below.

Time coverage: 2001-2006

Geographical coverage: 19MSs

Indicator values for Cyprus:

LAF Maquette INDICATOR 5: Market share of the leading operator in mobile telecommunication

	Level		Growth-change		Qualification	
	Rate	Score on level	Change	Total score on growth rate	Level	Growth rate
CY	90,0	-30	N/A	N/A	--	N/A
EU15	39,0		N/A			
St.dev.	7,16		#DIV/0!			

LAF Maquette, December 2009

⁹ <http://epp.eurostat.ec.europa.eu/tgm/table.do?tab=table&init=1&plugin=1&language=en&pcode=tsier080>

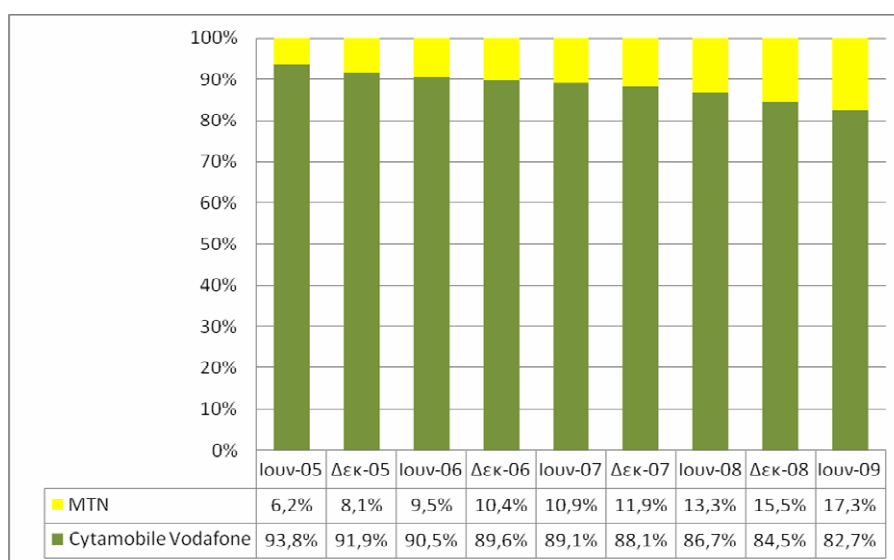
Comments on score calculations:

The score on growth needs to be calculated in the next data update.

Further investigation on the data:

According to OCECPR Statistics, Cytamobile-Vodafone has decreased its share in total mobile subscribers from 93,8% in June 2005 to 82,7% in June 2009.

Figure 2.2.4: Mobile phone users by semester, 2005-2009



Source: OCECPR Market Observatory statistics, November 2009

Aggregation weight: 300% (narrow list indicator)

General comments

Cyprus has the highest market share of the leading operator in mobile telecommunications. However, there was an improvement during the last 5 years, after the liberalization of the market took place. Moreover, due to the small size of the country the number of telecommunication providers cannot increase much.

2.2.6. Price of telecommunications – local calls - price level and evolution in the telecommunications market

Description: The indicator gives the price in Euro of a 10 minute call at 11 am on a weekday (including VAT) for a local call (3km distance).

(-) A low value is desirable

Indicator Source: STRIND¹⁰

Data source: Teligen Ltd., European Commission, DG INFSO.

Other data info: The data concern current tariffs in the month of August (1999-2007), respectively September (2008) of the reference year. Only the incumbent operator is usually covered, which makes the indicator less accurate, even though the incumbent covers a high market share and is assumed to reflect the general developments in a competitive market. The incumbent is defined as the enterprise active on the market just before liberalization.

Data values for Cyprus (euro):

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
CY		0,08	0,16	0,16	0,20	0,20	0,22	0,22	0,24	0,17
EU15	0,40	0,40	0,40	0,39	0,39	0,37	0,35	0,34	0,35	0,37

LAF Maquette, December 2009

Time coverage: 1999-2008

Geographical coverage: 27MSs

Indicator values for Cyprus:

LAF Maquette INDICATOR 6: Price of telecommunications – local calls

	Level		Growth-change		Qualification	
	Rate	Score on level	Change	Total score on growth rate	Level	Growth rate
CY	0,17	19	14,37	-30	++	--
EU15	0,37		-0,80			
St.dev.	0,11		2,21			

LAF Maquette, December 2009

¹⁰ <http://epp.eurostat.ec.europa.eu/tgm/table.do?tab=table&init=1&plugin=1&language=en&pcode=tsier030>

Aggregation weight: 100% (narrow list indicator)

General comments

Cyprus is evaluated as good in levels and bad in growth. Cyprus has the lower price for a 10 minute call for all years provided above. However, notice that prices for local calls have been increasing in Cyprus between 2000 and 2007. On the contrary, most of the countries have achieved much lower rates after the liberazation of the telecommunication market.

2.2.7. Price of telecommunications – National calls - price level and evolution in the telecommunications market

Description: The indicator gives the price in Euro of a 10 minute call at 11 am on a weekday (including VAT) for a national long distance call (200 km).

(-) A low value is desirable

Indicator Source: STRIND¹¹

Data source: Teligen Ltd., European Commission, DG INFSO.

Other data info: The data concern current tariffs in the month of August (1999-2007), respectively September (2008) of the reference year. Only the incumbent operator is usually covered, which makes the indicator less accurate, even though the incumbent covers a high market share and is assumed to reflect the general developments in a competitive market. The incumbent is defined as the enterprise active on the market just before liberalization.

Data values for Cyprus (euro):

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
CY		0,62	0,40	0,40	0,20	0,20	0,22	0,22	0,24	0,17
EU15	1,67	1,33	1,14	1,03	1,01	0,87	0,69	0,71	0,70	0,71

LAF Maquette, December 2009

Comments on data:

It is surprising that the rates for national calls differ from those for local calls in Cyprus.

¹¹ <http://epp.eurostat.ec.europa.eu/tgm/refreshTableAction.do?tab=table&plugin=1&pcode=tsier030&language=en>

Time coverage: 1999-2008

Geographical coverage: 25MSs (Except LU and MT due to small geographical size)

Indicator values for Cyprus:

LAF Maquette INDICATOR 7: Price of telecommunications – national calls

	Level		Growth-change		Qualification	
	Rate	Score on level	Change	Total score on growth rate	Level	Growth rate
CY	0,17	22	-11,9	10	++	+
EU15	0,71		-8,65			
St.dev.	0,24		3,44			

LAF Maquette, December 2009

Aggregation weight: 100% (narrow list indicator)

General comments

Cyprus prices for national calls are evaluated as good in levels and fairly good in growth. Cyprus has the lower price for a 10 minute national call for all years provided above. Prices for national calls have decreased after the linearization of the telecommunication market and they became identical to the rate for local calls. Taking into account the small size of Cyprus, it is not clear what is defined as a national long distance call (above 200km) for Cyprus.

2.2.8. Price of telecommunications – calls to USA - price level and evolution in the telecommunications market

Description: The indicator gives the price in Euro of a 10 minute call at 11 am on a weekday (including VAT) for an international call to the USA.

(-) A low value is desirable

Indicator Source: STRIND¹²

Data source: Teligen ltd., European Commission, DG INFSO.

¹²

<http://epp.eurostat.ec.europa.eu/tgm/refreshTableAction.do?jsessionid=9ea7971b30dfa9bf66b68d254d3a8ddcf6da74841c34.e34RaNaLaN0Mc40LcheTaxiLbxyLe0?tab=table&plugin=1&pcode=tsier030&language=en>

Other data info: The data concern current tariffs in the month of August (1999-2007), respectively September (2008) of the reference year. Only the incumbent operator is usually covered, which makes the indicator less accurate, even though the incumbent covers a high market share and is assumed to reflect the general developments in a competitive market. The incumbent is defined as the enterprise active on the market just before liberalization.

Data values for Cyprus (euro):

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
CY		3,82	3,82	2,41	1,00	0,80	0,66	0,66	0,69	0,65
EU15	3,50	3,11	2,65	2,24	2,15	1,88	1,88	1,77	1,89	1,73

LAF Maquette, December 2009

Time coverage: 1999-2008

Geographical coverage: 27MSs

Indicator values for Cyprus:

LAF Maquette INDICATOR 8: Price of telecommunications – calls to the USA

	Level		Growth-change		Qualification	
	Rate	Score on level	Change	Total score on growth rate	Level	Growth rate
CY	0,7	12	-16,8	24	++	++
EU15	1,7		-7,28			
St.dev.	0,9		4,02			

LAF Maquette, December 2009

Aggregation weight: 100% (narrow list indicator)

General comments

International call rates from Cyprus to the USA are evaluated as good in levels and in changes. The international call rates have been significantly reduced, especially after the liberalization of the market in 2003.

2.2.9. Market share of the largest generator in the electricity market – as a percentage of total generation

Description: The indicator shows the market share of the largest electricity generator in each country. To calculate this indicator, the total net electricity production during each reference year is taken into account. It means that the electricity used by generators for their own consumption is not taken into account. Then, the net production of each generator during the same year is considered in order to calculate the corresponding market shares.

(-) A low value is desirable

Indicator Source: STRIND, Economic Reform, Eurostat

Data source: Energy Statistics, Eurostat

Data values for Cyprus (%):

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
CY	99,70	99,60	99,60	99,80	100,00	100,00	100,00	100,00	100,00	100,00
EU15*										

*The EU15 average is not available in the Maquette since there are no data for NL

LAF Maquette, December 2009

Comments on data:

It is not clear why the percentage is below 100 before 2003 and exactly 100 from 2003 onwards.

Time coverage: 1999-2007

Geographical coverage: 22MSs

Indicator values for Cyprus:

LAF Maquette INDICATOR 9: Market share of the largest generator in the electricity market

	Level		Growth-change		Qualification	
	Rate	Score on level	Change	Total score on growth rate	Level	Growth rate
CY	100,0	-22	0,04	-10	--	-
EU15	42,6		-1,81			
St.dev.	25,8		1,90			

LAF Maquette, December 2009

Aggregation weight: 300%

General comments

The Electricity Authority of Cyprus provides 100% of the electricity produced. This ranks Cyprus as the worst performer among all EU countries. Again, the small size of the country and the large infrastructure cost makes it more difficult for new companies to enter the market.

2.2.10. Electricity prices – industrial users- Price level and evolution in the electricity market (in euro per kWh).

Description: This indicator presents the electricity prices charged to final industrial consumers. For the purpose of the Structural Indicators only one standard consumer has been selected with an annual consumption of 2000 MWh, maximum demand of 500kW and annual load of 4000 hours.

Electricity prices for industrial consumers are defined by Eurostat as follows: “Average national price in Euro per kWh without taxes applicable for the first semester of each year for medium size industrial consumers (Consumption Band Ic with annual consumption between 500 and 2000 MWh). Until 2007 the prices are referring to the status on 1st January of each year for medium size consumers (Standard Consumer Ie with annual consumption of 2 000 MWh). “

(-) A low value is desirable

Indicator Source: STRIND – Economic Reform¹³

Data source: N/A

Other data info: Taxes are not included in prices

Data values for Cyprus (Euro per kWh):

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
CY	0,06	0,09	0,11	0,09	0,10	0,08	0,08	0,11	0,10	0,14	0,12
EU15	0,06	0,06	0,06	0,06	0,06	0,06	0,07	0,08	0,08		

LAF Maquette, December 2009

Time coverage: 1999-2009

¹³ <http://epp.eurostat.ec.europa.eu/tgm/table.do?tab=table&plugin=1&language=en&pcode=tsier040>

Geographical coverage: 23MSs

Indicator values for Cyprus:

LAF Maquette INDICATOR 10: Electricity prices- Industrial users

	Level		Growth-change		Qualification	
	Rate	Score on level	Change	Total score on growth rate	Level	Growth rate
CY	0,12	-17	9,17	-18	--	--
EU15	0,08		3,64			
St.dev.	0,02		3,01			

LAF Maquette, December 2009

Further investigation on the data:

Aggregation weight: 150%

General comments

Electricity prices for industrial users in Cyprus are much higher than the EU average. Hence, Cyprus is evaluated as poor, both in levels and changes.

2.2.11. Electricity prices – households - Price level and evolution in the electricity market (in euro per kWh).

Description: This indicator presents the electricity prices charged to final domestic consumers. For the purpose of the Structural Indicators only one standard consumer has been selected with an annual consumption of 3500 kWh among which 1300 kWh overnight (standard dwelling of 90m²). Prices are given in Euro (without taxes) per kWh (electricity).

Electricity prices for household consumers are defined by Eurostat as follows: “Average national price in Euro per kWh without taxes applicable for the first semester of each year for medium size household consumers (Consumption Band Dc with annual consumption between 2500 and 5000 kWh). Until 2007 the prices are referring to the status on 1st January of each year for medium size consumers (Standard Consumer Dc with annual consumption of 3500 kWh).”

(-) A low value is desirable

Indicator Source: STRIND – Economic Reform¹⁴

Data source: N/A

Other data info: Taxes are not included in prices

Data values for Cyprus (Euro per kWh):

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
CY	0,05	0,08	0,10	0,08	0,09	0,09	0,09	0,12	0,12	0,15	0,13
EU15	0,11	0,10	0,10	0,10	0,10	0,10	0,10	0,11	0,12		

LAF Maquette, December 2009

Time coverage: 1999-2009

Geographical coverage: 24MSs

Indicator values for Cyprus:

LAF Maquette INDICATOR 10: Electricity prices- Households

	Level		Growth-change		Qualification	
	Rate	Score on level	Change	Total score on growth rate	Level	Growth rate
CY	0,13	-5	11,20	-30	-	--
EU15	0,12		1,80			
St.dev.	0,03		2,14			

LAF Maquette, December 2009

Further investigation on the data:

Aggregation weight: 150%

General comments

Electricity prices for household users in Cyprus are slightly above and have been rising faster than the EU average. Hence, Cyprus is evaluated as fairly poor in levels and poor in changes.

¹⁴ <http://epp.eurostat.ec.europa.eu/tgm/table.do?tab=table&plugin=1&language=en&pcode=tsier040>

2.2.12. Gas prices- Industrial users- Price level and evolution in the gas market (Euro per Gigajoule)

Description: This indicator presents the natural gas prices charged to final industrial consumers. For the purpose of the Structural Indicators only one standard consumer per group has been selected with an annual consumption of 41860 GJ, and load factor of 200 days (1600 hours).

Natural gas prices for industrial consumers are defined by Eurostat as follows: “Average national price in Euro per Giga Joule (GJ) without taxes applicable for the first semester of each year for medium size industrial consumers (Consumption Band I3 with annual consumption between 10 000 and 100 000 GJ). Until 2007 the prices are referring to the status on 1st January of each year for medium size consumers (Standard Consumer I3-1 with annual consumption of 41 860 GJ).”

(-) A low value is desirable

Indicator Source: STRIND- Economic Reform¹⁵

Data source: N/A

Other data info: Natural gas prices for Greece are not available due to the very limited distribution of this type of energy in this country.

Time coverage: 1999-2009

Geographical coverage: 20MSs

Aggregation weight: 150% (Narrow list indicator)

No data available for Cyprus

¹⁵ http://epp.eurostat.ec.europa.eu/portal/page/portal/structural_indicators/indicators/economic_reform

2.2.13. Gas prices- households- Price level and evolution in the gas market (Euro per Gigajoule)

Description: This indicator presents the natural gas prices charged to final domestic consumers. For the purpose of the Structural Indicators only one standard consumer has been selected with an annual consumption of 83.7 GJ (equipment: cooking, water heating and central heating).

Natural gas prices for household consumers are defined by Eurostat as follows: "Average national price in Euro per GJ without taxes applicable for the first semester of each year for medium size household consumers (Consumption Band D2 with annual consumption between 20 and 200 GJ). Until 2007 the prices are referring to the status on 1st January of each year for medium size consumers (Standard Consumer D3 with annual consumption of 83.70 GJ)."

(-) A low value is desirable

Indicator Source: STRIND- Economic Reform¹⁶

Data source: N/A

Other data info: Prices are available for all EU Member States except Greece, Cyprus, Malta and Finland. Natural gas prices in Greece and in Finland for domestic consumers are not available due to the very limited distribution of this type of energy in those countries.

Time coverage: 1999-2009

Geographical coverage: 19MSs

Aggregation weight: 150% (Narrow list indicator)

No data available for Cyprus

¹⁶ http://epp.eurostat.ec.europa.eu/portal/page/portal/structural_indicators/indicators/economic_reform

2.2.14. Indicator of regulatory conditions in retail distribution- Barriers to entry

Description: The OECD cross-section sectoral indicators measure regulatory conditions in the professional services and retail distribution sectors. The retail indicators cover barriers to entry, operational restrictions, and price controls.

(-) A low value is desirable

Indicator Source: OECD

Data source: OECD Product Market Regulation Database

Other data info: The Indicators of Product Market Regulation Database is a comprehensive and internationally-comparable set of information about the state of regulation and market structures in OECD countries.

Time coverage: 2003 and 2008

Geographical coverage: 17MSs

Aggregation weight: 0% (wider list indicator)

Reason excluded from narrow list: Minimal statistical standards– Insufficient time coverage.

No data available for Cyprus

2.2.15. Indicator of regulatory conditions in retail distribution- Operational Restrictions

Description: The OECD cross-section sectoral indicators measure regulatory conditions in the professional services and retail distribution sectors. The retail indicators cover barriers to entry, operational restrictions, and price controls.

(-) A low value is desirable

Indicator Source: OECD

Data source: OECD Product Market Regulation Database

Other data info: The Indicators of Product Market Regulation Database is a comprehensive and internationally-comparable set of information about the state of regulation and market structures in OECD countries.

Time coverage: 2003 and 2008

Geographical coverage: 17MSs

Aggregation weight: 0% (wider list indicator)

Reason excluded from narrow list: Minimal statistical standards– Insufficient time coverage

No data available for Cyprus

2.2.16. Indicator of regulatory conditions in retail distribution- Price controls

Description: The OECD cross-section sectoral indicators measure regulatory conditions in the professional services and retail distribution sectors. The retail indicators cover barriers to entry, operational restrictions, and price controls.

(-) A low value is desirable

Indicator Source: OECD

Data source: OECD Product Market Regulation Database

Other data info: The Indicators of Product Market Regulation Database is a comprehensive and internationally-comparable set of information about the state of regulation and market structures in OECD countries.

Time coverage: 2003 and 2008

Geographical coverage: 17MSs

Aggregation weight: 0% (wider list indicator)

Reason excluded from narrow list: Minimal statistical standards– Insufficient time coverage

No data available for Cyprus

2.2.17. Regulatory conditions in professional services (Accounting, Architect, Engineer, Legal)

Description: The OECD cross-section sectoral indicators measure regulatory conditions in the professional services and retail distribution sectors. The professional services indicators cover the entry and conduct regulation in the legal, accounting, engineering, and architectural professions.

(-) A low value is desirable

Indicator Source: OECD

Data source: OECD Product Market Regulation Database

Other data info: The Indicators of Product Market Regulation Database is a comprehensive and internationally-comparable set of information about the state of regulation and market structures in OECD countries.

Time coverage: 2003 and 2008

Geographical coverage: 19MSs

Aggregation weight: 0% (wider list indicator)

Reason excluded from narrow list: Minimal statistical standards– Insufficient time coverage

No data available for Cyprus

2.2. A. Indicator Evaluation for policy area “Sector Specific Regulation (Telecom, Energy)”

In this section, we list all indicators included in the narrow and wider list, along with the relevant aggregation weight used in the Maquette for each of them. In the columns next to each indicator we summarize any problems observed that affect the reliability or the relevance of the indicator for this policy area, focusing on the case of Cyprus. The problems have already been analyzed in detail.

Table 2.2.1: Indicator Evaluation for policy area “Sector Specific Regulation (Telecom, Energy)”

Indicator	Weight	No data available for Cyprus in the Maquette	Incorrect/ inaccurate data for Cyprus	Not representative / useful indicator for Cyprus	Insufficient description/ unclear computation procedure	Inappropriate indicator for this policy area	Possible improvement for the indicator
Narrow List Indicators:							
4. Average of the market share of the incumbent in fixed telecommunications (local, long distance, international)	3	No data for local and long distance calls. One value for international calls.					Use data from the Office of the Commissioner for Electronic Communication and Postal Regulation
5. Market share of the leading operator in mobile telecommunication	3						
6. Price of telecommunications –local calls	1						
7. Price of telecommunications- national calls	1						
8. Price of telecommunications- calls to USA	1						
9. Market share of the largest generator in the electricity market	3						
10. Electricity prices –industrial users	1,5						
11. Electricity prices – households	1,5						
12. Gas Prices – industrial users	1,5	No data available for Cyprus					
13. Gas Prices- Households	1,5						

Wider List Indicators:		
1. Market share of the incumbent in fixed telecommunications- local calls	No data for CY in the Maquette. Only one value for 2003, before liberalization.	
2. Market share of the incumbent in fixed telecommunications- long distance calls		
3. Market share of the incumbent in fixed telecommunications- international calls		
14. Regulatory conditions in retail market – Barriers to entry	No data available for Cyprus	
15. Regulatory conditions in retail market – Operational restrictions		
16. Regulatory conditions in retail market – Price controls		
17. Regulatory conditions in professional services (Accounting, Architect, Engineer, Legal)		

2.2. B. Aggregate Scores on “Sector Specific Regulation (Telecom, Energy)”

To calculate the aggregate score both in levels and changes, we calculate the weighted average of the indicators included in the narrow list given the aggregation weights specified.

Table 2.2.2: Sector Specific Regulation– Aggregate scores on levels

Indicators	Average of the market share of the incumbent in fixed telecom (local, national, international)	Market share of the leading operator in mobile telecommunication (-)	Price of telecommunications - local calls - (in Euro per 10 min call) (-)	Price of telecommunications - national calls (in Euro per 10 min call) (-)	Price of telecommunications - calls to USA (in Euro per 10 min call) (-)	Market share of the largest generator in the electricity market (-)	Electricity prices - industrial users (in Euro per kWh) (-)	Electricity prices - households (Euro per kWh) (-)	Gas prices - industrial users (Euro per Gigajoule) (-)	Gas prices - households (Euro per Gigajoule) (-)
Sub-heading	telecom	telecom	telecom	telecom	telecom	energy	energy	energy	energy	energy
Indicator type	performance	performance	performance	performance	performance	performance	performance	performance	performance	performance
Weights	300	300	100	100	100	300	150	150	150	150
CY	-28,094	-30,000	18,915	22,453	11,656	-22,234	-16,988	-5,130	N/A	N/A
Weights2	100	100	100	100	100	200	150	150	150	150
CY*	-28,094	-30,000	18,915	22,453	11,656	-22,234	-16,988	-5,130	N/A	N/A
EU15	61,333	39,000	0,370	0,710	1,730	42,639	0,084	0,121	9,110	12,170
std-dev	8,780	7,163	0,106	0,241	0,927	25,798	0,019	0,026	1,107	1,661
Gap EU15-EU27	-2,361	-0,759	-0,014	0,032	-0,058	0,095	-0,011	-0,009	-0,220	-0,718
Gap EU15-Five best	-30,820	-22,631	-0,223	-0,342	-1,856	-46,052	-0,042	-0,041	-1,771	-2,593
Gap EU15-EU5	9,039	-4,683	-0,083	0,197	0,319	27,267	-0,011	-0,025	0,248	-1,801

LAF Maquette, December 2009

Table 2.2.3: Sector Specific Regulation – Aggregate scores on levels by sub-category

Indicators	Aggregate score on level	Sub-aggregate scores 1 Telecom	Sub-aggregate scores 2 Energy
CY	-15	-13	-17
CY*	-8	-1	-16

LAF Maquette, December 2009

As shown in Table 2.2.3, the aggregate score in levels is -15 and the corresponding sub-scores are -13 for telecom and -17 for energy. However, what matters is to have low market prices (near cost), use all relevant resources efficiently and innovating behavior by the firms in the sector. Since Cyprus has low relative prices in telecommunications, what matters is to keep it low, hence a high market share in that case is not a problem, as long as the relevant bodies control for any price increases. Hence, the weights on the market shares should be lower and give a higher weight to prices. Moreover, more indicators on mark-ups, innovating behavior of the firms in the sector, and measures on effective control of the regulating bodies are perhaps necessary. If we give lower weights to the market shares of the leading companies (2/5) and higher to prices (3/5), the aggregate score in levels becomes -8 and the corresponding sub-scores are -1 for telecom and -16 for energy.

Table 2.2.4: Sector Specific Regulation – Aggregate scores on growth

Indicators	Average of the market share of the incumbent in fixed telecom (local, national, international)	Market share of the leading operator in mobile telecommunication (-)	Price of telecommunications - local calls - (in Euro per 10 min call) (-)	Price of telecommunications - national calls (in Euro per 10 min call) (-)	Price of telecommunications - calls to USA (in Euro per 10 min call) (-)	Market share of the largest generator in the electricity market (-)	Electricity prices - industrial users (in Euro per kWh) (-)	Electricity prices - households (in Euro per kWh) (-)	Gas prices - industrial users (in Euro per Gigajoule)(-)	Gas prices - households (in Euro per Gigajoule)(-)
Sub heading	telecom	telecom	telecom	telecom	telecom	energy	energy	energy	energy	energy
Indicator type	performance	performance	performance	performance	performance	performance	performance	performance	performance	performance
Weights	300	300	100	100	100	300	150	150	150	150
CY	n/a	n/a	-30,000	9,569	23,620	-9,703	-18,426	-30,000	n/a	n/a
Weights2	100	100	100	100	100	200	150	150	150	150
CY*	n/a	n/a	-30,000	9,569	23,620	-9,703	-18,426	-30,000	n/a	n/a
EU15			-0,804	-8,652	-7,280	-1,807	3,637	1,801		
std-dev			2,206	3,441	4,018	1,901	3,006	2,144		
Gap EU15-EU27			-1,152	-1,708	-2,572	-0,220	-1,771	-1,052		
Gap EU15-Five best			-11,313	-8,385	-5,421	-2,728	-9,469	-8,234		
Gap EU15-EU5			-1,600	-4,177	-2,419	0,533	-3,213	-3,695		

LAF Maquette, December 2009

Table 2.2.5: Sector Specific Regulation – Aggregate scores on growth by sub-category

Indicators	Aggregate performance score on level	Sub-aggregate scores 1 Telecom	Sub-aggregate scores 2 Energy
CY	-11	1	-17
CY*	-11	1	-18

LAF Maquette, December 2009

In terms of growth, the aggregate score, shown in Table 2.2.5, is -11, while the sub-scores are 1 for telecom and -17 for energy. By giving a higher weight on the price changes, rather than the changes in shares, the score on telecom does not change (since no data on shares are available), while the score on energy slightly deteriorates to -18.

2.2. C. General evaluation of the policy area

According to the above choice of indicators and weights, Cyprus is currently evaluated below the EU15 average in both the telecom and energy areas. In terms of changes over time there has been an improvement in telecommunications but not in the energy sector.

Cyprus Telecommunications Authority (CYTA), which was the first telecommunication provider in the island, had been charging the lowest price in Europe for fixed telecommunication, local calls. However, after 2003, prices gradually increased. Hence, Cyprus is evaluated as the worst in terms of growth in fixed telecommunication prices of local calls. On the other hand, international fixed telecommunication prices have been decreasing, after the liberalisation of the market. Due to the small size of the island and the already well-developed telecommunication infrastructure, the Cypriot telecommunications market cannot absorb a big number of new entrants. Hence, market shares of the leading telecom operator are not expected to decrease much more. What matters is the provision of good services at low prices, which is so far achieved for Cyprus. See more information for telecommunications in Cyprus in Appendix B1.

In the energy sector, the Electricity Authority of Cyprus (EAC) is still the only provider in the market, according to the data. Vassilikos Cement Works Public Company Ltd is a second electricity producer, which, however, uses the amount generated for its own (industrial) use. Hence, the demand faced by EAC is inelastic and any price increases are borne by the consumers. Cyprus needs to promote structural reforms in the sector to increase competition in the market and promote the use of renewable energy sources of

production. The small size of the market is a problem but there is space for improvement. Please see more information for the energy market in Cyprus in Appendix B2.

2.3. Business environment- Regulatory barriers to entrepreneurship

“The cumulative impact of regulations and of an insufficiently supportive business environment may impose substantial economic costs and hinder entrepreneurship. This is especially important for small and medium-sized enterprises, which usually have only limited resources to deal with the administration resulting from legislation and tax regulations. Thus, measures to reduce regulatory and tax barriers to entrepreneurship, to ease start up conditions, to simplify existing regulations and to enhance entrepreneurial activities are likely to spur economic growth.”

2.3.1. Registering Property- Procedures (number)

Description: The indicator covers all procedures that are legally or in practice required for registering property, even if they may be avoided in exceptional cases.

A procedure is defined as any interaction of the buyer or the seller, their agents (if an agent is legally or in practice required) or the property with external parties, including government agencies, inspectors, notaries and lawyers. Interactions between company officers and employees are not considered.

Concerns the full sequence of procedures necessary when a business purchases land and a building, to transfer the property title from another business so that the buyer can use the property for expanding its business, as collateral in taking new loans or, if necessary, to sell to another business. It is assumed that the buyer follows the fastest legal option available and used by the majority of property owners. Although the buyer may use lawyers or other professionals where necessary in the registration process, it is assumed that it does not employ an outside facilitator in the registration process unless legally or in practice required to do so.

(-) A low value is desirable

Indicator Source: World Bank

Data source: World Bank Doing Business

Other data info: 1) the collected data refer only to businesses in the country's most populous city 2) the data often focus on a specific business form - a limited liability company of a specified size 3) transactions described in a standardized case study refer to a specific set of issues and may not represent the full set of issues a business encounters. 4) usual limitation of surveys for some questions.

Data values for Cyprus (number of procedures):

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
CY										3	3
EU15											5

LAF Maquette, December 2009

Time coverage: 2004-2009Geographical coverage: 24MSsIndicator values for Cyprus:**LAF Maquette INDICATOR 1: Registering property- Procedures**

	Level		Growth-change		Qualification	
	Rate	Score on level	Change	Total score on growth rate	Level	Growth rate
CY	3,00	7,92	0,00	-3,75	+	0
EU15	4,99		-0,83			
St.dev.	2,51		2,21			

LAF Maquette, December 2009

Aggregation weight: 11% (narrow list indicator)General comments

Regarding the number of procedures needed to register property, Cyprus performs above the EU15 average in levels. In terms of changes, only the last two years are available for Cyprus, so the growth score is not very representative since it reflects only the one year change 2008-2009. Based on this, Cyprus gets a neutral rating in changes.

2.3.2. Registering Property- Time (days)

Description: The measure captures the median duration that property lawyers, notaries or registry officials indicate is necessary to complete a procedure.

It is assumed that the minimum time required for each procedure is 1 day. Although procedures may take place simultaneously, they cannot start on the same day. It is assumed that the buyer does not waste time and commits to completing each remaining procedure without delay. If a procedure can be accelerated for an additional cost, the fastest legal procedure available and used by the majority of property owners is chosen. If procedures can be undertaken simultaneously, it is assumed that they are. It is assumed that the parties involved are aware of all regulations and their sequence from the beginning. Time spent on gathering information is not considered.

(-) A low value is desirable

Indicator Source: World Bank

Data source: World Bank Doing Business

Other data info: 1) the collected data refer only to businesses in the country's most populous city 2) the data often focus on a specific business form - a limited liability company of a specified size 3) transactions described in a standardized case study refer to a specific set of issues and may not represent the full set of issues a business encounters. 4) usual limitation of surveys for some questions.

Data values for Cyprus (number of days):

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
CY										34	34
EU15											37

LAF Maquette, December 2009

Time coverage: 2004-2009

Geographical coverage: 24MSs

Indicator values for Cyprus:

LAF Maquette INDICATOR 2: Registering Property- Time

	Level		Growth-change		Qualification	
	Rate	Score on level	Change	Total score on growth rate	Level	Growth rate
CY	34,0	1	0,00	-9	0	-
EU15	37,0		-5,32			
St.dev.	30,3		5,79			

LAF Maquette, December 2009

Aggregation weight: 11% (wider list indicator)

General comments

Regarding the time needed to register property, Cyprus performs around the EU15 average in levels. In terms of changes, only the last two years are available for Cyprus, so the growth score is not very representative since it reflects only the one year change 2008-2009. Based on this, Cyprus gets a fairly poor rating in changes.

2.3.3. Registering Property - Cost (% of property value)

Description: It is the cost of registering property, recorded as a percentage of the property value, and assumed to be equivalent to 50 times income per capita. Only official costs required by law are recorded, including fees, transfer taxes, stamp duties and any other payment to the property registry, notaries, public agencies or lawyers. Other taxes, such as capital gains tax or value added tax, are excluded from the cost measure. Both costs borne by the buyer and those borne by the seller are included. If cost estimates differ among sources, the median reported value is used.

(-) A low value is desirable

Indicator Source: World Bank

Data source: World Bank Doing Business

Other data info: 1) the collected data refer only to businesses in the country's most populous city 2) the data often focus on a specific business form - a limited liability company of a specified size 3) transactions described in a standardized case study refer to a specific set of issues and may not represent the full set of issues a business encounters. 4) usual limitation of surveys for some questions.

Data values for Cyprus (% of property value):

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
CY										10,1	10,0
EU15											5,5

LAF Maquette, December 2009

Time coverage: 2004-2009Geographical coverage: 24MSsIndicator values for Cyprus:**LAF Maquette INDICATOR 3: Registering Properties- Cost**

	Level		Growth-change		Qualification	
	Rate	Score on level	Change	Total score on growth rate	Level	Growth rate
CY	10,0	-26	-0,10	5	--	+
EU15	5,5		0,09			
St.dev.	1,8		0,43			

LAF Maquette, December 2009

Aggregation weight: 11% (narrow list indicator)General comments

Regarding the cost of registering properties, Cyprus performs much below the EU15 average in levels. In terms of changes, only the last two years are available for Cyprus, so the growth score is not very representative since it reflects only the one year change 2008-2009. Based on this, Cyprus gets a good rating in changes.

2.3.4. Paying taxes - Payments (number)

Description: Reflects the total number of taxes and mandatory contributions paid, the method of payment, the frequency of payment and the number of agencies involved for this standardized case during the second year of operation. It refers to taxes and mandatory contributions that a medium-size company must pay or withhold in a given year, as well as measures of the administrative burden in paying taxes and contributions.

It includes payments made by the company on consumption taxes, such as sales tax or value added tax. More specifically, taxes and contributions measured include the profit or corporate income tax, social contributions and labour taxes paid by the employer, property taxes, property transfer taxes, the dividend tax, the capital gains tax, the financial transactions tax, waste collection taxes and vehicle and road taxes.

These taxes are traditionally withheld on behalf of the consumer. Although they do not affect the income statements of the company, they add to the administrative burden of complying with the tax system and so are included in the tax payments measure.

(-) A low value is desirable

Indicator Source: World Bank

Data source: World Bank Doing Business

Other data info: 1) the collected data refer only to businesses in the country's most populous city 2) the data often focus on a specific business form - a limited liability company of a specified size 3) transactions described in a standardized case study refer to a specific set of issues and may not represent the full set of issues a business encounters. 4) usual limitation of surveys for some questions.

Data values for Cyprus (number):

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
CY										27	27
EU15											11

LAF Maquette, December 2009

Time coverage: 2005-2009

Geographical coverage: 24MSs

Indicator values for Cyprus:

LAF Maquette INDICATOR 4: Payment taxes- Payments

	Level		Growth-change		Qualification	
	Rate	Score on level	Change	Total score on growth rate	Level	Growth rate
CY	27,0	-30	0,0	-4	--	0
EU15	11,0		-3,20			
St.dev.	4,3		7,45			

LAF Maquette, December 2009

Aggregation weight: 0% (wider list indicator)

Reason excluded from narrow list: Not mentioned

General comments

Regarding the number of tax payments, Cyprus performs much below the EU15 average in levels. In terms of changes, only the last two years are available for Cyprus, so the growth score is not very representative since it reflects only the one year change 2008-2009. Based on this, Cyprus gets a neutral rating in changes.

2.3.5. Paying taxes –Time (hours per year)

Description: The indicator measures the time to prepare, file and pay (or withhold) 3 major types of taxes and contributions: the corporate income tax, value added or sales tax and labor taxes, including payroll taxes and social contributions. Time is recorded in hours per year. Preparation time includes the time to collect all information necessary to compute the tax payable. If separate accounting books must be kept for tax purposes—or separate calculations made—the time associated with these processes is included. This extra time is included only if the regular accounting work is not enough to fulfill the tax accounting requirements. Filing time includes the time to complete all necessary tax forms and make all necessary calculations. Payment time is the hours needed to make the payment online or at the tax office. Where taxes and contributions are paid in person, the time includes delays while waiting.

(-) A low value is desirable

Indicator Source: World Bank

Data source: World Bank Doing Business

Other data info: 1) the collected data refer only to businesses in the country's most populous city 2) the data often focus on a specific business form - a limited liability company of a specified size 3) transactions described in a standardized case study refer to a specific set of issues and may not represent the full set of issues a business encounters. 4) usual limitation of surveys for some questions.

Data values for Cyprus (hours):

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
CY										149	149
EU15											187

LAF Maquette, December 2009

Time coverage: 2005-2009

Geographical coverage: 24MSs

Indicator values for Cyprus:

LAF Maquette INDICATOR 5: Paying Taxes- Time

	Level		Growth-change		Qualification	
	Rate	Score on level	Change	Total score on growth rate	Level	Growth rate
CY	149,0	5	0,00	0	+	0
EU15	187,8		-0,22			
St.dev.	73,1		7,56			

LAF Maquette, December 2009

Aggregation weight: 0% (wider list indicator)

Reason excluded from narrow list: Not mentioned

General comments

Regarding the time needed to prepare tax payments, Cyprus performs slightly above the EU15 average in levels. In terms of changes, only the last two years are available for Cyprus, so the growth score is not very representative since it reflects only the one year change 2008-2009. Based on this, Cyprus gets a neutral rating in changes.

2.3.6. Paying taxes – Total tax rate (%profit)

Description: The total tax rate measures the amount of taxes and mandatory contributions payable by the business in the second year of operation, expressed as a share of commercial profits. The total amount of taxes is the sum of all the different taxes and contributions payable after accounting for deductions and exemptions. The taxes withheld (such as sales or value added tax or personal income tax) but not paid by the company are excluded. The taxes included can be divided into 5 categories: profit or corporate income tax, social contributions and labour taxes paid by the employer (for which all mandatory contributions are included, even if paid to a private entity such as a required pension fund), property taxes, turnover taxes and other small taxes (such as municipal fees and vehicle and fuel taxes).

(-) A low value is desirable

Indicator Source: World Bank

Data source: World Bank Doing Business

Other data info: 1) the collected data refer only to businesses in the country's most populous city 2) the data often focus on a specific business form - a limited liability company of a specified size 3) transactions described in a standardized case study refer to a specific set of issues and may not represent the full set of issues a business encounters. 4) usual limitation of surveys for some questions.

Data values for Cyprus (% of profits):

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
CY										28,8	28,8
EU15											51,3

LAF Maquette, December 2009

Time coverage: 2005-2009

Geographical coverage: 24MSs

Indicator values for Cyprus:

LAF Maquette INDICATOR 6: Paying taxes- Total tax rate

	Level		Growth-change		Qualification	
	Rate	Score on level	Change	Total score on growth rate	Level	Growth rate
CY	28,8	18	0,00	-11	++	--
EU15	51,3		-0,93			
St.dev.	12,4		0,83			

LAF Maquette, December 2009

Aggregation weight: 0% (wider list indicator)

Reason excluded from narrow list: Not mentioned

General comments

Regarding tax payments as a percentage of profits, Cyprus performs well-above the EU15 average in levels. In terms of changes, only the last two years are available for Cyprus, so the growth score is not very representative, since it reflects only the one year change 2008-2009. Based on this, Cyprus gets a poor rating in changes.

2.3.7. Dealing with licenses – procedures(number)

Description: All procedures required for a business in the construction industry to build a standardized warehouse. These procedures include submitting all relevant documents to the authorities, obtaining all necessary clearances, licences, permits and certificates, completing all required notifications and receiving all necessary inspections.

A procedure is any interaction of the company's employees or managers with external parties, including government agencies, notaries, the land registry, the cadastre, utility companies, public and private inspectors and technical experts apart from in-house architects and engineers. Interactions between company employees, such as development of the warehouse plans and inspections conducted by employees, are not counted as procedures. Procedures that the company undergoes to connect to electricity, water, sewerage and phone services are included. All procedures that are legally or in practice required for building a warehouse are counted, even if they may be avoided in exceptional cases.

(-) A low value is desirable

Indicator Source: World Bank

Data source: World Bank Doing Business

Other data info: 1) the collected data refer only to businesses in the country's most populous city 2) the data often focus on a specific business form - a limited liability company of a specified size 3) transactions described in a standardized case study refer to a specific set of issues and may not represent the full set of issues a business encounters. 4) usual limitation of surveys for some questions.

Data values for Cyprus (number of procedures):

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
CY										13,0	13,0
EU15											12,6

LAF Maquette, December 2009

Time coverage: 2005-2009

Geographical coverage: 24MSs

Indicator values for Cyprus:

LAF Maquette INDICATOR 7: Dealing with licenses - Procedures

	Level		Growth-change		Qualification	
	Rate	Score on level	Change	Total score on growth rate	Level	Growth rate
CY	13,0	-2	0,00	-4	0	0
EU15	12,6		-1,76			
St.dev.	2,3		3,97			

LAF Maquette, December 2009

Aggregation weight: 16% (narrow list indicator)

General comments

Regarding dealing with licenses, Cyprus performs around the EU15 average in levels. In terms of changes, only the last two years are available for Cyprus, so the growth score is not very representative, since it reflects only the one year change 2008-2009. Based on this, Cyprus gets a neutral rating in changes as well.

2.3.8. Dealing with licenses – time (days)

Description: The measure captures the median duration that local experts indicate is necessary to complete a procedure in practice. Time is recorded in calendar days. It is assumed that the minimum time required for each procedure is 1 day. If a procedure can be accelerated legally for an additional cost, the fastest procedure is chosen.

(-) A low value is desirable

Indicator Source: World Bank

Data source: World Bank Doing Business

Other data info: 1) the collected data refer only to businesses in the country's most populous city 2) the data often focus on a specific business form - a limited liability company of a specified size 3) transactions described in a standardized case study refer to a specific set of issues and may not represent the full set of issues a business encounters. 4) usual limitation of surveys for some questions.

Data values for Cyprus (days):

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
CY										677	677
EU15											157

LAF Maquette, December 2009

Time coverage: 2005-2009

Geographical coverage: 24MSs

Indicator values for Cyprus:

LAF Maquette INDICATOR 8: Dealing with licenses - time

	Level		Growth-change		Qualification	
	Rate	Score on level	Change	Total score on growth rate	Level	Growth rate
CY	677,0	-30	0,00	-11	--	--
EU15	157,2		-3,53			
St.dev.	66,1		3,34			

LAF Maquette, December 2009

Aggregation weight: 0% (wider list indicator)

Reason excluded from narrow list: Redundancy criteria- Correlation with other indicators

General comments

Regarding the time needed to deal with licenses, Cyprus performs far below the EU15 average in levels. In terms of changes, only the last two years are available for Cyprus, so the growth score is not very representative, since it reflects only the one year change 2008-2009. Based on this, Cyprus gets a negative rating in changes as well.

2.3.9. Dealing with licenses – Cost (% of income per capita)

Description: Cost is recorded as a percentage of the country's income per capita. Only official costs are recorded. All the fees associated with completing the procedures to legally build a warehouse are recorded, including those associated with obtaining land use approvals and preconstruction design clearances; receiving inspections before, during and after construction; getting utility connections; and registering the warehouse property.

(-) A low value is desirable

Indicator Source: World Bank

Data source: World Bank Doing Business

Doing Business records all procedures required for a business in the construction industry to build a standardized warehouse.

Other data info: 1) the collected data refer only to businesses in the country's most populous city 2) the data often focus on a specific business form - a limited liability company of a specified size 3) transactions described in a standardized case study refer to a specific set of issues and may not represent the full set of issues a business encounters. 4) usual limitation of surveys for some questions.

Data values for Cyprus (% of income per capita):

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
CY										55,1	50,20
EU15											70,2

LAF Maquette, December 2009

Time coverage: 2005-2009

Geographical coverage: 24MSs

Indicator values for Cyprus:

LAF Maquette INDICATOR 9: Dealing with licenses – Cost

	Level		Growth-change		Qualification	
	Rate	Score on level	Change	Total score on growth rate	Level	Growth rate
CY	50,2	6	-4,9	21	+	++
EU15	70,2		16,39			
St.dev.	34,0		9,99			

LAF Maquette, December 2009

Aggregation weight: 16% (narrow list indicator)

General comments

Regarding the cost of dealing with licenses, Cyprus performs slightly above the EU15 average in levels. In terms of changes, only the last two years are available for Cyprus, so the growth score is not very representative, since it reflects only the one year change 2008-2009. Based on this, Cyprus gets a good rating in changes.

2.3.10. Enforcing contracts - Procedures (number)

Description: Indicators on enforcing contracts measure the efficiency of the judicial system in resolving a commercial dispute. A procedure is defined as any interaction between the parties, or between them and the judge or court officer. This includes steps to file the case, steps for trial and judgment and steps necessary to enforce the judgment.

(-) A low value is desirable

Indicator Source: World Bank

Data source: N/A

Data values for Cyprus (number of procedures):

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
CY										43	43
EU15											32

LAF Maquette, December 2009

Time coverage: 2003-2009

Geographical coverage: 24MSs

Indicator values for Cyprus:

LAF Maquette INDICATOR 10: Enforcing contracts- Procedures

	Level		Growth-change		Qualification	
	Rate	Score on level	Change	Total score on growth rate	Level	Growth rate
CY	43,0	-22	0,0	-7	--	-
EU15	31,8		-0,33			
St.dev.	5,0		0,50			

LAF Maquette, December 2009

Aggregation weight: 11% (narrow list indicator)

General comments

Regarding the number of procedures for enforcing contracts, Cyprus performs below the EU15 average in levels. In terms of changes, only the last two years are available for Cyprus, so the growth score is not very representative, since it reflects only the one year change 2008-2009. Based on this, Cyprus gets a fairly poor rating in changes.

2.3.11. Enforcing contracts - Time (days)

Description: Number of calendar days for dispute resolution counted from the moment of the lawsuit by the plaintiff until the moment of settlement. This includes both the days when actions take place and the waiting periods between. The respondents make separate estimates of the average duration of different stages of dispute resolution: the completion of service of process (time to file the case), the issuance of judgment (time for the trial and obtaining the judgment) and the moment of payment (time for enforcement).

(-) A low value is desirable

Indicator Source: World Bank

Data source: N/A

Data values for Cyprus (days):

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
CY										735	735
EU15											535

LAF Maquette, December 2009

Time coverage: 2003-2009Geographical coverage: 22MSsIndicator values for Cyprus:**LAF Maquette INDICATOR 11: Enforcing contracts - Time**

	Level		Growth-change		Qualification	
	Rate	Score on level	Change	Total score on growth rate	Level	Growth rate
CY	735,0	-7	0,00	-3	-	0
EU15	535,0		-0,34			
St.dev.	281,3		1,16			

LAF Maquette, December 2009

Aggregation weight: 11% (narrow list indicator)General comments

Regarding the time needed for dispute resolution, Cyprus performs below the EU15 average in levels. In terms of changes, only the last two years are available for Cyprus, so the growth score is not very representative, since it reflects only the one year change 2008-2009. Based on this, Cyprus gets a neutral rating in changes.

2.3.12. Enforcing contracts - Cost (% of debt)

Description: Cost is recorded as a percentage of the debt, assumed to be equivalent to 200% of income per capita. Only official costs required by law are recorded, including court and enforcement costs and average attorney fees where the use of attorneys is mandatory or common.

(-) A low value is desirable

Indicator Source: World BankData source: N/A

Data values for Cyprus (% of debt):

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
CY										16,4	16,4
EU15											20,0

LAF Maquette, December 2009

Time coverage: 2003-2009Geographical coverage: 24MSsIndicator values for Cyprus:**LAF Maquette INDICATOR 12: Enforcing contracts- Cost**

	Level		Growth-change		Qualification	
	Rate	Score on level	Change	Total score on growth rate	Level	Growth rate
CY	16,4	6	0,00	3	+	0
EU15	20,0		0,06			
St.dev.	5,7		0,17			

LAF Maquette, December 2009

Comments on score calculations:Further investigation on the data:Aggregation weight: 11% (narrow list indicator)General comments

Regarding the number of procedures for enforcing contracts, Cyprus performs above the EU15 average in levels. In terms of changes, only the last two years are available for Cyprus, so the growth score is not very representative, since it reflects only the one year change 2008-2009. Based on this, Cyprus gets a neutral rating in changes.

2.3.13. Regulatory and administrative opacity

Description: Regulatory and administrative opacity is one of the sub indicators within the OECD's Product Market Regulation (PMR) System indicator. It is calculated as a weighted average of the following two components: (i) licenses and permits systems, which reflects the use of 'one-stop shops' and 'silence is consent' rules for getting information on and issuing licenses and permits; (ii) communication and simplification of rules and procedures, which reflects aspects of government's communication strategy and efforts to reduce and simplify the administrative burden of interacting with government.

(-) A low value is desirable

Indicator Source: OECD

Data source: N/A

Time coverage: 2003; 2008

Geographical coverage: 19MSs

No data available for Cyprus

Aggregation weight: 0% (wider list indicator)

Reason excluded from narrow list: Minimum statistical standards – Insufficient time and geographical coverage

2.3.14. Regulatory impact

Description: It is the average impact of regulation in non-manufacturing sectors (post and telecom; energy, finance, transport, distribution, business services) and other industries. The OECD regulation impact indicators (REGIMPACT) measure the burden of non-manufacturing regulations (in sectors covered by the REGREF and cross-section sectoral indicators) on sectors that use non-manufacturing output as intermediate input in the production process.

(-) A low value is desirable

Indicator Source: OECD

Data source: N/A

Other data info: These indicators have been estimated over the period 1975 to 2003 for 36 ISIC rev 3 sectors in 21 OECD countries.

Time coverage: 1999-2003

Geographical coverage: 14MSs

No data available for Cyprus

Aggregation weight: 0% (wider list indicator)

Reason excluded from narrow list: Minimum statistical standards - Insufficient time and geographical coverage

2.3.15. Propensity towards entrepreneurship – Total population considering self employment (in %)

Description: Percentage of people interviewed who prefer being an entrepreneur instead of being an employee. The exact wording of the question is “Suppose you could choose between different kinds of jobs, which one would you prefer: ... being an employee, being self-employed, none of these”.

Caveats: limitation related to survey and could be biased by country specific social factors.

(+) A high value is desirable

Indicator Source: Eurobarometer

Data source: N/A

Data values for Cyprus (%):

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
CY						56			54		
EU15						45			44		

LAF Maquette, December 2009

Time coverage: 2004; 2007

Geographical coverage: 25MSs

Indicator values for Cyprus:

LAF Maquette INDICATOR 15: Propensity towards entrepreneurship

	Level		Growth-change		Qualification	
	Rate	Score on level	Change	Total score on growth rate	Level	Growth rate
CY	54,0	14	N/A	N/A	++	N/A
EU15	44,0		0,00			
St.dev.	7,1		#DIV/0!			

LAF Maquette, December 2009

Aggregation weight: 0% (wider list indicator)

Reason excluded from narrow list: Minimum statistical standards – Insufficient time coverage

General comments

Regarding propensity towards entrepreneurship, Cyprus performs above the EU15 average in levels. The score on growth is not available for none of the EU countries.

2.3.16. Business demography – Survival rate

Description: All real enterprise births of year n, which are still active in year n+2, as a percentage of total businesses born in the reference period (n).

In the Business Demography context, survival occurs if an enterprise is active in terms of employment and/or turnover in the year of birth and the following year(s). Two types of survival can be distinguished: (1) An enterprise born in year xx is considered to have survived in year xx+1 if it is active in terms of turnover and/or employment in any part of year xx+1 (= survival without changes). (2) An enterprise is also considered to have survived if the linked legal unit(s) have ceased to be active, but their activity has been taken over by a new legal unit set up specifically to take over the factors of production of that enterprise (= survival by take-over).

(+) A high value is desirable

Indicator Source: STRIND, Eurostat¹⁷.

Data source: N/A

¹⁷ <http://epp.eurostat.ec.europa.eu/tgm/table.do?tab=table&plugin=1&language=en&pcode=tsier150>

Time coverage: 2000-2006

Geographical coverage: 12MSs

No data available for Cyprus

Aggregation weight: 0% (wider list indicator)

Reason excluded from narrow list: Minimum statistical standards- Limited geographical coverage

2.3. A. Indicator Evaluation for policy area “Business environment – Regulatory barriers to entrepreneurship”

In this section, we list all indicators included in the narrow and wider list, along with the relevant aggregation weight used in the Maquette for each of them. In the columns next to each indicator we summarize any problems observed that affect the reliability or the relevance of the indicator for this policy area, focusing on the case of Cyprus. The problems have already been analyzed in detail.

Table 2.3.1: Indicator Evaluation for policy area “Business environment – Regulatory barriers to entrepreneurship”

Indicator	Weight	No data available for Cyprus in the Maquette	Incorrect/ inaccurate data for Cyprus	Not representative / useful indicator for Cyprus	Insufficient description/ unclear computation procedure	Inappropriate indicator for this policy area	Possible improvement for the indicator
Narrow List Indicators:							
1. Registering property - Procedures	1,0	Only data for 2008, 2009 for CY. Hence, the growth score not representative.					
2. Registering property - Time	1,0						
3. Registering property - Cost	1,0						
7. Dealing with licenses - Procedures	1,5						
9. Dealing with licenses - Cost	1,5						
10. Enforcing contracts - Procedures	1,0						
11. Enforcing contracts - Time	1,0						
12. Enforcing contracts - Cost	1,0						
Wider List Indicators:							
4. Paying taxes- Payments		Only data for 2008, 2009 for CY. Hence, the growth score not representative					
5. Paying taxes- Time							
6. Paying taxes- Total tax rate							
8. Dealing with licenses -Time							
13. Regulatory and administrative opacity		No data for CY					
14. Regulatory impact							
15. Propensity towards entrepreneurship							
16. Business demography- Survival rate							

2.3. B. Aggregate Scores on “Business environment – Regulatory barriers to entrepreneurship”

To calculate the aggregate score both in levels and changes, we calculate the weighted average of the indicators included in the narrow list given the aggregation weights specified.

Table 2.3.2: “Business environment – Regulatory barriers to entrepreneurship”
– Aggregate scores on levels

Indicators	Registering Property - Procedures (number)(-)	Registering Property - Time (days) (-)	Registering Property - Cost (% of property value) (-)	Dealing with Licenses - Procedures (number)(-)	Dealing with Licenses - Cost (% of income per capita) (-)	Enforcing Contracts - Procedures (number)(-)	Enforcing Contracts - Time (days) (-)	Enforcing Contracts - Cost (% of debt) (-)	Aggregate score
Indicator type	policy	policy	policy	policy	policy	policy	policy	policy	policy
Weights	100	100	100	150	150	100	100	100	
CY	7,92	0,98	-25,79	-1,57	5,87	-22,13	-7,11	6,39	-3,7
CY*									
EU15	4,99	36,96	5,45	12,64	70,19	31,83	535,00	20,05	
std-dev	2,51	30,34	1,76	2,27	34,04	5,05	281,33	5,71	
Gap EU15-EU27	-0,1	-8,4	0,4	0,81	-2,67	-0,22	-13,42	-0,06	
Gap EU15-Five best	-3,2	-80,9	-5,2	-12,33	-65,81	-7,68	-542,19	-10,19	
Gap EU15-EU5	1,6	15,5	0,2	12,00	-11,22	6,22	71,45	-2,68	

LAF Maquette, December 2009

The aggregate score for this policy area is -3,7 and hence, performance in this area is evaluated as neutral. In terms of growth, the aggregate score is 1, as shown in Table 2.3.3. However, the aggregate score on growth at the moment should be ignored since the score evaluation of all indicators in the narrow list is based only on the change 2008-2009.

Table 2.3.3: “Business environment – Regulatory barriers to entrepreneurship”
– Aggregate scores on growth

Indicators	Registering Property - Procedures (number)(-)	Registering Property - Time (days) (-)	Registering Property - Cost (% of property value) (-)	Dealing with Licenses - Procedures (number)(-)	Dealing with Licenses - Cost (% of income per capita) (-)	Enforcing Contracts - Procedures (number)(-)	Enforcing Contracts - Time (days) (-)	Enforcing Contracts - Cost (% of debt) (-)	Aggregate score
Indicator type	policy	policy	policy	policy	policy	policy	policy	policy	policy
Weights	100	100	100	150	150	100	100	100	
CY	-3,75	-9,18	4,53	-4,42	21,30	-6,67	-2,91	3,30	1
CY*									
EU15	-0,83	-5,32	0,09	-1,76	16,39	-0,33	-0,34	0,06	
std-dev	2,21	5,79	0,43	3,97	9,99	0,50	1,16	0,17	
Gap EU15-EU27	0,02	0,08	0,02	-0,21	0,05	0,00	0,07	-0,02	
Gap EU15-Five best	-0,83	-5,32	-0,15	-1,84	-15,05	-0,33	-0,69	-1,03	
Gap EU15-EU5	3,83	-2,66	0,19	-2,20	3,55	0,15	-0,34	-0,12	

LAF Maquette, December 2009

2.3. C. General evaluation of the policy area

The business environment in Cyprus is characterised by a large number of SME's and the very small size of less than 10 employees (specifically 48.623 enterprises out of 52.454 or 99.9%). Regarding the number of procedures and the time necessary to register property or, obtain a license Cyprus performs around the EU average, according the data. These need to be improved though, since Cyprus is a services-oriented economy and bureaucracy might prevent domestic and foreign investment and hence, delay growth. We spot great inefficiency of the judicial system in resolving a commercial disputes compared to the rest of the EU countries.

2.4. Start-up conditions

“The level of new firm activity and creation contribute to the economic activity as a constant flow of start-up companies, fuels competition and fosters innovation. Friendly start-up conditions i.e. low time and cost to start a business, low capital requirement and reduced administrative burden on start-ups are thus required to produce an environment favourable to entrepreneurship and innovation. “

2.4.1. Starting a business- Time

Description: The measure captures the median duration that incorporation lawyers indicate is necessary to complete a procedure with minimum follow-up with government agencies and no extra payments. Time is recorded in calendar days. The indicator covers all procedures that are officially required for an entrepreneur to start up and formally operate an industrial or commercial business. These include obtaining all necessary licenses and permits and completing any required notifications, verifications or inscriptions for the company and employees with relevant authorities.

(-) A low value is desirable

Indicator Source: DG ENTR

Data source: N/A

Data values for Cyprus (days):

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
CY								7			
EU15								8			

LAF Maquette, December 2009

Time coverage: 2006

Geographical coverage: 27MSs

Indicator values for Cyprus:

LAF Maquette INDICATOR 1: Starting a business- Time

	Level		Growth-change		Qualification	
	Rate	Score on level	Change	Total score on growth rate	Level	Growth rate
CY	7,00	1,02	N/A	N/A	0	N/A
EU15	7,95		N/A			
St.dev.	9,31		#DIV/0!			

LAF Maquette, December 2009

Aggregation weight: 33% (narrow list indicator)

General comments

The time needed for the procedures to start a business is around the EU15 average so the rating in levels is neutral.

2.4.2. Starting a business- Cost

Description: Cost includes all official fees and fees for legal or professional services if such services are required by law. In all cases the cost excludes bribes. The indicator covers all procedures that are officially required for an entrepreneur to start up and formally operate an industrial or commercial business. These include obtaining all necessary licenses and permits and completing any required notifications, verifications or inscriptions for the company and employees with relevant authorities.

(-) A low value is desirable

Indicator Source: DG ENTR

Data source: N/A

Data values for Cyprus (Euro):

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
CY								265			
EU15								750			

LAF Maquette, December 2009

Time coverage: 2006

Geographical coverage: 27MSs

Indicator values for Cyprus:

LAF Maquette INDICATOR 2: Starting a business- Cost

	Level		Growth-change		Qualification	
	Rate	Score on level	Change	Total score on growth rate	Level	Growth rate
CY	265,0	6	N/A	N/A	+	N/A
EU15	750,4		N/A			
St.dev.	836,9		#DIV/0!			

LAF Maquette, December 2009

Aggregation weight: 33% (narrow list indicator)

General comments

Regarding the cost of starting a business, Cyprus has a fairly good performance relative to the EU15 average.

2.4.3. Closing a business- Time

Description: The indicator measures the time of bankruptcy proceedings involving domestic entities. Reflects the sequence of bankruptcy procedures and on whether they can be carried out simultaneously. Potential delay tactics by the parties, such as the filing of dilatory appeals or requests for extension, are taken into consideration.

(-) A low value is desirable

Indicator Source: World Bank

Data source: World Bank Doing Business

Data values for Cyprus (years):

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
CY										1,5	1,5
EU15											

LAF Maquette, December 2009

Time coverage: 2003-2009

Geographical coverage: 24MSs

Indicator values for Cyprus:

LAF Maquette INDICATOR 3: Closing a business- Time

	Level		Growth-change		Qualification	
	Rate	Score on level	Change	Total score on growth rate	Level	Growth rate
CY	1,50	-3,36	0,00	2,98	0	0
EU15	1,36		1,00			
St.dev.	0,41		3,34			

LAF Maquette, December 2009

Aggregation weight: 16% (narrow list indicator)

General comments

Regarding the time for closing a business both in levels and changes the performance is neutral. The score in changes though is only based on the change over 2008-09, hence it should not be given much attention.

2.4.4. Closing a business- Cost

Description: Measures the cost of bankruptcy proceedings involving domestic entities. The cost of the proceedings is recorded as a percentage of the firm's major asset value.

(-) A low value is desirable

Indicator Source: World Bank

Data source: World Bank Doing Business

Data values for Cyprus (%):

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
CY										15	15
EU15											

LAF Maquette, December 2009

Time coverage: 2003-2009

Geographical coverage: 24MSs

Indicator values for Cyprus:

LAF Maquette INDICATOR 4: Closing a business- Cost

	Level		Growth-change		Qualification	
	Rate	Score on level	Change	Total score on growth rate	Level	Growth rate
CY	15,00	-8,22	0,00	7,18	-	+
EU15	10,40		0,35			
St.dev.	5,59		0,49			

LAF Maquette, December 2009

Aggregation weight: 16% (narrow list indicator)

General comments

Regarding the cost for closing a business, performance in levels is fairly poor while in changes it is fairly good. The score in changes, though, is only based on the change over 2008-09, hence it should not be given much attention.

2.4.5. Closing a Business- Recovery rate

Description: The recovery rate is recorded as cents on the dollar recouped by creditors through the bankruptcy or insolvency proceedings.

(+) A high value is desirable

Indicator Source: World Bank

Data source: World Bank Doing Business

Data values for Cyprus (cents of a dollar):

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
CY										70,7	70,7
EU15											

LAF Maquette, December 2009

Time coverage: 2003-2009

Geographical coverage: 24MSs

Indicator values for Cyprus:

LAF Maquette INDICATOR 5: Closing a business- Recovery rate

	Level		Growth-change		Qualification	
	Rate	Score on level	Change	Total score on growth rate	Level	Growth rate
CY	70,70	4,13	0,00	-0,14	+	0
EU15	64,27		0,02			
St.dev.	15,58		1,11			

LAF Maquette, December 2009

Aggregation weight: 0% (wider list indicator)

Reason excluded from narrow list: Not mentioned

General comments

Regarding the recovery rate for closing a business, performance in levels is fairly good, while in changes it is neutral. The score in changes, though, is only based on the change over 2008-09, hence it should not be given much attention.

2.4.6. Administrative burdens on start-ups

Description: Administrative burden on start-ups is one of the sub indicators within the OECD's Product Market Regulation (PMR) System indicator. It is calculated as a weighted average of the following three components: (i) Administrative burdens for corporations, which measures the administrative burdens on the creation of corporations; (ii) Administrative burdens for sole proprietors, which measures the administrative burdens on the creation of sole proprietor firms; (iii) Sector-specific administrative burdens, which reflects administrative burdens in the road transport and retail distribution sectors. Caveats: usual caveats associated to composite indicator.

(-) A low value is desirable

Indicator Source: OECD

Data source: N/A

Time coverage: 2003; 2008

Geographical coverage: 19 MSs

Aggregation weight: 0% (wider list indicator)

Reason excluded from narrow list: Limited time and geographical coverage

No data available for Cyprus

2.4.7. Business demography- Birth rate

Description: Number of enterprises births of year n, divided by the population of active enterprises of year n. A birth amounts to the creation of a combination of production factors with the restriction that no other enterprises are involved in the event. Births do not include entries into the population due to mergers, break-ups, split-off or restructuring of a set of enterprises. It does not include entries into a sub-population resulting only from a change of activity. A birth occurs when an enterprise starts from scratch and actually starts activity. An enterprise creation can be considered as an enterprise birth if new production factors, in particular new jobs, are created. If a dormant unit is reactivated within two years, this event is not considered a birth. Caveats: could be affected by social factors, level of economic development.

(+) A high value is desirable

Indicator Source: STRIND

Data source: N/A

Data values for Cyprus (%):

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
CY						5,9	7,1				
EU15											

LAF Maquette, December 2009

Time coverage: 1999-2006

Geographical coverage: 14 MSs

Indicator values for Cyprus:

LAF Maquette INDICATOR 7: Business demography- Birth rate

	Level		Growth-change		Qualification	
	Rate	Score on level	Change	Total score on growth rate	Level	Growth rate
CY	7,14	-15	N/A	N/A	--	N/A
EU15	9,92		0,00			
St.dev.	1,92		0,00			

LAF Maquette, December 2009

Aggregation weight: 0% (wider list indicator)

Reason excluded from narrow list: Insufficient geographical coverage

General comments

Regarding the birth rate of businesses, performance in levels is poor. The score in changes is not calculated for any of the EU countries.

2.4.8. Business demography- Death rate

Description: Number of enterprises deaths of year n, divided by the population of active enterprises of year n. A death amounts to the dissolution of a combination of production factors with the restriction that no other enterprises are involved in the event. Deaths do not include exits from the population due to mergers, take-overs, break-ups or restructuring of a set of enterprises. It does not include exits from a sub-population resulting only from a change of activity. An enterprise is included in the count of deaths only if it is not reactivated within two years. Equally, a reactivation within two years is not counted as a birth.

(-) A low value is desirable

Indicator Source: STRIND

Data source: N/A

Time coverage: 1999-2005

Geographical coverage: 14 MSs

Aggregation weight: 0% (wider list indicator)

Reason excluded from narrow list: Insufficient time and geographical coverage

No data available for Cyprus

2.4.9. Rate of early-stage entrepreneurial activity (TEA). - Prevalence rates of entrepreneurial activity – Early stage activity

Description: The rate of early-stage entrepreneurial activity (TEA) is a percentage of 18-64 population who are either a nascent entrepreneur (i.e. actively involved in setting up a business they will own or co-own; this business has not paid salaries, wages, or any other payments to the owners for more than 3 months) or owner-manager of a new business (i.e. owning and managing a running business that has paid salaries, wages, or any other payments to the owners for more than three months, but not more than 42 months).

(+) A high value is desirable

Indicator Source: Global Entrepreneurship Monitor (GEM)

Data source: N/A

Time coverage: 2007

Geographical coverage: 17 MSs

Aggregation weight: 0% (wider list indicator)

Reason excluded from narrow list: Insufficient time and geographical coverage

No data available for Cyprus

2.4. A. Indicator Evaluation for policy area “Start-up conditions”

In this section, we list all indicators included in the narrow and wider list, along with the relevant aggregation weight used in the Maquette for each of them. In the columns next to each indicator we summarize any problems observed that affect the reliability or the relevance of the indicator for this policy area, focusing on the case of Cyprus. The problems have already been analyzed in detail.

Table 2.4.1: Indicator Evaluation for policy area “Start-up conditions”

Indicator	Weight	No data available for Cyprus in the Maquette	Incorrect/inaccurate data for Cyprus	Not representative / useful indicator for Cyprus	Insufficient description/ unclear computation procedure	Inappropriate indicator for this policy area	Possible improvement for the indicator
Narrow List Indicators:							
1. Starting a business- Time	1,0	Only the 2006 value is available, hence cannot calculate a growth score					
2. Starting a business- Cost	1,0						
3. Closing a business- Time	0,5						
4. Closing a business- Cost	0,5						
Wider List Indicators:							
5. Closing a business- Recovery rate							
6. Administrative burdens on start-ups		No data for CY					
7. Business demography- Birth rate							
8. Business demography- Death rate		No data for CY					
9. Prevalence rates of entrepreneurial activity – Early stage							

2.4. B. Aggregate Scores on “Start-up conditions”

To calculate the aggregate score both in levels and changes, we calculate the weighted average of the indicators included in the narrow list given the aggregation weights specified.

Table 2.4.2: “Start-up conditions”– Aggregate scores on levels

Indicators	Starting a Business - Reported time (minimum in days) (-)	Starting a Business - Cost (minimum - Euro) (-)	Closing a Business Time (years) (-)	Closing a Business Cost (% of estate) (-)	Aggregate score
Indicator type	policy	policy	policy	policy	policy
Weights	100	100	50	50	
CY	1,02	5,80	-3,36	-8,22	0,3
EU15	7,95	750,44	1,36	10,40	
std-dev	9,31	836,89	0,41	5,59	
Gap EU15-EU27	-1,37	39,22	-0,25	-0,60	
Gap EU15-Five best	-22,06	-693,45	-2,41	-8,15	
Gap EU15-EU5	3,87	135,58	0,33	2,25	

LAF Maquette, December 2009

The aggregate score for this policy area is 0,3 and hence, performance in this area is evaluated as neutral. In terms of growth, the aggregate score is 5, as shown in Table 2.4.3. However, the aggregate score on growth at the moment should be ignored since the score evaluation of all indicators in the narrow list is based only on the change 2008-2009. Moreover the coverage of this area is poor, since only two indicators are used to calculate the aggregate score in changes (This holds for all countries).

Table 2.4.3: “Start-up conditions”– Aggregate scores on growth

Indicators	Starting a Business - Reported time (minimum in days) (-)	Starting a Business - Cost (minimum - Euro) (-)	Closing a Business Time (years) (-)	Closing a Business Cost (% of estate) (-)	Aggregate score
Indicator type	policy	policy	policy	policy	policy
Weights	100	100	50	50	
CY	n.a	n.a	2,98	7,18	5
EU15			1,00	0,35	
std-dev			3,34	0,49	
Gap EU15-EU27			0,29	0,06	
Gap EU15-Five best			-0,12	0,01	
Gap EU15-EU5			2,81	0,35	

LAF Maquette, December 2009

2.4. C. General evaluation of the policy area

This is a policy area with only four indicators in the narrow list and only two of them have scores in changes. Based on these indicators, on average you need seven¹⁸ working days to start-up and formally operate a business in Cyprus, compared to eight needed in the EU15 countries. Moreover, the cost of a new start-up is much lower in Cyprus (265 euro), than in the EU15 (750 euro). On the other hand Cyprus slightly underperforms in closing a business, both in terms of the time required and cost. The One-Stop Shop, which started to operate in April 2007, offering a range of government services at one place, is expected to reduce the time necessary to complete these procedures, in the years following.

¹⁸ These values refer to 2006, which is the only year that Cyprus has data for this indicator.

2.5. Financial markets and access to finance

Efficient financial markets and sufficient access to finance are crucial elements for growth as they will reduce the cost of capital and enhance the development of the financial sector. Thus, measures that aim at increasing efficiency in the transformation of savings, in the allocation of capital and at reducing risks, should have positive effects on growth.

Note: This policy area has been reconstructed¹⁹, using different indicators than those initially agreed, which are not included in the LAF documents. Hence, basic information regarding definitions and other data information are missing. Moreover, the newly added indicators are divided into three sub-categories instead of two. We try to provide definitions from alternative sources, based on the limited information included in the Maquette spreadsheets.

Sub-category I: Efficiency of the domestic financial system

2.5.1. Financial market size

Description: “It is the sum of private credit by deposit banks and other financial intermediaries plus stock market capitalization divided by GDP, without bond market indicator” (definition as mentioned in the Maquette spreadsheet).

Based on the ECB Report on *Financial integration in Europe*, “This indicator is calculated as the sum of (i) stock market capitalisation, (ii) bank credit to the private sector and (iii) debt securities issued by the private sector, divided by GDP.

Stock market capitalisation: EA stock market capitalisation is the sum of the values for Euronext and for euro area countries not included in Euronext. Stock market capitalisation includes only shares issued by domestic companies; it does not include shares issued by foreign companies.

Debt securities issued by the private sector: for EA countries, data are from the SEC database. Data for Greece, Ireland and Luxembourg start in 1993. For IE, BIS data are used for the years 1993 to 2002 for monetary financial institutions and for the years 1993

¹⁹ Michael Thiel revised the policy area on the basis of existing public information (mainly ECB). Michael.Thiel@ec.europa.eu.

Based on our information many indicators come from the European Central Bank Report "Financial Integration in Europe (April 2008)": <http://www.ecb.eu/pub/pdf/other/financialintegrationineurope200804en.pdf>

to 2007 for other issuers. For Luxembourg, BIS data for the years 1993 to 2007 are used for non-MFI issuers. For non-EA countries, BIS data are used (sum of international and domestic amounts outstanding of bonds issued by corporate issuers and financial institutions).

Bank credit to the private sector: EA figures are the sum of EA country figures and include cross-border loans between EA countries.”

(+) A high value is desirable

Indicator Source: European Central Bank (ECB), Eurostat

Data source: N/A

Data values for Cyprus (% GDP):

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
CY									335,2		
EU15									203,0		

LAF Maquette, December 2009

Time coverage: 2007

Geographical coverage: 26MSs

Indicator values for Cyprus:

LAF Maquette INDICATOR 1: Financial market size

	Level		Growth-change		Qualification	
	Rate	Score on level	Change	Total score on growth rate	Level	Growth rate
CY	335,3	23	N/A	N/A	++	N/A
EU15	203,0		0,00			
St.dev.	56,9		#DIV/0!			

LAF Maquette, December 2009

Aggregation weight: 100% (narrow list indicator)

General comments

This is a newly added indicator and there is not enough information about it in the official LAF documents. Based on the existing information, Cyprus has a relatively higher financial market size. There is only one year value available for all EU countries, so no

score in changes exists. It is not clear how deposits by non-residents affect this indicator and whether they should be taken into account.

2.5.2. Value added in the financial sector

Description: This indicator used the share of Sector J (financial intermediation) in the total economy's gross value added.

(+) A high value is desirable

Indicator Source: Eurostat

Data source: National Accounts

Data values for Cyprus (% of total value added):

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
CY									7,23		
EU15									5,65		

LAF Maquette, December 2009

Time coverage: 2007

Geographical coverage: 27MSs

Indicator values for Cyprus:

LAF Maquette INDICATOR 2: Value added in the financial sector

	Level		Growth-change		Qualification	
	Rate	Score on level	Change	Total score on growth rate	Level	Growth rate
CY	7,2	8	N/A	N/A	+	N/A
EU15	5,6		0,00			
St.dev.	2,0		#DIV/0!			

LAF Maquette, December 2009

Aggregation weight: 0% (wider list indicator)

Reason excluded from narrow list: Not mentioned

General comments

This is a newly added indicator and there is not enough information about it in the official LAF documents. Based on the existing information, Cyprus has a relatively higher share of gross value added in the financial sector. There is only one year value available in the Maquette for all EU countries, so no score in changes exists. Value added data though should exist for all years.

2.5.3. Stock market liquidity

Description: “This is turnover velocity, which relates turnover to market capitalization, which is the definition employed by the World Federation of Exchanges.” (Definition as mentioned in the Maquette spreadsheet. Not enough information.)

Based on the *World Federation of Exchanges* definition²⁰, “The turnover velocity is the ratio between the Electronic Order Book (EOB) turnover of domestic shares and their market capitalization. The value is annualized by multiplying the monthly average by 12, according to the following formula:

Monthly EOB Domestic Share Turnover/Month-end Domestic Market Capitalization x12

Only domestic shares are used in order to be consistent.

The market capitalization of a stock exchange is the total number of issued shares of domestic companies, including their several classes, multiplied by their respective prices at a given time. This figure reflects the comprehensive value of the market at that time. The market capitalization figures include: shares of domestic companies; shares of foreign companies which are exclusively listed on an exchange, i.e. the foreign company is not quoted on any other exchange, common and preferred shares of domestic companies, shares without voting rights. The market capitalization figures exclude: collective investment funds; rights, warrants, ETFs, convertible instruments; options, futures; foreign listed shares other than exclusively listed ones; companies whose only business goal is to hold shares of other listed companies, companies admitted to trading (companies admitted to trading are companies whose shares are traded at the exchange but not listed at the exchange).”

(+) A high value is desirable

Indicator Source: Eurostat

²⁰ <http://www.world-exchanges.org/statistics/statistics-definitions>

Data source: N/A

Data values for Cyprus (units not clear):

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
CY									0,22		
EU15									1,59		

LAF Maquette, December 2009

Time coverage: 2007

Geographical coverage: 27MSs

Indicator values for Cyprus:

LAF Maquette INDICATOR 3: Stock market liquidity

	Level		Growth-change		Qualification	
	Rate	Score on level	Change	Total score on growth rate	Level	Growth rate
CY	0,22	-30	N/A	N/A	--	N/A
EU15	1,59		0,00			
St.dev.	0,41		#DIV/0!			

LAF Maquette, December 2009

Aggregation weight: 100% (narrow list indicator)

General comments

This is a newly added indicator and there is not enough information about it in the official LAF documents. The score in levels is poor for Cyprus. Moreover, there is only one year value available for all EU countries, so no score in changes exists.

2.5.4. Efficiency of the banking system

Description: "Cost to income ratio-data for all banks" (Definition as mentioned in the Maquette spreadsheet. Not enough information.)

(-) A low value is desirable

Indicator Source: ECB

Data source: N/A

Data values for Cyprus (%):

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
CY	47,45										
EU15											

LAF Maquette, December 2009

Time coverage: 2006Geographical coverage: 27MSsIndicator values for Cyprus:**LAF Maquette INDICATOR 4: Efficiency of the banking system**

	Level		Growth-change		Qualification	
	Rate	Score on level	Change	Total score on growth rate	Level	Growth rate
CY	47,5	10	N/A	N/A	+	N/A
EU15	56,1		N/A			
St.dev.	8,8		#DIV/0!			

LAF Maquette, December 2009

Aggregation weight: 100% (narrow list indicator)General comments

This is a newly added indicator and there is not enough information about it in the official LAF documents. Therefore, analysis and comments are not possible. Moreover, there is only one year value available for all EU countries, so no score in changes exists.

2.5.5. Venture capital investments– early stage- relative to GDP, breakdown by investment stages

Description: Venture capital investment is defined as private equity raised for investment in companies. Management buy-outs, management buy-ins, and venture purchase of quoted shares are excluded.

Early stage venture capital investments comprise seed and start-up venture capital. Seed is defined as financing provided to research, assess and develop an initial concept before a business has reached the start-up phase. Start-up is defined as financing provided for product development and initial marketing, manufacturing, and sales.

Companies may be in the process of being set up or may have been in business for a short time, but have not sold their product commercially.

The indicators are presented in EUR million and as a percentage of GDP.

(+) A high value is desirable

Indicator Source: STRIND (Innovation and research theme)

Data source: N/A

No data available for Cyprus

Time coverage: 1998-2008

Geographical coverage: 18MSs

Aggregation weight: 100% (narrow list indicator)

2.5.6. Getting Credit - Legal Rights Index

Description: The strength of legal rights index measures the degree to which collateral and bankruptcy laws protect the rights of borrowers and lenders and thus facilitate lending. The index includes 7 aspects related to legal rights in collateral law and 3 aspects in bankruptcy law. A score of 1 is assigned for each of the following features of the laws:

- General rather than specific description of assets is permitted in collateral agreements.
- General rather than specific description of debt is permitted in collateral agreements.
- Any legal or natural person may grant or take security in the property.
- A unified registry operates that includes charges over movable property.
- Secured creditors have priority outside of bankruptcy.
- Secured creditors, rather than other parties such as government or workers, are paid first out of the proceeds from liquidating a bankrupt firm.
- Secured creditors are able to seize their collateral when a debtor enters reorganization; there is no “automatic stay” or “asset freeze” imposed by the court.
- Management does not stay during reorganization. An administrator is responsible for managing the business during reorganization.

- Parties may agree on out-of-court enforcement by contract.
- By law, and without the need for a contract, creditors may both seize and sell collateral out of court without restriction.

(+) A high value is desirable

Indicator Source: World Bank

Data source: World bank doing business

Data values for Cyprus (index):

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
CY										9,00	9,00
EU15											6,45

LAF Maquette, December 2009

Time coverage: 2004-2009

Geographical coverage: 25MSs

Indicator values for Cyprus:

LAF Maquette INDICATOR 6: Getting credit- legal rights

	Level		Growth-change		Qualification	
	Rate	Score on level	Change	Total score on growth rate	Level	Growth rate
CY	9,00	14	0,00	-2	++	0
EU15	6,45		0,06			
St.dev.	1,88		0,25			

LAF Maquette, December 2009

Aggregation weight: 100% (narrow list indicator)

General comments

In terms of legislation protecting borrowers and lenders Cyprus performs well compared to the EU15 average. In changes, the score is only based on the last 2 years so it is not very reliable.

Sub-category II: Financial market integration

2.5.7. Activity of foreign bank

Description: Assets of EU branches and subsidiaries/GDP. (Definition as noted in the Maquette spreadsheet. Not enough information.)

(+) A high value is desirable

Indicator Source: ECB

Data source: N/A

Data values for Cyprus (%GDP):

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
CY									1512,59		
EU15									705,3		

LAF Maquette, December 2009

Time coverage: 2007

Geographical coverage: 25MSs

Indicator values for Cyprus:

LAF Maquette INDICATOR 7: Activity of foreign bank

	Level		Growth-change		Qualification	
	Rate	Score on level	Change	Total score on growth rate	Level	Growth rate
CY	1512,6	6	N/A	N/A	+	N/A
EU15	705,3		0,00			
St.dev.	1274,7		#DIV/0!			

LAF Maquette, December 2009

Comments on score calculations:

An outlier value for Luxemburg (21.540,2), causes an enormous standard deviation among the EU15. This causes most MSs to have a neutral performance and most country scores belong to the interval -3 to 3. Indicators with a high standard deviation fail to rank countries, since the majority of them get a neutral score.

Aggregation weight: 100% (narrow list indicator)

General comments

This is a newly added indicator and there is not enough information about it in the official LAF documents. Therefore, analysis and comments are not possible. Moreover, there is only one year value available for all EU countries, so no score in changes exists.

2.5.8. Interest rate spreads: Retail spreads

Description: The spread between the national interest rate and the euro area interest rate for all euro area countries and the year 2007 with ECB data for 15 market segments

(-) A low value is desirable

Indicator Source: ECB

Data source: N/A

Comments on data:

No data are inserted in the Maquette for any of the EU countries! The score on levels is directly inserted in the Maquette.

Time coverage: 2007

Geographical coverage: 15MSs

Indicator values for Cyprus:

LAF Maquette INDICATOR 8: Interest rate spreads: Retail spreads

	Level		Growth-change		Qualification	
	Rate	Score on level	Change	Total score on growth rate	Level	Growth rate
CY		18,90	N/A	N/A	++	N/A
EU15	0,0		N/A			
St.dev.	#DIV/0!		#DIV/0!			

LAF Maquette, December 2009

Aggregation weight: 100% (narrow list indicator)

General comments

This is a newly added indicator and there is not enough information about it in the official LAF documents. Therefore, analysis and comments are not possible. Moreover, there is only one year value available for all EU countries, so no score in changes exists.

2.5.9. Share of foreign listed companies on equity exchanges

Description: “The ratio of companies that are incorporated in a country other than that where the exchange is located relative to the number of companies which have shares listed on a specific exchange.”

According the *World Federation of Exchanges* definition²¹, “Listed companies are the companies which have shares listed on an exchange at the end of the period, split into domestic and foreign, excluding investment funds and unit trusts. A company with several classes of shares is counted just once. Only companies admitted to listing are included.

A company is considered domestic when it is incorporated in the same country as where the exchange is located. A company is considered foreign when it is incorporated in a country other than that where the exchange is located.”

(+) A high value is desirable

Indicator Source: World Federation of Exchanges

Data source: N/A

Data values for Cyprus (%):

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
CY									0,00		
EU15									14,6		

LAF Maquette, December 2009

Time coverage: 2007

Geographical coverage: 21MSs

²¹ <http://www.world-exchanges.org/statistics/statistics-definitions>

Indicator values for Cyprus:

LAF Maquette INDICATOR 9: Share of foreign listed companies on equity exchanges

	Level		Growth-change		Qualification	
	Rate	Score on level	Change	Total score on growth rate	Level	Growth rate
CY	0,0	-17,8	N/A	N/A	--	N/A
EU15	14,6		0,00			
St.dev.	8,2		#DIV/0!			

LAF Maquette, December 2009

Aggregation weight: 100% (narrow list indicator)

General comments

According to the data, there are no foreign listed companies in the Cyprus Stock Exchange. The score in levels is -18, which is evaluated as poor. There is only one year value available for all EU countries, so no score in changes exists.

2.5.10. Financial openness: out and inflowing portfolio capital

Description: It is the sum of out and inflowing portfolio capital. Indicator construction is similar to trade openness indicators i.e. relating the sum of foreign capital from the current account to GDP.

(+) A high value is desirable

Indicator Source: Eurostat

Data source: N/A

Data values for Cyprus (units-not clear):

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
CY									32,27		
EU15									106,8		

LAF Maquette, December 2009

Time coverage: 2007

Geographical coverage: 26MSs

Indicator values for Cyprus:

LAF Maquette INDICATOR 10: Financial openness: out and inflowing portfolio capital

	Level		Growth-change		Qualification	
	Rate	Score on level	Change	Total score on growth rate	Level	Growth rate
CY	32,3	-3	N/A	N/A	0	N/A
EU15	106,8		0,00			
St.dev.	279,6		#DIV/0!			

LAF Maquette, December 2009

Comments on score calculations:

A big standard deviation again is due to an outlier value for Luxemburg (4765,7). Consequently most country scores belong to the interval -4 to 1. Indicators with high standard deviation fail to rank countries, since the majority of them get a neutral score.

Aggregation weight: 50% (narrow list indicator)

General comments

This is a newly added indicator and there is not enough information about it in the official LAF documents. The score for Cyprus is neutral though this indicator is much below the EU15 average. Moreover, there is only one year value available for all EU countries, so no score in changes exists.

2.5.11. Financial openness: stock of portfolio investments

Description: Assets and liabilities related to GDP

(+) A high value is desirable

Indicator Source: International Monetary Fund (IMF)

Data source: N/A

Data values for Cyprus (units not clear):

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
CY								100,2			
EU15								92,7			

LAF Maquette, December 2009

Time coverage: 2006

Geographical coverage: 26MSs

Indicator values for Cyprus:

LAF Maquette INDICATOR 11: Financial openness: stock of portfolio investments

	Level		Growth-change		Qualification	
	Rate	Score on level	Change	Total score on growth rate	Level	Growth rate
CY	100,2	0	N/A	N/A	0	N/A
EU15	92,7		N/A			
St.dev.	182,8		#DIV/0!			

LAF Maquette, December 2009

Comments on score calculations

There is a wide dispersion among countries, which causes the score evaluations to be concentrated around zero. Indicators with high standard deviation fail to rank countries, since the majority of them get a neutral score.

Aggregation weight: 50% (narrow list indicator)

General comments

This is a newly added indicator and there is not enough information about it in the official LAF documents. Moreover, there is only one year value available for all EU countries, so no score in changes exists.

Sub-category III: Competition on financial retail markets**2.5.12. Market concentration in the banking system: highest 5**

Description: The market share of the 5 biggest credit institutions.

(-) A low value is desirable

Indicator Source: ECB

Data source: N/A

Data values for Cyprus (% market):

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
CY									64,8		
EU15									43,6		

LAF Maquette, December 2009

Time coverage: 2007

Geographical coverage: 27MSs

Indicator values for Cyprus:

LAF Maquette INDICATOR 12: Market concentration in the banking system: highest 5

	Level		Growth-change		Qualification	
	Rate	Score on level	Change	Total score on growth rate	Level	Growth rate
CY	64,8	-12	N/A	N/A	--	N/A
EU15	43,6		0,00			
St.dev.	18,0		#DIV/0!			

LAF Maquette, December 2009

Aggregation weight: 100% (narrow list indicator)

General comments

The biggest five credit institutions hold 65% of the market. This indicates a relatively higher concentration compared to the EU15 average and hence Cyprus performs fairly poorly. Moreover, there is only one year value available for all EU countries, so no score in changes exists. Please see more information in Appendix B6, Table B6.1.

2.5.13. Market concentration in the banking system: Herfindahl index

Description: N/A

“The **Herfindahl index**, also known as **Herfindahl-Hirschman Index** or **HHI**, is a measure of the size of firms in relation to the industry and an indicator of the amount of competition among them. It is defined as the sum of the squares of the market shares of the 50 largest firms (or summed over all the firms if there are fewer than 50) within the industry, where the market shares are expressed as fractions. The result is proportional to the average market share, weighted by market share. As such, it can range from 0 to 1.0, moving from a huge number of very small firms to a single monopolistic producer. Increases in the Herfindahl index generally indicate a decrease in competition and an increase of market power, whereas decreases indicate the opposite. The major benefit of the Herfindahl index in relationship to such measures as the concentration ratio is that it gives more weight to larger firms.” (*Wikipedia*)

(-) A low value is desirable

Indicator Source: ECB

Data source: N/A

Data values for Cyprus (units not clear):

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
CY									1082		
EU15									615		

LAF Maquette, December 2009

Time coverage: 2007

Geographical coverage: 27MSs

Indicator values for Cyprus:

LAF Maquette INDICATOR 13: Market concentration in the banking system: Herfindahl

	Level		Growth-change		Qualification	
	Rate	Score on level	Change	Total score on growth rate	Level	Growth rate
CY	1082,0	-9	N/A	N/A	-	N/A
EU15	615,4		0,00			
St.dev.	524,7		#DIV/0!			

LAF Maquette, December 2009

Aggregation weight: 100% (narrow list indicator)

General comments

This is a newly added indicator and there is not enough information about it in the official LAF documents. Therefore, analysis and comments are not possible. Please see more information in Appendix B6, Table B6.1.

2.5.14. Tying of retail banking products

Description: “DG COMP “retail banking sectoral enquiry 2005-06” for four types of product combinations. This indicator is the average of all four combinations” (Definition as mentioned in the Maquette spreadsheet. Not enough information.)

(+) A high value is desirable

Indicator Source: DG COMP

Data source: N/A

Data values for Cyprus (units not clear):

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
CY								-4,72			
EU15											

LAF Maquette, December 2009

Time coverage: 2006

Geographical coverage: 22MSs

Indicator values for Cyprus:

LAF Maquette INDICATOR 14: Tying of retail banking products

	Level		Growth-change		Qualification	
	Rate	Score on level	Change	Total score on growth rate	Level	Growth rate
CY	-4,7	-4	N/A	N/A	-	N/A
EU15	-0,4		N/A			
St.dev.	10,1		#DIV/0!			

LAF Maquette, December 2009

Aggregation weight: 0% (wider list indicator)

Reason excluded from narrow list: Not mentioned

General comments

This is a newly added indicator and there is not enough information about it in the official LAF documents. Therefore, analysis and comments are not possible. Moreover, there is only one year value available for all EU countries, so no score in changes exists.

2.5.15. Access to financial services: density of banks branch network

Description: N/A

(-) A low value is desirable

Indicator Source: ECB

Data source: N/A

Data values for Cyprus (units not clear):

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
CY								818			
EU15								2547			

LAF Maquette, December 2009

Time coverage: 2006

Geographical coverage: 27MSs

Indicator values for Cyprus:

LAF Maquette INDICATOR 15: Access to financial services: density of banks' branch network

	Level		Growth-change		Qualification	
	Rate	Score on level	Change	Total score on growth rate	Level	Growth rate
CY	818,0	13	N/A	N/A	++	N/A
EU15	2547,0		N/A			
St.dev.	1311,7		#DIV/0!			

LAF Maquette, December 2009

Aggregation weight: 100% (narrow list indicator)

General comments

This is a newly added indicator and there is not enough information about it in the official LAF documents. Therefore, analysis and comments are not possible. Moreover, there is only one year value available for all EU countries, so no score in changes exists.

2.5.16. Access to financial services: financial inclusion

Description: N/A

(-) A low value is desirable

Indicator Source: Eurobarometer survey 2008

Data source: N/A

Data values for Cyprus (units not clear):

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
CY								18,0			
EU15								6,5			

LAF Maquette, December 2009

Time coverage: 2006

Geographical coverage: 25MSs

Indicator values for Cyprus:

LAF Maquette INDICATOR 16: Access to financial services: financial inclusion

	Level		Growth-change		Qualification	
	Rate	Score on level	Change	Total score on growth rate	Level	Growth rate
CY	18,0	-19	N/A	N/A	--	N/A
EU15	6,5		N/A			
St.dev.	6,0		#DIV/0!			

LAF Maquette, December 2009

Aggregation weight: 100% (narrow list indicator)

General comments

This is a newly added indicator and there is not enough information about it in the official LAF documents. Therefore, analysis and comments are not possible. Moreover, there is only one year value available for all EU countries, so no score in changes exists.

2.5.17. Access to financial services: penetration with ATMs

Description: N/A

(-) A low value is desirable

Indicator Source: ECB

Data source: N/A

Data values for Cyprus (units not clear):

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
CY									1534		
EU15									1361		

LAF Maquette, December 2009

Time coverage: 2007

Geographical coverage: 27MSs

Indicator values for Cyprus:

LAF Maquette INDICATOR 17: Access to financial services: penetration with ATMs

	Level		Growth-change		Qualification	
	Rate	Score on level	Change	Total score on growth rate	Level	Growth rate
CY	1534,0	-4	N/A	N/A	-	N/A
EU15	1360,9		0,00			
St.dev.	443,5		#DIV/0!			

LAF Maquette, December 2009

Aggregation weight: 100% (narrow list indicator)

General comments

This is a newly added indicator and there is not enough information about it in the official LAF documents. Therefore, analysis and comments are not possible. Moreover, there is only one year value available for all EU countries, so no score in changes exists.

2.5.18. The use of technical advances: cashless transactions

Description: “nbrs of cashless transaction: the value of cashless actions as the sum of purchases by cards, e-money, credit transfers, direct debits and other non-cash purchases. Payment per cheque was not included in the aggregate.” (Definition as mentioned in the Maquette spreadsheet. Not enough information.)

(+) A high value is desirable

Indicator Source: ECB

Data source: N/A

Data values for Cyprus (units not clear):

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
CY								1361,7			
EU15								2034,3			

LAF Maquette, December 2009

Time coverage: 2006

Geographical coverage: 27MSs

Indicator values for Cyprus:

LAF Maquette INDICATOR 18: The use of technical advances: cashless transactions

	Level		Growth-change		Qualification	
	Rate	Score on level	Change	Total score on growth rate	Level	Growth rate
CY	1361,7	-3	N/A	N/A	0	N/A
EU15	2034,3		N/A			
St.dev.	2281,4		#DIV/0!			

LAF Maquette, December 2009

Comments on score calculations:

Most MSs have scores between -7 and 7. The reason is the huge standard deviation cause by the UK value (7085,48).

Aggregation weight: 100% (narrow list indicator)

General comments

Cashless transactions in Cyprus are neutral compared to the EU15 average. There is only one year value available for all EU countries, so no score in changes exists. However, it is expected that this value will increase significantly in the following updates, since most retailers now accept credit cards and more people use them.

2.5.19. The use of technical advances: internet banking

Description: “use of internet banking relative to the use of internet” (Definition as mentioned in the Maquette spreadsheet. Not enough information.)

(+) A high value is desirable

Indicator Source: Eurostat

Data source: N/A

Data values for Cyprus (units not clear):

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
CY									31,0		
EU15									45,6		

LAF Maquette, December 2009

Time coverage: 2007

Geographical coverage: 27MSs

Indicator values for Cyprus:**LAF Maquette INDICATOR 19: The use of technical advances: internet banking**

	Level		Growth-change		Qualification	
	Rate	Score on level	Change	Total score on growth rate	Level	Growth rate
CY	31,0	-11	N/A	N/A	-	N/A
EU15	45,6		0,00			
St.dev.	13,7		#DIV/0!			

LAF Maquette, December 2009

Aggregation weight: 100% (narrow list indicator)General comments

The score in levels is poor relative to the EU15. There is only one year value available for all EU countries, so no score in changes exists. However, the score is expected to improve. The number of people using online banking has increased during the last 2 years, mainly because of an increase in the number of services offered online by Cypriot banks.

This is a newly added indicator and there is not enough information about it in the official LAF documents. Hence it is not clear how “internet use” or the “use of internet banking” are defined.

This indicator could fail to show the increase in the number of online banking users, due to a simultaneous increase in the number of internet users. An alternative indicator could be constructed as the use of internet banking over the total number of households in the country (Using the adult population as a denominator might also cause bias, since the size of the average household in each country differs)

2.5. A. Indicator Evaluation for policy area “Financial markets and access to finance”

In this section, we list all indicators included in the narrow and wider list, along with the relevant aggregation weight used in the Maquette for each of them. In the columns next to each indicator we summarize any problems observed that affect the reliability or the relevance of the indicator for this policy area, focusing on the case of Cyprus. The problems have already been analyzed in detail.

Table 2.5.1: Indicator Evaluation for policy area “Financial markets and access to finance”

Indicator	Weight	No data available for Cyprus in the Maquette	Incorrect/ inaccurate data for Cyprus	Not representative / useful indicator for Cyprus	Insufficient description/ unclear computation procedure	Inappropriate indicator for this policy area	Possible improvement for the indicator
Narrow List Indicators:							
1. Financial market size (+)	100	Only one year available for all countries			Not clear how deposits by non-residents affect this indicator and whether they should be taken into account		
3. Stock market liquidity (+)	100				Insufficient description		
4. Efficiency of the banking system: Cost to income ratio (-)	100						
5. Venture capital investments - early stage - relative to GDP, breakdown by investment stages (+)	100	No data available for Cyprus					
6. Getting Credit - Legal Rights Index	100						
7. Activity of foreign bank (+)	100	Only one year available for all countries			Insufficient description	Fails to rank countries due to high standard deviation	
8. Interest rate spreads: Retail spreads (-)	100						
9. Share of foreign listed companies on equity exchanges (+)	100						
10. Financial openness: out and inflowing portfolio capital (+)	50						Fails to rank countries due to high standard deviation
11. Financial openness: stock of portfolio investments (+)	50						

12. Market concentration in the banking system: highest 5 (-)	100					
13. Market concentration in the banking system: Herfindahl index (-)	100					
15. Access to financial services: density of banks' branch network (-)	100					
16. Access to financial services: financial inclusion (-)	100					
17. Access to financial services: penetration with ATMs (-)	100	Only one year available for all countries		Insufficient description		
18. The use of technical advances: cashless transactions (+)	100				Fails to rank countries due to high standard deviation	
19. The use of technical advances: internet banking (+)	100				Could fail if there is a simultaneous increase in internet users	Internet banking over the number of households

Wider List Indicators:

2. Value added in the financial sector (+)		Only one year available for all countries		Insufficient description	
14. Tying of retail banking products (+)					

2.5. B. Aggregate Scores on “Financial markets and access to finance”

To calculate the aggregate score both in levels and changes, we calculate the weighted average of the indicators included in the narrow list given the aggregation weights specified.

The total aggregate score for this policy area is -1,4, while the sub-aggregates are 4, 2 and -7 for efficiency, integration and competition respectively. Hence, performance in this area is evaluated as neutral. Note that for the sub-aggregate score on competition, the last three indicators are omitted from the calculations of the sub-score, while they are considered to be in the narrow list for the total score. If we add them the sub-score becomes -6 (see Table 2.5.4).

Table 2.5.2: “Financial markets and access to finance”– Sub- aggregate score on levels I- Efficiency

Indicators	Financial market size (+)	Stock market liquidity (+)	Efficiency of the banking system: Cost to income ratio (-)	Venture capital investments - early stage - relative to GDP(+)	Getting Credit - Legal Rights Index (+)	Sub- score Efficiency
Indicator type	performance	performance	performance	performance	policy	
Weights	100	100	100	100	100	
CY	23,239	-30	9,872	n.a	13,542	4
EU15	203,009	1,591	56,108	0,022	6,451	
std-dev	56,915	0,413	8,769	0,014	1,882	
Gap EU15-EU27	15,669	0,110	-0,137	0,002	-0,169	
Gap EU15-Five best	-92,947	-0,264	-7,258	-0,018	-2,549	
Gap EU15-EU5	-28,662	0,550	-4,636	-0,004	-0,493	

LAF Maquette, December 2009

Table 2.5.3: “Financial markets and access to finance”– Sub- aggregate score on levels II- Integration

Indicators	Activity of foreign bank (+)	Interest rate spreads: Retail spreads (-)	Share of foreign listed companies on equity exchanges (+)	Financial openness: out and inflowing portfolio capital (+)	Financial openness: stock of portfolio investments (+)	Sub- score integration
Indicator type	performance	performance	performance	performance	performance	
Weights	100	100	100	50	50	
CY	6,333	18,896	-17,803	-2,667	0,407	2
EU15	705,29	0,00	14,64	106,84	92,74	
std-dev	1274,71		8,23	279,65	182,83	
Gap EU15-EU27	-19,88		0,64	11,43	9,49	
Gap EU15-Five best	-1420,58		-5,89	-129,08	-201,28	
Gap EU15-EU5	-456,95	0,00	-3,51	-221,18	-175,44	

LAF Maquette, December 2009

Table 2.5.4: “Financial markets and access to finance”– Sub- aggregate score on levels III- Competition

Indicators	Market concentration in the banking system: highest 5 (-)	Market concentration in the banking system: Herfindahl index (-)	Access to financial services: density of banks' branch network(-)	Access to financial services: financial inclusion (-)	Access to financial services: penetration with ATMs (-)	The use of technical advances: cashless transactions (+)	The use of technical advances: internet banking (+)	Sub- score competition	Total aggregate score on levels
Indicator type	performance	performance	performance	performance	performance	performance	performance		
Weights	100	100	100	100	? *	? *	? *		
CY	-11,792	-8,892	13,181	-19,282	-3,904	-2,948	-10,667	-7	-1,4
Weights	100	100	100	100	100	100	100		
CY**	-11,792	-8,892	13,181	-19,282	-3,904	-2,948	-10,667	-6	-1,4
EU15	43,56	615,43	2546,97	6,46	1360,89	2034,33	45,64		
std-dev	18,01	524,68	1311,73	5,99	443,48	2281,36	13,73		
Gap EU15-EU27	-1,57	-40,16	-330,00	-2,47	-220,85	135,15	2,49		
Gap EU15-Five best	-41,12	-1468,51	-3223,41	-29,85	-2157,72	-4190,61	-29,99		
Gap EU15-EU5	-22,73	-656,63	-1144,61	3,53	-285,98	1153,38	-17,65		

*The weights given here are 100% for the total aggregate score and none for the sub-aggregate score for Competition

** Indicates computations when the all7 indicators are included in the sub-score calculations. In the Maquette, all seven indicators are given 100% weigh in the total score, however they are not included in any subcategory (probably by mistake). Since these are classified as competition indicators we include them in the subcategory score as well.

LAF Maquette, December 2009

In terms of growth, the total aggregate score should include 17 indicators like the score on levels. However, most of the indicators have only one observation and as a result, the score on growth cannot be calculated. The aggregate score is therefore based on only 2 indicators for all EU countries. For Cyprus this score is just the score of Indicator 6, as shown in Table 2.5.5. As a consequence, there are no scores for sub-categories either. The aggregate score on growth for this policy area should be ignored.

Table 2.5.5: “Financial markets and access to finance”– Sub- aggregate score on growth I- Efficiency

Indicators	Financial market size (+)	Stock market liquidity (+)	Efficiency of the banking system: Cost to income ratio (-)	Venture capital investments - early stage - relative to GDP(+)	Getting Credit - Legal Rights Index (+)	Sub- score Efficiency	Total aggregate score on growth
Indicator type	performance	performance	performance	performance	policy		
Weights	100	100	100	100	100		
CY	N/A	N/A	N/A	N/A	-2,327	-2	-2
EU15				-0,002	0,059		
std-dev				0,002	0,252		
Gap EU15-EU27				0,000	-0,002		
Gap EU15-Five best				-0,004	-0,384		
Gap EU15-EU5				0,001	0,029		

LAF Maquette, December 2009

2.5. C. General evaluation of the policy area

“The financial sector in Cyprus is mostly comprised of the banking sector, which largely provides insurance and asset management services as well. There are 43 banks operating in Cyprus, of which eight have Cyprus as their home country; the rest are branches or subsidiaries of foreign banks. Non-bank financial institutions include pension funds, insurance companies, and investment companies, with assets of €6.6 billion, €3.5 billion, and €1.4 billion as of end-2009 respectively.” (*International Monetary Fund, August 2010*)

Based on the LAF indicators, Cyprus gets a neutral evaluation in the first two sub-categories (efficiency, integration), while fairly poor in the last (competition). The financial size of the market is relatively large compared to the EU15 average. In terms of the efficiency of the domestic financial system the only indicator in which Cyprus underperforms is the “Stock market liquidity” indicator with a score of -30. The venture capital market on the other hand is inexistent in Cyprus and hence one of the main narrow list indicators is missing for Cyprus.

Regarding financial market integration, Cyprus performs well in foreign bank activity as mentioned above. However, no foreign companies are listed in the Cyprus Stock Exchange, which gives a score of -18 to the indicator “Share of foreign listed companies on equity exchanges”.

Finally, in terms of competition in the financial retail market, the banking sector is relatively more concentrated with the highest 5 banks holding 65% of the market. However, foreign presence in the market (especially from Greek banks) is growing and significant, which increases competition among banks. (Please see the Appendix B6 for more information.) Online bank services are now offered by all banks and the number of online banking users increased over the last two years. The same holds for the number of cashless transactions, since nowadays most retailers accept credit cards as method of payment. These changes are not yet reflected in the LAF data and hence the scores on these indicators are expected to improve.

2.6. Market integration- Openness to trade and investment

Market integration - openness to trade and investment refers to measures that liberalize trade and investment flows. These types of measures are generally part of the same set of reforms as the two phenomena appear to be closely linked. In practice, a numbers of policies are involved in the removal of barriers to trade and investment such as foreign ownership barriers, discriminatory procedures and tariffs and regulatory barriers at both national and international levels.

More openness to trade and investment will have a direct impact on productivity due to the removal of barriers to penetrate new markets. This could give the opportunity to fully exploit comparative advantage, could contribute to higher levels of investment and improve the overall growth and employment prospects. The following indirect effects may also occur: a) increase of efficiency through entry and exposure to competition, b) give the ability to benefit from economies of scale and c) encourage innovation and absorption of knowledge.

2.6.1. Barriers to trade and investment indicators- Barriers to FDI

Description: Barriers to international trade and investment indicator includes detailed indicators of (a) barriers to share-ownership for non-resident operators; (b) discriminatory procedures in international trade and competition policies; (c) regulatory barriers to trade; and (d) average (production weighted) tariffs.

The “barriers to share-ownership for non-residents” indicator reflects legal restrictions on foreign acquisition of equity in public and private firms and in the telecommunications and airlines sectors. Foreign ownership barriers typically take the form of limiting controlling equity stakes by non-residents in domestic companies. Obligatory screening and approval procedures may also constrain FDI to the extent that they raise entry costs, although the impact of such procedures on FDI flows may be quite limited in practice. Other formal constraints on FDI include restrictions on the ability of foreign nationals to work in affiliates and regulations that nationals or residents must form a majority of the board of directors. In addition, FDI flows may be hampered by informal barriers such as opaque application of regulatory procedures.

Caveats: usual caveats associated to composite indicator.

(-) A low value is desirable

Indicator Source: OECD

Data source: N/A

Time coverage: 2003; 2008

Geographical coverage: 19MSs

Aggregation weight: 0% (wider list indicator)

Reason excluded from narrow list: Limited time coverage

No data available for Cyprus

2.6.2. Barriers to trade and investment indicators- Discriminatory procedures

Description: Barriers to international trade and investment indicator includes detailed indicators of (a) barriers to share-ownership for non-resident operators; (b) discriminatory procedures in international trade and competition policies; (c) regulatory barriers to trade; and (d) average (production weighted) tariffs.

Discriminatory procedures in international trade and competition policies reflect the extent of discrimination against foreign firms at the procedural level.

(-) A low value is desirable

Indicator Source: OECD

Data source: N/A

Time coverage: 2003;2008

Geographical coverage: 19MSs

Aggregation weight: 0% (wider list indicator)

Reason excluded from narrow list: Limited time coverage

No data available for Cyprus

2.6.3. Barriers to trade and investment indicators- Regulatory barriers

Description: Barriers to international trade and investment indicator includes detailed indicators of (a) barriers to share-ownership for non-resident operators; (b) discriminatory procedures in international trade and competition policies; (c) regulatory barriers to trade; and (d) average (production weighted) tariffs.

Regulatory barriers to trade reflect other barriers to international trade (e.g. international harmonisation, mutual recognition agreements). It is an extent of discrimination against foreign firms at the procedural level.

(-) A low value is desirable

Indicator Source: OECD

Data source: N/A

Time coverage: 2003;2008

Geographical coverage: 19MSs

Aggregation weight: 0% (wider list indicator)

Reason excluded from narrow list: Limited time coverage

No data available for Cyprus

2.6.4. Barriers to trade and investment indicators- Tarriffs

Description: Barriers to international trade and investment indicator includes detailed indicators of (a) barriers to share-ownership for non-resident operators; (b) discriminatory procedures in international trade and competition policies; (c) regulatory barriers to trade; and (d) average (production weighted) tariffs.

Average production tariffs reflect the (simple) average of most-favoured-nation tariffs.

(-) A low value is desirable

Indicator Source: OECD

Data source: N/A

No data available for Cyprus

Time coverage: 2003;2008

Geographical coverage: 19MSs

Aggregation weight: 0% (wider list indicator)

Reason excluded from narrow list: Limited time coverage

2.6.5. Foreign direct investment restrictiveness

Description: This indicator takes into account policy variables other than bilateral taxation that may have a bearing on FDI by affecting the host-country business environment and rates of return on investment in foreign affiliates. These cover three broad areas: border barriers, domestic product market regulation and labour market arrangements.

(-) A low value is desirable

Indicator Source: OECD

Data source: N/A

Time coverage: 2006

Geographical coverage: 18MSs

Aggregation weight: 0% (wider list indicator)

Reason excluded from narrow list: Not mentioned - Limited time and geographical coverage

No data available for Cyprus

2.6.6. Number of infringements cases open- Open infringement cases for misapplication of internal market rules

Description: Infringement cases refer to those situations where, in the Commission's opinion, the transposition is not in conformity with the directive it transposes or cases where Internal Market legislation is not correctly applied and where a letter of formal notice has been sent to the Member State. Cases of non-communication, i.e. concerning directives counted in the transposition deficit are excluded from this indicator.

(-) A low value is desirable

Indicator Source: DG MARKT, IM Scoreboard

Data source: N/A

Data values for Cyprus (number):

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
CY							11,0	25,0	21,00	14,00	
EU15										81,60	

LAF Maquette, December 2009

Time coverage: 2005-2008

Geographical coverage: 25MSs

Indicator values for Cyprus:

LAF Maquette INDICATOR 6: Number of infringements cases open

	Level		Growth-change		Qualification	
	Rate	Score on level	Change	Total score on growth rate	Level	Growth rate
CY	14,0	30	26,0	-30	++	--
EU15	81,6		-3,73			
St.dev.	21,7		4,91			

LAF Maquette, December 2009

Aggregation weight: 0% (wider list indicator)

Reason excluded from narrow list: Not mentioned

General comments

Cyprus is evaluated as good in the number of infringements cases open, relative to the EU15 average. In terms of growth, however, it performs poorly.

2.6.7. Average transposition delay in months for overdue directives

Description: The average delay in the implementation of a directive, once the deadline has passed, is 13 months.

(-) A low value is desirable

Indicator Source: DG MARKT, IM Scoreboard

Data source: N/A

Data values for Cyprus (months):

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
CY							4,0	5,0	4,0		
EU15											

LAF Maquette, December 2009

Time coverage: 2005-2007

Geographical coverage: 25MSs

Indicator values for Cyprus:

LAF Maquette INDICATOR 7: Average transposition delay for overdue directives

	Level		Growth-change		Qualification	
	Rate	Score on level	Change	Total score on growth rate	Level	Growth rate
CY	4,0	19	2,50	-8	++	-
EU15	9,1		-10,46			
St.dev.	2,6		16,64			

LAF Maquette, December 2009

Aggregation weight: 0% (wider list indicator)

Reason excluded from narrow list: Not mentioned

General comments

In levels, Cyprus has a good performance in the average transposition delay for overdue directives, but a fairly poor performance in growth.

2.6.8. Single market directives - % implemented

Description: The Single market directives shows the percentage of Internal Market directives communicated as having been fully transposed, in relation to the total number of Internal Market directives which should have been transposed by the deadline.

(-) A low value is desirable

Indicator Source: DG MARKT, IM Scoreboard

Data source: N/A

Data values for Cyprus (%):

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
CY						95,6	98,9	99,2	98,8	98,3	
EU15						97,3	98,2	98,6	98,8	98,9	

LAF Maquette, December 2009

Time coverage: 1999-2008

Geographical coverage: 25MSs

Indicator values for Cyprus:

LAF Maquette INDICATOR 8: Single market directives- % implemented

	Level		Growth-change		Qualification	
	Rate	Score on level	Change	Total score on growth rate	Level	Growth rate
CY	98,3	-18	0,7	30	--	++
EU15	98,9		0,26			
St.dev.	0,4		0,13			

LAF Maquette, December 2009

Aggregation weight: 0% (wider list indicator)

Reason excluded from narrow list: Input from associate stakeholders

General comments

Cyprus is evaluated with a poor performance in levels, even though there is not a large absolute difference with the EU15 average. In terms of growth, Cyprus has significantly improved.

2.6.9. Number of 2 year overdue directives

Description: Shows the number of Directives overdue by over 2 years.

(-) A low value is desirable

Indicator Source: DG MARKT, IM Scoreboard

Data source: N/A

Data values for Cyprus (number of directives):

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
CY						19,0		0,0	0,0	0,0	
EU15											

LAF Maquette, December 2009

Comments on data:

The data for Cyprus might have some issues since there is only one value for 2004 followed by “zero’s” in the period 2006- 2008.

Time coverage: 2002-2008

Geographical coverage: 25MSs (every 2 years)

Indicator values for Cyprus:

LAF Maquette INDICATOR 9: Number of 2 years overdue directives

	Level		Growth-change		Qualification	
	Rate	Score on level	Change	Total score on growth rate	Level	Growth rate
CY	0,0	8	N/A	N/A	+	N/A
EU15	0,9		-17,14			
St.dev.	1,1		28,72			

LAF Maquette, December 2009

Aggregation weight: 0% (wider list indicator)

Reason excluded from narrow list: Not mentioned

General comments

Cyprus performs fairly well in levels. There is no evaluation in changes.

2.6.10. Trading across borders- Documents for import (number)

Description: Doing Business compiles procedural requirements for exporting and importing a standardized cargo of goods by ocean transports. All documents required to export and import the goods are recorded. Documents include bank documents, customs declaration and clearance documents, port filing documents, import licenses and other official documents exchanged between the concerned parties. Documents filed simultaneously are considered different documents but with the same time frame for completion.

(-) A low value is desirable

Indicator Source: World Bank

Data source: World Bank Doing Business

Data values for Cyprus (number):

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
CY										6,0	6,0
EU15											4,5

LAF Maquette, December 2009

Time coverage: 2005-2009

Geographical coverage: 24MSs

Indicator values for Cyprus:

LAF Maquette INDICATOR 10: Trading across borders- Documents for import

	Level		Growth-change		Qualification	
	Rate	Score on level	Change	Total score on growth rate	Level	Growth rate
CY	6,0	-9	0,00	-4	-	0
EU15	4,5		-4,78			
St.dev.	1,6		11,06			

LAF Maquette, December 2009

Aggregation weight: 0% (wider list indicator)

Reason excluded from narrow list: Redundancy criteria

General comments

Regarding the documents needed to import, Cyprus has a higher number relative to the EU15 and hence, it is evaluated as fairly poor. There is no change, so the score in changes is neutral.

2.6.11. Trading across borders- Cost to import

Description: Doing Business compiles procedural requirements for exporting and importing a standardized cargo of goods by ocean transport. Cost measures the fees levied on a 20-foot container in U.S. dollars. All the fees associated with completing the procedures to export or import the goods are included. These include costs for documents, administrative fees for customs clearance and technical control, terminal handling charges and inland transport. The cost measure does not include tariffs or trade taxes. Only official costs are recorded.

(-) A low value is desirable

Indicator Source: World Bank

Data source: World Bank doing business

Data values for Cyprus (US dollars per container):

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
CY										1030	1030
EU15											

LAF Maquette, December 2009

Time coverage: 2005-2009

Geographical coverage: 24MSs

Indicator values for Cyprus:

LAF Maquette INDICATOR 11: Trading across borders- Cost to import

	Level		Growth-change		Qualification	
	Rate	Score on level	Change	Total score on growth rate	Level	Growth rate
CY	1030,0	5,0	0,0	12	+	++
EU15	1119,7		6,29			
St.dev.	177,8		5,16			

LAF Maquette, December 2009

Aggregation weight: 50% (narrow list indicator)

General comments

Cyprus has a slightly lower cost to import and it is evaluated as fairly good. In terms of growth, the score is evaluated as good. However, the score in changes is not reliable, since it is only based on the last 2 years, where there is no absolute change.

2.6.12. Trading across borders- Time for import

Description: Doing Business compiles procedural requirements for exporting and importing a standardized cargo of goods by ocean transport. Time is recorded in calendar days. The time calculation for a procedure starts from the moment it is initiated and runs until it is completed. If a procedure can be accelerated for an additional cost, the fastest legal procedure is chosen. Procedures that can be completed in parallel are measured as simultaneous. The waiting time between procedures—for example, during unloading of the cargo—is included in the measure.

(-) A low value is desirable

Indicator Source: World Bank

Data source: World Bank doing business

Data values for Cyprus (days):

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
CY										5,0	5,0
EU15											

LAF Maquette, December 2009

Time coverage: 2005-2009

Geographical coverage: 24MSs

Indicator values for Cyprus:**LAF Maquette INDICATOR 12: Trading across borders- Time for import**

	Level		Growth-change		Qualification	
	Rate	Score on level	Change	Total score on growth rate	Level	Growth rate
CY	5,0	12	0,0	-7	++	-
EU15	10,3		-3,51			
St.dev.	4,4		5,21			

LAF Maquette, December 2009

Aggregation weight: 50% (narrow list indicator)General comments

In terms of time to import, Cyprus has a good score on levels. The score on growth, on the other hand, is fairly poor but it is only based on the yearly change 2008-2009, where no absolute change has occurred.

2.6.13. Protecting investors- Disclosure Index

Description: Doing Business measures the strength of minority shareholder protections against directors' misuse of corporate assets for personal gain. The extent of disclosure index has five components, which assess:

- What corporate body can provide legally sufficient approval for the transaction in which a company's controlling shareholder misuses corporate assets for personal gain. A score of 0 is assigned if it is the controlling shareholder or the managing director alone; 1 if the board of directors or shareholders must vote and the controlling shareholder is permitted to vote; 2 if the board of directors must vote and the controlling shareholder is not permitted to vote; 3 if shareholders must vote and the controlling shareholder is not permitted to vote.
- Whether immediate disclosure of the transaction to the public, the regulator or the shareholders is required. A score of 0 is assigned if no disclosure is required; 1 if disclosure on the terms of the transaction but not the controlling shareholder's conflict of interest is required; 2 if disclosure on both the terms and the controlling shareholder's conflict of interest is required.
- Whether disclosure in the annual report is required. A score of 0 is assigned if no disclosure on the transaction is required; 1 if disclosure on the terms of the

transaction but not the controlling shareholder's conflict of interest is required; 2 if disclosure on both the terms and the controlling shareholder's conflict of interest is required.

- Whether disclosure by the controlling shareholder to the board of directors is required. A score of 0 is assigned if no disclosure is required; 1 if a general disclosure of the existence of a conflict of interest is required without any specifics; 2 if full disclosure of all material facts relating to the controlling shareholder's interest in the transaction is required.
- Whether it is required that an external body, for example, an external auditor, review the transaction before it takes place. A score of 0 is assigned if no; 1 if yes.

Caveats: 1) the collected data refer only to businesses in the country's most populous city 2) the data often focus on a specific business form - a limited liability company of a specified size 3) transactions described in a standardized case study refer to a specific set of issues and may not represent the full set of issues a business encounters. 4) usual limitation of surveys for some questions.

(+) A high value is desirable

Indicator Source: World Bank

Data source: World Bank Doing Business

Data values for Cyprus (index):

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
CY										4,0	4,0
EU15											

LAF Maquette, December 2009

Time coverage: 2005-2009

Geographical coverage: 24MSs

Indicator values for Cyprus:**LAF Maquette INDICATOR 13: Protecting investors- Disclosure Index**

	Level		Growth-change		Qualification	
	Rate	Score on level	Change	Total score on growth rate	Level	Growth rate
CY	4,0	-12	0,00	-2	--	0
EU15	6,9		0,03			
St.dev.	2,5		0,16			

LAF Maquette, December 2009

Aggregation weight: 0% (wider list indicator)Reason excluded from narrow list: Inputs from associate stakeholdersGeneral comments

In terms of disclosure, Cyprus has a poor score on levels. The score on growth, on the other hand, is neutral but it is only based on the yearly change 2008-2009, where no absolute change has occurred.

2.6.14. Protecting investors- Director liability Index

Description: Doing Business measures the strength of minority shareholder protections against directors' misuse of corporate assets for personal gain. The extent of director liability index has 7 components:

- Whether a shareholder plaintiff is able to hold the controlling shareholder liable for damage the transaction causes to the company. A score of 0 is assigned if the controlling shareholder cannot be held liable or can be held liable only for fraud or bad faith; 1 if the controlling shareholder can be held liable only if he influenced the approval of the transaction or was negligent; 2 if the controlling shareholder can be held liable when the transaction is unfair or prejudicial to the other shareholders.
- Whether a shareholder plaintiff is able to hold the approving body (the CEO or board of directors) liable for damage the transaction causes to the company. A score of 0 is assigned if the approving body cannot be held liable or can be held liable only for fraud or bad faith; 1 if the approving body can be held liable for negligence; 2 if the approving body can be held liable when the transaction is unfair or prejudicial to the other shareholders.

- Whether a court can void the transaction upon a successful claim by a shareholder plaintiff. A score of 0 is assigned if rescission is unavailable or is available only in case of fraud or bad faith; 1 if rescission is available when the transaction is oppressive or prejudicial to the other shareholders; 2 if rescission is available when the transaction is unfair or entails a conflict of interest.
- Whether the controlling shareholder pays damages for the harm caused to the company upon a successful claim by the shareholder plaintiff. A score of 0 is assigned if no; 1 if yes.
- Whether the controlling shareholder repays profits made from the transaction upon a successful claim by the shareholder plaintiff. A score of 0 is assigned if no; 1 if yes.
- Whether fines and imprisonment can be applied against the controlling shareholder. A score of 0 is assigned if no; 1 if yes.
- Whether shareholder plaintiffs are able to sue directly or derivatively for damage the transaction causes to the company. A score of 0 is assigned if suits are unavailable or are available only for shareholders holding more than 10% of the company's share capital; 1 if direct or derivative suits are available for shareholders holding 10% or less of share capital.

(+) A high value is desirable

Indicator Source: World Bank

Data source: World Bank Doing Business

Data values for Cyprus (index):

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
CY										4	4
EU15											

LAF Maquette, December 2009

Time coverage: 2005-2009

Geographical coverage: 24MSs

Indicator values for Cyprus:

LAF Maquette INDICATOR 14: Protecting investors- Director Liability Index

	Level		Growth-change		Qualification	
	Rate	Score on level	Change	Total score on growth rate	Level	Growth rate
CY	4,0	-3	0,0	-2	0	0
EU15	4,6		0,01			
St.dev.	1,9		0,04			

LAF Maquette, December 2009

Aggregation weight: 0% (wider list indicator)

Reason excluded from narrow list: Inputs from associated stakeholders

General comments

In terms of director liability, Cyprus has a neutral score on levels. The score on growth is also neutral, but it is only based on the yearly change 2008-2009, where no absolute change has occurred.

2.6.15. Protecting investors- Shareholders suits index

Description: Doing Business measures the strength of minority shareholder protections against directors' misuse of corporate assets for personal gain. The ease of shareholder suits index has 6 components.

- What range of documents is available to the shareholder plaintiff from the defendant and witnesses during trial. A score of 1 is assigned for each of the following types of documents available: information that the defendant has indicated he intends to rely on for his defence; information that directly proves specific facts in the plaintiff's claim; any information relevant to the subject matter of the claim; and any information that may lead to the discovery of relevant information.
- Whether the plaintiff can directly examine the defendant and witnesses during trial. A score of 0 is assigned if no; 1 if yes, with prior approval of the questions by the judge; 2 if yes, without prior approval.
- Whether the plaintiff can obtain categories of relevant documents from the defendant without identifying each document specifically. A score of 0 is assigned if no; 1 if yes.

- Whether shareholders owning 10% or less of the company's share capital can request that a government inspector investigate the transaction without filing suit in court. A score of 0 is assigned if no; 1 if yes
- Whether shareholders owning 10% or less of the company's share capital have the right to inspect the transaction documents before filing suit. A score of 0 is assigned if no; 1 if yes.
- Whether the standard of proof for civil suits is lower than that for a criminal case. A score of 0 is assigned if no; 1 if yes.

(+) A high value is desirable

Indicator Source: World Bank

Data source: World Bank Doing Business

Data values for Cyprus (Index):

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
CY										7	7
EU15											

LAF Maquette, December 2009

Time coverage: 2005-2009

Geographical coverage: 24MSs

Indicator values for Cyprus:

LAF Maquette INDICATOR 15: Protecting investors- Shareholders suits index

	Level		Growth-change		Qualification	
	Rate	Score on level	Change	Total score on growth rate	Level	Growth rate
CY	7,0	12	0,0	N/A	++	N/A
EU15	5,6		0,00			
St.dev.	1,1		0,00			

LAF Maquette, December 2009

Aggregation weight: 0% (wider list indicator)

Reason excluded from narrow list: Inputs from associated stakeholders

General comments

In terms of shareholder's protection, Cyprus has a good score on levels. The score on growth, however is not calculated for any of the countries.

2.6.16. Protecting investors- Investor Protection index

Description: Doing Business measures the strength of minority shareholder protections against directors' misuse of corporate assets for personal gain. The strength of investor protection index is the average of the extent of disclosure index, the extent of director liability index and the ease of shareholder suits index.

(+) A high value is desirable

Indicator Source: World Bank

Data source: World Bank Doing Business

Data values for Cyprus (index):

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
CY										5	5
EU15											

LAF Maquette, December 2009

Time coverage: 2005-2009

Geographical coverage: 24MSs

Indicator values for Cyprus:

LAF Maquette INDICATOR 16: Protecting investors- Investors protection index

	Level		Growth-change		Qualification	
	Rate	Score on level	Change	Total score on growth rate	Level	Growth rate
CY	5,0	-6	0,0	-2	-	0
EU15	5,7		0,01			
St.dev.	1,2		0,06			

LAF Maquette, December 2009

Aggregation weight: 0% (wider list indicator)

Reason excluded from narrow list: Inputs from associated stakeholders

General comments

In terms of protecting investors, Cyprus has a fairly poor score on levels. The score on growth, on the other hand, is neutral but it is only based on the yearly change 2008-2009, where no absolute change has occurred.

2.6.17. Market integration- Trade integration of goods

Description: Average value of imports and exports of goods divided by GDP and multiplied by 100. If the index increases over time it means that the country/zone is becoming more integrated within the international economy.

Caveats: size effect, it is not conceptually correct to compare small and large country as the second tend to have smaller degrees of openness. Moreover trade openness measures based on actual trade volume are not necessarily related to policy and they are largely endogenous: a country can distort trade heavily and still have a high ratio of trade to GDP.

(+) A high value is desirable

Indicator Source: Economic Reform, STRIND, Eurostat²²

Data source: Balance of Payments

Data values for Cyprus (%GDP):

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
CY	22,1	24,3	23,4	21,7	18,9	20,2	21,7	21,0	22,0	25,0	
EU15	9,0	10,8	10,5	10,1	9,9	10,4					

LAF Maquette, December 2009

Time coverage: 1999-2008

Geographical coverage: 26MSs

²² <http://epp.eurostat.ec.europa.eu/tgm/table.do?tab=table&init=1&plugin=1&language=en&pcode=tsier120>

Indicator values for Cyprus:

LAF Maquette INDICATOR 17: Market integration- Trade integration of goods

	Level		Growth-change		Qualification	
	Rate	Score on level	Change	Total score on growth rate	Level	Growth rate
CY	25,0	6	0,3	1	+	0
EU15	10,4		0,28			
St.dev.	23,4		0,77			
CY*	25,0	-4	0,3	-5	0	-
EU15*	30,1		0,66			
St.dev.	12,5		0,67			

*Indicates EU15 average for 2008 and the corresponding score for CY

LAF Maquette, December 2009

Comments on score calculations:

The EU15 average used for the score calculations corresponds to 2004, while the rate for MSs corresponds to 2008! This differs significantly from the EU15 average in 2008. Correcting this, the scores for most MSs change.

Aggregation weight: 50% (narrow list indicator)

General comments

In terms of trade integration of goods, Cyprus has a fairly good score on levels. The score on growth, on the other hand, is neutral. Correcting the score calculations makes the performance for Cyprus neutral on levels and fairly poor in changes.

2.6.18. Market integration- Trade integration of services

Description: Average value of imports and exports of services divided by GDP and multiplied by 100. If the index increases over time it means that the country/zone is becoming more integrated within the international economy.

(+) A high value is desirable

Indicator Source: Economic Reform, STRIND, Eurostat²³

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<http://epp.eurostat.ec.europa.eu/tgm/refreshTableAction.do?jsessionid=9ea7971b30e662e5bc8174654d19a92e8bb513a19adf.e34RaNaLaN0Mc40LcheTaxiLbN0Ke0?tab=table&plugin=1&pcode=tsier120&language=en>

Data source: Balance of Payments

Data values for Cyprus (% GDP):

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
CY	22,2	23,5	30,9	29,5	28,4	28,1	27,2	27,3	29,2	30,4	
EU15	3,20	3,50	3,60	3,50	3,40	3,60					

LAF Maquette, December 2009

Time coverage: 1999-2008

Geographical coverage: 27MSs

Indicator values for Cyprus:

LAF Maquette INDICATOR 18: Market integration- Trade integration of services

	Level		Growth-change		Qualification	
	Rate	Score on level	Change	Total score on growth rate	Level	Growth rate
CY	30,4	30	0,9	23	++	++
EU15	3,6		0,08			
St.dev.	8,6		0,36			
CY*	30,4	30	0,9	21	++	++
EU15*	8,9		0,19			
St.dev.	6,8		0,35			

*Indicates EU15 average for 2008 and the corresponding score for CY

LAF Maquette, December 2009

Comments on score calculations:

The EU15 average used for the score calculations corresponds to 2004, while the rate for MSs corresponds to 2008! This differs significantly from the EU15 average in 2008. Correcting this, the scores for most MSs change. This doesn't affect CY.

Aggregation weight: 50% (narrow list indicator)

General comments

In terms of trade integration of services, Cyprus has a good score on levels. The score on growth is also good, which indicates that Cyprus is becoming more integrated within the international economy.

2.6.19. Market integration- Foreign direct investment intensity

Description: It is the average value of inwards and outwards Foreign Direct Investment (FDI) flows divided by GDP and multiplied by 100. The index measures the intensity of investment integration within the international economy.

The direct investment refers to the international investment made by a resident entity (direct investor) to acquire a lasting interest in an entity operating in an economy other than that of the investor (direct investment enterprise). Direct investment involves both the initial transactions between the two entities and all subsequent capital transactions between them and among affiliated enterprises, both incorporated and unincorporated. Data are expressed as percentage of GDP to remove the effect of differences in the size of the economies of the reporting countries.

Caveats: The indicator is biased towards economies specialised in tradable services (finance, ITC, business services). Data on FDIs (establishments) in the service sector could be integrated in future

(+) A high value is desirable

Indicator Source: Economic Reform, STRIND, Eurostat²⁴

Data source: Balance of Payments- International transactions

Data values for Cyprus (%):

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
CY	5,10	5,50	6,20	7,50	5,50	5,60	5,10	6,40	7,90	15,60	
EU15	2,80	3,60	2,60	1,40	1,40	1,10	2,00	2,00	3,70	2,30	

LAF Maquette, December 2009

Time coverage: 1999-2008

Geographical coverage: 25MSs

²⁴ <http://epp.eurostat.ec.europa.eu/tgm/table.do?tab=table&init=1&plugin=1&language=en&pcode=tsier130>

Indicator values for Cyprus:

LAF Maquette INDICATOR 19: Market integration- Foreign direct investment intensity

	Level		Growth-change		Qualification	
	Rate	Score on level	Change	Total score on growth rate	Level	Growth rate
CY	15,6	10	1,2	5	+	+
EU15	2,30		-0,06			
St.dev.	13,28		2,65			

LAF Maquette, December 2009

Aggregation weight: 100% (narrow list indicator)

General comments

In terms of intensity of investment integration, Cyprus is evaluated as fairly good in levels and in changes.

2.6.20. Exports of goods and services at 2000 prices, national currency, annual percentage change

Description: "It is the annual percentage change in exports of goods and services at 2000 prices (national currency)." (Definition as mentioned in the Maquette spreadsheet. Not enough information.)

(+) A high value is desirable

Indicator Source: AMECO database, ECFIN-European Commission

Data source: National Accounts

Data values for Cyprus (% change):

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
CY	8,93	10,45	6,13	-4,89	-0,47	5,48	4,87	3,53	6,09	-2,05	
EU15	5,69	12,39	3,65	1,86	1,18	7,09	5,52	8,79	4,87	1,07	

LAF Maquette, December 2009

Time coverage: 1999-2008

Geographical coverage: 27MSs

Indicator values for Cyprus:

LAF Maquette INDICATOR 20:

Exports of goods and services at 2000 prices, annual percentage change

	Level		Growth-change		Qualification	
	Rate	Score on level	Change	Total score on growth rate	Level	Growth rate
CY	-2,05	-13	-1,22	-23	--	--
EU15	1,07		-0,51			
St.dev.	2,32		0,31			

LAF Maquette, December 2009

Aggregation weight: 0% (wider list indicator)

Reason excluded from narrow list: Inputs from associate stakeholders- redundant

General comments

In terms of the change in exports of goods and services, Cyprus performs poorly both in levels and changes.

2.6.21. Growth of direct investment inward stocks by main origin of investment (million ECU/EUR) Partner: All countries of the world

Description: Growth of direct investment inward stocks broken down by main origin of investment. For this indicator partner (main origin of investment) is selected to be "all countries of the world".

Foreign direct investment (FDI) is the category of international investment made by a resident entity (direct investor) to acquire a lasting interest in an entity operating in an economy other than that of the investor (direct investment enterprise). The lasting interest is deemed to exist if the investor acquires at least 10 % of the equity capital of the enterprise. FDI stocks are the value of FDI assets (for outward FDI stocks) and FDI liabilities (for inward FDI stocks) at the end of the reference period.

(+) A high value is desirable

Indicator Source: Eurostat²⁵

Data source: European Union direct investments, Balance of Payments, Eurostat

²⁵ <http://epp.eurostat.ec.europa.eu/tgm/table.do?tab=table&init=1&language=en&pcode=tec00051&plugin=1>

Data values for Cyprus (%):

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
CY					13,9%	18,0%	16,5%	42,3%	18,3%	22%	
EU15		37,9%	13,9%	3,4%	11,2%	8,0%	17,1%	13,4%	13,8%	1%	

LAF Maquette, December 2009

Time coverage: 2000-2008

Geographical coverage: 23MSs

Indicator values for Cyprus:

LAF Maquette INDICATOR 21: Growth of direct investment inward stock

	Level		Growth-change		Qualification	
	Rate	Score on level	Change	Total score on growth rate	Level	Growth rate
CY	0,2	19	0,00	23	++	++
EU15	0,0		-0,05			
St.dev.	0,1		0,03			

LAF Maquette, December 2009

Aggregation weight: 0% (wider list indicator)

Reason excluded from narrow list: Inputs from associate stakeholders- redundant

General comments

In terms of growth of direct investment inward stock, Cyprus has a good performance both in levels and changes.

2.6. A. Indicator Evaluation for policy area “Market integration- Openness to trade and investment”

In this section, we list all indicators included in the narrow and wider list, along with the relevant aggregation weight used in the Maquette for each of them. In the columns next to each indicator we summarize any problems observed that affect the reliability or the relevance of the indicator for this policy area, focusing on the case of Cyprus. The problems have already been analyzed in detail.

Table 2.6.1: Indicator Evaluation for policy area “Market integration- Openness to trade and investment”

Indicator	Weight	No data available for Cyprus in the Maquette	Incorrect/ inaccurate data for Cyprus	Not representative / useful indicator for Cyprus	Insufficient description/ unclear computation procedure	Inappropriate indicator for this policy area	Possible improvement for the indicator
Narrow List Indicators:							
11. Trading across borders- Cost to import	50						
12. Trading across borders – Time for import	50						
17. Market integration- trade integration of goods	50		Incorrect score calculations.				Use the right EU15 avg
18. Market integration- trade integration of services	50						
19. Market integration- Foreign direct investment intensity	100						
Wider List Indicators:							
1. Barriers to trade and investment- Ownership barriers		No data available for Cyprus					
2. Barriers to trade and investment- Discriminatory procedures							
3. Barriers to trade and investment- Regulatory barriers							
4. Barriers to trade and investment- Tarrifs							
5. Foreign direct investment restrictiveness							
6. Number of infringements cases open- Open infringement cases for misapplication of Internal market rules							
7. Average transposition delay in months for overdue directives							

8. Single market directives- % implemented

9. Number of 2 years overdue directives

10. Trading across borders- documents for
import (number)

13. Protecting investors- Disclosure index

14. Protecting investors- Director liability

15. Protecting investors- Shareholder suits index

16. Protecting investors- Investor protection
index

20. Exports of goods and services in 200 prices

21. Growth of direct investment inward stocks by
main origin of investment

2.6. B. Aggregate Scores on “Market integration- Openness to trade and investment”

To calculate the aggregate score both in levels and changes, we calculate the weighted average of the indicators included in the narrow list given the aggregation weights specified.

The aggregate score in levels for this policy area is 12 . Hence, performance in this area is evaluated as good. In terms of growth, the aggregate score is 6, which makes the growth performance fairly good. If we correct the mistakes made on the score calculations for two of the market integration instigators, the scores become 11 and 5 respectively.

Table 2.6.2: “Market integration- Openness to trade and investment”– Aggregate score on levels

Indicators	Trading Across Borders - Cost to import (US\$ per container) (-)	Trading Across Borders - Time for import (days) (-)	Market integration - trade integration of goods - Average value of imports and exports of goods divided by GDP, multiplied by 100 (+)	Market integration - Trade integration of services - Average value of imports and exports of services divided by GDP, multiplied by 100 (+)	Market integration - Foreign Direct Investment intensity - Average value of inward and outward Foreign Direct Investment flows divided by GDP, multiplied by 100 (+)	Aggregate score on levels
Indicator type	policy	policy	performance	performance	performance	
Weights	50	50	50	50	100	
CY	5,047	12,007	6,248	30,00	10,019	12,2
CY*	5,047	12,007	-4,099	30,00	10,019	10,5
EU15	1119,740	10,258	10,400	3,600	2,300	
std-dev	177,808	4,379	23,366	8,619	13,275	
Gap EU15-EU27	3,425	-1,145	-21,820	-5,266	-2,038	
Gap EU15-Five best	-346,404	-14,263	-59,712	-31,524	-22,309	
Gap EU15-EU5	110,499	3,133	-37,912	-15,275	-6,007	

LAF Maquette, December 2009

Table 2.6.3: "Market integration- Openness to trade and investment"- Aggregate score on growth

Indicators	Trading Across Borders - Cost to import (US\$ per container (-))	Trading Across Borders - Time for import (days) (-)	Market integration - trade integration of goods - Average value of imports and exports of goods divided by GDP, multiplied by 100 (+)	Market integration - Trade integration of services - Average value of imports and exports of services divided by GDP, multiplied by 100 (+)	Market integration - Foreign Direct Investment intensity - Average value of inward and outward Foreign Direct Investment flows divided by GDP, multiplied by 100 (+)	Aggregate score on levels
Indicator type	policy	policy	performance	performance	performance	
Weights	50	50	50	50	100	
CY	12,180	-6,735	0,546	22,882	4,609	6
CY*	12,180	-6,735	-5,034	20,801	4,609	5
EU15	6,285	-3,506	0,280	0,080	-0,056	
std-dev	5,160	5,205	0,773	0,363	2,652	
Gap EU15-EU27	0,284	-0,195	-0,475	-0,103	0,229	
Gap EU15-Five best	-5,951	-3,573	-1,872	-1,516	-1,605	
Gap EU15-EU5	4,283	-2,868	-0,521	-0,319	2,152	

LAF Maquette, December 2009

2.6. C. General evaluation of the policy area

On aggregate, Cyprus scores better than average in level and change terms (level 12, changes 6). In general, Cyprus is a highly open economy. Due to its small domestic market and the open nature of its economy, access to international markets is very important. Cyprus performs above average in terms of both cost and time needed for imports. Moreover, good performance is observed in the trade integration of goods and services. More specifically, the average value of imports/exports of goods was 25% of GDP in 2008. The average value of imports/exports of services is 30% of GDP, which is among the highest in the EU.

Based on LAF, the strong integration of the economy of Cyprus with the rest of the world is also reflected in its high FDI Intensity (15,6% GDP in 2008) which exceeds the EU15 Intensity (2,3% GDP). Foreign Direct Investment (FDI) has been liberalized since the 1st of October 2004. According to additional information from the Cyprus Investment Promotion Agency (CIPA), in 2009, Cyprus attracted a total of 4,493 million Euro in Foreign Direct Investment (FDI) compared to 3,112 million Euro in 2008 and 1725 million Euro in 2007. Hence, higher scores are expected in the next updates. In 2008, the top three FDI sectors were Financial Intermediation (1,315.2 million Euro), Real Estate and Business Activities (817.9 million Euro) and Trade and Repairs (415.9 million Euro). For more information see Appendix B7.

APPENDIX B: Supplementary Information on Capital Market Conditions and Legislation in Cyprus

B1: Telecommunications in Cyprus

Cyprus Telecommunications Authority (CYTA)

The Cyprus Telecommunications Authority (Cyta), a semi-governmental organization incorporated by law, is the leading provider of Integrated Electronic Communications in Cyprus. Originally established as Cyprus Inland Telecommunications Authority (C.I.T.A.) in 1955, it was renamed Cyta in 1961 after taking control of external communications from Cable and Wireless Ltd. It is the dominant provider of fixed line telecommunications, mobile telecommunications and Internet access in Cyprus.

Cyta has provided mobile telephony service since 1988, which currently operates under the name Cytamobile-Vodafone, following a Network Partnership Agreement with Vodafone in 2004. It provides Internet access since 1995 under the Cytanet brand and it now offers its customers a range of broadband services DSL Access. Branded as miVision then, Cyta entered in 2004 the digital and interactive television market. The service has been renamed Cytavision.

Building on its role as a telecommunications hub in the South-Eastern Mediterranean, Cyta expanded its operations in the Greek market, offering broadband Internet and fixed telephony services in specific areas of Greece, with plans for further expansion in the future. It also operates in the British market, under the brand Cyta UK, offering tailored network solutions to customers based on the IP-MPLS platform. Central and Eastern Europe are markets that have also been targeted.

In recent years and following Cyprus' accession to the European Union in 2004, Cyta faced a number of challenges with regards to the legal implications and regulations of operating within the European Bloc, the fierce competition this brings as well as the ever changing developments in telecommunications.

Cyta is the first organisation in Cyprus that has become a member of the European Foundation for Quality Management (EFQM). In 2007 the foundation officially declared that Cyta be Recognised for Excellence and placed it in the highest ranking at five stars.

Source: Wikipedia, <http://en.wikipedia.org/wiki/CYTA>

Liberalisation of telecommunications in Cyprus

Cyprus had undertaken all necessary initiatives in order to complete the liberalization process in the telecommunications sector and the harmonization with the *acquis communautaire* within the period of 2002 and 2003. Primarily, the procedure was instituted by the establishment of the Office of the Commissioner of Telecommunications and Postal Regulation (OCTPR) in 2002 under Act 19(I)/2002. This was followed by the issuance of legislative regulations and orders leading to full harmonization with the applicable regulatory framework regarding telecommunications.

The target of the legislative work was the carrying out of the obligations of Cyprus in connection with its accession to the European Union in May 2004 and at the same time the creation of conditions for the development and maintenance of healthy competition. The publication of six Regulations regarding the matters of licensing and administrative fees, interconnection, quality of services and public hearings, on 31 December 2002 which theoretically abolished the monopoly regime in the telecommunications sector was instrumental in providing OCTPR with the legal basis to proceed and take concrete practical regulatory measures for the attainment of the target of the liberalization of the telecommunications market. The period January-December 2003 had been particularly significant to the development of a competitive environment in the

telecommunications sector, given that decisive steps were taken towards the liberalisation of the market and the entry of new companies providing telecommunications networks and services.

The Regulations and the Orders which were enacted during 2003 were based on the European legislative framework in the Telecommunications sector, which was in force during that period.

The EU regulatory framework was fully implemented in Cyprus by the enactment of the Act on Regulation of the Electronic Communications and Postal Services, Act 112(I)/2004. After enactment by Parliament on 30 April 2004, Act 19(I)/2004 was abolished, and the Office of the Commissioner of Telecommunications and Postal Regulation (OCTPR) was renamed to Office of the Commissioner of Electronic Communications and Postal Regulation (OCECPR).

The Act on Regulation of the Electronic Communications and Postal Services is the main legislative instrument governing the operation of electronic communications networks and the provision of electronic communication services. This general legislation incorporates provisions which call for the drafting of secondary legislation which will ensure the complete transposition of the *acquis communautaire* as well as deal in more detail with the implementation of the Act.

Office of the Commissioner of Electronic Communications and Postal Regulation

The Office of the Commissioner of Electronic Communications and Postal Regulation (OCECPR) is the national regulatory authority, entrusted by law to apply the provisions of the Act on Regulation of the Electronic Communications and Postal Services, Act 112(I)/2004. The Commissioner is appointed by the Council of Ministers for a period not exceeding 6 years and heads the Office. A Deputy Commissioner and an Advisory Committee are also appointed to assist and advise the Commissioner in the exercise of his/her duties and deal with matters referred to them for this purpose.

Dr. Vassos Pyrgos has the position of the Commissioner and in the position of the Deputy Commissioner is Mr. Panayiotis Kakkouras. Their appointment, in 2002, constituted a decision of the Council of Ministers and their term as a Commissioner and Deputy Commissioner respectively lasts for 6 years. Their responsibility is to materialise the current policy framework of the Cyprus government in the sectors of electronic communications and postal services for the interest of the consumers.

The purpose of the OCECPR is to promote in Cyprus:

- (a) the provision of services and networks of electronic communications and postal services for the entire public,
- (b) the interest of the consumers, especially in issues relevant to the price and the quality of the provided services,
- (c) the introduction of effective competition in the provision of networks and services and
- (d) to promote the provision of a large range of products and services of electronic communications.

In relation to the sector of electronic communications, with the exception of the spectrum management which is the responsibility of the Department of Electronic Communications in the Ministry of Transport and Works, the responsibilities of the Commissioner are mainly focused in the implementation of the E.U. regulation framework which is based on the following two axes: the establishment and the promotion of a large range of services in a national and transnational level and the encouragement of innovation through the promotion of efficient competition.

Consumer protection by securing: universal service and the rights of the consumers.

Those interested to provide services in the sectors of electronic communications and postal services must obtain the necessary licenses from the Commissioner according to the relevant law.

Sources:

Government web portal, Office of the Commissioner for Electronic Communications and Postal Regulation

<http://www.cyprus.gov.cy/portal/portal.nsf/All/6D2934F2A71AAF04C225702A0029F464?OpenDocument>

Michalis Kyriakides, [Harris Kyriakides LLC](#), Telecommunication Laws and Regulations - The Cyprus Aspect, <http://www.hq.org/article.asp?id=5455>

Office of the Commissioner for Electronic Communications and Postal Regulation, http://www.ocecpr.org.cy/nqcontent.cfm?a_id=767&tt=ocecpr&lang=gr

B2: Electricity and Energy in Cyprus

The Electricity Authority of Cyprus (EAC)

The Electricity Authority of Cyprus is an independent semi-government Utility, established in 1952 for the generation, transmission and distribution of electricity to the whole of the island of Cyprus. At present, EAC is the only utility in the Republic – excluding Utilities at the north of the buffer zone, where the Cyprus Government does not exercise control- involved with the production and supply of electricity.

EAC is governed by a Board, the members of which are appointed by the Council of Ministers. The relevant legislation regarding the functions of EAC was amended on 24/11/2000 to allow the Authority to enter into new business areas, such as telecommunications, desalination and consultancy services. EAC mission is to provide safe and reliable electric energy wherever need, to meet the continuously increasing demand of electricity on the island, at competitive prices, paying due respect to the environment, the health and safety of its personnel and the general public, as well as to provide services of a high standard which will meet the needs and expectations of its customers. At the end of 2003, EAC served 405.109 customers and employed 2.060 employees.

Source: Cyprus net, http://www.cyprusnet.com/article_cyprus-energy

Cyprus Energy Regulation Authority (CERA)

The Cyprus Energy Regulatory Authority (CERA) is an independent Authority of the Republic of Cyprus established under the Law Regulating the Electricity Market of 2003. CERA has executive duties and responsibilities in the Energy Sector. The sphere of competence of the Energy Regulatory Authority covers the electricity and the natural gas sectors. CERA is a three member committee, nominated by the Council of Ministers of Cyprus with cooperation with the Parliamentary Commission of European Affairs. The CERA members must be highly educated and experienced, with particular knowledge in the fields of Industry, Trade, Economics, Law and Mechanics. The first three members started on their duties on January 2004.

CERA should report back to the president of the country, on the annual activities of the authority. It is responsible for granting, controlling, modifying or recalling licences for electricity generation. In general, the CERA Members are liable to ensure that the transmission and distribution is made according to the law, to set quality standards, to ensure the sufficiency of electricity needed for consumption, to set rules and procedures for submitting complaints against the licence holders. CERA can establish rules and take decisions that determine regulations in the Electricity market. Moreover, the CERA members advice the Minister, in aspects related to the Electricity market.

In addition, based on the Regulation of the Natural Gas Market Law of 2004, CERA is also responsible to ensure compliance with the rules of competition regarding transport, distribution, supply and storage of natural gas, to protect the consumers rights, to guarantee the sufficiency of a reasonable quantity of gas needed for consumption, to ensure safety, continual provision, high quality and efficiency in the supply of natural gas. Furthermore, CERA should encourage the protection of the environment and R&D related to transportation, storage and use of natural gas. Among CERA duties is to take measures in cases of unpredictable energy crisis, or to protect persons, infrastructure, or the network integrity. Moreover, CERA should monitor demand and supply issues and the degree of competition in the natural gas market.

Source: Cyprus Energy Regulation Authority, <http://www.cera.org.cy/main/default.aspx>

The liberization of the electricity market in Cyprus

The Electricity Market Regulation Law was approved by the House of Representatives in July 2003. To harmonise with the relevant European Union Directive and to comply with the Cyprus legislation since 1.5.2004 the 35% of the electrical energy market was open to competition and all

consumers that consume 350.000kWh or more for the period of the last 12 months are free to choose their electrical energy supplier and they constitute the category of 'Eligible Consumers'. The above limit is set by the Minister of Commerce, Industry and Tourism in accordance with the article 44 of the Electricity Market Regulation Law, dated 24.4.2004. Please, note that this category consists of major consumers as for example cement works, large hotels and industries etc.

The rest 65% of the market are the 'Non-Eligible Consumers' who are the household and non-household customers and who consume less than the above limit and consequently they shall continue to obtain their electrical energy from Electricity Authority of Cyprus.

So far a number of companies showed interest, local or foreign based, to invest in the energy sector. It is expected that the Renewable Energy Sources (RES), mainly wind energy shall have a major share in the production of electrical energy by independent producers. The Cyprus Government accepted the European Union Directive that Renewable Energy Sources shall reach the 6% of the total energy production until 2010. The investments for electrical energy generation using Renewable Energy Sources are subsidised by the Energy Department of the Ministry of Commerce, Industry and Tourism.

The applications by Independent Producers are submitted to the Cyprus Energy Regulatory Authority (CERA), which is the responsible Office for licensing new Power Plants. The licensed Independent Producers to date for the construction and operation of Power Plants are: Vouros Power Industries Ltd, UNENES Ltd., Vassilikos Cement Works Public Company Ltd, Ketonis Developments Ltd, with "Alexigros" and "Mari" wind farms, Aerotricity Ltd and Aeoliki Akti Ltd.

By December 2009, according to CERA statistics, there are 469 independent generating units using photovoltaic systems and 8 generating units using biomass, which are connected with EAC network. In 2009, the total amount of electricity generated from photovoltaic systems was 3,027,633KWh, while biomass generated production was 19,849,639 KWh.

The EAC and Vassilikos Cement Works Public Company Ltd are the only electrical energy Producers in Cyprus.

Sources:

1. TSO, *The electricity market*, http://www.dsm.org.cy/nqcontent.cfm?a_id=886&tt=graphic&lang=12
2. CERA, *Electricity production using RES*, <http://www.cera.org.cy/main/default.aspx?tabid=212>

Cyprus Transmission System Operator (TSO)

The Transmission System Operator was established following the decision of the Government of the Republic of Cyprus to apply the relevant European Directive for liberalising the Electricity Market.

The main functions of the TSO are:

- To secure the reliable and least cost transmission of the electrical energy from the Power Stations to the Transmission Substations
- To operate in an objective manner the electricity market and the facilitate the operation of independent Energy Producers in a fairly regulated environment
- To secure the balance between generation and demand of electrical energy at all times
- To take all necessary steps, in order to secure uninterrupted supply of electricity to all consumers
- To restore supply after Generation and Transmission Systems disturbances, in order to minimise the duration of interruptions
- To coordinate the actions taken for the switching and maintenance of the Transmission System.

Source: Cyprus TSO, http://www.dsm.org.cy/nqcontent.cfm?a_id=1931&lang=12

Cyprus Oil Sector

According to the Treaty of Accession of Cyprus in the European Union, Cyprus shall ensure that its minimum level of stocks of petroleum products corresponds to at least 60 days of consumption by the day of accession and 90 days by 31 December 2007. The Petroleum Stock Holding Law of 2003 provides for the establishment of the Cyprus Oil Stockholding Agency (COSA) which is responsible for ensuring that minimum stocks of oil are maintained in accordance with the obligations of Cyprus vis-à-vis the European Union.

Imports of petroleum products were liberalized after the termination of oil refining activities in April 2004. Furthermore, the price control system of petroleum products was radically revised and liberalized. There are still some issues regarding competition in the market though.

Source: Cyprus net, http://www.cyprusnet.com/article_cyprus-energy

Promotion of Renewable Energy Sources and Rational Use of Energy

An Action Plan for the Promotion of Renewable Energy Sources - RES (2002-2010) has been adopted. This aims at doubling the contribution of renewable energy sources to the national energy balance from 4,5% (1997) to 9% by the year 2010 and increasing the percentage of electricity produced from renewable energy sources from the present almost zero level to 6% by the year 2010. It also provides for a number of supportive measures to facilitate investments in RES.

A new Law for the Promotion of the Use of Renewable Energy Sources and Energy Saving was introduced in 2003. According to the Law, a Special Fund was created, to be used solely for the financing of programmes and schemes for the promotion of renewable energy sources and energy saving. The main source of revenue of the Special Fund is a levy on electricity consumption set at C£0,13 per KWh.

A grant scheme (2004-2006) for the promotion of rational use of energy and the encouragement of the use of renewable energy sources has been introduced. Harmonized legislation on energy labeling of some household appliances was introduced. An Action Plan for Energy Saving, in line with relevant EU directives, is under preparation. Emphasis will be given on energy saving in buildings.

Source: Cyprus net, http://www.cyprusnet.com/article_cyprus-energy

Natural Gas in Cyprus

The Government of Cyprus, recognizing the positive contribution that the introduction and use of Natural Gas will have on the economy and the environment of Cyprus, assigned, by decision of its Council of Ministers (No.20/2001), a Committee of Ministers, to formulate terms of reference for the preparation of a study regarding the transfer and use of Natural Gas in Cyprus. Following the launch of the relevant tender by the Ministry of Commerce, Industry and Tourism, a consulting firm was engaged. This consulting firm prepared and completed the aforesaid study in November 2002. The study showed that the most economic and secure way to supply and transport natural gas to Cyprus is by ships, in liquefied form. The study also indicated that the use of Natural Gas in Cyprus is limited, at least at this stage in the production of electricity, in view of the lack of other large industrial consumers.

Vasilikos Energy Centre

Following the decision of the Government of the Republic of Cyprus to end the operation of the Cyprus Petroleum Refinery and subsequently relocate the import and storage terminal of

petroleum products in Larnaca, by the year 2010, for environmental reasons, the need for the establishment of a modern, automated and more efficient oil terminal has risen.

In addition, Cyprus as an EU member country is obligated to maintain national security stocks equivalent to 90 days consumption, while the country's targets include the diversification of the energy balance of the country with the introduction of natural gas, as well as the reduction of air pollutants and the implementation of the provisions of the Kyoto Protocol.

Therefore, the Republic of Cyprus decided to establish the Energy Centre, which will include facilities for the import, storage of strategic and operational stocks, management, distribution and export of oil products, as well as facilities for the import, storage and regasification of Liquefied Natural Gas (LNG).

The Energy Centre will be built on the south coast of Cyprus, at a distance of 25Km east of Limassol, in the area formerly occupied by the Hellenic Chemical Industries fertiliser manufacturing facility. This area was considered as the most appropriate for the erection of storage and distribution facilities for petroleum products, as well as for the establishment of a receiving and storage terminal for LNG, due to its location and nature. Initially, natural gas will be mainly used by the nearby Power Station of the Electricity Authority of Cyprus (EAC) for power generation; hence the site chosen for locating the Energy Centre borders the aforesaid Power Station.

With the creation of the Energy Centre at Vasilikos, the Government of Cyprus aims to achieve a secure and cost-effective, long-term, energy supply in the country, the operation of a liberalised oil market and fair competition, as well as better control and maximum transparency in pricing.

In the context of the implementation of the Vasilikos Energy Centre Project, the Ministry of Commerce, Industry and Tourism engaged consultants for the preparation of the Basis of Design (BoD) of the Project which was submitted to the Ministry of Commerce, Industry and Tourism in September 2006.

Moreover, in the framework of the implementation of the decisions of the Council of Ministers, a new independent private entity, the Public Gas Corporation (DEFA), was founded in November 2007. The purpose of DEFA, according to its Constitution, is to purchase, import, acquire, possess, use, exploit, store, transfer, provide, distribute, sell, supply and trade natural gas, to make use of the natural gas terminal, to regasify liquefied natural gas, as well as manage the distribution and supply network of natural gas and carry out any other work consistent with the above.

Source: Ministry of Commerce, Industry and Tourism, Energy Service

http://www.mcit.gov.cy/mcit/mcit.nsf/dmlgas_en/dmlgas_en?OpenDocument

B3: Cyprus Corporation Tax

Cyprus imposes corporation tax on 'companies': this term includes all companies incorporated or registered under any Cyprus law, and any foreign company which carries on business or has an office or place of business (permanent establishment) in Cyprus.

In July, 2002, as part of the Income Tax Act No. 118(I) of 2002, Parliament approved a uniform 10% corporate tax rate, to apply to both onshore and offshore companies, plus a 2% levy on wage bills (meant to subsidize pensioners), and a 'Special Contribution' related to defence which in effect applies the 10% corporate tax rate to inter-company dividend and interest payments.

Public corporate bodies are taxed at the rate of 25%. From 1.1.2009

However, the rules are complex. An additional tax of 5% was imposed on company profits exceeding CYP1,000,000 for the years 2003 and 2004.

As from 2003, Cyprus applied a residence-based taxation regime: "Resident in the Republic", when applied to a company, means a company whose management and control is exercised in the Republic; and "non-resident or resident outside the Republic" will be construed accordingly. Residents are subject to defence contribution for passive income, e.g. rental, dividends etc. the rates are 3%-15%. Non residents are exempt from this tax.

However, profits from activities of a permanent establishment situated outside Cyprus are completely exempt. This exemption will not apply to a Cyprus company if: (i) its foreign permanent establishment directly or indirectly engages in more than fifty per cent (50%) of its activities in producing investment income, and (ii) the foreign tax burden is substantially lower than that in Cyprus.

Dividends are exempted from tax; however, new provisions have been introduced under the Special Contribution for the Defence of the Republic Law, 2002 ("Special Contribution").

"Permanent establishment" has the same meaning as defined in the OECD Model Tax Convention on Income and on Capital with the exemption of "a building site or construction or installation project", which constitutes a permanent establishment only if it lasts more than three months.

The 10% corporate tax gives Cyprus one of the the lowest rates in the EU, alongside Ireland (12.5%), with the exception of the Isle of Man, Jersey and Guernsey, which have all announced (and recently reversed) a nil rate - but these islands are not in the EU anyway for most purposes.

After the EU finally agreed its Tax Directive in June, 2003, the Commission said it intended to give the ten states acceding at that time, of which Cyprus was one, until 2007 to implement the Directive, which included a 'Code of Conduct' on 'harmful tax practices' and rules to avoid the double taxation of royalty and interest payments.

However, a statement released by the Cypriot Ministry of Finance said that Cyprus would adopt the new code in full from 2005. The royalties and company interest directive was in place from January 2004, according to the ministry, which pointed out that it was already compliant with the Code of Conduct rules as a result of its recent tax reforms.

Along with other member states of the EU, Cyprus introduced an exchange of information regime applying to the returns on savings under the Savings Tax Directive as from 1st July 2005.

Cyprus was rated by a recent KPMG poll as the most attractive tax regime in Europe (with the net attractiveness score of 90%), followed by Ireland, Switzerland and Malta.

Corporation tax rates are the same, but the calculation of the taxable base is different:

- Head-office expenses are allowable in both cases
- Transfer-pricing rules may be applied differently in the two cases

- Branch profits may be remitted to head office free of withholding tax; corporate dividends are also now exempt from withholding tax
- Interest on intercompany loans is generally deductible for a company, but not for a branch.

Cyprus Calculation of Taxable Base

Allowable expenditure needs to be incurred 'wholly and exclusively' for the business; however, mixed private/company expenses can often be apportioned. Among others, the following expenses are allowable:

- Repairs, but not improvements, alterations or additions
- Contributions to an approved fund
- Bad debts and provisions for them
- Non-capital scientific research expenditure
- Expenditure on patents or patent rights
- Various types of charitable expenditure
- Interest on loans, other than for those used to acquire shares
- Rental payments
- Salaries and other compensation costs for employees and directors
- Inventories are valued using FIFO
- Wear and tear allowances on prescribed scales which replace depreciation in the tax calculation
- Investment allowances which are available for certain activities

There are some restrictions on the use of losses from one trade to offset profits from another. Unrelieved losses can normally be carried forward to offset future profits, but from 1996 they have only a 5-year life. Group relief is available but with limitations.

50% of income from interest derived by a company is exempt from corporate tax but the whole interest received or credited will be subject to the new provisions of the Special Contribution. Interest derived from ordinary trading activities will only be subject to the Income Tax Law provisions without any exceptions.

The Group Relief rules, now enacted, provide for group relief of tax losses among companies of the same group. A company will be considered as member of a group if:

- A company is at least 75% subsidiary of the other, or
- Both companies are at least 75% subsidiaries of a third company.

A company will be considered to be 75% subsidiary of another company if and so long as not less than 75% of its ordinary share capital with voting rights are owned directly or indirectly by that other company and that other company is entitled to not less than 75 per cent of:

- Any profits available for distribution to the equity shareholders, and
- Any assets of the subsidiary company which would be available for distribution to its equity holders on a winding up.

Group tax losses may be set off as long as both companies are Cypriot tax residents and are members of the same group during the whole year of assessment.

Only the loss of any year of assessment of a company can be set off against the other company's profits of the corresponding year of assessment. Losses brought forward will not be available for Group Relief.

Any payment for acquiring the tax losses will not be taken into account in the tax computation nor it will be considered to be a dividend or an allowable expense.

Profits from the sale of shares, bonds, debentures and other titles of companies established anywhere in the world are exempt from tax.

Cyprus Withholding Tax

Dividends, royalties arising from the use of an asset outside Cyprus and interest payments to non-residents are now exempt from withholding tax. Other types of payment to non-residents are subject to withholding tax at 10% (at the time of writing), although if the payment is in respect of a right outside Cyprus, there is no withholding. The rate of withholding for film royalties earned by a non-resident is 5%.

Source: *Low tax net*, <http://www.lowtax.net/lowtax/html/jcydctx.html>

B4: Property taxes, fees and rates in Cyprus

Immovable Property Tax

The annual immovable property tax is imposed on the market value of the property as at 1st January 1980 and applies to the immovable property owned by the taxpayer on 1st January each year.

Market value of property (1/1/1980)(€)	Annual Property tax (‰)
up to 170.860,14	0
170.860,15 to 427.150,36	2.5
427.150,37 to 854.300,72	3.5
over 854.300,73	4.0

Capital Gains Tax

On gains from disposal of immovable property situated in Cyprus, capital gains tax will be imposed at the rate of 20% with the first € 17.086,14 being exempt for each person. The gain is the difference between the sales proceeds and the original cost of the property. In the case of a property which was purchased before 1/1/1980, the gains are the difference between the sales proceeds and the market value of the property as of 1/1/1980.

The seller is entitled to a further allowance regarding the transfer fees paid, inflation rate per year and the cost of any additions made to the house.

Gains from the disposal of a private residence are exempt up to € 85.430,07 in total if the owner resides in it continuously for at least five years prior to disposal.

Gains from the disposal of a dwelling house are exempt up to € 85.430,07 in total if the owner resides in it continuously for at least five years prior to disposal.

Stamp Duty on Contracts

The purchaser is liable for the payment of stamp duty on the purchase price of the property at the rate of € 1.5 per thousand up to € 170.860,14 and thereafter at the rate of € 2.0 per thousand. This should be paid within 30 days from signing of the contract of sale.

For example if the purchase price is € 256,290.22

first € 170.860,14	1.5‰	€ 256.29
next € 85.430,08	2.0‰	€ 170.86
	Total	€ 427.15

Estate Duty

Estate Duty tax has been abolished as from the first of January 2000 (Statute No.78(1)/2000).

Local Authority Taxes & Rates

A rough guide could be approximately € 85 - € 260 per year depending on the size of your

property. This tax is for refuse collection, street lighting, sewerage, etc.

The basic utilities, electricity, water and telephone are payable individually in accordance with the consumption and based on a meter reading.

Real Estate Transfer

Real Estate Transfer fees are imposed by the Lands Registry in order to transfer FREEHOLD ownership to the name of the purchaser. The transfer fees are due for payment when the transfer of the title deed in the name of the purchaser takes place. The Purchaser is solely responsible for the payment of the transfer fees. The rates are on a graduated scale.

Value of property (€)	Transfer fee rate (%)
up to 85.430,07	3
from 85.430,08 to 170.860,14	5
from 170.860,15 and over	8

If the property is in joint names e.g. of a couple (husband and wife) or two individuals, then the purchase value is divided into two parts which results in reduced transfer fees.

The following example clearly illustrates this

For property purchased for € 200.000 in one name, the fees payable are € 9.165,59.

For Property in one name		
Up to € 85.430,07	@ 3%	= € 2.562,90
from € 85.430,08 to € 170.860,14	@ 5%	= € 4.271,50
The remaining € 29.139,86	@ 8%	= € 2.331,19
Total fees payable		= € 9.165,59

For property purchased for € 200.000 in the names of two persons, the fees payable are € 6.582,80.

For property in the names of two persons		
First € 85.430,07	@ 3%	= € 2.562,90 (Share of husband)
Second € 85.430,07	@ 3%	= € 2.562,90 (share of wife)
The remaining of First, € 14.569,93	@ 5%	= € 728,50 (Share of husband)
The remaining of Second, € 14.569,93	@ 5%	= € 728,50 (Share of husband)
Total fees payable		= € 6.582,80

Source: <http://www.aristodevelopers.com/legal/taxes.php>

**B5: Department of the Registrar of Companies and Official Receiver (D.R.C.O.R.)
of the Republic of Cyprus**

The Department of the Registrar of Companies is responsible, among other things, for keeping the Register of Companies, Partnerships, Business Names, Trade Marks, Patents and Industrial Designs and is also responsible for administering properties of insolvent legal and natural persons. The Department offers services to the commercial and financial sector of the economy. There are today over 155.000 registered organisations (companies, partnerships, business names and oversea companies).

The goals and activities of the Department are split into three sections:

- a) **The Companies Section**, which deals with the registration, follow up, control and striking off of companies, of oversea companies, of partnerships and of business names.
- b) **The Bankruptcies and Liquidations Section**, which deals with the receipt and administration of property assets of insolvent natural and legal persons.
- c) **The Intellectual and Industrial Property Section**, which deals with trademarks, patents and intellectual property matters.

Registration procedure for a new company in Cyprus

An application has to be made to the Registrar of Companies for the approval of the name. For this service, the payable fees with normal procedure, is €8.54 and with urgent procedure is €25.63. After the approval of the name, a Cyprus lawyer has to file with the Registrar the necessary documents and fees.

Registration fees and capital fees

The amount of registration fees is calculated in accordance with the amount of capital. When there is an increase of capital the fee is calculated according to the difference between the fee payable on the nominal capital of the company and the fee payable on the increased capital.

Source: http://www.mcit.gov.cy/mcit/drcor/drcor.nsf/aboutus_en/aboutus_en?OpenDocument

REGISTRAR OF COMPANIES AND OFFICIAL RECEIVER COMPANIES

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	Until 30/09/10
Registered companies (Total)	96.272	103.577	109.061	115.744	125.361	137.636	155.846	184.133	207.614	221.089	232.757
New registrations	9.362	9.432	8.497	9.080	11.587	14.494	20.280	29.016	24.453	16.101	14.007
Applications for name approval	28.822	26.310	26.345	28.760	34.219	38.003	49.368	59.285	48.506	38.456	30.696
Certified copies	101.423	102.053	111.349	121.897	154.092	189.933	257.166	344.228	354.996	281.362	220.627
Searches	48.266	46.834	52.246	55.543	55.585	57.393	60.151	57.277	66.275	74.660	57.577
Annual returns/reports	39.007	41.598	46.219	50.115	47.804	34.572	35.032	35.341	37.513	46.763	40.453
Filing of other documents	48.736	49.539	56.050	58.993	72.412	81.347	115.736	160.684	183.872	124.478	98.727

BUSINESS NAMES AND PARTNERSHIPS ADDITIONAL REGISTRATIONS

2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	Until 30/09/2010
1.355	1.618	1.496	1.508	1.627	1.836	1.824	1.695	1.637	1.575	1.060

OVERSEA COMPANIES ADDITIONAL REGISTRATIONS

2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	Until 30/09/2010
240	205	132	111	114	119	127	117	95	73	66

The revenues of the Department per year

	<u>2000</u> (Mn. C.P.)	<u>2001</u> (Mn. C.P.)	<u>2002</u> (Mn. C.P.)	<u>2003</u> (Mn. C.P.)	<u>2004</u> (Mn. C.P.)	<u>2005</u> (Mn. C.P.)	<u>2006</u> (Mn. C.P.)	<u>2007</u> (Mn. C.P.)	<u>2008</u> (Mn.€)	<u>2009</u> (Mn.€)	<u>Until</u> <u>30/09/2010</u> (Mn.€)
Yearly Revenue	13,52	7,74	6,76	7,20	8,57	10,21	15,17	26,51	32,21	28,23	22,80

BANKRUPTCIES AND LIQUIDATION

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	Until 30/7/2010
PERSONS	460	462	407	358	359	430	576	640	839	1,083	1.329	465 *
COMPANIES	142	147	139	190	118	149	158	140	141	135	159	86 *

Source: http://www.mcit.gov.cy/mcit/drcor/drcor.nsf/aboutus_en/aboutus_en?OpenDocument

B6: The Financial Market in Cyprus

The banking System in Cyprus

The financial sector in Cyprus is mostly comprised of the banking sector, which largely provides insurance and asset management services as well. Non-bank financial institutions include pension funds, insurance companies, and investment companies, with assets of €6.6 billion, €3.5 billion, and €1.4 billion as of end-2009 respectively. There are 43 banks operating in Cyprus, of which eight have Cyprus as their home country; the rest are branches or subsidiaries of foreign banks. Banks whose home country is Cyprus have assets of €108.3 billion (639 percent of GDP); of this total 85 percent are held by commercial banks, and the remaining by cooperative credit societies, or cooperatives. These two types of institutions differ mostly in terms of ownership structure and historical evolution of business practices. While both types of banks rely largely on a traditional deposit taking and credit granting model, cooperatives have historically been more focused on lending in communities to retail customers based almost exclusively on retail deposit funding. Unlike most commercial banks, cooperatives are not owned by shareholders, but by their members who need not be depositors. Excess liquidity of individual cooperatives is deposited with the Cooperative Central Bank (CCB), which serves as the lender of last resort—guaranteeing all liabilities of affiliated cooperatives. There are 111 cooperatives at present, a number that has come down considerably from 365 following a period of consolidation after EU accession in 2004. One cooperative institution, the largest, is not affiliated with the CCB and has to comply with EU regulations on a stand-alone basis; nevertheless, the CCB acts also as a lender of last resort for this cooperative.

A large part of banking system assets relates to subsidiaries and branches of foreign banks. One of the subsidiaries with total assets of €8.9 billion is in the process of merging with its parent and will cease to have a presence in Cyprus by the end of 2010. Subsidiaries of Greek banks have assets amounting to €46.1 billion (270 percent of GDP). They are mostly funded by parent banks (amounting to €33 billion in aggregate); deposits collected in Cyprus total €9 billion, of which €5 billion is from non-residents.

“One of the primary objectives of the Central Bank of Cyprus is to ensure a safe and stable financial system that would preserve public confidence and foster economic stability and growth. This objective is satisfied by maintaining an effective mechanism of bank regulation and supervision.

To this effect, the Central Bank of Cyprus grants a licence to carry on Banking Business and exercises supervision, the main objective of which is to minimise systemic risk and preserve the stability of the banking system so as to retain public confidence and to protect depositors.

The Central Bank of Cyprus has always been guided in its supervisory role by the recommendations of the Basle Committee on banking supervision and the EU Directives on banking regulation while following up closely new developments and having its prudential functions under constant review to take account of these developments and changing circumstances.

Supervision is exercised by both off-site monitoring and on-site examination. Off-site monitoring entails the submission by banks of an extensive range of periodic returns which cover numerous aspects of banking operations. Any areas of concern revealed through the returns are taken up promptly with the bank involved for remedial action.

On-site examinations are carried out with a view to assessing the current financial position and soundness of a bank and its future prospects at a given time. In this respect, the following main areas are covered:

- the quality of the management of the bank, including internal control aspects and procedures;

- the bank's loan portfolio, with emphasis on credit risk management, the quality of the loan portfolio and the adequacy of the provisions for bad and doubtful debts;
- the bank's treasury operations with emphasis on risk management;
- the profitability of the bank including the analysis of its income generation and costs and the assessment of the returns achieved;
- the compliance with the conditions of the bank's licence and with Central Bank directives, regulations and instructions on capital adequacy, large exposures, etc.;
- adherence to the requirements of the anti-money laundering legislation and guidance notes.

Supervision is exercised on a consolidated basis and covers the bank and its subsidiary companies which carry out banking related activities."

Sources: 1. Central Bank of Cyprus, http://www.centralbank.gov.cy/nqcontent.cfm?a_id=28

2. International Monetary Fund's Report for Cyprus, August 2010

<http://www.imf.org/external/pubs/ft/scr/2010/cr10289.pdf>

The Central Bank of Cyprus

"The Central Bank of Cyprus was established in 1963, shortly after Cyprus gained its independence, as an autonomous institution in accordance with the Central Bank of Cyprus Law 1963 and the relevant articles of the Constitution. Today the Bank is governed by the Central Bank of Cyprus Laws 2002-2007, which ensure the Bank's independence as well as compatibility with the relevant provisions of the Treaty establishing the European Community and the Statute of the European System of Central Banks and of the European Central Bank. The law's amendment in March 2007 paved the way for the legal integration of the Bank into the Eurosystem in January 2008.

The main functions of the Central Bank include:

- implementing the European Central Bank's monetary policy decisions;
- holding and managing the official international reserves;
- supervising banks;
- promoting, regulating and overseeing the smooth operation of payment and settlement systems;
- safeguarding the stability of the financial system.

During the early years of its operation, the Bank undertook fully the functions of banker to the government and the management of international reserves as well as the administration of exchange controls. In parallel, the Bank strengthened its internal structure and prepared the regulatory framework for banking supervision, also setting up the operational framework for the implementation of monetary policy. In the late 1960s and early 1970s, monetary policy became more active, while bank supervision was formalised. During this period government stocks were first issued, with a view to promoting savings and the non-inflationary financing of fiscal deficits.

Following the economic dislocation and disruption caused by the Turkish invasion in 1974, the Central Bank was actively involved in the reactivation of the economy. Thus, the Bank pursued an expansionary monetary policy and facilitated the financing of the housing needs of the refugees and the replenishment of lost capital stock and infrastructure. The role of the Bank was instrumental in the achievement of a rapid improvement in economic conditions that took place subsequently. During the post-invasion period the Bank also assumed a leading role in

promoting Cyprus as a regional financial and business centre. Over the years, the international business sector, in particular, has shown a rapid progress and expansion, making a significant contribution to foreign exchange earnings and employment in the island.

Prior to accession to the EU in 2004, the Central Bank began to intensify its efforts towards the liberalisation of the financial sector, which was necessitated both by economic considerations as well as by the need to harmonise Cypriot economic structures and policies with those of the EU.

In 1996 the Central Bank moved away from the use of direct instruments for monitoring liquidity in the economy in favour of market-based tools. Thus, the liquid assets ratio, which was the main instrument of monetary policy, was abandoned. Main refinancing operations allotted through tenders were introduced as the primary tool of liquidity management. Auctions for the acceptance of deposits were also introduced as a means to mop-up excess liquidity. Under the current monetary policy framework, the minimum reserve account is the only operational account banks need to maintain with the Central Bank and there are two standing facilities aimed at providing and absorbing overnight liquidity, respectively. Since the beginning of 1996 government paper has been issued by the auction technique, which allows the interest rate to reflect market conditions. Thus, the operational set-up of monetary policy is broadly in line with EU practices.

A landmark in the liberalisation process of the financial sector was the abolition of the statutory interest rate ceiling on 1 January 2001.

In the area of capital movement liberalisation, the Capital Movement Law was enacted in July 2003 and came into force on 1 May 2004, the date of Cyprus's accession to the EU. This law, inter alia, repealed the Exchange Control Law thus abolishing all remaining exchange control restrictions.

As regards banking supervision, the objective of the Central Bank is to ensure the stability of the banking system, the minimization of systemic risk and the protection of depositors. The rules, policies and practices of the Bank are in line with the EU directives and the recommendations of the Basel Committee on Banking Supervision. The Banking Law 1997 as amended, which establishes the legal framework within which banking business can be pursued, reflects the principles and rules of the EU directives on credit institutions. Furthermore, in accordance with the Prevention and Suppression of Money Laundering Activities Laws 1996 - 2004, the Central Bank is the supervisory authority for banks in this respect. In this connection, the Central Bank has issued a series of directives to banks concerning strict customer identification procedures, record keeping, recognition and reporting of suspicious transactions, the appointment and duties of money laundering compliance officers, and education and training of bank employees in anti-money laundering matters and in combating the finance of terrorism.

On 2 May 2005 the Cyprus pound joined the Exchange Rate Mechanism II (ERM II) at the pre-existing central parity of €1=CY£0,585274, unchanged from the parity at which it had been unilaterally pegged to the euro since 1999. The standard fluctuation margins of $\pm 15\%$ were maintained, although in practice the pound fluctuated within the narrower range of $\pm 2,25$, both before and after ERM II entry.

On 1 January 2008 Cyprus joined the euro area thus bringing to fruition the island's goal of becoming a fully integrated member of the EU. The conversion rate between the euro and the Cyprus pound was set at CY£0,585274 by the ECOFIN Council on 10 July 2007, in other words the same rate at which the Cyprus pound joined ERM II."

Source: Central Bank of Cyprus, http://www.centralbank.gov.cy/nqcontent.cfm?a_id=2

Banks Operating in Cyprus**A. BANKS INCORPORATED IN CYPRUS****1. BANKS LISTED ON THE CYPRUS STOCK EXCHANGE**

1. [Bank of Cyprus Public Company Ltd](#)
2. [Marfin Popular Bank Public Co Ltd](#)
3. [Hellenic Bank Public Company Limited](#)
4. [USB Bank Plc](#)

2. SUBSIDIARIES OF FOREIGN BANKS

1. [Alpha Bank Cyprus Ltd](#)
2. [BNP Paribas Cyprus Ltd](#)
3. [Emporiki Bank – Cyprus Limited](#)
4. [National Bank of Greece \(Cyprus\) Ltd](#)
5. [Russian Commercial Bank \(Cyprus\) Ltd](#)
6. [Societe Generale Bank-Cyprus Limited](#)
7. [Piraeus Bank \(Cyprus\) Ltd](#)
8. [Eurobank EFG Cyprus Ltd](#)

3. OTHER BANKS

1. [Co-operative Central Bank Ltd](#)
2. [The Cyprus Development Bank Public Company Limited](#)
3. [Housing Finance Corporation](#)
4. [Mortgage Bank of Cyprus Ltd](#)

B. BRANCHES OF FOREIGN BANKS**1. BRANCHES OF BANKS OF EUROPEAN UNION COUNTRIES**

1. [Barclays Bank PLC](#)
2. [Banque SBA SA](#)
3. [First Investment Bank Ltd](#)
4. [Joint Stock Company “Trasta Komerbanka”](#)
5. [National Bank of Greece S.A.](#)
6. [Central Cooperative Bank PLC](#)
7. [Banca Transilvania S.A.](#)
8. [Joint Stock Company Akciju Komerbanka "Baltikums"](#)
9. [AS LTB Bank](#)

2. BRANCHES OF BANKS OF COUNTRIES OTHER THAN EUROPEAN UNION

1. [BankMed s.a.l.](#)
2. [Arab Jordan Investment Bank SA](#)
3. [BANQUE BEMO SAL](#)

4. [Bank of Beirut SAL](#)
5. [BBAC SAL](#)
6. [BLOM Bank SAL](#)
7. [Byblos Bank SAL](#)
8. [Credit Libanais SAL](#)
9. [FBME Bank Ltd](#)
10. [Open joint-stock company AvtoVAZbank](#)
11. [OJSC Promsvyazbank](#)
12. [Jordan Kuwait Bank PLC](#)
13. [Jordan Ahli Bank plc](#)
14. [Lebanon and Gulf Bank SAL](#)
15. [Lloyds TSB Offshore Limited](#)
16. [Privatbank Commercial Bank](#)
17. [IBL Bank sal](#)

C. REPRESENTATIVE OFFICES

1. [UBS AG](#)
2. [Atlasmont Banka A.D.](#)

Source: Central Bank of Cyprus, October 2010,
http://www.centralbank.gov.cy/nqcontent.cfm?a_id=28

Cyprus: Banking System Structure		
(Millions of euros, unless noted otherwise) 1/		
	Assets	% of GDP
Total banking system	176,339	1041
EU branches	1,188	7
Non EU branches	5,996	35
Subsidiaries of foreign banks	60,873	359
Local banks	108,282	639
<i>of which: coops</i>	15,886	94
<i>of which: commercial banks</i>	92,396	545

Source: Central Bank of Cyprus.
1/ As of end of May, 2010.

Competition in the banking sector

Table B.6.1: Bank market shares in total deposits

	<u>Total Deposits</u> <u>(€000)</u>		<u>Market share</u> <u>(%)</u>	
	30 Sept2010	31 Jan2010	30 Sept2010	31 Jan2010
<i>Bank of Cyprus Public Company LTD</i>	18,461,923	14,861,376	27.68%	25.46%
<i>MARFIN POPULAR BANK PUBLIC CO LTD</i>	12,781,179	11,356,652	19.16%	19.46%
<i>Hellenic Bank Public Company LTD</i>	5,631,625	5,192,276	8.44%	8.90%
<i>ALPHA BANK CYPRUS LTD</i>	3,530,899	3,218,296	5.29%	5.51%
<i>National Bank of Greece (Cyprus) ΛΤΔ</i>	1,092,026	720,410	1.64%	1.23%
<i>Central Cooperative Bank ltd & Cooperatives</i>	13,302,042	12,960,369	19.94%	22.21%
<i>Piraeus Bank (Cyprus) LTD</i>	1,097,572	731,894	1.65%	1.25%
<i>THE CYPRUS DEVELOPMENT BANK – PUBLIC COMPANY LTD</i>	297,001	264,348	0.45%	0.45%
<i>EMPORIKI BANK - CYPRUS LTD</i>	330,803	318,642	0.50%	0.55%
<i>USB BANK PLC</i>	466,412	446,433	0.70%	0.76%
<i>Housing Finance Corporation</i>	937,472	969,922	1.41%	1.66%
<i>SOCIETE GENERALE CYPRUS LTD</i>	261,777	239,802	0.39%	0.41%
<i>National Bank of Greece S.A.</i>	2,709	4,432	0.00%	0.01%
<i>EUROBANK EFG CYPRUS LTD</i>	2,170,725	1,633,271	3.25%	2.80%
<i>OTHER</i>	6,345,410	5,445,167	9.51%	9.33%
TOTAL	66,709,575	58,363,290	100.00%	100.00%

Source: Central Bank of Cyprus, October 2010

Source: Central Bank of Cyprus, http://www.centralbank.gov.cy/nqcontent.cfm?a_id=28

The Cyprus Stock Exchange

“The Cyprus Stock Exchange started its operations as a legal entity in the form of a public corporation body on the 29th of March of 1996, by virtue of The Cyprus Stock Exchange Laws and Regulations which had been passed by the House of Representatives in 1993 and 1995 respectively.

The Cyprus Stock Exchange is a regulated Exchange where all transactions concerning corporate and public securities are carried out. Such securities include stocks, bonds and warrants. The main participants in the market are the Members of the Stock Exchange (stock brokerage firms), the listed issuers and the investors.

According to section 5 of the Securities and Cyprus Stock Exchange Law:

The prime objectives and competencies of the Stock Exchange and its related powers and duties, are:

- To take all necessary and as the case may demand appropriate measures for the development of the securities market, as well as to control and regulate transactions in securities.

- To provide the necessary facilities for the trading of securities and the issuing of an official price bulletin, to facilitate the execution of stock market transactions, to provide procedures and means for supplying stock market information relating to the movement and trading of securities, to provide for the prompt display of relevant data for the information of members, transacting parties and the public and finally to provide for publication of a stock market bulletin either daily or periodically as determined by a decision of the Council.
- To promote stock market activity and to use for this purpose every appropriate means of publicity regarding the benefits and the services of the Stock Exchange.
- To encourage an orderly and systematic securities market, to combat fraudulent and improper stock market transaction practices and to provide the due protection of investors and the public in general.
- To prepare and submit for approval the stock exchange Regulations necessary to achieve its objectives and to take every other action necessary for this purpose.

In addition to the Stock Exchange's primary competencies as provided above, the Stock Exchange is assigned with any other functions, which customarily constitute the competence of a stock exchange, together with their related powers and duties."

Source: *The Cyprus stock exchange*, <http://www.cse.com.cy/en/Profile/about.asp>

The Cyprus Securities and Exchange Commission

"The Cyprus Securities and Exchange Commission was established in accordance with section 5 of the Cyprus Securities and Exchange Commission (Establishment and Responsibilities) Law of 2001 as a public corporate body.

The Cyprus Securities and Exchange Commission is administrated by a five member Board which is composed of the Chairman, the Vice-Chairman that provide their services at complete and exclusive employment. In addition, the Board is composed of three other members. In the Board's meetings a representative of the Governor of the Central Bank is represented, whom has the right to register subjects in the agenda, to participate in the discussions and to express opinions but deprived the right of vote.

The members of Board are named by the Council of Ministers following a proposal of the Minister of Finance and their service is a five-year term with the exception of the service of the Vice-Chairman and two from the other members that are named for first time, which is four-year and three-year respectively so as to ensure the continuity in the composition of the Commission. The service for all the members is renewable for five additional years.

The Cyprus Securities and Exchange Commission has the following responsibilities:

1. To supervise and control the operation of the Stock Exchange and the transactions carried out in the Stock Exchange.
2. To supervise and control the issuers of securities listed on the Stock Exchange, the Licensed Investment Services Companies as well as the Collective Investment Schemes.
3. To carry out inspections over companies, the securities of which are listed on the Stock Exchange, over brokers and brokerage firms, investment consultants, mutual fund management companies.
4. To request and collect information necessary for the exercise of its responsibilities, to demand in writing the provision of information from all natural or legal persons or organisations that are considered to be in a position to provide such information.

5. To grant operation licences to investment firms, including investment consultants, brokerage firms and brokers.
6. To recall these operation licences for special reasons, as it is more specifically determined in Regulations that are published in accordance with the Law of Establishment of the Cyprus Securities and Exchange Commission.
7. To impose administrative sanctions and disciplinary penalties to brokers, brokerage firms, investment consultants as well as to in any other legal or natural person whom fall under the provisions of the Stock Market legislation.”

Source: *The Cyprus Securities and Exchange Commission*,

http://www.cysec.gov.cy/cysec_en.aspx

B7: Investment in Cyprus

The Cyprus Investment Promotion Agency

“Established with a Council of Ministers decision in 2007, the Cyprus Investment Promotion Agency is a registered not-for-profit company limited by guarantee and fully funded by the Government of Cyprus. The Board of 12 Directors (10 from the private and 2 from the public sector) was appointed for an initial 4 year term.

Operating since January 2008, the Cyprus Investment Promotion Agency has a threefold mandate:

- To promote Cyprus as an attractive international investment centre in key priority growth sectors
- To advocate reform in Cyprus required to improve the regulatory and business environment and infrastructure
- To provide investor support with after care and further development services

CIPA succeeds the efforts of the Foreign Investors Centre at the Ministry of Commerce, Industry and Tourism and takes the lead in attracting foreign direct investment in conjunction and partnership with the private sector and related government organizations and agencies.

CIPA has established its membership with the World Association of Investment Promotion Agencies (WAIPA) and Med-Invest, the Mediterranean Countries' Investment Promotion Agency Foundation. Memberships in these and other fora provide a platform of best practices sharing and learning in the area of FDI promotion and strategy implementation.

CIPA is actively involved in advocating key reforms to remove hurdles and strengthen the regulatory and business environment in Cyprus which is fundamental requirement to attract and retain foreign direct investment, especially in an increasingly competitive global economic framework.

CIPA encourages foreign businesses to explore opportunities for investment in Cyprus.”

Source: CIPA, www.cipa.org.cy

Foreign Direct investment (FDI)

“In order to further enhance the foreign investment intensity, the Government has liberalised the Foreign Direct Investment (FDI) Policy not only for EU citizens but also for investors from third countries in most sectors of the economy as from 1st of October 2004

- Limitations related to the minimum level of investment and foreigners' participation percentage have been abolished, in most sectors of the economy, allowing for up to 100% equity participation in registering companies or acquiring shares in existing companies.
- Administrative procedures have been simplified and measures have been taken to streamline the infrastructure regarding foreign investment, thus reducing the level of bureaucratic intervention and fostering improved economic activity.
- Consequently, foreign companies now have the opportunity of investing and establishing business in Cyprus on equal terms with local investors

In 2009, Cyprus attracted a total of 4,493 million Euro in **Foreign Direct Investment (FDI)** compared to 3,112 million Euros in 2008 and 1725 million Euro in 2007. The long-term FDI trend is positive, and Cyprus has the potential to attract even higher FDI. Although direct investment in 2008 fell, this is primarily due to a decline of foreign investment in the Real Estate sector. In 2008 the top three **FDI sectors** were Financial Intermediation (1,315.2 million Euro), Real Estate and Business Activities (817.9 million Euro) and Trade and Repairs (415.9 million Euro). The majority of Foreign Direct Investments in Cyprus for 2007 (over 90%) were directed

towards the services sector. The leading sources of FDI inflows to Cyprus in 2008 by geographical/economic zone were European countries (over 2,357 million Euros), America (187.8 million Euros) and Asia (138.3 million Euros).

The strong integration of the Cyprus economy with the rest of the world is reflected in its high FDI Intensity (7.9%) which exceeds both the European Union Intensity (3.4%) and that of the Euro area (4.6%).

One-Stop Shop

The One-Stop Shop, under the auspices of the Ministry of Commerce, Industry and Tourism, serves both local and foreign based companies. Providing one single contact regarding:

- Company registration
- VAT registration
- Income tax registration
- Social Insurance Fund and Employers Registration
- Application for the issuance of residence and work permits”

Source: CIPA, www.cipa.org.cy

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The European Commission's Directorate-General for Economic and Financial Affairs and The Economic Policy Committee (2008), *"The LIME Assessment Framework (LAF): Country Case Study- Cyprus, Main Report June 2008"*, ECFIN/E1/G3 REP 52855, Brussels.

LAF Maquette database can be downloaded at the link below:
http://ec.europa.eu/economy_finance/db_indicators/laf/index_en.htm