



REPUBLIC

OF CYPRUS

**NATIONAL STRATEGY REPORTS
ON SOCIAL PROTECTION AND SOCIAL INCLUSION
2008 - 2010**

Lefkosia
October 2008



ΥΠΟΥΡΓΕΙΟ ΕΡΓΑΣΙΑΣ
& ΚΟΙΝΩΝΙΚΩΝ ΑΣΦΑΛΙΣΕΩΝ
Ministry of Labour and Social Insurance



European Union

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PART 1 - COMMON OVERVIEW

1.1 Assessment of the Social Situation

1.1.1 Economy

The overall image of the economy of Cyprus during the last few years has been satisfactory despite the challenges it had to face, due to the big increases in international oil prices and the unfavorable external environment. After the recession in 2002-2003, the GDP showed a big increase in 2004 to 4,2% , in 2005 to 3,9% and 4% in 2006. It is expected that the economy of Cyprus will develop by about 4,4% in 2007.

The harmonised rate of inflation was contained at 1,9% in 2004 and 2% in 2005. In 2006 it stabilised at around 2,2% thus keeping prices stable.

Public finances continued to improve and the fiscal deficit after its decline to 4,1% of GDP in 2004 and to 2,4% in 2005, was further reduced to 1,2% in 2006. For 2007 Cyprus achieved a fiscal surplus of the order of 3,3% of GDP and it is expected to maintain this fiscal position for the next few years, complying with the instructions of the revised Stability and Growth Programme.

The public debt as a percentage of GDP, after rising to 70,3% in 2004, followed a downward trend. In 2005 public debt was reduced to 69,1% of GDP, in 2006 to 64,8% and in 2007 it is expected to be further reduced to 59,3%, that is below 60% which is the respective criterion of Maastricht.

1.1.2 Employment

The labour market in Cyprus is characterised by high rates of employment and participation in the labour force. The overall employment rate, as well as the employment rates for women and older workers have risen and have exceeded the targets set in the Lisbon Strategy of 60% and 50% respectively.

The employment rate rose to 71% in 2007, compared to 69,6% in 2006. Female employment rose to 62,4% in 2007, compared to 60,3% in 2006. The employment of older workers has been steadily rising from 50,6% in 2005 to 53,6% in 2006 and 55,9% in 2007. The rate of participation in the labour force in 2007 rose to 73,9%, in comparison with 73% in 2006 and 72,4% in 2005.

Unemployment remained at comparatively low levels. In 2005, the rate of unemployment was 5,3%, in 2006 it followed a downward trend and decreased to 4,5%, whereas in 2007 it fell below 4% and reached 3,9% of the labour force. For men the unemployment rate was 3,4% (2007), whereas for women it was clearly higher (4,6%), even though it had fallen significantly since 2004 when it was 6,2%. In 2007, the unemployment rate of young people (15-24 years) was 10,2%, showing a decrease since 2005 (13%) and 2006 (10,5%). Long term unemployment was reduced from 1,2% in 2004 and 2005 to 0,9% in 2006 and 0,7% in 2007. Although female long term unemployment followed a downward trend in the period 2000-2007, it remained at higher percentages in comparison with that of males with the biggest difference being in 2000 (men: 0,5%, women: 2,2%), whereas in 2007 there was a reversal in the difference between men and women (men: 0,8%, women: 0,7%).

1.1.3 Demographic situation

The total population of Cyprus in the areas controlled by the Government of the Republic of Cyprus, according to the data of the Demographic Report of 2006, is estimated to have risen to 778.700 at the end of 2006 in comparison with 766.400 at the end of 2005, an increase of 1,6%. A percentage of 1,1% of the increase came from net migration.

In the same year, the percentage of children aged below 15 years was estimated at 18% and the percentage of people aged 65 years and over at 12,3%. Over the years there has been a gradual increase in the proportion of elderly persons and a decrease in the proportion of children, which shows a tendency towards an ageing population. According to data of the European Statistical Service¹, the age dependency ratio (65+ / 15-64) will rise from 17,7% in 2005 to 43,2% in 2050.

The total fertility rate was 1,44 in 2006 from 1,42 in 2005. Life expectancy at birth, which was 77 years for men and 81,4 years for women in 2002-2003, has risen to 77 years for men and 81,7 for women in 2004 - 2005. Infant mortality fell from 4,6 deaths per 1000 births in 2005 to 3,1 deaths in 2006.

Data on the social aspect of migration

According to the Demographic Report of 2006, the population of Cyprus is estimated at 867.600 persons. The composition of the population by community was: Greek Cypriot community 660.600 (76,1%), Turkish Cypriot community 88.900 (10,2%), foreign nationals 118.100 (13,7%).

The number of immigrants (returning Cypriots and foreign nationals who come for settlement or temporary employment for more than 1 year) was 22.003 in 2004, 24.419 in 2005 and 15.545 in 2006. Of the 15.545 immigrants in 2006, a proportion of 34% had citizenship of a member state of the EU (24), 37,8% were citizens of third countries, 6,5% were Cypriots, whereas 22,7% were members of families of immigrants who did not state their nationality. Furthermore, it must be noted that 26,3% of immigrants coming to Cyprus are citizens of Asian countries, mainly Sri Lanka and the Philippines.

The main reason for immigration to Cyprus is employment at 52,1%, followed by settlement at 18%, whereas 21,7% of immigrants did not state the purpose of their arrival.

Regarding the gender of immigrants to Cyprus, there is a big difference between men and women. For 2006, 63,1% of the total number of immigrants were women and only 36,9% were men. An even bigger difference regarding gender is observed among immigrants with nationality from Asian countries. For 2006, 3.719 (90,8%) women had nationality from Asian countries, in comparison with 377 men.

In the Population Census of 2001 there were 66.810 foreign nationals registered as residing in Cyprus (a proportion of 9,4% of the total population). The number of citizens of the then 15 member states of the EU was 32.214 (48,2%). According to the Census, the proportion of participation of foreign nationals aged 15 years and over in the work force was 63,2%. As regards occupational groups, the largest proportion (40,2%) were unskilled workers and only 10% had qualifications.

¹ Eurostat EUROPOP 2004 Trend scenario – baseline variant

During 2007, based on the Labour Force Survey, Cypriot employed persons comprised 85,8% (324.121 persons) of the total number of employed persons (377.948 persons), citizens from member states of the EU were 7% (26.633 persons) and from third countries 7,2% (27.194 persons).

1.1.4 Risk of poverty and social exclusion²

In 2005 the risk of poverty rate was 16%. That is, 16% of the population lived in households with an income below the adult equivalised income of €8.719, which represents 60% of the equivalised median household income.

For the population aged 65 and over the risk of poverty rate was 52% (EU-25:19%). For children aged 0-17 years the risk of poverty rate was 11% (EU-25: 19%) as also for the population aged 18-64 (EU-25:15%). As regards gender, the risk of poverty shows the highest difference (4 percentage points) between men and women, not only in the general population but also in the specific age groups, with the exception of that of children aged 0-17 years. The risk of poverty for elderly women (age 65 and over) is 54% and for women aged 18-64 it is 13%, while for women of the general population, irrespective of age, the risk of poverty is 18%. In Cyprus single parent households with at least one dependent child were running double the risk of falling below the poverty line in comparison to the rest of the population (34%).

As for the distribution of income, the income inequality ratio (S80/S20) in 2005 was 4,3 (EU-25:4,8) and the Gini indicator was estimated at 29 (EU-25:30).

The total expenditure for social protection (% of GDP) shows an upward trend for the period 2000-2005. Specifically, from 14,8% of GDP in 2000 it rose to 18,4% of GDP in 2005.

It is especially interesting to see how social transfers³ as well as pensions affect the mean total income of households and consequently the risk of poverty rate. The risk of poverty rate before each social transfer was 29% in 2005. After the inclusion of old age and widowhood pensions this proportion was reduced to 22% and when the rest of the social transfers were included the proportion was further reduced to 16%. Overall it can be said that social transfers have a positive effect on the risk of poverty rate and reduce it by 13 percentage points.

The percentage of children aged 0-17 years living in jobless households was reduced from 3,9% in 2006 to 3,7% in 2007 (EU-25, 2007:9,3%). The percentage of persons aged 18-59 years living in such households was reduced from 4,9% in 2006 to 4,7% in 2007, thus illustrating a downward trend.

Early school leaving for persons aged 18-24 years⁴ was reduced from 20,6% in 2004 to 12,6% in 2007(EU-27: 14,8%). Of course, if we estimate the Cypriot students studying abroad these proportions are further reduced. Regarding gender, early school leaving seems to apply more to men and to a lesser degree to women (2004: men 27,2%, women 14, 9%, 2007: 19,5% men, 6,8% women).

In 2005 the poverty risk for those living in owner-occupied houses was 15%, while for those living in rented houses it rose by 9 percentage points (24%). Furthermore,

² 2004 and 2005 are the income reference years of EU SILC 2005 and 2006 respectively.

³ Social Transfers: public assistance, disability benefit, child benefit, mother's benefit, maternity allowance, allowance for the care of elderly persons.

⁴ Percentage of the population aged 18-24 years having the highest level of secondary education at Gymnasium (3 years) and not in further education or training.

higher percentages are shown for women in relation to men, whether they live in owner-occupied or rented houses. The risk of poverty for women in owner-occupied houses is 17% while in rented houses it is 27%.

1.2 Overall Strategic Approach

1.2.1 Overarching Objective (a) – promoting social cohesion, equality between men and women and equal opportunities for all.

The National Reform Programme (NRP) has included five priorities which are related to the priorities of the National Report on Strategies for Social Protection and Social Inclusion thus establishing a network of multi-dimensional strategic approach. These priorities are:

- Increasing employment by obtaining and expanding work positions, promoting entrepreneurship, securing employability, especially of older persons and women.
- Developing flexicurity in the labour market.
- Strengthening and developing human resources and lifelong learning.
- Rational development of the foreign work force with a view to serving the economy as well as securing social inclusion and social cohesion.
- Securing the socio-economic conditions, terms and prerequisites of social cohesion.

1.2.1.1 National Strategy for Social Inclusion

The formulation of the National Strategy for Social Inclusion 2008-2010 (NSSI) aims at combatting poverty and social exclusion, by securing the opportunity of access to material and non-material resources, rights and services for all citizens. This possibility is an adequate and necessary condition for the active participation of all citizens in social affairs, it provides a preventive function against exclusion, while at the same time fights against all the possible, old and new, forms of social discrimination that lead to exclusion.

The fight against poverty and social exclusion is also based on the active integration and participation of all individuals and social groups in the labour market, thus containing unemployment and developing employment. The fight against poverty and social exclusion further presupposes the development of coordination of all the involved bodies, services, groups and individuals, including those who are directly affected. This coordination secures, as it is well known, the best possible usefulness of social inclusion policies, which also depend on economic and educational policy, as well as the contribution of the structural funds of the EU for ultimate effectiveness.

Within the framework of the above observations, the National Strategy for Social Inclusion 2008-2010 states the following priorities:

1. Reducing the risk of poverty and social exclusion.
2. Promoting active integration of vulnerable groups of the population into the labour market.
3. Preventing the social exclusion of children.
4. Modernising institutions for strengthening procedures and policies for social cohesion.

These priorities are a continuation of the priorities of the previous National Strategy for Social Inclusion 2006-2008, as in this way the necessary continuity and cohesiveness between the two Strategies is secured. The emphasis on active integration and prevention of child poverty are vital areas in the field of social inclusion, as this is acknowledged in the Joint Report for 2007. In the framework of the new National Strategy for Social Inclusion, the objective is to strengthen, modernise and enrich policies/ actions included in the above priorities with the addition of new ones, which will be able to meet modern socio-economic challenges. The Strategy to be followed during the new period of 2008-2010 in the field of social inclusion is enriched with a new horizontal priority, which concerns the modernisation of institutions for strengthening procedures and policies of social cohesion.

Priority 1. Reducing the risk of poverty and social exclusion

Policies for reducing the risk of poverty are focused on the population age group of 65 years and over, which presents the highest risk of poverty (52%), single parent families, which also carry a high risk of poverty (22%) and other vulnerable groups of the population such as persons with disabilities.

The planning of new measures of allowances policy for the period 2008-2010 aims at increasing the income of social groups carrying the highest indicators of poverty risk, which place them below the poverty line. These measures seek to reinforce the income of particular population groups, allowing for selective readjustment of allowances and benefits, while taking into account the adequacy of available financial resources and aiming at the containment of the various consequences of high poverty risk in which pensioners and single parent families find themselves.

Priority 2. Promoting the active integration of vulnerable groups into the labour market

Policies for the promotion of active integration aim to further improve the employability and integration of vulnerable groups of the population into the labour market, thereby reinforcing the socio-economic position of these groups and facilitating their social inclusion. These measures also contribute, in a wider sense, to the increase of employment and consequently to the overall development of the country.

The functional restructuring and decentralisation of the Public Employment Services, the reinforcement and strengthening of their personnel, the vocational training and lifelong learning for persons who are dependent on welfare benefits, for persons with disabilities, elderly persons, young persons and women, the promotion of entrepreneurship among women and young persons, the creation of new job positions, the development of the field of social economy, are some examples of active employment policies which are expected to develop during the new period.

Especially with regard to the integration/reintegration of economically inactive women into the labour force, the development of care services for children, elderly persons and other dependent persons and the promotion of flexicurity and flexible arrangements at work, support basic policy measures, enhancing the reconciliation of family and professional life.

Moreover, regarding the integration /reintegration of third country nationals into Cypriot society, the provision of social services to foreigners, the vocational training of refugees, the protection of unaccompanied (foreign) minors, programmes for learning the Greek language for minor applicants for asylum or children of applicants

for asylum, as well as the formulation of a new strategy for the effective management of employment of foreigners are some measures and actions that promote the social inclusion of foreigners who live and work in Cyprus.

Priority 3. Preventing social exclusion of children

Policies for the prevention of social exclusion of children aim at securing conditions, terms and prerequisites for their physical and psycho-social wellbeing and healthy development, ensuring equal opportunities in learning for all children and indirectly halting the continuation or maintenance of social exclusion for future generations.

The planning of new measures for the prevention of social exclusion of children for the period 2008-2010 includes actions regarding the reduction of regional educational inequalities, the establishment of support teaching, the provision of learning support for children with special needs, the reform of the educational system, reinforcement of educational human resources, strengthening the family and the child by providing supportive counselling services. Apart from the above measures, which are general and universal in character, the planning of preventive measures also includes the development of programmes and actions for dealing with special problems such as early school leaving, the integration of children who speak languages other than Greek, into the educational system and in society in general.

Priority 4. Modernising institutions for the reinforcement of procedures and policies for social cohesion

Modernisation policies for the reinforcement of procedures aim at improving the effectiveness of institutions, bodies and services in applying the social inclusion policies that they develop. In particular, these policies aim at improving administrative capacities and functional productivity, the ability to take corrective measures, to review plans and reorganise structures and securing a high level of quality in the application of measures for social inclusion and reinforcing social cohesion.

The planning of policy measures for the modernisation of institutions includes actions and operations regarding the decentralisation of the Social Welfare Services (SWS), the reorganisation of main services of Public Administration (Ministry of Education and Culture, Department of Public Administration and Personnel, Department of Labour, SWS), the application of a Common Evaluation Framework in various public services, the creation and application of a new system for evaluating disability and the ability to function of persons with disabilities as well as the reorganisation of the field of their vocational training and rehabilitation, the modernisation of the Public Employment Service (PES) and the restructuring of the educational system through an extensive educational reform.

1.2.1.2 National Pensions Strategy (NPS)

The pensions strategy during the period 2008-2010 aims at addressing the challenge of the high risk of relative poverty for the population aged 65 years and over. Minimising this risk will be pursued mainly through the improvement of the pensioners' additional income support measures in order to make them more effective by targeting them where the at-risk-of poverty rate is higher, as well as by continuing to apply existing method of regular indexation of the General Social Insurance System (GSIS) pensions (indexing basic pension to earnings and

supplementary pension to the Consumer Price Index [CPI], which benefits more the recipients of low pensions.

The measures envisaged for ensuring the financial sustainability of the pension system are mainly focused on increasing revenues and to a lesser extent on reducing expenditure. Closing the financing gap is to be achieved through the gradual increase of contributions over a period of 30 years starting in 2009 and the improvement of the rate of return of the GSIS assets. Additional contributions will be distributed among employers, employees and Government in a way that, together with the phasing-in of the increases over a long time span, does not conflict with the strategy for growth and more jobs. In this way, the burden of financing future pensions will be distributed more fairly between the present and future generations. The planned increase in the minimum insurance period for entitlement to old age pension is in line with the policies for increasing employment and prolonging the working life of women and older workers.

The 2006 legislation which regulates the establishment, operation and supervision of the scheme of occupational retirement benefits is expected to contribute to better governance of supplementary pensions provisions and, in particular, to safeguarding the rights of members, through better supervision and monitoring of the management and operations of these schemes, as well as ensuring their financial sustainability. Further improvements in the regulatory legislation are envisaged in order to expand its scope to small schemes providing lump-sum retirement benefits.

1.2.1.3 National Strategies for Health Care and Long-term Care

Health Care

The Ministry of Health recognizing the need for reorganisation of its services and changes in its structure, is directly promoting the modernisation of its organisational structure and services as a transitional stage, which will be completed with the implementation of the National Health Scheme (NHS). The preparation of the accreditation of public hospitals is already being promoted in order to create a modern and comprehensive system that will ensure quality, with a view to upgrading the system of administration and management of state hospitals, so that they will be ready to function independently, both administratively and financially, once the NHS is implemented.

Other significant projects which are expected to be implemented are: (a) computerisation of public hospitals, (b) promotion of the establishment of a Medical School, (c) continuing the implementation of the ten year development programme for geriatric services with the completion of the relevant study, (d) development of the provision of medical care at home and community mental health nursing, (e) vocational training for Health Professionals, (f) development of all the necessary mechanisms for the implementation of programmes for information, prevention and promotion of health, which will be designed in such a way as to meet the current needs of citizens, taking into account the main causes of ill health and death in Cyprus.

Long-term Care

The projected increases in the ageing of the population, the high age dependence index and the high poverty risk for elderly persons are the main challenges for the

development of an adequate and viable policy in the field of long-term care, which mainly includes institutional and home care. However, institutional as well as home care demand the securing of quality in the services provided and at the same time lead to orienting policy for the development of long-term care towards the community. This central orientation forms the main priorities and objectives of long-term care, which are the following:

- Promoting the strategy of deinstitutionalisation and the development of community care.
- Safeguarding quality in the provision of adequate and viable long-term care services.
- Developing and strengthening human resources in long-term care services.
- Improving coordination between health care and long-term care

Long-term care is one of the fields which are expected to receive special attention during the period 2008-2010. Apart from continuing the implementation of existing actions/ policies, a relevant study will be conducted within 2009, the results of which will be utilized for the development of a spherical approach in the field of long-term care, taking into account matters relating to geriatric care.

1.2.2 Overarching Objective (b) - Promoting effective and mutual interaction between the Lisbon objectives

In the Revised Lisbon Strategy, which was agreed upon in February 2005, three general groups of objectives are specified:

- Creating a more attractive environment for investments and work.
- Reinforcing development through knowledge and innovations.
- Creating more and better jobs.

Moreover, the central strategy, the specific objectives and the thematic priorities of the National Strategic Reference Framework (NSRF) 2007-2013 are in synergy and interact with the remaining national policies as well as with EU policies, ensuring the connection of the thematic priorities with the Strategic Guidelines for Cohesion Policy and the substantial contribution of the NSRF in the achievement of the objectives of the NRP. It should be noted that Cyprus has committed to assigning a proportion of approximately 58,9% of total resources of the period 2007-2013 for actions/ projects which will contribute to the achievement of priorities of the Lisbon Strategy.

Furthermore, synergy between the NSRF and national policies is secured through the Strategic Development Plan 2007-2013, which includes amongst its developmental priorities the thematic units/actions that will be financed by both EU funds and the state budget within the framework of a comprehensive developmental policy.

The objectives and guidelines which are determined within the framework of the National Strategy Report on Social Protection and Social Inclusion (NSR SP/SI) of 2008-2010 and concern strategies for Social Inclusion, Pensions and Health and Long-term Care are to a great extent common and, therefore, mutually interact and are in synergy with the objectives that are determined within the framework of the NRP for the Lisbon Strategy.

In practice the NSR SP/SI 2008-2010 is a detailed tool for the implementation of the Lisbon objectives that are mentioned in the guidelines, especially those regarding

Employment. The measures promoted within the framework of the comprehensive guidelines for development and employment are in complicity with the measures promoted within the framework of the NSR SP/SI 2008-2010.

Moreover, the NSR SP/SI 2008-2010 takes into account the comments of the EU in the annual progress report on the implementation of the NRP for the Lisbon Strategy, in which it was noted that there was insufficient progress in areas relating to social policy⁵.

Specifically, the National Strategy for Social Inclusion (NSSI) 2008-2010 contributes to the objectives of the Lisbon Strategy for further development and increase of employment through measures that promote high rates of labour supply by promoting the active integration of vulnerable groups of the population, upgrading the quality of the work force, improving the level of education as well as policies/ actions, which will contribute to the strengthening of social cohesion.

The planned increase in the minimum insurance period for entitlement to old age pension is a measure that reinforces the policies of the Lisbon Strategy for Growth and Jobs. Consideration was also given to the impact of increasing contributions on employment. In order to avoid any negative interaction with the policy for more jobs, the additional contributions will be distributed among employers, employees and Government and will be increased gradually over a long period of time. Conversely, the measures envisaged in the NRP for the increase of employment are predicted to have a positive effect on the sustainability and adequacy of pensions.

The actions being promoted within the framework of the National Strategy for Health and Long-term Care 2008-2010 predetermine the implementation of the NHS by 2010, contributing to the overall coverage of the population and giving special emphasis to equality, financing and accessibility. Furthermore, they contribute to the increase and development of human resources, the improvement of public health and the improvement of long-term care services, which are an important factor in the wider policy for the reconciliation of family and working life.

1.2.3 Overarching Objective (c) - Promoting good governance, transparency and involvement of stakeholders

This overarching objective is approached with the active involvement of all stakeholders in the field of social inclusion, not only in the planning but also in the implementation of specific policies for social cohesion, and also at the level of Central Government and Local Authorities in cooperation with organisations of the voluntary sector. The planned creation of a coordinating body/network for social care and employment on a local as well as central level reinforce the participation of involved bodies as well as coordination between them.

With the operation of the General Social Insurance System (GSIS), good governance is ensured through established procedures for consultation and the participation of the social partners. The introduction of the NHS and the modernisation of the system

⁵ In particular, the two Recommendations for Cyprus concern: (i) the implementation of reforms of the pension and health care systems and setting a timetable for their implementation with a view to improving fiscal sustainability, and (ii) the enhancement of lifelong learning, and further increase employment and training opportunities for young people by implementing the recently approved Life Long Learning National Strategy and by implementing the reforms of the vocational, education, training and apprenticeship system, including the New Modern Apprenticeship Scheme. Furthermore, amongst the Points to Watch for Cyprus mentioned by the European Commission is the need: to address the very high gender pay gap.

of operation of hospitals are expected to create conditions of good governance in the field of health.

Moreover in July 2007, the Council of Ministers set up an Advisory Body for the Implementation of Social Policy with a view to studying and evaluating all programmes, allowances and benefits and enhancing cooperation in the fields of social policy. Furthermore, an Agency for Demography and Family Policy is in the process of being set up and this is expected to contribute, among other things, to the creation of a comprehensive and cohesive policy in the relevant fields.

The SWS, as the competent coordinating organ for the preparation of the NSR SP/SI, have set up an Interdepartmental Committee for Monitoring and Evaluating the Implementation of the NSR SP/SI 2008-2010 and for more effective coordination between the relevant Ministries and government services. Within the framework of the NSR SP/SI 2008-2010, the SWS will promote the setting up of a wider Committee for Monitoring and Evaluating the Implementation of the NSR SP/SI, in which all involved bodies will participate (government agencies, voluntary organisations, local authorities, social partners, research bodies etc).

PART 2 – NATIONAL STRATEGY FOR SOCIAL INCLUSION

2.1 Evaluation of Progress

Since its accession to the EU in 2004, Cyprus has submitted a series of documents relating to social inclusion and social protection⁶. The previous NSSI 2006-2008 set three priorities which concerned: (a) reduction of the poverty risk, (b) integration of vulnerable groups into the labour market and (c) prevention of social exclusion in children. According to the Joint Report 2007, the challenges ahead for Cyprus are to continue to improve the position of vulnerable groups in society through active inclusion and equal access to all services and to improve governance through strengthening not only the involvement and capacities of local authorities, the social partners and non-governmental organisations, but also the development, implementation, monitoring and evaluation of intervention policies.

During the period 2006-2008, all the measures/actions/operations that are mentioned in the NSSI 2006-2008 continued to be implemented, giving special emphasis to the achievement of the targets and priorities that had been set. Taking into account the relevant recommendations for the improvement of governance and more active involvement of local authorities, relevant studies were conducted and their findings have been taken into account for the promotion of measures mentioned in the NSR SP/SI 2008-2010, which are expected to further strengthen social inclusion. Furthermore, with a view to enhancing the incomes of vulnerable groups of the population (older persons, persons with disabilities, single-parent families), the Government proceeded, in 2007, to promote a series of measures for strengthening social cohesion (Appendix 2.2).

Within the framework of the new NSSI 2008-2010, special emphasis is given to matters of governance and modernisation of institutions by including specialised priority policy. It is worth noting that in 2006 relevant legislation was enacted on the procedure for consultation between government and other services and the Cyprus Confederation of Organisations of the Disabled, an action which was included in NSSI 2006-2008.

Given that the EU has established the collection of data in each member state on the basis of the “Survey of Income and Living Conditions- SILC”, which was applied for the first time in 2004 and in Cyprus in 2005, the evaluation of progress in the implementation of the NSSI 2006-2008 presents certain difficulties of a technical nature, since comparisons on designing and implementing quantitative targets can be characterised by a loss of accuracy of data, which are based either on the FBS 2003 or on SILC 2006⁷. However, it must be pointed out that this loss in the comparison of data is confined to a small margin of difference, allowing, despite everything, an imprint of the socio-economic situation and the definition of challenges, trends and priorities, which are necessary for the next period 2008-2010. Of course the annual differences that may be noted are not essentially significant, apart from their numerical differentiation, which represents a small margin of difference. However, some EU-SILC 2006 indicators manifest their development over

⁶ Cyprus submitted the first National Action Plan for Social Inclusion (NAP/Incl) in July 2004, which was based on the statistics of the Family Budget Survey (FBS) of 1996/1997. The Implementation and Update Report of the NAP/Incl 2004-2006 was submitted in June 2005 and in September 2006 Cyprus submitted the first Report on Strategies for Social Protection and Social Inclusion 2006-2008, which was based on statistics of the FBS of 2003. A basic innovation of this Report was the setting of quantitative targets, which were based on the data arising from the Implementation and Update Report of the NAP/Incl 2004-2006.

⁷ European Commission, Joint Report on Strategies for Social Protection and Social Inclusion.

the years, allowing for the recording of their course. In both cases it becomes possible to show their evolution trends, their direction and possibly their extent, as their numerical differences are small.

On the basis of the above, the trends resulting from the evaluation of progress in relation to the previous periods concern the following⁸:

- The poverty risk of the general population seems to be stabilized at 16%.
- The poverty risk for persons aged 65 and over has shown a significant decline from 58% to 52%.
- The poverty risk for persons living in one person households declined to 43%. The poverty risk for women living in one person households is quite high (52%) and for elderly persons (65 years and over) it is even higher (70%)
- The poverty risk for single-parent families with at least one dependent child also declined to 34%.
- The proportion of poverty risk before all social transfers, that is not including social allowances and pensions in the total income of households, is at 29%, whereas when only pensions are included and not social allowances it is at 22%.
- The poverty risk after social transfers (that is not including social allowances but including pensions), is reduced:
 - for the elderly (65 and over) by 3 percentage points.
 - for persons aged 18-64 by 5 percentage points.
 - for children (0-17years) by 9 percentage points.
 - for women aged 18-64 by 5 percentage points.
 - for women aged 65 years and over by 4 percentage points.
- The employment rate of older persons (55-64 years) increased by 4 percentage points (from 53,6% in 2006 to 55,9% in 2007).
- The difference in employment between men and women (55-64 years) is about 30 percentage points.
- Unemployment of young persons (15-24 years) is at 10,5%.
- Unemployment among young women is higher than among young men with the difference between the two sexes being 1,5 - 2 percentage points.
- The poverty risk for those employed over the age of 18 years is just 7%, whereas no difference has been recorded between men and women in the working population (7% and 7% respectively).
- The poverty risk for the unemployed aged 18 years and over is at a high proportion (31%), while a difference is recorded between men and women of the order of 4 percentage points.
- The poverty risk for pensioners is at the high proportion of 51%, while a difference is recorded between men and women among pensioners by 3 percentage points (49% for men and 52% for women)
- The proportion of children aged 0-17 years who live in jobless households was reduced from 3,9% in 2006 to 3,7 in 2007.
- The proportion of persons aged 18-59 who live in jobless households was reduced from 4,9% in 2006 to 4,7% in 2007.
- The proportion of persons aged 18-24 who leave school early⁹ was reduced from 18,1% in 2005 to 16% in 2006.

⁸ Data was taken from the registry that was published in July 2008 on the webpage of the European Commission: : http://ec.europa.eu/employment_social/spsi/common_indicators_en.htm

- The poverty risk for persons living in owner-occupied houses is 15%, whereas for those who live in rented houses it is increased by 9 percentage points (24%).
- The poverty risk for women living in owner-occupied houses is 17% and in rented houses 27%.

2.2 Main Challenges, Priorities and Targets

Bearing in mind the trends emerging from specific statistics of the evaluation, it appears that the fight against poverty and social exclusion is characterised by certain steps of progress which, for the most part, are set in the direction of decline, albeit small in some cases, of the relevant indicators. The decline of the indicators forms the terms and conditions for the application of social inclusion policies for the new period 2008-2010.

As mentioned in the Joint Report for Strategies of Social Protection and Social Inclusion 2007 for Cyprus, securing an adequate standard of living for vulnerable population groups is a main protection policy which aims at enhancing social cohesion. Recent evidence confirms this challenge and in combination with the need to modernise the social protection system, set basic choices for the application of social policy. The modernisation of the social protection system is considered to be necessary, in order to secure its financial and social sustainability against increasing demand.

Securing an adequate standard of living for vulnerable population groups is achieved not only with policy measures that involve allowances but also with their integration into the labour market. Therefore facilitating the promotion of vulnerable groups into employment is one more challenge for the period under consideration.

However, certain population groups seem to be more threatened than others, as far as poverty risk is concerned, thus directing towards planning of priorities and targets for further reducing the poverty risk. These groups are:

- The elderly 65 years and over with the highest poverty risk,
- Persons who live in one person households,
- Recipients of public assistance,
- Single-parent families,
- Unemployed young persons,
- Unemployed women as well as the inactive female force
- Young persons who leave school early,
- Persons with disabilities
- Economic immigrants and refugees, especially those from third countries.

These groups determine current challenges which dictate the planning of priorities for their integration into the labour market. Integration of vulnerable groups into the labour market is achieved mainly with the development of active policies regarding:

- Flexible forms of employment,
- Establishment of flexicurity at work,
- Reducing the wages gap between the two sexes,
- Reconciliation of family and work life,
- Providing individualised support,

⁹ Percentage of the population aged 18-24 years having the highest level of secondary education at Gymnasium (3 years) and not in further education or training.

- Vocational training and lifelong learning,
- Providing services for the care of children, elderly person, persons with disabilities or other dependent persons,
- Prevention of social exclusion of children,
- Provision of preventive services and counselling and supportive services for family and the child,
- Access to educational, health and long-term care services,
- Modernisation of apprenticeship schemes in order to improve their suitability for promoting young persons to employment,
- Learning and cultural support of children with the development of educational zones and supportive programmes,
- Prevention and treatment of the phenomenon of drug dependency,
- Provision of services for the promotion of persons with disabilities to employment and integration into the labour market,
- Cultural support and social inclusion of adults and children who are citizens of third countries.

The development of these policies is expected to bring further positive results, in the next period, in the basic priority which is the further reduction of the risk of poverty, especially for socially vulnerable population groups, taking into account the experience that has been gained and the maturing of social inclusion policies.

However, certain observations must be noted which are mentioned in the profile of the country within the framework of the Joint Report 2007. These observations arise from the previous NSR SP/SI 2006-2008 and relate mainly to certain specific fields of implementation of policies for fighting social exclusion:

- Promoting women's employment: Even though women benefit from a series of measures for their integration into the labour market, other aspects and matters, such as violence in the family, reconciliation of family and work etc, do not seem to be approached adequately and effectively, thus limiting the development of a comprehensive policy for equality between the sexes.
- Unemployment of young persons: Even though unemployment among young persons is following a declining trend, young persons are not mentioned as a target-group with various complex problems, which demand specialisation of priorities and policy measures and not just reforming apprenticeship schemes and the vocational training system.
- Management of the employment and social integration of foreigners: The promotion of measures for the social integration and the management of economic migration, especially regarding workers who come from third countries, is not developing adequately.
- Use of new technologies: the use of new technologies (ICTs) is not approached satisfactorily, especially in education but also in other fields that need their application.

The above observations have been taken into account for the planning of priorities as well as for the implementation of policies during the new period 2008-2010 and will be presented in this Report.

The strategy for the fight against poverty and social exclusion, which is based on a multi-dimensional approach, sets a network of priorities, measures and actions that

aim at improving social cohesion and enhancing social inclusion. This network ensures the necessary synergy, complementarity and interaction with other national policies and complies with the Lisbon objectives and the guiding instructions of the EU.

The basic policy priorities in the field of social inclusion, as they are derived from the main challenges and trends of social reality in Cyprus and are proclaimed by the EU, are the following:

1. Reduction of the poverty risk and social exclusion.
2. Promotion of the active integration of vulnerable population groups into the labour market.
3. Prevention of the social exclusion of children.
4. Modernisation of institutions for the enhancement of procedures and policies for social cohesion.

The formulation of quantitative targets of the policies that develop in the area of social inclusion, as noted in the previous Report 2006-2008, allows for the monitoring of the course of the implementation of these policies, providing at the same time the possibility of re-planning and taking corrective measures. It should be pointed out, of course, that simply formulating quantitative targets does not ensure the qualitative and multi-dimensional approach of the policies which are implemented for combatting poverty and social exclusion. Their contribution lies more with the measurement of the output and results and less with the appraisal of the effects of the policy measures.

The quantification of targets is certainly a useful tool for the statistical monitoring of the effects of measures in reducing the poverty risk, in the active integration of vulnerable population groups into the labour market, in preventing the social exclusion of children, but it does not provide information on the effects of policy measures on the quality of life of the target-groups. In combination with the quantification of targets it is deemed necessary to have qualitative targets, which of course demand the development of special tools for the monitoring of qualitative indicators.

The quantification of targets which follows is based on the appraisal arising from the development of indicators over the years, according to the EU-25:SILC 2006 data, and expresses a direction of progress based on trends as these are derived from the reading/ interpretation of the numbers.

Quantitative targets of policies for the fight against poverty and social exclusion for the period 2008-2010:

| | |
|---|-------------------------------------------------------------------------------------------------|
| 1 | Further reduction of the risk of poverty from 16% to 14%. |
| 2 | Reduction of the risk of poverty among persons aged 65 and over from 52% to 40% by 2011. |
| 3 | Reduction of the risk of poverty among persons living in one-person households from 43% to 40%. |
| 4 | Reduction of the risk of poverty among single-parent families from 34% to 30%. |

| | |
|----|-----------------------------------------------------------------------------------------------------|
| 5 | Reduction of the risk of poverty among children (0-17 years) from 11% to 10%. |
| 6 | Reduction of the risk of poverty among persons aged 18-64 from 11% to 10%. |
| 7 | Reduction of the proportion of children aged 0-17 who live in jobless households from 3,7% to 2,7%. |
| 8 | Reduction of the proportion of persons aged 18-59 who live in jobless households from 4,7% to 3,7%. |
| 9 | Reduction of the proportion of early school-leavers aged 18-24 from 12,6% to 11%. |
| 10 | Increase the rate of female employment from 62,4% to 63%. |

2.3 Priority Policy Measures – Reducing the risk of poverty and social exclusion (Priority 1)

The priority for the reduction of the risk of poverty and social exclusion is focused on two thematic axes which include measures, actions and operations regarding:

1. transfers of the income type and measures for the reduction of the risk of poverty and social exclusion,
2. promotion of social inclusion for vulnerable population groups.

Axis 1: Transfers of the income type and measures for the reduction of the risk of poverty and social exclusion

Provision of Public Assistance

Public assistance ensures the right to a decent standard of living through the provision of financial assistance and/or social services to persons who face serious socio-economic problems and whose resources are not sufficient to meet their basic and special needs. With the revised Public Assistance and Services Law (L.95(1)/2006), implemented by the SWS, there have been amendments which financially reinforce public assistance recipients and encourage their integration into the labour market. With the wider application of certain provisions as well as the introduction of new ones, the new modernised legislation especially favours persons with disabilities and single-parent families. It should be noted that further revisions of the legislation are being studied.

The rates of public assistance are indexed annually to a special consumer price index for selected goods and services that cover basic needs. In July 2008 the House of Representatives approved an increase of 12%. This amount is higher by 7,8% in relation to 2007 and this increase gradually contributes to the implementation of the Government target for reducing the number of people living under the poverty line. With this increase, the rate of public assistance for basic needs for an adult person, as a percentage of the amount that corresponds to 60% of the median national income, has risen to 60,3%, in comparison to 56,6% which was the rate of

basic needs in 2007, that is there is an increase of 3,7 percentage points. The total expenditure for Public Assistance in 2007 rose to 134m. euros

Furthermore, in 2007, a total amount of about €7m. was given from the Public Assistance Fund to foreigners, including applicants for political asylum, EU citizens and citizens from third countries.

Provision of benefits/ allowances for vulnerable population groups

The Government has developed a package of social transfers (allowances/grants), for vulnerable population groups and concerns the following cases: child benefit, mother's allowance, special financial assistance to single mothers for childbirth, special grant for blind persons, financial assistance to persons with disabilities for the purchase of a car, special grant for students, special grant for purchasing/building a house, financial assistance to families with four children and over for the purchase of a car, special grants for war pensioners. In 2007 the total expenditure rose to €305,3m. approximately and 192 thousand citizens benefited.

Measures for the Reinforcement of Social Cohesion

In 2007, the Government proceeded to promote a series of Measures for the Reinforcement of Social Cohesion to the total amount of €351,1m aiming to strengthen financially vulnerable population groups, mainly pensioners with low incomes, elderly persons living alone, single-parent families and persons with disabilities (Appendix 2.2).

Financial support Schemes for Persons with Disabilities

The Financial Support Schemes for Persons with Disabilities concern: a) allowance for disabled persons with severe mobility problems, which is provided on a monthly basis, irrespective of income. The rate of the monthly benefit, at the end of 2007, was €294,39 and it is adjusted every six months according to the cost of living index, b) care allowance to tetraplegic persons for their financial support, irrespective of income, at the rate of €854,30 per month. The amount spent in 2007 on these allowances rose to €4.706.940.

The General Social Insurance Scheme / Social Pension /Special Allowance to Pensioners / Pensioner's Social Card

Within the framework of the National Strategy for Pensions, there is a detailed description of the above measures which contribute to the fight against poverty and social exclusion of elderly persons.

Increase in the Minimum Wage

The legal minimum wage which applies to certain occupations (clerks, shop assistants, nursing aids, child care aids, infant care aids and teachers' aids), apart from reinforcing the incomes of the above categories in general, has a special significance for the encouragement of women to seek employment, because of the large proportion of women employed in the above occupations in the private sector.

Within the framework of an earlier Decision of the Council of Ministers (no. 57.826 dated 7.5.2003) for the gradual increase of the minimum wage, in order for it to reach 50% of the Median National Wage within 2008, the Council of Ministers issued an Order dated 2.5.2008 and effective from 1.4.2008, according to which the minimum

wage for the occupations of clerks, shop assistants, nursing aids, child care aids, infant care aids and teachers' aids, caregivers and guards is increased from €698.82 to €743 on engagement and after six months employment with the same employer, from €741.53 to €789 (6,4% increase).

Development of Actions for the “Reduction in the Gap in Wages between Men and Women”

With the completion of the study “Analysis of the Gap in Wages between Men and Women in Cyprus and Practical Suggestions for its Reduction” in November 2007, a comprehensive Plan for the “Reduction of the gap in wages between men and women” will be developed, which includes training and specialisation of inspectors, interventions for the reconciliation of work and family life, measures against the division between “female” and “male” occupations, an information campaign regarding equal pay and the preparation of tools for the evaluation of job positions, encouragement of businesses to promote participation of more women in training and lifelong learning, subsidising the cost of planning and applying equality schemes by businesses and further support of women entrepreneurs. The total estimated cost of the Plan is €4,5m. and it is expected to be co- financed by the European Social Fund (ESF).

Axis 2: Promotion of social inclusion of vulnerable population groups

Schemes for the provision of technical means and equipment for Persons with Disabilities

The following Schemes are implemented in order to facilitate the way of living of persons with disabilities and to promote their independence and full participation in social and economic life: a) Scheme providing financial assistance for obtaining technical means and equipment, b) Scheme providing financial assistance to disabled persons with severe mobility problems for the purchase of wheelchairs, c) Issuing parking cards to persons with disabilities, giving them the right to privileged parking thus facilitating accessibility for them. For the operation of the above Schemes the total expenditure rose to €640.350 in 2007.

Development of Programmes for the Social Inclusion of Refugees 2007-2008

The Asylum Service, as the competent authority for the management of the European Refugee Fund (ERF), develops programmes aiming at facilitating the social inclusion of refugees and asylum applicants and their adjustment to Cypriot society, thus fighting their social exclusion. Within the framework of the ERF-2007 programmes, four programmes have been implemented by NGOs, educational institutions as well as the Ministry of Education. Moreover the ERF-2008 is implementing four more programmes for: a) informing and sensitising public opinion in Cyprus on matters relating to refugees and persons entitled to complementary protection, b) the orientation of refugees and persons entitled to complementary protection in the Cypriot society, c) learning of the Greek language by refugees and persons entitled to complementary protection and d) providing free social aid and psychological support to asylum applicants. The total budget for ERF-2007 is €321.780 and for ERF-2008 €290.000, of which 75% is contributed by the EU and 25% the Republic of Cyprus.

Protection of victims of trafficking and sexual exploitation

On the basis of Law 3(1)/2000 on “The Combatting of Trafficking of Persons and Sexual Exploitation of Minors” and the new Law on “The Combatting of Trafficking and Exploitation of Human Beings and the Protection of Victims” L87(1)/2007, victims are provided with services of support, care, financial assistance and contact with relevant Services for taking measures for their rehabilitation, employment or repatriation, as well as informing them of their rights before and after their identification as victims of trafficking and sexual exploitation. The state Shelter for Victims of Sexual Exploitation started operating in Nicosia on 23/11/2007 and is one of the options for offering hospitality to victims.

Reinforcement of Public Transportations and accessibility of public places

The state considers especially significant the field of transportations and, for this reason it has recently set up a Reinforcement of Public Transportation Unit for the management of a Programme for the Reinforcement of Public Transportations which is estimated to last for about 10 years. A significant part of the Programme is the preparation of Comprehensive Schemes of Mobility for all cities which will aim at, among other things, the reinforcement of competitiveness of public transportations, the accessibility of the substructures and means of transport as well as informing the public. On the basis of these schemes, coordinated actions will be promoted which will aim at the reinforcement of viable transportations.

Special emphasis continues to be given to the restoration of accessibility of public buildings which house government services. Additionally, new regulations have been enacted for the construction of pavements so that persons experiencing difficulties will be really facilitated, while the new town planning works for the upgrading of urban roads already offer all facilities needed by these persons.

Further reinforcement of social inclusion of Persons with Mental Health Problems and persons with drug dependency

One of the main aims of government policy in the field of mental health is the transfer of Services from the Mental Institution, through compartmentalisation, to structures in the community, aiming at continuous and effective care for all those who need it. At the same time, emphasis is given to the field of promoting mental health and preventing mental illness and reducing social stigma.

A series of programmes and actions is promoted, such as:

1. Inclusion of primary mental health care in Primary Health Care and in community services, which are accessible to citizens.
2. Organising seminars, workshops and lectures.
3. Empowering Persons with Severe Problems of Mental Health and Persons with Drug Dependency in order to reduce self-stigmatisation and to create autonomous organisations for claiming their rights and demands.

Within the framework of psychosocial rehabilitation, programmes and services are also offered through Day Centres operating in the districts of Nicosia, Limassol and Larnaca and their extension to the remaining towns is planned to take place by 2013. Since 2008, a half-sheltered home has been operating in Limassol, as a pilot project, and within the period 2007-2013 special plans for subsidising local authorities and Voluntary Organisations are anticipated for half-sheltered homes, in cooperation with the Community Groups for Mental Health. Moreover, it is anticipated that 14 half-sheltered homes will be created in the period 2008-2010, through a project that will

be co-financed with European resources. At the same time, the implementation of a project for the “Organisation of a panyprian network of services and programmes of psychosocial rehabilitation of persons with mental health problems and persons with drug dependency” is being promoted and is expected to be co- financed from the ESF with a budget of around €2m.

Since January 2002, a pilot project called Occupational Rehabilitation Unit has been operating in Nicosia serving persons with mental health problems by providing programmes in three basic areas: a) Counselling for Occupational Rehabilitation and even, in a wider sense, psychosocial rehabilitation, b) Pre-occupational training and c) Employment with Support. Furthermore, the Occupational Rehabilitation Unit in cooperation with the Association for the Protection of Mental Health have created two social cooperatives where persons with mental health problems who cannot be integrated into the open labour market are employed. In the period 2007-2013, it is anticipated that four more Occupational Rehabilitation Units will be created in the districts of Limassol, Larnaca, Paphos and Free Famagusta.

2.4 Priority Policy Measures – Promotion of active integration of vulnerable population groups into the labour market (Priority 2)

The implementation of Priority 2 is focussed on 2 thematic axes which include measures, actions and operations relating to:

1. development of human capital and promotion of integration into the labour market
2. promotion of flexible forms of employment and further development of the network of social care.

Axis 1: Development of human capital and promotion of integration into the labour market

Vocational training of persons who depend on welfare transfers of the income type

Beyond the provision of Public Assistance and other measures of allowance policy for the reinforcement of incomes of vulnerable population groups, the development of active inclusion policies is pursued, giving emphasis to the development of activation measures for public assistance recipients and the establishment of an activation culture among all the bodies involved. Within this framework, programmes are developed for individualised counselling guidance/ support and vocational training for public assistance recipients aiming at their social and occupational reintegration and, in the long run, to end their dependence from public assistance.

The results, up to now, of the implementation of the pilot Project which is co-financed by the ESF have shown that social integration through active forms is a particularly multidimensional and complex procedure, which should be as individualised and focussed on each person’s special features and skills as possible in order to be considered successful. By December 2008 it is expected that the amount of €883.000 will be spent.

Promotion of employment and social integration of vulnerable population groups

Based on the pilot implementation of the above Project, the implementation of a new Project is being promoted, which will be co-financed by the ESF for the period 2007-2013. The Project is structured on four pillars: The first pillar relates to the improvement of the social skills of persons of the target group (public assistance recipients, ex users of dependency-forming substances, persons with psychosocial problems, children who were under the legal care of SWS etc). The second pillar aims at the specialised occupational training of these persons according to the needs of the labour market. The third pillar relates to the inclusion of the target group in the labour market through subsidising these work positions. The fourth pillar relates to the promotion of a Subsidies Scheme for the self-employment of persons with the implementation of training lessons in matters concerning the management/administration of small businesses and the provision of subsidies for starting small businesses.

The Project aims at (a) the integration of about 1300 persons from vulnerable social groups in training programmes, (b) the integration of about 500 persons from vulnerable social groups in programmes for gaining work experience and (c) keeping a proportion of 30% of persons from vulnerable groups in work positions six months after the suspension of the subsidy. The budget for the project is about €6m. for the period 2007-2013.

Scheme for Enhancing Women's Entrepreneurship

The Scheme for Enhancing Women's Entrepreneurship aims at the development, support and promotion of entrepreneurship of women aged 18-55 years, who wish to be activated in sectors of manufacturing, in commerce, services and tourism, thereby developing their knowledge, training and talents with the use of new technologies and innovations, as well as the potential of information technology in the development, production and sale of "new" products and services. This scheme falls within the framework of the Operational Programme "Sustainable Development and Competitiveness" of the EU 2007-2013. For the period 2007-2013 the foreseen budget for grants is €5m.

Scheme for Enhancing Youth Entrepreneurship

The programme aims at the development, support and promotion of entrepreneurship among young persons (men and women), through financial reinforcement and educational training seminars for the creation of new and viable small to medium businesses. Special emphasis is given to the use of new technologies, the use of innovative methods of production and the promotion of goods and services, the development of entrepreneurship in the field of the environment and generally the promotion of modern business activities with a view to creating dynamic businesses which are capable of evolving and competing. This scheme falls within the framework of the Operational Programme "Sustainable Development and Competitiveness" of the EU 2007-2013. For the period 2007-2013 the foreseen budget for grants for the above programme is €6m.

Establishment and Operation of a New Modern Apprenticeship (NMA) for the programming period 2007-2013

The aim of the project is to provide an alternative way of education/training, cultivation and development of skills for young persons aged 14-25 years who are

not integrated in the formal educational system, in order to secure their employability and their position in society as active citizens, while satisfying, at the same time, the needs of the labour market. The NMA consists of a Preparatory Apprenticeship, a Core Level and a Post-Lyceum Apprenticeship. It is supported by the Research and Development Centre, which ensures its continual renewal and adjustment to the demands of society and the economy; it is based on the principles of flexibility and equality of opportunity and is connected to the accreditation of professional qualifications. Mainly, it aims at facilitating the mobility of young persons between the educational system, apprenticeship and employment without dead ends and exclusions. The project will be co-financed by the ESF and the Republic of Cyprus and its budget is estimated to rise to €51.940.000 for the period 2007-2013.

Development of schemes for the promotion of active integration of Persons with Disabilities into the labour market

A series of Schemes aiming at the occupational training, rehabilitation and integration of Persons with Disabilities into the labour market is implemented and concerns: a) the Centre for the Occupational Rehabilitation of the Disabled (CORD), b) the Scheme of financial assistance for the creation and operation of small self-employment units for persons with disabilities, c) the Scheme for the self-employment of persons with severe disabilities, d) the Scheme for the occupational training of persons with disabilities in occupations for which training is not available at CORD, e) the Scheme for supported employment of persons with severe disabilities, f) the introduction of the quota system of recruitment of persons with disabilities in the wider public sector. For the implementation of the above Schemes in 2007 an amount of €243.500 was spent.

Investing in human capital / training the labour force

Specialised programmes promoted by the Human Resources Development Authority, aim at the promotion of training and employability of the unemployed, the inactive female work force, the new graduates of schools of secondary education and the strengthening of computer literacy of the unemployed. These programmes are co-financed by the ESF with a budget of around €5.8m. Similar training programmes will be promoted within the framework of the new programming period 2007-2013 with a budget of around €12m.

Promotion of the occupational and social integration of former dependent persons

Within the framework of the National Strategy for Drugs 2004-2008, the “Scheme for the Provision of Financial Assistance for the Reintegration of Dependent Persons who are in the course of treatment for drug dependency” has been implemented, aiming to provide financial assistance to former dependent persons for covering living expenses (rent subsidy), education/ training, purchase of equipment etc. In 2007, the amount of €35.000 was spent and in 2008 the amount is expected to rise to €85.430.

Vocational training for Refugees and persons entitled to complementary protection 2007 and 2008

The policy for the promotion of active inclusion of the population started to focus on other vulnerable population groups besides the traditional ones, in the last few years. Specifically, a training programme is implemented for refugees and persons entitled to complementary protection with a view to facilitating their access to the labour

market. The programme is co-financed by 75% by the EU and 25% by the Republic of Cyprus. The budget of the programme is €42.715 for 2007 and €50.000 for 2008.

Development of Actions for the Social Integration of Citizens from Third Countries

For the period 2008-2010 it is planned to develop interventions and actions for, on the one hand, the smooth integration of foreigners in Cypriot society and, on the other hand, their promotion to employment and the labour market, through the following: a) implementation of actions which are intended for the application of “common basic principles for immigrant integration policy in the EU”, b) development of mechanisms for better target setting, following up and evaluation, creation of policy etc., c) exchange of experiences, correct practices and information among member-states. The financing of these actions comes from the European Fund for the Integration of Citizens of Third Countries and for the period 2007-2013 the budget is around €6.7m.

Axis 2: Promotion of flexible forms of employment and further development of the social care network

Promotion of Flexible Forms of Employment (FFE) for the programming period 2004-2006 and 2007-2013

The pilot Project FFE 2004-2006 aimed at attracting to employment unemployed or economically inactive women, who wished to work with a flexible form of employment. The project, among other things, included a diagnostic study of the environment for the implementation of flexible forms of employment and the operation of a pilot scheme of grants for the implementation of FFE. The FFE 2007-2013 aims at attracting and maintaining more persons in the labour market and especially those population categories with low proportions of participation. On the basis of the project results of the previous period, a scheme for the subsidisation of businesses/ organisations will be operated in order to create work places with flexible employment regulations, for the benefit of young persons and persons of an older age who show higher percentages of unemployment, persons with dependants and, in general, persons from socially vulnerable population groups. The project will be co-financed by the ESF and the Republic of Cyprus. The FFE budget for 2004-2006 was €1.218.000 whereas for 2007-2013 it is estimated to rise to €4.000.000.

Further development and strengthening of the field of social care for children, elderly persons, persons with disabilities and other dependent persons on a local level

Having as a target the integration / reintegration of women in the labour market, a network of structures and services for social care has been developed which aim at, on the one hand, the facilitation of working parents and on the other hand, the provision of quality care services to dependent members of families (children, elderly persons, persons with disabilities) and other vulnerable groups.

Within the framework of this policy, the SWS are implementing the Project “Expansion and improvement of care services for children, the elderly, disabled persons and other dependants”, which started in 2005 and will be completed in 2008. The main aim of the Project is the creation and improvement/ expansion of social care services at the local level through cooperation of local authorities and voluntary social welfare organisations, for the purpose of facilitating integration,

reintegration and the maintenance of the inactive female work force in the labour market. The quantitative targets set for this Project were the implementation of 10 programmes of social care, serving 250 women from the new programmes of social care and the creation of 60 job positions in the new structures.

The pilot implementation of this Project aimed, among other things, at the more active involvement of local authorities in the field of social care and the development of closer cooperation with voluntary organisations at the local level. The interest of these agencies was especially positive as eventually 31 programmes were financed all over Cyprus, surpassing the initial target of the implementation of 10 programmes, of which 21 programmes are for children of preschool and school age, 8 for elderly persons and 2 for persons with special needs.

Within the framework of the implementation of the Project, emphasis has been given to the development of research with a view to achieving more effective planning and in fact two studies have been conducted on the subject of "Open Care Services in the Cypriot Model of Social Welfare" and the "Role of Local Authorities in the promotion of care policies for the reconciliation of work and family life". Resources from the ESF are used for the implementation of the Project and by December 2008 it is expected that the sum of about €2.920.000 will be spent.

Within the framework of the new programming period of the Structural Funds 2007-2013, a project is being planned on "Provision of Services for Covering Social Care within the framework of Family and Employment Reconciliation". The project aims at subsidising the provision of child care services for the inactive female force as well as subsidising the use of new technologies for the care of other dependent persons (elderly persons and persons with disabilities). The budget of the new project is estimated at €4m.

Moreover, the Grants-in-Aid Scheme for Voluntary Social Welfare Organisations, which is a mechanism of the Cypriot system of social protection, aims at the support and activation of the volunteer movement in the area of social welfare and the coverage of social care needs at the local level. Through subsidising voluntary agencies for 2008, it is attempted to enhance state policies aiming at dealing with the demographic problem and reversing the continuing low birth rate trend, to develop services aiming at the prevention of social problems and the support of the Cypriot family both at primary and secondary intervention and to encourage integration, reintegration and maintenance of women and vulnerable groups both in society and in the productive process.

Through the Grants-in-Aid Scheme for 2008, 210 Voluntary Social Welfare Organisations were subsidised for the operation of 292 Programmes of social care at a local level, with the amount of €7.816.885 (up to July 2008). Specifically, for 2008 subsidies went to 51 programmes for preschool children, 54 Centres for the Protection and Occupation of school age Children, 43 programmes for persons with special needs, 96 programmes for elderly persons and 48 programmes covering the needs of other vulnerable population groups.

2.5 Priority Policy Measures- Prevention of the social exclusion of children (Priority 3)

The promotion of the achievement of priority 3 is focussed on 3 thematic axes, which include measures, actions and operations concerning:

1. support and strengthening of the family and the protection of the child,
2. upgrading the educational system,
3. allowances policy.

Axis 1: Support and strengthening of the family and protection of the child.

Government policy in this area gives special emphasis to the development of actions falling within the framework of the primary field of prevention of social problems. It seeks the modernisation of the legislation concerning the child and its harmonisation with the International Convention for the Rights of the Child. Moreover, it is planned to decentralise the provided social services from the District Welfare Offices to the communities/urban centres in order to offer direct access to families and children to services (see Priority 4). Recently, the institution of the Commissioner for the Protection of the Rights of the Child¹⁰ has been put into effect and his/her mission is to promote and protect the rights of the child as provided by the United Nations Convention for the rights of the child.

Within the framework of the pursuit of supporting and strengthening the family and protecting the child from physical and moral dangers, it is planned to strengthen the provision of counselling and supportive services for families by the relevant state services.

Measures for the protection of motherhood

With the improvement of the legislation for the protection of maternity the following changes have occurred: a) the period of maternity leave has been increased from sixteen (16) to eighteen (18) weeks for natural mothers and from fourteen (14) to sixteen (16) weeks for adoptive mothers, b) the period for which the mother is given the right to be absent from work for an hour for breastfeeding or to care for the baby has been extended from six (6) to nine (9) months following the birth (or from the day that maternity leave starts in the case of adoption).

Prevention and Treatment of Delinquency

Within the framework of dealing with juvenile delinquency, a special administrative procedure aiming at decriminalising offences committed by juvenile offenders ensures that children under the age of 16 years who commit minor offences are treated as children in need of care, protection and rehabilitation (i.e. provided with preventive/supportive services and child protection services) and are diverted from prosecution. Furthermore, the relevant state services continued to supervise, during 2007, minors and adults for whom probation orders were issued by the Court, which in many cases include unpaid community work by offenders. This institution is applied in cooperation with the Pancyprrian Volunteerism Coordinative Council on the basis of the Probation and Other Ways of Treatment of Delinquents Law 1996 [L.46(1)96].

The role of education is significant in the prevention of juvenile delinquency and the relevant Ministry is developing a series of specialised actions.

¹⁰ The Commissioner for the Protection of the Rights of the Child Law was passed by the House of Representatives on 7/6/2007.

Prevention and Treatment of Violence in the Family

This specialised programme provides to the minor and adult victim the right to help, support and protection in order to be strengthened and to be able to deal with the violence they are facing. The programme pays special attention to abuse- neglect of minors, defending the rights of children by giving them access to services which provide assistance.

Scheme for Supporting Children under the Care of the SWS after they come of age for the purpose of their settlement

The legislation for children gives the right to the Director of SWS to take into care children who need care and protection, when their parents are not in a position to exercise their parental obligations, for various reasons. The children may remain in care up to the age of 18 years. Then, on the basis of the Scheme for Supporting Children under the Care of the Director of SWS, after the age of 18 they can receive financial assistance for the purpose of their settlement (securing accommodation, occupational training and education etc.). In 2007 an amount of €53.750 was spent and the budget for 2008 is €102.500.

Protection of Unaccompanied (foreign) Minors

On the basis of Article 10 of the Refugees Law, the SWS act as guardian of unaccompanied minors requesting political asylum in Cyprus. In the cases where the minor is unaccompanied in Cyprus but is not seeking political asylum, the minor is considered to be “a child needing care and protection” and the SWS take all the necessary measures for his/her protection and safeguarding his/her best interests.

Establishment of free transportation of students using urban means of public transport

The Ministry of Communications and Works has recently announced a new measure aiming at strengthening the use of public transport in Cyprus, which establishes free transport of secondary education students using school buses and urban means of public transport. The measure was put into effect with the new school year (September 2008) and it will serve 62 schools and around 30.000 students.

Axis 2: Upgrading the educational system

The Educational System and Cultural Development

Government policy in the area of education and culture develops actions and programmes aiming, among other things, at preparing socially vulnerable groups for their smooth integration both in the educational system and society at large.

Within the framework of the governance programme of the new President of the Republic (2008-2012), the implementation of an expanded and multi-dimensional packet of measures for the upgrading of the present educational system is being promoted and will be based on the following areas:

- Restructuring the school system and renewal of the content of education.
- Formation of a Comprehensive Training System for Teachers.
- Promotion of changes in all stages of education.

- Upgrading of Special Education (e.g. further training of teachers, upgrading of special schools, improvement of the procedures for early identification and support of children with special needs, upgrading of the material/technical substructure and equipment).
- Introduction of training in health matters in all grades.
- Promotion of the harmonious integration of students speaking foreign languages (e.g. further training of teachers in cross-cultural education matters, offering support lessons).
- Ensuring school success for all students (e.g. extension of the Educational Priority Zones from the existing 3 to 8, all-day functioning of all the school units which are included in EPZ).
- Opening schools to society and citizens (e.g. implementation of the Open School).
- Accessibility to new technologies for all students.
- Upgrading of the social role of the new generation.
- Prevention and treatment of juvenile delinquency.
- Accessibility to cultural goods, through cooperation with local authorities for the development of common programmes of cultural activities, the development of common cultural programmes for Greek and Turkish Cypriots and the financial/material support of amateur artists.

For the action “Upgrading of the social role of the new generation” a grant amounting to €4.877.625 is provided to the Youth Board and the financing of the remaining actions will come from the budget of the Project “Educational Reform” which is included in the Ministry of Education and Culture budget (€9.055.588 for 2008-2009) as well as other relevant provisions of the Government Budget.

Programmes of learning the Greek language for minor asylum applicants or children of asylum applicants 2007-2008

The implementation of programmes for learning the Greek language is being promoted since 2007 for minor asylum applicants or children of asylum applicants, aiming at the effective access of minor asylum applicants and children of asylum applicants to the educational system into grades corresponding to their age. The Programme is co-financed by the EU and the Republic of Cyprus. The budget of the programme for 2007 was €80.300 and for 2008 it is €150.000.

Axis 3: Allowances Policy

The financial support of families with children is a significant factor in preventing poverty and social exclusion of children and young persons. Within the framework of social transfers, child benefit and student grants are provided to families, while families whose income is not sufficient for the satisfaction of their basic and special needs receive public assistance. Furthermore, single-parent families who run a higher risk of poverty and social exclusion receive extra benefits (Appendix 2.2)

2.6 Priority Policy Measures- Modernisation of institutions for enhancing procedures and policies of social cohesion (Priority 4)

Priority 4 complements the multi-dimensional approach developed by the state within the framework of NSSI, giving emphasis to the modernisation of institutions actively involved in the field of combatting social exclusion. Priority 4 focuses on 5 thematic axes which include measures, actions and operations concerning:

1. reorganising main services of public administration,
2. modernisation of Social Welfare Services,
3. modernisation of the Public Employment Service (PES),
4. reform in the field of education,
5. structural measures for further reinforcing persons with disabilities.

Axis 1: Reorganising main services of public administration.

Within the framework of the Operational Programme “Employment, Human Capital and Social Cohesion, 2007-13”, the implementation of the Project “Reorganisation of Main Services of Public Administration” will be promoted with an indicative total budget of €5m., which will benefit the Ministry of Education and Culture, the Department of Public Administration and Personnel, the Department of Labour and the Social Welfare Services.

Axis 2: Modernisation of the Social Welfare Services.

The creation of Local Welfare Offices is being promoted, which will contribute to securing social cohesion and to sustainable financial and regional development, by ensuring equal access for all citizens, from the point of view of location and time, as well as quality service. It is estimated that about 12 Local Offices will be created on a pancyprian basis, whose operation will also take on a character of primary prevention, which is a fundamental factor in the promotion of welfare and quality of life among the local population. The efforts for organising and operating the decentralisation system started in 2008 and are expected to be completed by the end of 2009. The budget for the creation of Local Offices for 2009 is €500.000.

Furthermore, various public services, including the SWS, which play a central part in matters of poverty and social exclusion, have proceeded with the implementation of the Common Assessment Framework which is an administration tool for the total quality and improvement of the performance of the public sector.

It is worth noting, that the SWS give special emphasis to the field of research and they will promote a significant number of studies in fields relating to social cohesion during 2008-2010.

Axis 3: Modernisation of the Public Employment Service (PES)

The modernisation of the PES is being promoted in the direction of an active relationship with the groups that it serves through:

- expansion of the local labour offices/modernisation of their buildings,
- human resource development/ training / education of PES staff,
- introduction of individualised support for clients/ development of methods techniques and tools,
- introduction of self-service / improvement of information technology systems.

The above actions for the modernisation of the PES are co-financed by the ESF and will be completed by the end of 2008 with a total budget of €2.306.610. Within the framework of the new programming period of the Structural Funds of the EU, emphasis will be given to the further promotion of the modernisation of PES with a series of actions, such as:

- upgrading of services offered to employers,
- development of partnership relationships on a local level (with local agencies),
- further improvement of career advice services.

Axis 4: Reform in the field of education

An extended and multi-dimensional packet of measures for the upgrading of the existing educational system is being promoted for implementation and these are mentioned at point 2.5 of Priority Policy Measures 3.

Axis 5: Structural measures for the further support of persons with disabilities

Application of a New System of Evaluating Disability and Functionality

With the application of the New System of Evaluating Disability and Functionality, there will be provision of a scientific holistic evaluation of the needs of persons with disabilities, their potential and the necessary interventions by the State, for their social inclusion, without their having to go through the existing multiple procedures and services. The implementation of the Project will cover the period 2009-2011. The Project is expected to be co-financed by the ESF and its cost is estimated at about €8m.

Reorganisation of the field of vocational training and rehabilitation of persons with disabilities

The Unit of Social Inclusion of Persons with Disabilities which was set up by the Ministry of Labour and Social Insurance is planning the reorganisation of the field of vocational training and rehabilitation of persons with disabilities with a view to formulating modern structures and frameworks for their training and rehabilitation.

2.7 Allotment of resources, Indicators and Monitoring arrangements

The implementation of all the measures /actions /operations mentioned in the NSSI 2008-2010 are included in the provisions of the government budget and it is worth noting that a significant number of these are co-financed with European resources.

Within the framework of the NSSI 2008-2010, a series of quantitative targets has been set for policies against poverty and social exclusion, which will contribute to monitoring the progress of the priorities that have been determined. Beyond these quantitative indicators, the majority of departments/services responsible for the implementation of specific measures set specific output and result indicators, which will contribute to the evaluation of progress. Within the framework of the Interdepartmental Committee that has been established, a monitoring tool will be prepared for the implementation of the NSR SP/SI with which all the necessary data for the progress achieved in each priority field will be collected.

It is worth noting that within the framework of studies to be conducted, special emphasis will be given to the development of indicators and effective monitoring regulations, with a view to establishing such a culture in all the measures/ actions and schemes implemented.

2.8 Better governance

Better governance is described under Overarching Objective (c) and relates to interventions, actions and operations which need to be developed for the enhancement of supportive procedures for social cohesion policies which will be implemented during the next period 2008-2010.

2.8.1 Preparation of procedures

The preparation of the NSR SP/SI 2008-2010 by the SWS was based on horizontal and vertical administrative procedures and regulations which aimed at the active participation of the interested parties (agencies, services, individuals). In particular, the following took place for the preparation of the Report:

- An Interdepartmental Committee was set up consisting of all the Ministries involved, for the effective coordination and preparation of the Report.
- A meeting took place on 30.6.2008, in order to inform the relevant Ministries/ Departments of the objectives and developmental priorities, as well as to develop a constructive public dialogue with all the involved agencies¹¹ (Government Agencies, Social Partners, Non-Governmental Organisations, Local Authorities, Educational Institutions/ Research Centres, Professional Associations, Experts, Women's Organisations, etc.). The relevant documents are available at the SWS website (www.mlsi.gov.cy/sws).
- Contributions were submitted by a number of government services, voluntary organisations and local authorities for the preparation of the NSR SP/SI.

2.8.2 Coordination of policies

The regulations and measures mentioned in the coordination and promotion of social inclusion policies at all levels (national, regional, local) of the Government, Local Authorities, the social partners and the agencies of the voluntary sector concern, among others, the development of the following Schemes and Actions:

Measure 1: Development of cooperation of the Central Administration with the Local Authorities (Creation of a Network of Social Care and Employment)

On the basis of modern trends and the policies of the European Union, the local society is considered to be a significant partner in the planning and implementation of social policy. Recognising the unexploited potential of the Local Authorities in Cyprus in the field of social care, the SWS aim at mobilising the resources and potential of the Local Authorities in this field. A relevant study conducted by the SWS in 2008, confirms the need for the involvement of Local Authorities in social care programmes. The above objective is achieved with technical and financial aid, in the form of a

¹¹ It is worth noting that this meeting was addressed by the Minister of Labour and Social Insurance and was also attended by members of the House of Representatives, the Cyprus expert who participates in the EU Network of National Independent Experts on matters of Social Inclusion and representatives of the mass media.

government grant, which will be provided by the SWS to Local Authorities, within the framework of a new Scheme for Subsidising Local Authorities, which will be put into effect in 2009.

Within the framework of this new Scheme, a budget of €650.000 has been provided in order to develop / subsidise actions which will contribute to a more effective development of cooperation between the central administration and the local authorities, such as the recording and appraisal of the needs of vulnerable social groups in local societies, the investigation of local specificities as well as the registering of existing social structures on a local level.

Measure 2: Promoting the coordination of agencies of the voluntary sector for the provision of quality services for social care at the local level

See 2.4 Priority Policy Measures 2

2.8.3 Activation and participation of agencies, services and social partners

The mobilisation and active participation of all the bodies involved in the field of social inclusion constitute a significant axis for the preparation of the NSR SP/SI, as mentioned under point 2.8.1. The involvement of all agencies will be strengthened with the setting up of an Enlarged Committee for the Monitoring and Evaluation of the Implementation of the NSR SP/SI, as mentioned under point 2.8.5.

Arrangements concerning the enhancement of procedures for the mobilisation and participation of agencies and services in the development of social inclusion policies are strengthened within the framework of the NSR SP/SI 2008-2010 through a series of actions and operations which indicatively include the following:

Measure 1. Implementation of the programme “National Awareness Raising Activities in the fields of Antidiscrimination, Diversity and Equality”: The SWS and the Cyprus Institute of Labour, which is a research department of the Pancyprian Federation of Labour (trade union), are implementing programmes of activities on a national level with a view to informing citizens and groups which are vulnerable to the risk of social exclusion of their rights regarding equality and the fight against discrimination relating to gender, nationality, religion, special needs, age and sexual orientation. These Programmes, which last for a year, are expected to be completed within 2008 and are co-financed by the EU (PROGRESS).

Measure 2. Establishment of Actions of publicity and information of all involved agencies regarding poverty and social exclusion: On the occasion of the United Nations International Day for the Eradication of Poverty (October 17), publicity actions are established on matters concerning the fight against poverty, as a measure for strengthening the dissemination of information and participation of all involved agencies and citizens in matters concerning social exclusion and social cohesion, as well as the contribution of the Open Method of Coordination in the field of Social Inclusion on a European and national level. Furthermore, seminars will be conducted for the sensitisation and contribution of common experience with the participation of involved individuals, groups and agencies, for the analysis of topics and exchanges of experience and technical knowledge regarding poverty and social exclusion in Cyprus, thereby contributing to public debate around these fields.

The policy of state agencies within the framework of informing citizens and promoting public dialogue is implemented through various tools such as, press conferences, seminars/ conferences/ meetings, press releases, use of the internet and publication of informative material.

Measure 3. Enhancement of the participation of Persons with Disabilities in all matters which concern them: In 2006 a relevant Law was enacted [the Law regarding the Consultation Procedure between State and other Services on Matters concerning Persons with Disabilities (L143(1)/2006), according to which each Service exercising public authority on examining any subject concerning persons with disabilities is obliged to confer with the Cyprus Confederation of Organisations of the Disabled, which has been established as the official social partner of the state on matters concerning persons with disabilities.

2.8.4 Mainstreaming social inclusion in public policies

Mainstreaming and interaction of social inclusion policies with other public policies (economic policy, employment policy, social policy, health policy, cultural and environmental policy) is enhanced with the following arrangements which, among other things, ensure complementarity and synergy among policies.

Measure 1. Setting up an Advisory Body for the Application of Social Policy: This Body was set up in 2007 for the study and evaluation of all programmes, allowances and benefits. The Advisory Body for the Application of Social Policy consists of the Ministers of Labour and Social Insurance, Interior, Finance and Health and has an advisory function in relation to the Council of Ministers, with a view to enhancing cooperation in the fields of social policy and developing more effective social policies and actions. The Advisory Body has already received financing, after a decision of the Council of Ministers, with the initial sum of €51.258.000.

Measure 2. Setting up an Agency for Demography and Family Policy: Taking into account the serious socio-economic effects of the demographic challenges facing Cyprus today, the setting up of an Agency for Demography and Family Policy is being promoted and is expected to contribute, among other things, to the planning of a comprehensive and cohesive policy in these fields.

Measure 3. Formulation of a National Strategy for Electronic Inclusion: The development and promotion of an Information Society are considered to be especially important in enhancing the development of social inclusion policies and the Council of Ministers has decided to create the post Commissioner for the Information Society. A relevant bill is being prepared for this purpose. Until a Commissioner is appointed, the SWS have taken on the coordinating role for the preparation of the National Strategy for Electronic Inclusion, which is expected to be completed within 2009.

Measure 4. Development of a National Action Plan for the Prevention and Treatment of Delinquency: The National Action Plan for the Prevention and Treatment of Delinquency 2005-2010 has been prepared by the Ministry of Justice and Public Order and includes specific measures/ programmes, with timetables and economic cost, which concern the institution of the family and the school, the Mass Media, work, entertainment, legislation, the institutions for dealing with criminals, the prisons, the social reintegration of criminals and prisoners.

Measure 5. Formulation of a new Strategy for the effective management of employment of foreigners: The purpose of this strategy is to serve the developmental needs of the state without undermining the policy for increasing work supply from local sources and to help groups facing problems with their access to the labour market (women, young persons, elderly persons) since it is these groups that are mainly affected by the influx of foreign workers in Cyprus.

Measure 6. National Strategy for Sustainable Development, 2007: In 2007 the National Strategy for Sustainable Development was drawn up with the aim of improving the living conditions of human beings, while securing, at the same time, the environment in the short term as well as the long term. Two of the 12 adopted thematic units concern public health and social integration, demography and migration, ensuring the balance between environmental, social and economic objectives and developing synergy with other relevant Strategy documents.

Measure 7. National Plan of Action for Equality between Men and Women 2007-2013: The Plan includes the strategy-framework of the Republic of Cyprus for the mainstreaming of equality policies in all fields of action and is in direct agreement with the relevant recommendations of the EU and the philosophy of the Platform of Beijing.

In addition to the above measures, social inclusion and safeguarding conditions of social cohesion are being promoted through the National Reform Programme, the Operational Programme “Employment, Human Capital and Social Cohesion” for the programming period 2007-2013 as well as the Strategic Development Plan of the Republic of Cyprus 2007-2013. For the preparation of the above documents a dialogue is conducted with all the involved agencies through established procedures that ensure close cooperation and coordination among them.

2.8.5 Arrangements for the monitoring and evaluation of progress

Arrangements regarding the establishment of procedures and mechanisms for the monitoring and evaluation of progress in the implementation of social inclusion policies include the setting up of Committees for the Monitoring and Evaluation of the Implementation of the NSR SP/SI 2008-2010. Specifically, the SWS, which is the competent coordinating organ for the preparation of the NSR SP/SI, have proceeded with setting up an **Interdepartmental Committee** for effective coordination and monitoring of the Report with the participation of the relevant Ministries and government departments. The Interdepartmental Committee will be meeting twice a year and through appropriate monitoring tools that will be developed, the course of implementation of actions included in the NSR SP/SI 2008-2010 will be evaluated. Furthermore, the SWS will promote the setting up of an **Enlarged Committee for the Monitoring and Evaluation of the Implementation of the NSR SP/SI**, which will be meeting annually and in which all involved agencies will participate (governmental agencies, voluntary organisations, local authorities, social partners, research agencies etc).

PART 2 - NATIONAL STRATEGY FOR SOCIAL INCLUSION - APPENDICES

Appendix 2.1 - Good Practices

2.1.1. Development of Local Offices of the Social Welfare Services

The orientations of the European Union for the implementation of administrative Europeanisation enhance the creation of a framework for the development of regional decentralisation of services, bringing new methods of organisation and administration to the public sector. These orientations also appear to recognise the need to turn towards the regions as they seem to be the appropriate level for the application of a social inclusion strategy, by providing the potential for specialisation of social cohesion policy, adapted to the needs of the region and taking into account local specificities.

Purpose

The SWS, through promoting the creation of decentralised structures of social care and ascribing to them the role of promoting primary prevention, which is a crucial factor for advancing the welfare and quality of life of the local population, aim at the more effective implementation of social inclusion policies and securing both social cohesion and sustainable economic and regional development.

Description

Following approval by the Council of Ministers (decision no. 66.976, dated 19.03.2008), the SWS started relevant actions for the organisation of a decentralisation system for their District Offices with the creation of Local Offices.

The Local Offices are the basic units of the decentralisation system and their differentiation from existing structures lies in the fact they express smaller structures, while maintaining the same mode of operation and organisation of work. However, their contribution to the development of decentralised structures is of great importance, as they offer services closer to the citizen, improving significantly the responsiveness of the services as far as speed and quality of care provision are concerned.

The concept of the Local Office is being developed in all the Districts, having as its main mission the provision of services of prevention and strengthened counselling and the promotion of social integration of vulnerable groups in local society. For those cases requiring specialised social care services, the Local Office develops a system of interlinked intervention and referral to other structures or agencies.

Specifically, 12 new Local Offices are being created on a pancyprian basis with the aim of placing them in better geographical locations in order to secure, from the point of view of location and speed, equality in accessibility for all citizens, as well as quality services. It should be noted that in the Districts of Nicosia and Limassol, one of the Local Offices will provide specialised support services for the family and child. The development of the Local Offices ensures equality in the provision of services, from the point of view of location and speed and direct response of the system to expressed/ foreseen or arising/ emergency needs of the clients.

Actions for the organisation and operation of the decentralisation system started in 2008 and are expected to be completed in 2009. The budget for the creation of the Local Offices is €500.000.

Expected benefits

The expected benefits from decentralisation of structures with the operation of the Local Offices are the following: a) enhancement of the planning procedures of the services provided by each District of the Republic of Cyprus on the basis of the distribution of population, its mobility and local specificities and b) enhancement of the procedures of coordination, synergy and complementarity for the comprehensive coverage of needs for social care. The Local Offices, in combination with the District Offices and the Central Administration of the SWS, form a network of interdependent and coordinated agencies, with a differentiated degree of specialisation, which includes the total scope from the central services to the regional and local offices, in order to render the Districts adequate for the qualitative coverage of needs.

Furthermore, in combination with the development of the Network of Social Care and Employment, in which the agencies of Local Authorities and the Voluntary sector are participating, the creation of a comprehensive System of Social Care is promoted on a local, district and national level, which ensures networking and synergy between the decentralised structures/ services and agencies that are mobilised at the level of local society (agencies of the public and voluntary sector, and local authorities) and the Central Administration.

2.1.2 Project “Expansion and Improvement of Care Services for Children, the Elderly, Disabled persons and other Dependants”

Purpose of the Measure

The general objective of the Measure is to improve and expand social care services at the local level, in order to enable women to cope with the care needs of children, the elderly, disabled persons and other dependants with the ultimate aim of encouraging their integration in the labour market as economically active members.

Specifically, the objectives of the Measure aim at promoting programmes of open social care at the local level, which are implemented by specialised bodies (cooperations between NGOs and Local Authorities), seeking:

- facilitation of access, reintegration and maintenance of women in the labour market
- reconciliation of family and working life
- promotion of equality of opportunity between the two sexes.

Main results of the Measure

The SWS as the final beneficiary of this Measure promote a series of actions aiming at facilitating precisely the activation and access of inactive and unemployed women to the labour market. The largest portion of these actions concerns the financing of social care structures which operate under the responsibility of voluntary organisations and local authorities. Within the framework of this project, financing was approved for 31 programmes, which are implemented by cooperations of Local

Authorities and Non-Governmental Organisations (mainly Social Welfare Councils) all over Cyprus.

At the same time, a series of subsidiary actions was promoted to mark and support these programmes. These actions are:

- Conducting a Study on “Open Care Services in the Cypriot Model of Social Welfare”. The object of the Study was to investigate open care policies in the Cypriot system of social welfare and formulate proposals for the improvement of existing services and the introduction of new programmes which will utilise international good practices taking into account local social needs and specificities.
- Conducting a Study on the “Role of Local Authorities in the Promotion of Care Policies for the Reconciliation of Work and Family Life”. With this particular study the project was scientifically supported through the formulation of a comprehensive plan of action for the systematic exploitation of interventions of Local Authorities in the field of social care. Within the framework of this study, the existing situation regarding the activation of local authorities in the field of social care was recorded and suggestions were substantiated for the promotion of the local dimension in the provision of corresponding services
- Purchasing the services of a Technical Advisor for the support of the implementation and management of the Project. Through these services the SWS and the Final Recipients of the Project were reinforced and supported, in order that the programmes selected for financing be implemented in an efficient and effective manner. Within this framework, special forms and manuals were prepared, systematic mechanisms for monitoring the progress of the project were activated, support was offered to the agencies for compliance with all the necessary administrative and essential procedures and publicity activities were promoted.

Benefitting target-groups

With the development of the 31 programmes for social care and the complementary supportive actions of the Measure, the target-groups, benefitting from the operation of the corresponding structures, are children, elderly persons, persons with disabilities and women. In total, 1323 persons benefitted, of whom 521 were children, 173 elderly persons, 57 persons with disabilities and 572 women.

Content and Actions for the development of the Measure

The Measure “Expansion and improvement of care services for children, the elderly, disabled persons and other dependants” reinforces actions which facilitate the integration of women into the labour market and contribute to the reconciliation of work and family life.

The implementation of the Measure started in 2005 and is expected to be completed by the end of 2008 with an initial budget of approximately €1.485.000 aiming to provide finance to 10 programmes and serve about 250 women from the newly-created structures of social care. However, after the positive response of the implementation agencies (Local Authorities and Non-Governmental Organisations) and especially the women who were helped, the budget was increased to €2.920.000 and the financing was extended to a total of 31 programmes on a pan-cyprian level.

In particular, the project has financed the creation and operation of 21 Child Care programmes (3 in Larnaca District, 8 in Limassol District, 8 in Nicosia District and 2 in

Paphos District), 8 programmes for the Care of Elderly Persons (3 in Nicosia District, 2 in Paphos District and 1 in each of the Districts of Famagusta, Larnaca and Limassol) and 2 Programmes for the Care of Persons with Disabilities (1 in each of the Districts of Larnaca and Limassol).

The main developments in the implementation of the actions of Measure 1.4.1. up to today were:

- Assignment and conduction of a study entitled “Open care services in the Cypriot model of Social Welfare” (November 2005).
- Preparation of printed information material on the project (February 2006).
- Creation of a website exclusively for the needs of the Project (April 2006).
- Seminar for informing the agencies involved (NGOs, LA, Women’s Organisations, Social Partners, etc) about the provisions of the Project as well as the findings of the study (April 2006).
- Purchasing the services of a Technical Advisor for supporting the management and implementation of the project (June 2006).
- Proclamation of the first cycle of financing of the project (July 2006).
- Commencement of the implementation of the first eight programmes of social care, of the first financing cycle (January 2007).
- First informative one day seminar for the final recipients of the project (January 2007).
- Proclamation of the second cycle of financing of the project (February 2007).
- Assignment and conduction of a study on the “Role of Local Authorities in the promotion of care policies for the reconciliation of working and family life” (April 2007).
- Proclamation of the third cycle of financing of the project (May 2007).
- Second informative one day seminar for the final recipients of the project (July 2007).
- Third informative one day seminar for the final recipients of the project (August 2007).
- Commencement of the implementation of the twenty three new social care programmes (October 2007).

By the end of the project, it is expected that the following actions will be completed:

- Final Conference for the presentation of the results of the project and discussion of the prospects for establishing and expanding corresponding interventions.
- Monitoring and evaluation of the course of the Measure.
- By the end of the project, it is expected that there will be a comprehensive evaluation of the actions as regards their effectiveness, productivity and the repercussions they had in relation to the initial objectives of Measure 1.4.1.

Appendix 2.2- Priority Policy Measures- Reduction of the risk of poverty and social exclusion (Priority 2)

Public Assistance ensures the right to a decent standard of living through the provision of financial assistance and /or social services to persons whose resources are not sufficient to meet their basic and special needs as determined by the relevant legislation.

Basic needs include food, essential clothing and footwear, electricity, water supply, hygienic living conditions and pocket money allowance. Special needs include rent, equipment, special diet, allowance for nappies, disability allowance, as well as allowances for home care, day care and residential care. It is also possible to provide assistance for house repairs, covering mortgage interest, heating etc.

Recipients who are not home owners receive a rent allowance equal to 50% of the total basic monthly allowance up to the sum of €598. In case of disabled recipients, an additional allowance equal to 50% of their personal basic allowance is provided.

For single-parent families, 50% of the net income from employment, subject to a maximum of €256, is not taken into account when determining the right to and the amount of public assistance. Child benefit is also not taken into account. It is noted that under the revised Public Assistance and Services Law (L. 95(1)/2006), the following changes were made that increased the income of public assistance recipients and encourage their integration into the labour market.

- Public assistance continues to be paid for the first 12 months following take up employment (full benefit for the first four months, two thirds for the subsequent four months and one third for the remaining four months).
- In addition, monthly income from work, which is not taken into account in calculating the amount of public assistance is:
 - For recipients with mental illness €85.
 - For recipients with disabilities €513.
 - For recipients aged 63 years and over €171.
 - For single-parent recipients €256 or 50% of their monthly income, whichever of the two amounts is higher.
- Other changes in benefits under the new Law include:
 - Increase of lump sum grants for vocational training and purchase of tools and equipment from €854,30 to €1.709.
 - The right of male single-parents to public assistance, which they did not have before.
 - Lump sum grants for house repairs amounting to €1.722. The sum of €1.291 may be paid for repairs to a rented house

According to the Public Assistance and Services Law, a lump sum grant may be provided to a person who does not meet the eligibility criteria for public assistance but is in urgent need as a result of special personal circumstances or an unexpected or emergency situation.

Additionally to the benefits provided through the Public Assistance and Services Law, public assistance recipients or persons who would become public assistance

recipients if rent was added to their needs, are entitled to financial assistance up to €11.960 for additions or alterations to their homes with a view to improving their housing conditions.

The monthly benefit for basic needs which has been put into effect since 01.07.2008 is:

| | |
|-----------------------------------------------------|---------|
| For the recipient (head of the family) | €425 |
| For each dependant who is aged 14 years and over | €212,50 |
| For each dependant who is under the age of 14 years | €127,50 |

PUBLIC ASSISTANCE. DISPLACED AND NON-DISPLACED RECIPIENTS AND NATURE OF DISTRESS

| Nature of Distress | Displaced No. of Cases | Non-displaced No. of Cases | Total | % of Total |
|---------------------------------------------|------------------------|----------------------------|--------------|----------------|
| Old age | 2170 | 3418 | 5588 | 26,19% |
| Illness/Disability | 3420 | 8208 | 11628 | 54,50% |
| Unemployment | 91 | 1158 | 1249 | 5,85% |
| Social problem (orphanhood, separation etc) | 606 | 2008 | 2614 | 12,25% |
| Parents in occupied areas | 3 | 1 | 4 | 0,01% |
| Other | 45 | 207 | 252 | 1,2% |
| TOTAL | 6335 | 15000 | 21335 | 100,00% |

In addition to the above, the following benefits are given within the framework of the **Social Cohesion Measures** which were adopted in 2007:

- Annual allowance of €42,15 to elderly persons over the age of 65 years who live alone and are public assistance recipients.
- Annual grant of €142,38 to persons with special needs /disabled persons who are public assistance recipients.
- Additional monthly allowance for single-parents who receive public assistance.
- Additional monthly allowance of €51,26 for each dependent child of single-parents who receive public assistance.
- Special annual allowance of €3417,20 for enclaved families with dependent children attending nursery, primary and secondary schools.

Annex 2.3 – Tables of Main Indicators¹²

Table 1. Growth rate of GDP at constant prices (2000) – percentage change over previous year.

| | EU-27 | EU-25 | CY |
|------|--------------|--------------|-----------|
| 2005 | 1,9 | 1,9 | 3,9 |
| 2006 | 3,1 | 3 | 4 |
| 2007 | 2,9 | 2,9 | 4,4 |

Source: Eurostat, Structural indicators database

Table 2. General government dept - General government consolidated gross dept as a % of GDP.

| | EU-27 | CY |
|------|--------------|-----------|
| 2000 | : | 58,8 |
| 2001 | 61 | 60,7 |
| 2002 | 60,3 | 64,7 |
| 2003 | 61,8 | 68,9 |
| 2004 | 62,1 | 70,2 |
| 2005 | 62,7 | 69,1 |
| 2006 | 61,4 | 65,2 |
| 2007 | 59,5 | 60,5 |
| 2008 | 58,3 | 53,3 |
| 2009 | 57,0 | 49,6 |

Source: Eurostat – General Government data (2000 to 2006) and ECFIN forecasts (2007-2009)

Table 3. Activity Rates (% of population aged 15-64)

| | | EU-27 | EU-25 | CY |
|------|--------|--------------|--------------|-----------|
| 2000 | Total | 68,6 | 68,7 | 69,1 |
| | Male | 77,1 | 77,4 | 81,4 |
| | Female | 60,1 | 60 | 57,7 |
| 2002 | Total | 68,6 | 69 | 71,2 |
| | Male | 76,8 | 77,3 | 81,3 |
| | Female | 60,5 | 60,7 | 61,8 |
| 2004 | Total | 69,3 | 69,7 | 72,6 |
| | Male | 77 | 77,5 | 83 |
| | Female | 61,6 | 62 | 62,8 |
| 2005 | Total | 69,8p | 70,3p | 72,4 |
| | Male | 77,3p | 77,8p | 82,9 |
| | Female | 62,3p | 62,7p | 62,5 |
| 2006 | Total | 70,2p | 70,6p | 73 |
| | Male | 77,5p | 78p | 82,7 |
| | Female | 62,9p | 63,2p | 63,8 |
| 2007 | Total | 70,5 | 70,9 | 73,9 |
| | Male | 77,6 | 78,1 | 82,9 |
| | Female | 63,3 | 63,7 | 65,4 |

¹² Data was collected from the archives published in the European Commission webpage in July 2008: http://ec.europa.eu/employment_social/spsi/common_indicators_en.htm

| Table 4. Employment rate (% of population aged 15-64) | | | | |
|--------------------------------------------------------------|--------|--------------|--------------|-----------|
| | | EU-27 | EU-25 | CY |
| 2000 | Total | 62,2 | 62,4 | 65,7 |
| | Male | 70,8 | 71,2 | 78,7 |
| | Female | 53,7 | 53,6 | 53,5 |
| 2002 | Total | 62,3 | 62,8 | 68,6 |
| | Male | 70,3 | 71 | 78,9 |
| | Female | 54,4 | 54,7 | 59,1 |
| 2004 | Total | 62,9 | 63,3 | 68,9 |
| | Male | 70,3 | 70,9 | 79,8 |
| | Female | 55,4 | 55,7 | 58,7 |
| 2005 | Total | 63,4p | 63,9p | 68,5 |
| | Male | 70,8p | 71,3p | 79,2 |
| | Female | 56,2p | 56,5p | 58,4 |
| 2006 | Total | 64,4p | 64,7p | 69,6 |
| | Male | 71,6p | 72p | 79,4 |
| | Female | 57,2p | 57,4p | 60,3 |
| 2007 | Total | 64,4 | 68,8 | 71 |
| | Male | 72,5 | 73 | 80 |
| | Female | 58,3 | 58,6 | 62,4 |

Source: Eurostat - Labour Force Survey, Annual averages
p: provisional value

| Table 5. Unemployment rate (% of labour force aged 15+) | | | | |
|----------------------------------------------------------------|--------|--------------|--------------|-----------|
| | | EU-27 | EU-25 | CY |
| 2000 | Total | 8,7 | 8,6 | 4,9 |
| | Male | 7,5 | 7,4 | 3,2 |
| | Female | 10,1 | 10,2 | 7,2 |
| 2002 | Total | 8,9 | 8,7 | 3,6 |
| | Male | 8 | 7,8 | 2,9 |
| | Female | 10 | 10 | 4,5 |
| 2004 | Total | 9,1 | 9,1 | 4,6 |
| | Male | 8,2 | 8,1 | 3,6 |
| | Female | 10,1 | 10,2 | 6 |
| 2005 | Total | 8,7 | 8,7 | 5,2 |
| | Male | 7,9 | 7,9 | 4,3 |
| | Female | 9,7 | 9,8 | 6,5 |
| 2006 | Total | 7,9 | 7,9 | 4,6 |
| | Male | 7,2 | 7,1 | 4 |
| | Female | 8,9 | 9 | 5,4 |
| 2007 | Total | 7,1 | 7,2 | 3,9 |
| | Male | 6,5 | 6,5 | 3,4 |
| | Female | 7,8 | 7,9 | 4,6 |

Source: Eurostat – Harmonised unemployment series, Annual average

| Table 6. Life expectancy at birth | | | | | |
|---------------------------------------------------|-------------|-------------|-------------|-------------|-------------|
| | 2002 | 2003 | 2004 | 2005 | 2006 |
| Life expectancy at birth - Men | 76,4 | 77,4 | 76,8 | 76,8 | 78,8 |
| Life expectancy at 45 – Men | 33,7 | 34,2 | 33,9 | 34,2 | 35,4 |
| Life expectancy at 65 – Men | 16,3 | 16,8 | 16,7 | 16,8 | 17,7 |
| Disability free life expectancy at birth – Males | : | 68,4 | | | |
| Life expectancy at birth - Female | 81 | 81,6 | 82,1 | 81,1 | 82,4 |
| Life expectancy at 45 – Female | 37,4 | 37,7 | 38 | 37,6 | 38,3 |
| Life expectancy at 65 – Female | 19 | 19,3 | 19,5 | 19,1 | 19,7 |
| Disability free life expectancy at birth – Female | : | 69,6 | | | |

Source: Eurostat – Demography 2006

| Table 7. At risk of poverty rate by age and gender | | | | |
|-----------------------------------------------------------|-------|--------------|-----------|----|
| | | EU-25 | CY | |
| Total population | Total | | 16s | 16 |
| | Men | | 15s | 14 |
| | Women | | 17s | 18 |
| Children aged 0-17 years | Total | | 19s | 11 |
| People aged 18-64 years | Total | | 15s | 11 |
| | Men | | 14s | 9 |
| | Women | | 15s | 13 |
| People aged 65 and more | Total | | Total | 52 |
| | Men | | 16s | 50 |
| | Women | | 21s | 54 |

Source: SILC 2006, Income data 2005
s: Eurostat estimate

| Table 8. At the risk of poverty threshold (illustrative values), Purchasing Power Standards (PPS) | |
|--------------------------------------------------------------------------------------------------------------|-----------|
| | CY |
| - One-person household | 9666 |
| Two adults with two dept. Children under 14 years old | 20300 |

Source: SILC 2006, Income data 2005.

| Table 9. Inequality of income distribution : S80/S20 income quintile share ratio | | | |
|-----------------------------------------------------------------------------------------|-------|--------------|-----------|
| | | EU-25 | CY |
| S80/S20 income quintile share ratio | Total | 4.8s | 4,3 |

Source: SILC 2006, Income data 2005.
s: Eurostat estimate

| Table 10. Inequality of income distribution: Gini coefficient | | |
|----------------------------------------------------------------------|--------------|-----------|
| | EU-25 | CY |
| Gini Coefficient | 30s | 29 |

Source: SILC 2006, Income data 2005
s: Eurostat estimate

| Table 11: At risk of poverty rate before social transfers by gender and selected age groups Before all social transfers except old-age and survivors' benefits | | | |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------|---------------|-----------|
| | | EU- 25 | CY |
| Total population | Total | 26s | 22 |
| | Men | 25s | 20 |
| | Women | 27s | 24 |
| Children aged 0-17 years | Total | 33s | 20 |
| People aged 18-64 years | Total | 24s | 16 |
| | Men | 24s | 14 |
| | Women | 25s | 18 |
| People aged 65 years and more | Total | 23s | 55 |
| | Men | 20s | 52 |
| | Women | 25s | 58 |

Source: Joint EC-OECD project using OECD tax-benefit models, and Eurostat
s: Eurostat estimate

| Table 12. Long term unemployment rate by gender, selected years (% of the labour force 15+) | | | | |
|----------------------------------------------------------------------------------------------------|---------|--------------|--------------|-----------|
| | | EU-27 | EU-25 | CY |
| 2000 | Total | 4,1 | 3,9 | 1,2 |
| | Males | 4,2 | 3,3 | 0,5 |
| | Females | 4 | 4,8 | 2,2 |
| 2002 | Total | 4,6 | 3,9 | 0,8 |
| | Males | 4,6 | 3,3 | 0,5 |
| | Females | 4,5 | 4,6 | 1 |
| 2004 | Total | 4,2 | 4,1 | 1,2 |
| | Males | 3,7 | 3,6 | 0,9 |
| | Females | 4,7 | 4,7 | 1,6 |
| 2005 | Total | 4p | 3,9p | 1,2 |
| | Males | 3,6p | 3,5p | 0,8 |
| | Females | 4,5p | 4,5p | 1,7 |
| 2006 | Total | 3,6p | 3,6p | 0,9 |
| | Males | 3,3p | 3,2p | 0,7 |
| | Females | 4p | 4p | 1,2 |
| 2007 | Total | 3 | 3 | 0,7 |

| | | | | |
|--|---------|-----|-----|-----|
| | Males | 2,8 | 2,8 | 0,8 |
| | Females | 3,3 | 3,3 | 0,7 |

Source: Eurostat – Labour Force Survey, Annual averages
p: provisional value

| Table 13. People living in jobless household^Q Children (0-17), and prime-age adults (18-59 years), selected years (% of population in the relevant aged group) | | | | |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------|-------|--------------|-----------|
| | | | EU-25 | CY |
| 2001 | Children | | 9,5e | 3,9 |
| | Adults (18-59) | | | |
| | Total | | 10,1e | 4,9 |
| | Men | | 8,8e | 3,4 |
| | Women | | 11,4e | 6,3 |
| 2002 | Children | | 9,8e | 3,9 |
| | Adults (18-59) | | | |
| | Total | | 10,2e | 5,3 |
| | Men | | 8,9e | 3,9 |
| | Women | | 11,4e | 6,5 |
| 2003 | Children | | 9,8e | 3,4 |
| | Adults (18-59) | | | |
| | Total | | 10,2e | 5,2 |
| | Men | | 9e | 4,3 |
| | Women | | 11,3e | 6,1 |
| 2004 | Children | | 9,8 | 2,6 |
| | Adults (18-59) | | | |
| | Total | | 10,3 | 5 |
| | Men | | 9,3 | 3,8 |
| | Women | | 11,4 | 6,1 |
| 2005 | Children | 9,7e | 9,6e | 3,5 |
| | Adults (18-59) | | | |
| | Total | 10,3e | 10,2e | 5,2 |
| | Men | 9,3e | 9,2e | 4,2 |
| | Women | 11,2e | 11,2e | 6,2 |
| 2006 | Children | 9,7e | 9,6e | 3,9 |
| | Adults (18-59) | | | |
| | Total | 9,9e | 9,9e | 4,9 |
| | Men | 8,9e | 8,9e | 3,7 |
| | Women | 10,9e | 10,9e | 5,9 |
| 2007 | Children | 9,4e | 9,3e | 3,7 |
| | Adults (18-59) | | | |
| | Total | 9,3e | 9,3e | 4,5 |
| | Men | 8,3e | 8,2e | 4,1 |
| | Women | 10,3e | 10,3e | 4,9 |

Note: In Cyprus, the high degree of variation of results over time is partly influenced by a low sample size and the reference population excludes students abroad.

Source: Eurostat, Labour Force Survey - Quarter 2 results
e: estimate

PART 3: NATIONAL STRATEGY FOR PENSIONS

3.1 Progress in relation to 2005 – 2008 NSRs

3.1.1 Introduction

The first Cyprus National Strategy Report on Adequate and Sustainable Pensions (NSRP) was prepared and submitted within the process of the Open Method of Co-operation in the field of pensions in 2005¹³ The joint National Report on Strategies for Social Protection and Social Inclusion (NSPSI) 2006 - 2008¹⁴, submitted in September 2006, included a brief follow-up report on the National Strategy for Pensions.

As pointed out in the 2005 Report¹⁵, its preparation gave the opportunity for Cyprus to address “... *the challenge of maintaining the ability of the Cyprus society to continue providing adequate social protection to a steadily increasing proportion of its members, without frustrating the potential of the economy for sustained growth.*” In the same Report¹⁶ the Government of Cyprus expressed its intention “...*to develop the pension system in such a way as the three goals of adequacy, sustainability and adaptability are met*”.

The Government of the new President of the Republic, who took over in March 2008, has been strongly committed to improving the living standards of the low-income groups of the population by fighting social exclusion and poverty. Particularly for the aged, the programme of the new Government includes, *inter alia*, measures aimed at drastically reducing the at-risk-of-poverty rate by targeting income support and non-monetary benefits to those persons who live below the relative poverty threshold.

3.1.2 Adequacy of pensions

The main challenge identified in the 2005 NSRP and the NSPSI 2006-2008 was the very high risk of relative poverty (52%) for the population in the age group 65 and over. The reasons for this situation, as established in the two NSRs, as well as in the 2006 Synthesis Report on Adequate and Sustainable Pensions¹⁷ and the Joint Assessment Report SPSI (2006)¹⁸, are mainly the high number of recipients of the low level minimum pension, the limitations of voluntary provident funds (lump sum benefits) to offer supplementary pension protection to employees in the private sector, the low level of declared insurable incomes of the self-employed that lead to low pensions, the fact that older pensioners receive pensions earned mainly under the 1964 flat-rate social insurance scheme and the ineffectiveness of the additional income support measures in targeting low income pensioners households. However, in assessing the situation of older people in Cyprus, account should be taken of the informal family support provided to these people, in a cultural context still characterised by solidarity between generations.

¹³ Republic of Cyprus, **National Strategy Report on Adequate and Sustainable Pensions**, July 2005.

¹⁴ Republic of Cyprus, Ministry of Labour and Social Insurance, **National Report on Strategies for Social Protection and Social Inclusion 2006 – 2008**, Lefkosia, 2007.

¹⁵ Op.cit.p.4.

¹⁶ Ibid p.30.

¹⁷ European Commission, **Adequate and Sustainable Pensions. Synthesis Report,2006.**

¹⁸ European Commission, **Joint Report on Social Protection and Social Inclusion [2006].**

The existing method of regular indexation of GSIS pensions, that is, indexing of the basic part to insurable earnings and of the supplementary part to the Consumer Price Index (CPI), continued during the period 2005 – 2008. Between mid-2005 and mid-2008, the basic pensions (including minimum pensions) increased by nearly 14%. In the same period, the supplementary (above the amount of basic pension) part of GSIS pensions increased in line with CPI, by more than 10%.

The rate of the Social Pension, which is payable to every resident not entitled to a GSIS or other pension, was increased by the same percentage as GSIS basic pensions, i.e. by 14%.

Allowances under the Special Allowance to Pensioners Scheme (SAPS), were also increased for persons with low pensions. Increases, which became effective as from October 2007, ranged between 26% and 75%. In addition, a one-off bonus was paid to recipients of low pensions in Christmas 2007 and to all GSIS pensioners and Social Pension recipients in Easter 2008.

The increases described above, without the one-off bonus, resulted in an increase of over 21% in the level of the minimum income for a GSIS pensioner, compared to the corresponding level in 2005. The amount of this minimum is slightly higher than the minimum subsistence level under the Public Assistance Law.

The at-risk-of-relative-poverty rate among the aged in 2005 was the same as in 2003, i.e. 52%, despite an improvement of 1.3 percentage points, observed in 2004¹⁹. This points once again to the weaknesses of the SAPS, underlined in both NSRs, as a measure intended to direct adequate additional income support to those households of pensioners with incomes below the relative poverty threshold. The main weakness of this Scheme is the fact that it is not well targeted, channeling resources to many relatively well-off pensioners, which could otherwise be used to improve further the standard of living of the relatively poor pensioners.

Raising further the level of minimum pension under the GSIS, would not only be in conflict with the objective of sustainability of pensions, but would also weaken incentives for contributions and the link between contributions and benefits, a situation that is already likely to emerge as the combined effect of the current level of minimum pension and the conditions of entitlement to Special Allowance.

There have been no developments in promoting reform of voluntary provident funds in order to ensure lifetime additional retirement income, instead of lump sums, and to expand coverage to more workers in the private sector. A change in that direction would have a significant impact on the adequacy of pensions only in the long run, because the build-up of rights would be slow. Moreover, the process of change implies long and extensive discussions with the social partners, who are the main actors in the area of provident funds, before a consensus is reached.

The notional insurable incomes of the self-employed were increased by about 17% on average as from 2007, through re-structuring the occupational categories of the self-employed and increasing the levels of their notional incomes in order to bring them nearer to the actual incomes of each occupational category. As a result, an increase of about 1% in the basic GSIS pensions of all pensioners will be granted in 2009, on top of the normal annual increase.

¹⁹ 2004 and 2005 are the income years of the EU SILC surveys of 2005 and 2006, respectively.

3.1.3 Financial sustainability of the pension system

The overarching challenge for the public pension system of Cyprus is the ageing of its population. Public expenditure on pensions is projected to rise from 6.9% in 2004 to 19.8% of GDP by 2050²⁰, exerting a tremendous strain on public finances.

Potential reforms to the GSIS, put forward for consideration within the framework of the 2005 NSRP, included both measures to increase income and measures to reduce expenditure. Increasing income was mainly to be pursued through the gradual increase of contributions. Among the measures envisaged for reducing expenditure were the abolition of the indexing of basic pensions to insurable earnings, the abolition of the right to pension before the age of 65 and the extension of the qualifying period for minimum pensions.

During the period under review the question of indexing GSIS basic pensions to the CPI, instead of the index of insurable earnings that has been applied since 1980, was discussed and dropped as inappropriate. Although this change would have a significant impact on the financial sustainability of the Scheme, its implications for the adequacy of pensions would be serious, jeopardizing the objective of reducing the very high risk of relative poverty for the population aged 65 and over. It would also widen the existing large gap in pension incomes between the employees of the public sector and those working in the private sector. Moreover, such a change would lead to erosion of minimum pensions, whose recipients are mostly women old age pensioners, and of those pensions around the full basic pension level.

Gradual raising of the pension age to 65 for all (currently about 70% of insured persons are pensioned at the age of 63) was extensively discussed, but was excluded from the reform package, in the absence of consensus between the social partners and the fact that the reform measures adopted were sufficient to maintain the long-term sustainability of the GSIS in the light of the 2006 actuarial valuation results. Increasing contributions was accepted by the social partners on the ground that current contribution rates are low relative to the level of pensions and to future pension costs.

Thus, the demographic challenge will be addressed mostly through a 55% scaled increase in contributions, over a period of 30 years starting in 2009 and, to a minor extent, by increasing the period of paid insurance for minimum old age pension from three to ten years and the total period of insurance (paid plus credited), from twelve to fifteen years. The latter change appears to have a short-term gender implication, as the majority of those to be affected will be women. However, access to pensions for those who will not qualify under the new stricter rule, is guaranteed through the non-contributory Social Pension Scheme, which provides pensions at a level almost equal to the minimum GSIS pension. Furthermore, the increase is in line with the policy of encouraging participation of women in employment and of strengthening the link between contributions and benefits.

Reforming the budget financed SAPS by relating the right to allowance to the pensioner's total household income, instead of his/her individual pension, would ease the strain on public finances and leave room for better support to the low income group of pensioners. This measure has not been promoted, but it is currently under consideration.

²⁰ Special Report No. 1/2006, "The Impact of Aging on Public Expenditure: Projections for the EU25 Member States on Pensions, Health Care, Long-term Care, Education and Unemployment Transfers (2004-2050)", DG ECFIN.

With regard to the supplementary pension schemes of public employees, extension of the compulsory retirement age to 63, which was introduced in July 2005, applies only to civil servants-that is to about 50% of the total number of pensionable government employees. The compulsory age of retirement for the members of the Educational Service, the Police and the Armed Forces remains the same i.e. between the age of 55 and 60. Experience from the application of the extended compulsory age of retirement for civil servants has shown that about 95% of them opted to remain in service until attaining compulsory age. The impact on public finances remains to be seen, because no actuarial valuation of the new situation has as yet been made.

The compulsory age of retirement has also been raised to 63 for the employees of the vast majority of the local government authorities and semi-public organizations.

3.1.4 Modernisation of the pension system

An important development in the area of modernization of the pension system was the enactment, in November 2006, of the Law for the Establishment, Registration, Operation and Supervision of the Occupational Retirement Benefits Funds. This Law, which transposed Directive 2003/41/EC into national law, applies to all occupational pension schemes irrespective of size and to provident funds (lump sum benefit arrangements) with at least 100 members.

The Law extended, for the first time, the scope of supervisory legislation to occupational pension schemes and improved the supervisory and monitoring provisions for large provident funds. It introduces rules for better management, adequate funding, efficient and secure investment and promotes transparency and accountability through the regular supply of information to members and the submission of returns to the supervising authority. It also establishes a tripartite advisory board, consisting of representatives of the Government, the employers' organizations and the workers unions. This body is charged with advising the competent Minister on matters related to the application of the legislation and to the formulation of policy. Bringing in line with the new Law certain provisions of the 1982 Provident Funds Law, which continues to regulate the operation of small (fewer than 100 members) provident funds, with the corresponding provisions of the 2006 Law, is under consideration.

Facilitating the public in dealing with the GSIS administration was given priority. Payment of contributions may now be made directly through the internet and more local offices have been opened.

An actuarial valuation of the public employees pensions scheme, sponsored by the Cyprus Research Foundation, is in process. The findings of this study will update information on the future development of costs and their implications for public finances, and will be a valuable tool in the formulation of policy.

Promoting access to privately managed occupational retirement benefit schemes for employees in the private sector is still within the sphere of free collective bargaining and it is not expected to lead to a break-through in expanding supplementary protection for this group of the working population.

3.2 Review of the adequacy of pensions

Objective: *Ensure adequate retirement incomes for all and access to pensions which allow people to maintain, to a reasonable degree their living standard after retirement, in the spirit of solidarity and fairness between and within generations.*

3.2.1 Changes since the last NSR

Mandatory regular adjustment of pensions, introduced in October 1980, continued during the period under review. Thus, between July 2005 and July 2008, the basic part of pensions payable under the GSIS was increased by 14.0%, in line with the index of insurable earnings, whilst the supplementary part was increased by 10.3% in accordance with the CPI.

The level of the minimum pension has been increased at the same rate as the level of the basic pensions reaching the annual amount of €4000. When adding the allowance of €1538, payable to recipients of minimum pension in July 2008 under the SAPS, the total minimum pension income rises to €5538.

Social Pension, which is a non-contributory benefit payable at 65 to every resident without a pension income from any other source, was automatically adjusted to the index of insurable earnings as it is fixed at 81% of the rate of GSIS basic pension. In July 2008 the amount of Social Pension was €3812 p.a. This amount was supplemented by a Special Allowance of €923 p.a. that raises the total annual pension income of the pensioners concerned to €4735.

The amount of the GSIS minimum pension plus the corresponding special allowance is slightly above the minimum subsistence level, fixed under the Public Assistance and Services Law, at €5525 p.a. for an individual, who is a house-owner, but it is by far lower than the minimum subsistence allowance of €8.075, for an individual who lives in a rented house. The total pension income of persons entitled to social pension is even lower, i.e. 86% of the public assistance allowance for basic needs. Pensioners are entitled to public assistance allowance, which guarantees them an income at the level of the minimum subsistence level, subject to a means test.

The number of pensioners in receipt of GSIS minimum pension in February 2008 was 19500 or 19.6% of the total number of pensioners, compared to 17100 or 18.0% in 2005. Recipients of Social Pension numbered about 14500, compared to about 15100 in 2005. Women account for 66% of old age, invalidity and survivors' minimum pension recipients and 98% of Social Pension recipients. The proportion of women old age pensioners on minimum pension was 64% of all old age pensioners on minimum pension and 35% of the total number of women old age pensioners. The corresponding proportion for men was 11%. This is the effect of broken careers and early exit from employment, as well as of lower wages, that characterize employment of women, particularly in the private sector.

The Special Allowance to Pensioners continued to be paid to about 93100 individuals, of which 77200 aged 65 and over, under the same conditions as in 2005. In 2007 the allowances payable were raised between 26% and 75%, depending on the amount of the individual's pension. The increase benefited more than 56000 GSIS pensioners (old age, invalidity and survivors), whose pensions were below €6939 p.a. However, no increase was granted to recipients of Social Pension (almost

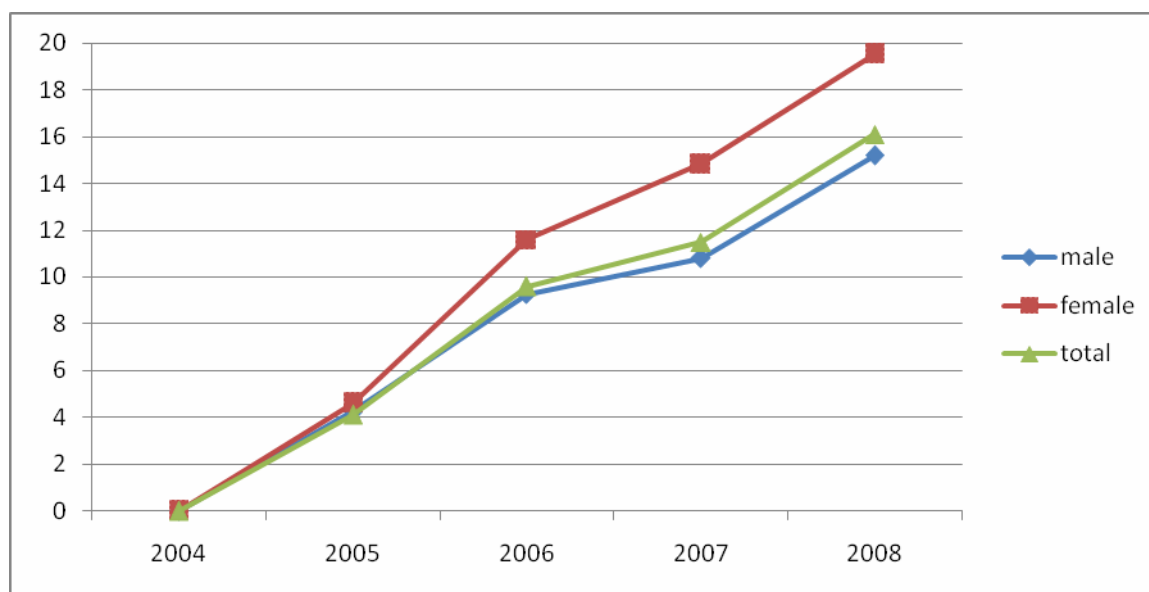
all women), although the amount of this pension, as mentioned earlier, is lower than GSIS minimum pension. The argument for this less favourable treatment of this group of pensioners is that higher allowances might weaken incentives for participation in employment and for contributing to the GSIS. For the same reason the increase in the allowance paid to GSIS pensioners varied inversely to the amount of pension.

A fuel allowance of €342 was paid in Winter 2006 to all pensioners, whose annual income did not exceed the prescribed level (€8714, if living alone and €13071, if living with another person). An one-off extra allowance of €513 was paid in Christmas 2007 to all recipients of Social Pension and to all GSIS pensioners entitled to Special Allowance, i.e. to those with a pension lower than €11106 p.a. An allowance of €171 was also paid to those whose pension was between €11106 and €15549 p.a. In Easter 2008 an one-off allowance of €301 was paid to every GSIS pensioner, irrespective of level of pension and an extra monthly pension was paid to all Social Pension recipients.

The average GSIS old age pension in nominal terms increased, between December 2004 and June 2008, from €5738 p.a. to €7021 p.a. or by 22.4 %. Graph 1 below illustrates the evolution of the real growth of pensions for the age-group 63-64²¹. Female pensions grew at an average rate of 4.6%, compared to 3.6% for male pensions. The difference of one percentage point in favour of women reflects the improving position of women in the labour market. The gender pension gap in this age group in June 2008 was still about 28% against women, although it was by about seven percentage points lower than the average gap for all ages of pensioners.

²¹ 63 is the age at which about 70% of insured persons are awarded pension. Persons with short insurance records are pensioned at 65.

Graph 1 –Rate of real growth of average old-age pension by sex, for the age-group 63-64, December 2004 – June 2008



The public employees pension scheme continued regular six-monthly indexation of pensions to the Cost of Living Index, to which salaries of active employees, are adjusted. In addition, pensions in payment were increased in line with the general increases in salaries. The overall increase between July 2005 and July 2008 was 16%.

The same method of indexation is followed by occupational pension schemes of semi-public organizations and local government employees.

3.2.2 Benefits in kind

Benefits in kind for holders of the “Social Card”, which is issued to all persons aged 63 or over and to invalidity pensioners regardless of age, include free transport by bus in rural and urban areas, free theatre tickets, reduced fares for cruises, reduced hotel fees and reductions for social events. Enlarging the scope of the benefits of the Social Card to include free access to museums and archaeological sites, reduced tickets for sport and other events, is under consideration.

3.2.3 Trends regarding adequacy

The average median equivalised income of people aged 65 years and over relative to the income of the age group 0-64 was 55% in 2003 (58% for men and 54% for women). In 2004 and 2005 it stabilized at 57% (2004, men 59% and women 55%; 2005, men 58% and women 56%). The aggregate replacement ratio²² in 2004 and 2005 was 28%. These two indicators are the lowest amongst the EU member states

²² The median individual pension of the age-group 65-74 to median individual earnings of the age group 50-59, excluding other social benefits.

and reflect the relatively low level of pensions, as well as the fact that the fast economic growth has benefited more the active than the retired population.

In 2006 the replacement rate of the old age pension for a person with earnings equal to the average earnings of a male worker²³, calculated under the ISG method, was 46% of gross and 52% of net earnings. A female worker with average female earnings, secures a pension (including the special allowance) equivalent to 51% of her gross and to 54% of her net earnings. When compared with the average earnings of the male worker, these percentages drop to 38% and 43%, respectively, reflecting the gender pay gap.

The gross and net replacement rates of an individual with minimum pension (including the special allowance), in 2006 were 19% and 22% of male average earnings.

The at-risk-of-poverty rate for the population aged 65 and over in 2004 and 2005, was 51% and 52% respectively, compared to 52% in 2003²⁴. Gender differences, as shown in the table below, are moderate, with a closing trend. The difference of seven percentage points in 2003 dropped to 4 points in 2005.

Table 1 - At-risk-of-poverty rates by gender (60% threshold)

| Sex | 2003 | 2004 | 2005 |
|---------------|-------------|-------------|-------------|
| Total | 52 | 51 | 52 |
| Male | 48 | 47 | 50 |
| Female | 55 | 54 | 54 |

Persons living alone continue to experience a higher risk of poverty, which in 2006 was 70%, compared to 72% in 2003(see Appendix 1, Table 1.1.14). The risk of poverty for the age group 75 and over, was also very high, and although the situation improved in 2005, a set-back to the 2003 level was observed for men in 2005.

Table 2 - Risk of relative poverty for people aged 75+ , by gender, 2003 – 2005

| Year | Total | Male | Female |
|-------------|--------------|-------------|---------------|
| 2003 | 67 | 67 | 67 |
| 2004 | 62 | 61 | 63 |
| 2005 | 64 | 66 | 63 |

The risk of poverty for pensioners, irrespective of age, in 2005 was 51% compared to 49% in 2004 and 50% in 2003. Although gender differences were almost eliminated in 2005, the risk of poverty remained more or less the same.

²³ With 40 years of insurance. Replacement rates calculated under the ISG of EU Social Policy Committee.

²⁴ Source: 2003 FBS; 2005 and 2006 EU-SILC

The relative median at-risk-of poverty gap of people in the age group 65 and over, which indicates the intensity of poverty, dropped from 24% in 2003 to 21% in 2004, but it increased to 22% in 2005. For the age-group 75 years and over the percentages for 2004 and 2005 were 23% and 24%, respectively.

In 2006 the average GSIS old age pension with and without the Special Allowance, in relation to the 60% poverty threshold was as follows:

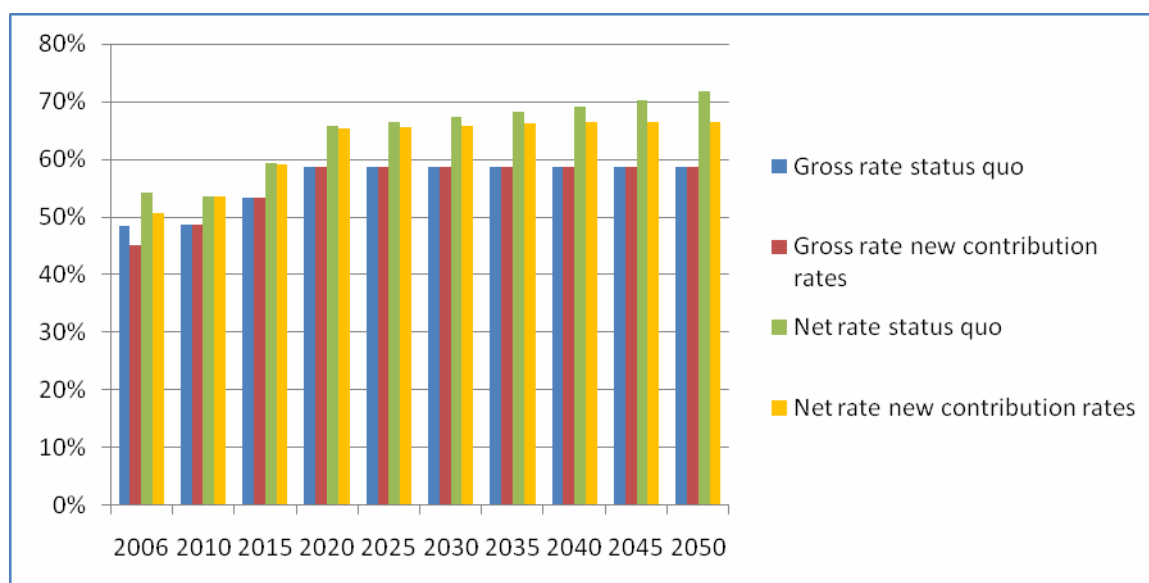
Table 3 - Level of average GSIS pension in relation to the at-risk-of poverty threshold, by age-group, 2006

| Age-group | Male (%) | | Female (%) | |
|--------------|---------------------------|-------------------------|----------------------------|-------------------------|
| | Without special allowance | With special allowance. | Without special allowance. | With special allowance. |
| 63-64 | 112 | 121 | 77 | 86 |
| 65-74 | 89 | 98 | 56 | 65 |
| 75+ | 67 | 77 | 47 | 57 |

3.2.4 Evolution of incomes of older people

Graph 2 below shows the effect of the build-up of rights as the 1980 earnings related GSIS is approaching the year in which it will enter the phase of maturity, that is 2020. The new pensioner with average earnings in that year will receive a gross pension equivalent to 59% of his previous gross earnings compared to 45% in 2006. Tables 1.1.5 and 1.1.6 in Appendix 1 show the replacement rates under different assumptions about contribution rates. The scaled increase in contribution rates under the reform package results in a higher net income and consequently in a lower net replacement rate than under status quo.

Graph 2 - Current and future GSIS replacement rates, 2006-2050: worker with average male earnings



S.A. = Special Allowance. This allowance ceases as from 2007, because the pension exceeds the threshold of €11106 p.a.

Increasing employment participation of women, which overall has exceeded 62 % in 2007, compared to 58% in 2005, will also improve their position regarding pension income, due to the GSIS pension being higher than the Social Pension payable to economically inactive persons. In addition, older workers participation in employment is improving. The employment rate for the age-group 55-64 in 2007 has increased to 56% (men 73%; women 40%), compared to 50% in 2005 (men 71%; women 31%). Long- term unemployment continues to remain at low levels. In 2007 it was 0.7% (men 0.8%; women 0.7%).

3.2.5 Impact of recent measures

Apart from the regular indexation of pensions, as already described, the increase in 2007 of the special allowance for persons, whose pension does not exceed €6.939 p.a. (equivalent to about 73% of relative poverty threshold), is the main measure that has been taken with a view to improving the living standards of older people. Moreover, the increase in the level of means tested public assistance benefits by 12% as from July 2008 will expand the scope of such benefits and more pensioners will have their pensions supplemented, if their total means are below the minimum subsistence level.

These measures are expected to contribute towards reducing the intensity of relative poverty. Regarding reduction of the risk of relative poverty, the increase in the Special Allowance is likely to have an impact for two-pensioner households, rather than for pensioners living alone, as the pension threshold for the increased allowance is such as not to have raised the total pension income of the individuals affected to more than 75% of the at-risk-of-poverty threshold.

The limitations of the SAPS in making a decisive impact on reducing the risk of relative poverty, lies mainly in its failure to effectively target households of low income pensioners and in directing assistance to relatively well-off pensioners households (the incomes of nearly half of those receiving the allowance exceed the relative poverty threshold), as a result of the conditions of award of the allowance, which relate entitlement only to the individual's pension income, without proper test of the household's means.

3.2.6 – Targets and policy measures during NSRP 2008 – 2010

The weakness of the current policies aimed at minimizing the risk of poverty for older people have been recognised. The Government has recently initiated a study to evaluate the combined effect of the minimum pension provisions, of the social pension and of the special allowance on addressing relative poverty, with the aim of eliminating distortions and increasing efficiency and effectiveness.

Under the circumstances, the appropriate measure for addressing the very high risk of poverty for the population aged 65 and over, in the short and medium term, would be the radical reform of the SAPS, in order to make it more efficient and effective, through a proper and fair targeting.

The target is to reduce the at-risk-of-poverty rate from 52% to 40% by 2011. This could be achieved through the reform of additional income support measures in such a way as to benefit more pensioners living alone and those over the age of 75, who are most vulnerable to that risk.

Further reduction of the overall at-risk-of-poverty rate amongst the aged will be pursued in the years 2012 and 2013 to the EU25 average i.e. to below 20%.

3.3 Review of financial sustainability of pensions system

Objective: *Ensure the financial sustainability of public and private pensions schemes, bearing in mind pressures on public finances and the ageing of populations, and in the context of the three-pronged strategy for tackling the budgetary implications of ageing, notably by: supporting longer working lives and active ageing; by balancing contributions and benefits in an appropriate and socially fair manner; and by promoting the affordability and the security of funded and private schemes.*

3.3.1 Resources devoted to pensions

The core of the Cyprus pensions system continues to be the earnings-related GSIS covering all gainfully occupied persons (employees and self-employed), the social pension scheme providing pension to any citizen without a pension from any other source and the Special Allowance to Pensioners, whose pension is below a prescribed level. Supplementary earnings-related schemes exist only for Government employees and employees of the semi-public organizations and local government authorities. The only supplementary provision for the private sector employees are the voluntary provident funds, covering around 35% of these employees, and providing defined-contribution lump sum payments in case of retirement, invalidity, death and termination of employment. Regarding the self-employed only lawyers and

doctors have so far established supplementary pension schemes.

In 2005 Cyprus total pension expenditure was estimated at €928.9mIn, compared to €845.2mIn in 2004 and €800.7mIn in 2003. As a percentage of GDP pension expenditure remained at the level of 2003, i.e. 6.8% Old age pension expenditure in 2005 was estimated at €843.1mIn or 6.3% of GDP, compared to €766.9mIn or 6.0% of GDP in 2004 and €726.4mIn or 6.2% of GDP in 2003.

The total pension expenditure in 2004 was composed of the GSIS pensions, the Government employees' pensions and occupational pensions of the semi-public and private employees. In 2004 the GSIS pensions represented about 65% of total pension expenditure, the public employees' pension about 22% and the semi-public and private employees pensions about 5%. The remaining 8% represented pension income support through other programmes.

The financing of GSIS pensions in 2004 was distributed as follows: contributions from employees and self-employed 37%, contributions from employers 40% and government contribution 23%.

The GSIS is financed on a pay-as-you-go (PAYG) basis, with an element of partial pre-funding. The other two schemes (social pension and special allowance) as well as the Government employees pension scheme are tax financed through the Government budget.

In 2004 the government contribution to all public pension programmes, other than the GSIS, was about €404 mln or 28% of total pension expenditure

Pensions of semi-public and private employees are financed by employers' contributions. The great majority of pension schemes for semi-public employees, which in the past were also financed on a PAYG basis, have recently adopted fully funded financing.

3.3.2 Financing gap in public pensions schemes

According to the AWG baseline scenario, life expectancy at birth in Cyprus is projected to increase from 76,3 years for men and 80,8 for women in 2004, to 81,9 years for men and to 85,1 for women in 2050. Life expectancy at 65 will rise from 16,2 for men and 18,3 for women to 19.9 and 21.7, respectively. The old age dependency ratio (65+/15-64) will increase from 17.5 in 2004 to 43.2 in 2050.

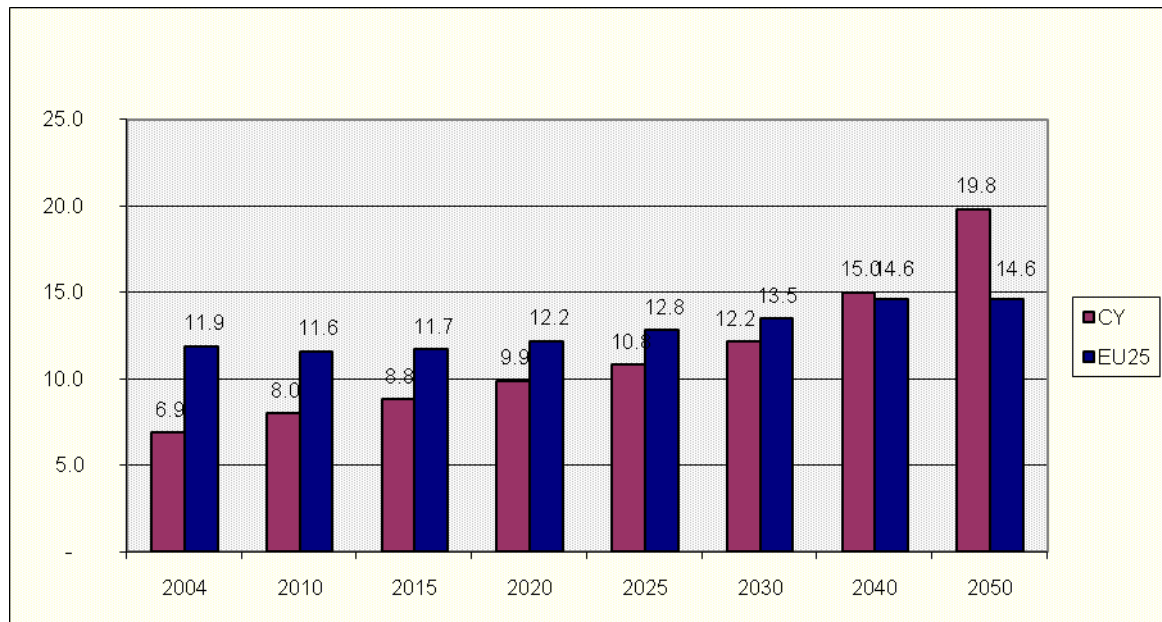
The fact that the bulk of pensions are basically financed on a PAYG basis will have serious implications for the future sustainability of pensions and for the economy and public finances, in view of the ageing of the population of Cyprus.

The gross public expenditure on pensions as a share of GDP is projected to increase

from 6.9% in 2004 to 19.8% in 2050, which is the highest increase among the EU25. It is noted that the projection includes the GSIS expenditure and expenditure on Government employees pensions

Graph 3 below shows the evolution of the pension public expenditure under status quo, as projected in the period 2004-2050. Until 2030, Cyprus will be spending less than the EU25 average on pensions, but in 2050 it will exceed that average by more than 5 percentage points or about 36%.

Graph 3 - Evolution of total public pension expenditure as % of GDP, 2004-2050



The following decomposition of the factors contributing to the increase in old age and early pension expenditure shows that the strongest driving force is the growth in the dependency ratio (65+/15-64). This accounts for 10.2 percentage points in the 12.9 p.p. increase in expenditure as a share of GDP. The growth of the employment rate of people aged 15-64 reduced the share of expenditure by 1.2 percentage points. The annual rate of growth of gross pension in the period 2005-2050, which is due to the dependency ratio increase, is 2.00%, against a total of 2.34% (see also Appendix 1, Table 1.2.8).

Table 4 - Growth rates of public old-age and early pensions by driving factor, as % of GDP

| | 2005-2015 | 2015-2030 | 2030-2050 | 2005-2030 | 2005-2050 |
|-------------------------------------|------------------|------------------|------------------|------------------|------------------|
| Annual growth rate | 2,36 | 2,16 | 2,47 | 2,24 | 2,34 |
| accounted for by changes in: | | | | | |
| dependency rate | 2,21 | 2,69 | 1,38 | 2,50 | 2,00 |
| employment rate | -1,42 | -0,17 | 0,05 | -0,67 | -0,35 |

According to the EPC sensitivity analysis a higher than the baseline scenario employment rate (1 p.p. 2005-2015) will reduce the increase in public pension expenditure in the period up to 2050, by only 0,1 p.p. A higher labour productivity growth (0.25 p.p. 2005-2015) will reduce expenditure by 1.4 p.p., whilst a lower labour productivity (-0.25) will increase it by 1.6 p.p.

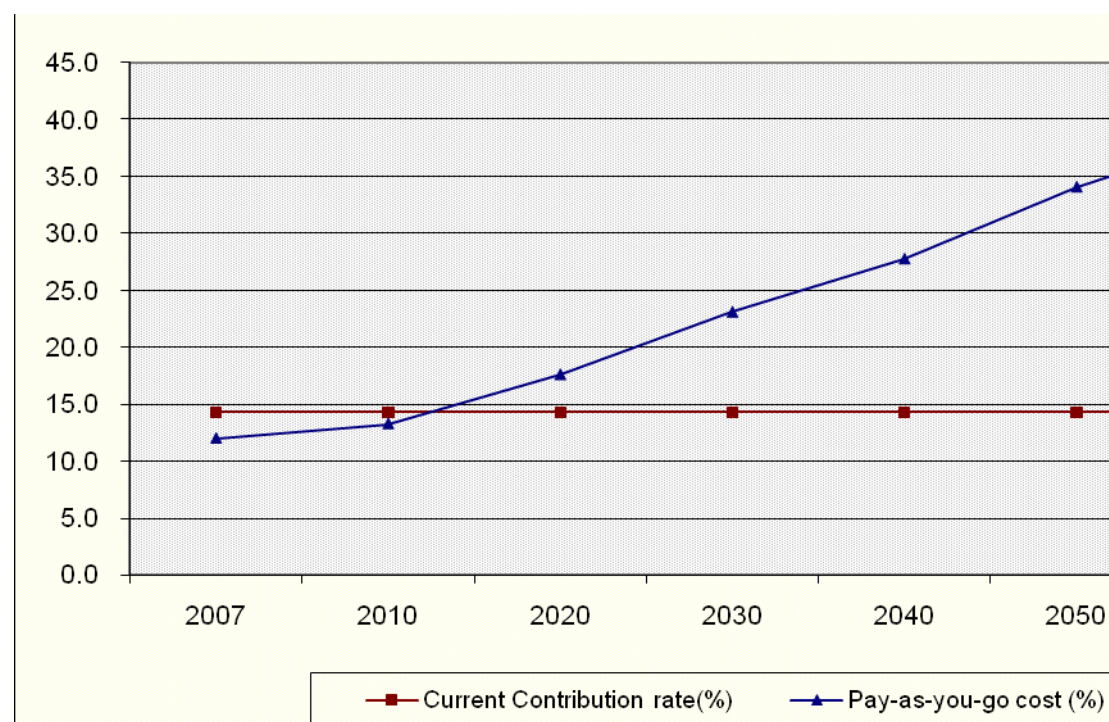
3.3.3 Sustainability of the General Social Insurance Scheme

The financial sustainability of the General Social Insurance Scheme, as the core of the Cyprus public pension system, has been an issue of major concern, especially after 2004. The last up-to-date actuarial projections, which were based on the experience of the Scheme in the period 2004-2006, have confirmed the findings of previous projections about the seriousness of the problem of financing pensions in the long term.

The evolution of expenditure under the status quo, over the period 2007-2060 shows that the current 'general average contribution' rate of 14.3%, which was originally projected to cover the cost of old age, invalidity and survivors' pensions and build up a reserve that at the end of the projection period of 50 years (1980-2030) would be equal to 4 – 4.5 times the annual expenditure is insufficient. The reserve will fall below that ratio after 2018 and will be depleted between 2036 and 2040.

The dramatic increase in the cost of GSIS pensions is illustrated in the following table, which shows the pay-as-you-go cost as a percentage of insurable earnings, compared to the current percentage of 14.3%.

Graph 4 – Pay-as you-go cost of GSIS pensions as % of insurable earnings in the period 2007 - 2060 (selected years)



As shown in Table 5 below, the main factor of the overwhelming increase in the financing gap of the GSIS pensions is the declining support ratio (number of contributors/number of pensioners). This ratio is projected to decline from 3.4 in 2007 to 1.2 in 2060.

Table 5 - Number of contributors relative to number of pensioners, 2007 - 2060

| 2007 | 2010 | 2015 | 2025 | 2035 | 2040 | 2050 | 2060 |
|------|------|------|------|------|------|------|------|
| 3.4 | 3.1 | 2.7 | 2.1 | 1.7 | 1.6 | 1.3 | 1.2 |

Table 6 presents the impact of the GSIS pension cost on public finances under status quo in the period 2007-2020. The net cash flow to the GSIS is projected to increase from 1,5% of GDP in 2007 to 3,6% of GDP in 2020.

Table 6 - Net cash flow from consolidated fund to GSIS 2007-2020 (% of GDP)

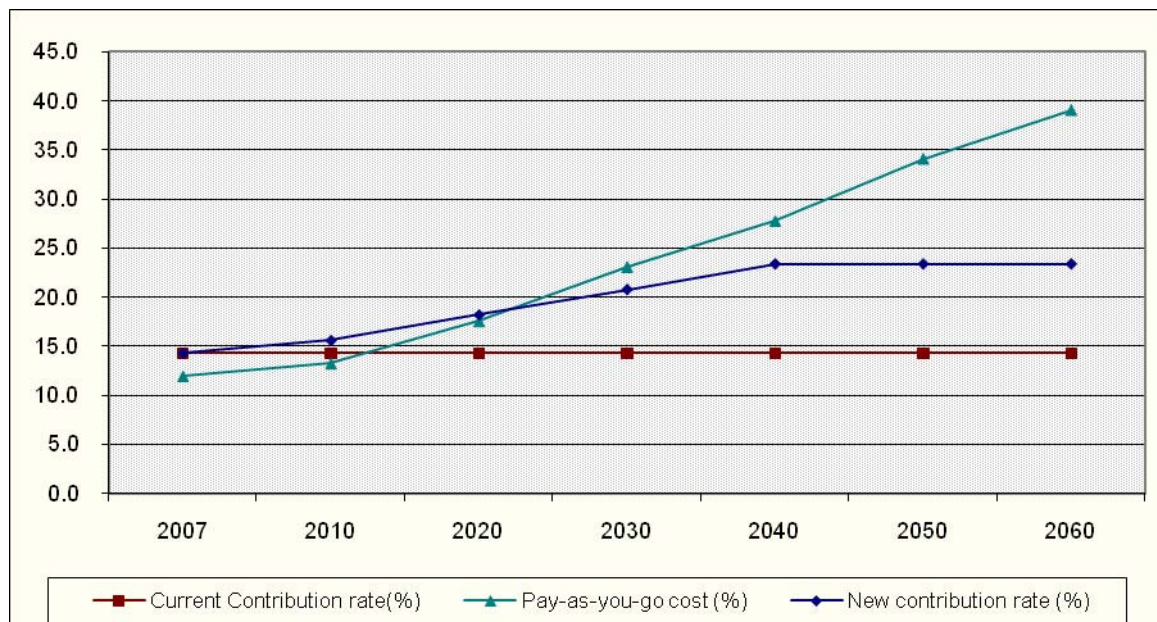
| 2007 | 2010 | 2012 | 2015 | 2017 | 2020 |
|------|------|------|------|------|------|
| 1.5 | 2.0 | 2.3 | 2.7 | 3.0 | 3.6 |

As already mentioned the problem of the financial sustainability of the GSIS has been given priority in the last five years. Following extensive discussions and dialogue with the social partners, the Government has decided to take measures that will ensure the long-term financial sustainability of the Scheme. These measures aim primarily at increasing revenue (higher contributions and higher investment returns) and, to a lesser extent, at reducing expenditure. In particular the package includes:

- Increasing gradually the total contribution rate by 1.3 percentage points every five years beginning with 2009 until the current contribution of 14.3% allocated to financing pensions, reaches 23.4% in 2039.
- Increasing the minimum qualifying period of paid contributions for old age pension from three to ten years and the total period, including credited contributions, from 12 to 15 years within a period of three years starting from 2009, as well as raising the minimum contribution period for entitlement to old age grant (payable where there is no entitlement to pension) from three to six years.
- Restricting the crediting of contributions for full-time education for old age pension to six years.
- In addition, the rate of interest on treasury bills, which for the time being represent more than 98% of the assets of the GSIS, has increased to 5.0% and will fluctuate at a rate of 0.25% below the CEB marginal lending facility rate.

Graph 5 below shows the PAYG cost of pensions under the reform package, as a percentage of insurable earnings and the scaled increase in the current contribution rate. The PAYG rate at the end of the projection period is slightly lower than under status quo i.e. 37% against 39% (Appendix 1, tables 1. 2 11 and 1.2.12). The effect of the gradual increase of the current contribution rate is a fairer distribution of the burden of financing pensions between the existing and future generations.

Graph 5 – Reform package: PAYG cost of GSIS pensions as % of insurable earnings and new contribution rate, 2007-2060 (selected years)

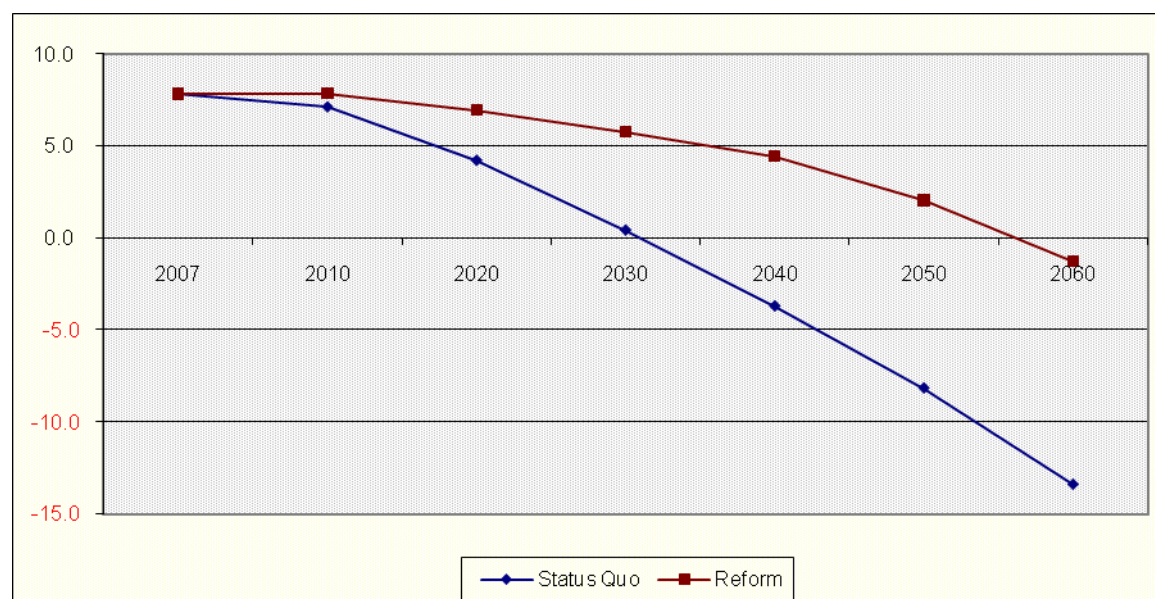


The other two components of the reform package (increase in qualifying period and restriction of credits for education) are expected to result in a saving equivalent to 1,6% of insurable earnings at the end of the projection period or about 4.5% of pension expenditure.

The increase in the interest rate for assets of the GSIS held in Treasury Bills is projected to have reduced the required additional contribution rate at the beginning of the projection period by one percentage point.

Graph 6 illustrates the evolution of the reserve of the GSI Fund under status quo, as compared with the impact of the reform package, which is projected to ensure the envisaged actuarial equilibrium until about 2040.

Graph 6 – Evolution of GSI Fund reserve under status quo and after reform



The impact on public finances, as indicated by the projected evolution of the net cash flows to the GSIS, will be substantial. Compared to the status quo situation, there will be a reduction of about 1.8% of GDP or 50% by 2020

Table 7 - Evolution of net cash flows form Consolidated Fund to GSIS after reform, 2007-2020.

| | 2007 | 2010 | 2012 | 2015 | 2017 | 2020 |
|------------------|------|------|------|------|------|------|
| Cash flow | 1.5 | 1.2 | 1.7 | 1.6 | 1.9 | 1.8 |
| Change | - | -0.8 | -0.6 | -1.1 | -1.2 | -1.8 |

3.3.4 Increased employment

The overall employment rate in 2007 was 71% (EU27=65%) compared to 68% in 2005. Male participation in employment stood at 80% (EU27=72,5%) in 2007, compared to 79% in 2005. The respective rates for women were 62% (EU27=58%) and 58%. The number of contributors to GSIS will continue to rise until 2045,

thereafter it will be declining and by 2060 there will be a reduction of about 18.000 or 3%. The projected annual rate of increase between 2007 and 2025 is 1.5% and between 2025-2045 it is 0.3%. According to the EPC 2005 projections the rise in the total employment participation rates, and as a result in the number of contributors, is due to the increase in the female participation and in the participation of older workers, by about 13 p.p. and 19 p.p. respectively, compared to 2003.

When comparing projections based on the 2000, 2003 and 2006 experience of the GSIS (Table 8 below), increased employment improves the support ratio (contributors/ pensioners) up to the year 2045, but thereafter the situation deteriorates. The 2003 projections were more pessimistic after 2030, reflecting less favourable assumptions about employment.

Table 8 - Support ratio in GSIS, 2000, 2003 and 2006 projections.

| Projection basis | 2007 | 2010 | 2015 | 2020 | 2030 | 2040 | 2045 | 2050 |
|-------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| 2000 | 3.2 | 3.0 | 2.6 | 2.2 | 1.7 | 1.5 | 1.5 | 1.4 |
| 2003 | 3.3 | 3.0 | 2.6 | 2.3 | 1.7 | 1.4 | 1.4 | 1.3 |
| 2006 | 3.5 | 3.1 | 2.7 | 2.4 | 1.9 | 1.6 | 1.5 | 1.3 |

The planned increase in the minimum qualifying period for old age pension (from 3 to 10 years of paid contributions) is in the first instance a measure that may encourage increased employment. However, the gap may be covered by voluntary contributions (open to persons discontinuing employment). Furthermore, the Social Pension as a substitute for a contributory pension very near the minimum GSIS pension may offset the incentive to employment and contributions.

Regarding the Government employees pension scheme, experience since mid - 2005, when the compulsory retirement age for civil servants was raised gradually from 60 to 63 by July 2008, has shown that the measure had a decisive impact on the prolongation of the working life of the employees concerned. About 95% of those due to retire at 60 opted to remain in service until the compulsory age of retirement. The impact of this change on the cost of pensions in the long-term has not yet been evaluated.

3.3.5 Administrative measures

The GSIS Administration in an effort to combat undeclared employment and evasion of contributions has strengthened the Inspection Service and has intensified inspection of employers in activities where the problem is particularly serious e.g. construction and tourism. Furthermore, a special service has been established for the timely execution of orders of the courts regarding payment of outstanding contributions.

3.3.6 Solidarity among generations

The planned scaled increase in contributions will result in a fairer distribution, than at present, of the burden of financing future pensions between the active and the retired population.

3.3.7 – Policy measures during NSRP 2008 – 2010

As long as the current practice of investing almost the total of the GSIS reserves in Treasury Bills continues, any increased returns as a result of the increase in the interest rate referred to above (3.3.3), in essence extends the time when the burden on public finances (cash flows to the GSIS) becomes considerable. This allows the Government additional time to implement successfully an effective investment policy. The final decision on the investment policy will be taken by the end of 2008.

3.4 Review of modernisation of the pension system in response to the changing needs of the economy, the society and the individuals

Objective: *Ensure that pensions systems are transparent, well adapted to the needs and aspirations of women and men and the requirements of modern societies, demographic ageing and structural change; that people receive the information they need to plan their retirement and that reforms are conducted on the basis of the broadest possible consensus.*

3.4.1 Access to adequate pensions

No changes have been effected to the pension accrual provisions of the GSIS. The Scheme, which was transformed from flat-rate to earnings-related in October 1980, treats all insured persons identically as regards qualifying conditions and accrual of pension rights, whether in standard or non-standard employment, including self-employment. Rights accrue on the basis of the earnings in each year, regardless of the duration or type of employment. Professional or geographical mobility is not discouraged by the GSIS, which is common for the entire working population.

3.4.2 Gender differences in treatment

In general the GSIS treats equally men and women. However, less favourable treatment of men still exists as regards the right to widower's pension, which is restricted to cases of proven economic dependency on the wife i.e. where the widower is incapable of self-support, whilst the right to widow's pension is not conditional on economic dependency. This reflects the division of the roles of spouses according to the traditional "male-bread-winner – female-home-maker" model in the socioeconomic context of the 1950s, when the first social insurance scheme was introduced in Cyprus.

The issue of equality in widowhood, is being under consideration, together with the question of safeguarding the right to a widow's/er's pension in case of divorce. The approach is that the conditions of entitlement to such pension should be re-examined in the light of the current socioeconomic conditions in Cyprus and the need for

ensuring sustainability of the pension system. According to the current legal provisions the only qualifying condition, besides the minimum insurance period of three years, is the existence of a legal marriage and living together. Age, economic dependency and existence of young children, do not enter into the entitlement requirements.

The right to widow's pension is linked to the existence of a legal marriage at the time of death of the spouse. As a consequence, divorce deprives the surviving ex-spouse of the right to widower's pension, even when a court's maintenance order was in force. In such cases the death of the ex-spouse can increase the risk of poverty for the divorced, especially for those women who are not economically active and have not attained the age of 65, at which Social Pension is payable.

Sharing of pensions entitlements between spouses in case of divorce is not provided for in the national legislation

Women old age pensioners are treated less favourably as regards the right to a dependent's increase for the husband. Whilst men pensioners receive that increase for the wife without any condition, until she becomes entitled to pension in her own right, women are only entitled to the increase if the husband is incapable of self-support.

3.4.3 Pending reform issues

Pending important reform issues, in relation to the previous NSRP, that need to be addressed relate to:

- The Special Allowance to Pensioners Scheme (SAPS).
- The promotion of supplementary pensions provision for employees in the private sector.

The SAPS, was introduced in 2002 primarily as an urgent measure aimed to temporarily maintain the standard of living of older persons, which would have otherwise been eroded as a result of the tax reform. It has been in operation for six years for the purpose of supporting the low-income pensioners, in spite of its limited effectiveness. Its main weaknesses, as already mentioned are that it distributes money in a way leading to unfair and unequal treatment within the elderly population, and more importantly, that it has failed to reduce the risk of relative poverty for the elderly population as a whole, even if it might have prevented deterioration of the situation. In contrast, due to the conditions of entitlement many households, well above the poverty threshold, are subsidized. As consequence the possibility of directing more income support to those households most vulnerable to the risk of exclusion, is limited. Within the framework of the commitment of the Government for 'more money to low-income pensioners' the scheme is now being reconsidered with a view to make it fairer and more effective in meeting its objectives.

The absence of supplementary occupational pension provisions for the employees in the private sector is the cause of inequalities between these employees and employees in the public and semi-public sectors. The periodical total pension income (occupational plus GSIS pension) of a public employee, with national average male earnings, replaces 64% of his gross salary. In addition, he receives a lump sum payment equivalent to an additional replacement rate of 17%. This compares with the

45% replacement rate (pension without the special allowance) for an employee in the private sector with same salary (see Appendix 1, Table 1.1.6).

Currently, around 35% of private employees are covered by Provident Funds in the form of lump sum payments. If lump sum payments were converted into annuities, the average worker with a total provident fund contribution of 8% for 30 years would have an additional pension of about 21% of previous salary on retirement at 60 or 25% on retirement at 65²⁵. This suggests the need for the social partners to rethink the benefit structure of provident funds and to promote expansion of their coverage to as many employees as possible.

3.4.4 Monitoring of pension systems

Monitoring the adequacy of pensions, current and future, is done through the use of indicators on the evolution of the relative incomes of the elderly, the share of pensions in such incomes, the replacement rates of pensions by sex and career type, the at-risk-of-poverty rate for the elderly by sex and age-group and other indicators (see Appendix 1). These indicators are constructed on the basis of information collected annually under the EU-SILC system.

Regarding sustainability of the GSIS, triennial actuarial studies are carried out projecting the evolution of the financial situation of the Social Insurance Fund over a period of 50 years. This process is mandatory for the administration of the GSIS. The findings of each actuarial study are made available to and discussed with the social partners at the level of the Social Insurance Board and the Labour Advisory Board. The Reports are quite comprehensive and provide all appropriate information for facilitating reform discussion and educated decision taking.

With regard to occupational pension schemes, the regulatory legislation introduced in 2006 (see 3.2) provides for regular monitoring procedures on sustainability and safeguarding of pension rights and for annual submission of reports and information to the Supervising Authority.

3.4.5 Social dialogue and consensus

Planned reforms have been extensively discussed during the last three years with the social partners at the level of the Social Insurance Board, the Labour Advisory Board and at ad-hoc meetings with a wider representation. The dialogue started in March 2005 with the presentation of the results of an actuarial study in relation to certain reforms scenarios. In July 2005, within the process of preparation of the NSR pensions, the consultations were intensified and expanded to a wider range of measures.

A series of separate meetings with the organizations of the social partners followed in 2006 in an effort to arrive at a package of measures that would enjoy the widest possible acceptance. A further round of consultations was initiated in April 2007, during which the social partners were given the opportunity to express their views on

²⁵ Assumptions: Salary growth 4%, investment rate of return 5%, indexation of pension (CPI) 2%.

a complete reform package. By September 2007, the positions of the social partners converged on most of the proposed measures.

The final round of consultations had taken place after the Government of the new President took over in March 2008. In May 2008 the new Minister of Labour and Social Insurance presented the final reform package and by July 2008, the Labour Advisory Board endorsed the reforms, which in the meantime were embodied in a Bill.

In addition to the dialogue with the social partners, the Minister held separate meetings with the representatives of the political parties in an effort to explain the package and achieve political support for the reform, pending the enactment of the bill by the House of Representatives.

3.4.6 Services to the public and information to individuals

The Social Insurance Administration has created a website providing information to the public on the social security legislation and the possibility of downloading all relevant application forms. As from the end of 2006 payment of contributions by employers and self-employed may be made through the internet. Guides available to the public on the citizen's rights and obligations under the social insurance legislation, have been up-dated and simplified. The bill for the consolidation and simplification of the Social Insurance Legislation is expected to be enacted in the first half of 2009.

New local offices have been opened to facilitate access of the public to the Social Insurance Services, both in the rural and urban areas. In addition, services and information are provided at all Citizen's Service Centres by members of the staff of the Social Insurance Administration. The latter arrangement facilitates service to the public for longer hours daily, given that Citizens Service Centres operate beyond the normal working hours in the public service.

Arrangements are in progress for the payment of GSIS pensions to beneficiaries living abroad to be made by direct transfer to individual bank accounts, instead of by cheque.

Provision of on line information, that will enable insured persons to calculate accrued pension entitlements, is under consideration.

**PART 3: NATIONAL STRATEGY FOR PENSIONS –
APPENDICES**

APPENDIX 3.1 – PENSIONS INDICATORS

1.1 – Adequacy of pensions

1.1.1--At- risk-of-poverty rate for the elderly (%), 2003 - 2005

| Age group | Year | Total | Men | Women |
|-----------|------|-------|-----|-------|
| 0-64 | 2003 | 10 | 10 | 11 |
| | 2004 | 12 | 11 | 13 |
| | 2005 | 11 | 9 | 13 |
| 65+ | 2003 | 52 | 48 | 55 |
| | 2004 | 51 | 47 | 53 |
| | 2005 | 52 | 50 | 54 |

1.1.2 – Relative median income of the elderly compared to people age 0-64 (%), 2003 - 2005

| Age group | Year | Total | Men | Women |
|-----------|------|-------|-----|-------|
| 65+/0-64 | 2003 | 55 | 58 | 54 |
| | 2004 | 57 | 59 | 55 |
| | 2005 | 57 | 58 | 56 |

1.1.3 – Relative median at risk-of-poverty gap of elderly people (% difference between median income and relative poverty threshold)

| Age group | 2003 | 2004 | 2005 |
|-----------|------|------|------|
| 65+ | 24 | 21 | 22 |
| 75+ | n.a. | 23 | 24 |

n.a. = not available

1.1.4 – Aggregate replacement rate (median pension of persons aged 65-74/median earnings of persons aged 50-59), 2003 – 2004

| Year | Total | Men | Women |
|------|-------|-----|-------|
| 2004 | 28 | 34 | 34 |
| 2005 | 28 | 32 | 33 |

1.1.5– Evolution of theoretical replacement rates 2006-2050 (status quo)

| Year | Base case: 100% of average earnings | | | | | 2/3 of average earnings | | Interrupted career (30 years of employment up to retirement) | |
|------------------------------------------------|-------------------------------------|----------------|------|------|------|-------------------------|------|--------------------------------------------------------------|------|
| | 2006 | After 10 years | 2010 | 2030 | 2050 | 2006 | 2050 | 2006 | 2050 |
| Gross replacement rate, 1 st pillar | 48* | 42 | 49 | 59 | 59 | 53* | 58 | 45* | 44 |
| Gross replacement rate, 2 nd pillar | ** | - | - | - | - | - | - | - | - |
| Total gross replacement rate | 48* | 42 | 49 | 59 | 59 | 53* | 58 | 45* | 44 |
| Total net replacement rate | 54* | 47 | 54 | 67 | 72 | 57* | 71 | 51* | 54 |
| Of which means tested benefits in % points | 4 | - | - | - | - | 5 | - | 4 | - |

Source: Social Insurance Services

* Includes the Special Allowance equivalent to 3%, which is lost after 2006 except in the case of 2/3 of average earnings where it is equivalent to 5% and is lost after 2012.

**A pensionable employee in the broader public sector has an additional gross replacement rate of about 30% from his occupational pension scheme.

Notes:

- 1) The 2006 column refers to pension in 2006 in relations to the income from employment in 2005. The same applies to the columns for the subsequent years.
- 2) The 1st pillar includes the basic and supplementary Social Insurance pensions as well as the special allowance where this is payable.
- 3) The amount of average earnings is that of men and is equal to about 140% of median earnings. Thus 2/3 of average earnings is equivalent to 93% of median earnings.
- 4) There is no 2nd pillar pension, except for employees of the broader public sector.
- 5) Interrupted career – the whole period of the interruption is assumed to have occurred at the beginning of the career so that results for 2020 and after, when the scheme will mature will be realistic.
- 6) The net replacement rates were calculated assuming a factor of increase in contributions of 1.0235 per year.
- 7) The last row gives the replacement rate of the Special Allowance, which is an individual-pension-tested allowance and not a proper means tested benefit.

1.1.6 – Evolution of theoretical replacement rates 2006-2050, (new contribution rates)

| Year | Base case: 100% of average earnings | | | | | 2/3 of average earnings | | Interrupted career (30 years of employment up to retirement) | |
|------------------------------------------------|-------------------------------------|----------------|------|------|------|-------------------------|------|--------------------------------------------------------------|------|
| | 2006 | After 10 years | 2010 | 2030 | 2050 | 2006 | 2050 | 2006 | 2050 |
| Gross replacement rate, 1 st pillar | 48* | 42 | 49 | 59 | 59 | 53* | 58 | 45* | 44 |
| Gross replacement rate, 2 nd pillar | ** | - | - | - | - | - | - | - | - |
| Total gross replacement rate | 48* | 42 | 49 | 59 | 59 | 53* | 58 | 45* | 44 |
| Total net replacement rate | 54* | 47 | 54 | 66 | 66 | 57* | 64 | 51* | 50 |
| Of which means tested benefits in % points | 4 | - | - | - | - | 5 | - | 4 | - |

Source: Social Insurance Services

* Includes the Special Allowance equivalent to 3%, which is lost after 2006 except in the case of 2/3 of average earnings where it is equivalent to 5% and is lost after 2012.

**A pensionable employee in the broader public sector has an additional gross replacement rate of about 30% from his occupational pension scheme.

Notes:

1) The differences in the net replacement rates, compared to those in the above Table 1.1.5, are due to their calculation on the basis of the planned increase in GSIS contribution rates.

2) The combined employer – employee contribution rate will increase from the current 12.6%, as follows: 2009: 13.6%, 2014: 14.6%, 2019: 15.6%, 2024: 16.6%, 2029: 17.6%, 2034: 18.6%, 2039: 19.6%.

3) The last row gives the replacement rate of the Special Allowance, which is an individual-pension-tested allowance and not a proper means tested benefit.

1.1.7 – At-risk-of-poverty rate of older persons (%), 2003 – 2005

| Age group | Year | Total | Men | Women |
|-----------|------|-------|-----|-------|
| 0-59 | 2003 | 10 | 9 | 10 |
| | 2004 | 11 | 10 | 12 |
| | 2005 | 10 | 9 | 12 |
| 0-74 | 2003 | 13 | 11 | 14 |
| | 2004 | 14 | 13 | 15 |
| | 2005 | 13 | 11 | 15 |
| 60+ | 2003 | 43 | 38 | 47 |
| | 2004 | 43 | 39 | 47 |
| | 2005 | 44 | 39 | 47 |

1.1.8 – Median income of elderly persons (60+/0-59), 2003 – 2005

| Year | Total | Men | Women |
|------|-------|-----|-------|
| 2003 | 62 | 69 | 59 |
| 2004 | 62 | 68 | 59 |
| 2005 | 65 | 70 | 60 |

1.1.9 – Income inequality (S80/S20), 2003 – 2005

| Age group | Year | Total | Men | Women |
|-----------|------|-------|------|-------|
| 0-64 | 2003 | 3.66 | 3.60 | 3.71 |
| | 2004 | 4.00 | 3.80 | 4.20 |
| | 2005 | 3.90 | 3.80 | 4.10 |
| 65+ | 2003 | 4.29 | 4.70 | 3.84 |
| | 2004 | 4.60 | 4.80 | 4.30 |
| | 2005 | 4.40 | 4.70 | 4.10 |

1.1.10--Relative poverty differences for the elderly (60% threshold) 65+ and 75+, 2003 - 2005

| Age group | Year | 65+ | 75+ | Difference |
|-----------------|------|-----|-----|------------|
| Risk of poverty | 2003 | 52 | 67 | -15 |
| | 2004 | 51 | 65 | -14 |
| | 2005 | 52 | 65 | -13 |

1.1.11 - Risk of poverty for pensioners (%), 2003 – 2005

| Year | Total | Men | Women |
|------|-------|-----|-------|
| 2003 | 50 | 46 | 53 |
| 2004 | 49 | 46 | 51 |
| 2005 | 51 | 49 | 52 |

1.1.12 – Frequency of risk of poverty for the elderly by accommodation status (%), 2004 – 2005

| Age Group | Year | Total | Men | | | Women | | |
|-----------|------|-------|-------|-------|------|-------|-------|------|
| | | | Total | Owner | Rent | Total | Owner | Rent |
| 65+ | 2004 | 51 | 47 | 48 | 43 | 53 | 55 | 41 |
| | 2005 | 52 | 50 | 50 | 48 | 54 | 56 | 43 |
| 75+ | 2004 | 62 | 61 | 62 | n.a. | 63 | 67 | 36 |
| | 2005 | 64 | 66 | 64 | n.a. | 63 | 65 | 44 |
| 60+ | 2004 | 43 | 39 | 39 | 35 | 47 | 47 | 41 |
| | 2005 | 44 | 39 | 40 | 38 | 47 | 48 | 40 |

1.1.13 – Risk of poverty for the elderly at 50% and 70% of median equivalised income, 2003 – 2005

| Age group | Year | 50% | | | 70% | | |
|-----------|------|-------|------|-------|-------|------|-------|
| | | Total | Men | Women | Total | Men | Women |
| 60+ | 2003 | 29 | n.a. | n.a. | 53 | n.a. | n.a. |
| | 2004 | 26 | 22 | 30 | 53 | 49 | 57 |
| | 2005 | 28 | 24 | 32 | 52 | 46 | 57 |
| 65+ | 2003 | 35 | 32 | 38 | 63 | 58 | 67 |
| | 2004 | 31 | 26 | 34 | 62 | 59 | 65 |
| | 2005 | 34 | 30 | 37 | 61 | 57 | 64 |
| 75+ | 2003 | 50 | n.a. | n.a. | 78 | n.a. | n.a. |
| | 2004 | 43 | 38 | 46 | 72 | 71 | 73 |
| | 2005 | 47 | 46 | 48 | 73 | 71 | 74 |

1.1.14 – Gender risk-of-poverty differences for persons aged 65+ years, by household type, 2003-2005

| Age group | Household type | Year | Total | Men | Women | Difference |
|-----------|----------------------|------|-------|-----|-------|------------|
| 65+ | All persons | 2003 | 52 | 48 | 55 | 7 |
| | | 2004 | 51 | - | - | - |
| | | 2005 | 52 | - | - | - |
| | Persons living alone | 2003 | 73 | 72 | 73 | 1 |
| | | 2004 | 70 | - | - | - |
| | | 2005 | 70 | - | - | - |
| 0-64 | All persons | 2003 | 10 | 10 | 11 | 1 |
| | | 2004 | 12 | 11 | 13 | 2 |
| | | 2005 | - | - | - | - |
| | Persons living alone | 2003 | 25 | 7 | 36 | 29 |
| | | 2004 | 27 | - | - | - |
| | | 2005 | 22 | - | - | - |

1.1.15 – Gender relative median income gap of persons aged 60+, 65+ and 75+, 2003 -2005 (%)

| Age group | Year | Total | Men | Women | Difference |
|-----------|------|-------|-----|-------|------------|
| 60+/0-59 | 2003 | 62 | 69 | 59 | -10 |
| | 2004 | 62 | 68 | 59 | -9 |
| | 2005 | 65 | 70 | 60 | -10 |
| 65+/0-64 | 2003 | 55 | 58 | 54 | -4 |
| | 2004 | 57 | 59 | 55 | -4 |
| | 2005 | 57 | 58 | 56 | -2 |
| 75+/0-74 | 2003 | 49 | 48 | 49 | -1 |
| | 2004 | 57 | 59 | 56 | -3 |
| | 2005 | 56 | 58 | 57 | -1 |

1.2 – Sustainability of pensions

1.2.1 – Total current pension expenditure (% of GDP), 2000 – 2005

| Year | % GDP |
|------|-------|
| 2000 | 5.76 |
| 2003 | 6.80 |
| 2004 | 6.64 |
| 2005 | 6.80 |

1.2.2– Employment rates of older persons by age group, 2005-2007

| Age group | Total | | | Men | | | Women | | |
|-----------|-------|------|------|------|------|------|-------|------|------|
| | 2005 | 2006 | 2007 | 2005 | 2006 | 2007 | 2005 | 2006 | 2007 |
| 25-54 | 81.8 | 82.6 | 83.8 | 91.8 | 92.0 | 92.4 | 72.2 | 73.6 | 75.5 |
| 55-64 | 50.6 | 53.6 | 55.9 | 70.8 | 71.6 | 72.5 | 31.5 | 36.6 | 40.3 |
| 55-59 | 60.7 | 63.2 | 65.3 | 81.4 | 80.8 | 80.7 | 41.1 | 46.4 | 50.8 |
| 60-64 | 38.2 | 42.0 | 44.2 | 57.9 | 60.4 | 62.3 | 19.8 | 24.8 | 27.2 |
| 65-69 | 18.9 | 16.6 | 18.9 | 30.1 | 26.3 | 31.0 | 8.7 | 7.7 | 7.6 |

1.2.3 – Effective age of exit from the labour market, 2001-2004

| Year | Total | Men | Women |
|------|-------|------|-------|
| 2001 | 62.3 | n.a. | n.a. |
| 2002 | 61.4 | n.a. | n.a. |
| 2003 | 62.7 | n.a. | n.a. |
| 2004 | 62.7 | n.a. | n.a. |

n.a = not available

1.2.4 – Composition of income of elderly persons (%) (2003)

| Age group | Pensions | Other social benefits | Income from work | Others sources |
|-----------|----------|-----------------------|------------------|----------------|
| 0-64 | 5 | 5 | 87 | 3 |
| 65+ | 70 | 3 | 25 | 2 |

1.2.5 – Total social protection expenditure (% of GDP), 2000 -2005

| Year | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 |
|--------|------|------|------|------|------|------|
| Cyprus | 14.8 | 14.9 | 16.2 | 18.3 | 18.0 | 18.4 |
| EU25 | 26.6 | 26.8 | 27.1 | 27.4 | 27.3 | 27.4 |

1.2.6 – Total public pension expenditure as % of GDP, 2004-2050

| | 2004 | 2010 | 2015 | 2020 | 2025 | 2030 | 2040 | 2050 | Change 2004- 2030 | Change 2030-2050 | Change 2004-2050 |
|-------------|------|------|------|------|------|------|------|------|-------------------------|---------------------|---------------------|
| CY | 6.9 | 8.0 | 8.8 | 9.9 | 10.8 | 12.2 | 15 | 19.8 | 5.3 | 7.6 | 12.9 |
| EU25 | 11.9 | 11.6 | 11.7 | 12.2 | 12.8 | 13.5 | 14.6 | 14.6 | 1.6 | 1.1 | 2.7 |

1.2.7– Analysis of the impact of factors influencing the increase of public expenditure as % of GDP, 2005-2050

| Level 2005 | Change 2005-2050 | Dependency ratio | Employment | Take-up | Level of pensions | Interaction (residual) |
|------------|------------------|------------------|------------|---------|-------------------|------------------------|
| 7 | 12.8 | 10.2 | -1.2 | 1.2 | 2.5 | 0.1 |

1.2.8 – Age-related dependency ratio

| Year | 65+/15-64 | 60+/15-59 |
|------|-----------|-----------|
| 2004 | 17.5 | 25.9 |
| 2010 | 19.1 | 29.1 |
| 2030 | 32.9 | 46.3 |
| 2050 | 43.5 | 63.1 |

1.2.9– Evolution of life expectancy 2004-2050

| Year | 2004 | | 2010 | | 2030 | | 2050 | |
|------------------|------|-------|------|-------|------|-------|------|-------|
| | Men | Women | Men | Women | Men | Women | Men | Women |
| At birth | 76.3 | 80.8 | 77.5 | 81.6 | 80.2 | 83.7 | 81.9 | 85.1 |
| At age 60 | 20.0 | 22.7 | 20.8 | 23.4 | 22.8 | 25.1 | 24.1 | 26.2 |
| At age 65 | 16.2 | 18.3 | 16.9 | 19.0 | 18.7 | 20.6 | 19.9 | 21.7 |

1.2.10 – Dependency ratio of pension system (number of pensioners per 100 contributors)

| Year | 2004 | 2010 | 2020 | 2030 | 2040 | 2050 |
|------------------------------------------------|------|------|------|------|------|------|
| Nr. of pensioners/ 100 contributors | 26 | 28 | 37 | 47 | 52 | 64 |

1.2.11 -- Pay-as-you-go cost of GSIS pensions under status quo in the period 2007 - 2060 (selected years)

| Year | Current contribution rate (%) | Reserve ratio in the year | Pay-as-you-go cost (%) | Current rate relative to PAYG cost (%) |
|-------------|-------------------------------|---------------------------|------------------------|----------------------------------------|
| 2007 | 14.3 | 7.8 | 12.0 | 119 |
| 2010 | 14.3 | 7.2 | 13.3 | 108 |
| 2015 | 14.3 | 5.9 | 15.2 | 94 |
| 2025 | 14.3 | 3.1 | 20.5 | 70 |
| 2035 | 14.3 | 1.1 | 25.3 | 57 |
| 2040 | 14.3 | -3.7 | 27.8 | 51 |
| 2050 | 14.3 | -8.1 | 33.8 | 42 |
| 2060 | 14.3 | -13.4 | 39.0 | 37 |

Source: Social Insurance Services

1.2.12 - Impact of reform package on sustainability of GSIS pensions, 2007-2060 (selected years)

| Years | Status-quo contribution rate (%) | New contribution rate (%) | Reserve ratio | PAYG cost of pensions (%) | New contribution rate relative to PAYG cost |
|-------------|----------------------------------|---------------------------|---------------|---------------------------|---------------------------------------------|
| 2007 | 14.3 | - | 7.8 | 12.0 | 119 |
| 2010 | 14.3 | 15.6 | 7.9 | 12.7 | 123 |
| 2015 | 14.3 | 16.9 | 7.4 | 14.6 | 116 |
| 2025 | 14.3 | 19.5 | 6.4 | 18.8 | 104 |
| 2035 | 14.3 | 22.1 | 5.2 | 23.9 | 92 |
| 2040 | 14.3 | 23.4 | 4.4 | 25.5 | 92 |
| 2050 | 14.3 | 23.4 | 2.9 | 32.0 | 73 |
| 2060 | 14.3 | 23.4 | 1.9 | 37.1 | 63 |

Source: Social Insurance Services

1.2.13 – Contributions to public pension schemes (%) of GDP 2004-2050

| Year | 2004 | 2010 | 2020 | 2030 | 2040 | 2050 |
|------------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Contribution (% of GDP) | 5.5 | 6.4 | 7.2 | 7.2 | 7.4 | 7.1 |

Note: The source for pensions indicators is Eurostat, except where otherwise indicated.

PART 4 - NATIONAL STRATEGY FOR HEALTH CARE AND LONG -TERM CARE

4.1 Main challenges, priorities and objectives for Health and Long-term Care

Health Care

It is an acknowledged fact that the current Health System in Cyprus presents organizational and functional weaknesses resulting in problems being posed to the satisfaction of the health needs of the population. Consequently, the priorities of the Ministry of Health for the period 2007-2013 focus on creating the necessary infrastructure and updating the organizational structure of its services, with the main aim of introducing a General Health System (GHS) in Cyprus that would meet the increased needs and demands of the population.

The approval of the Law introducing the GHS by parliament, the need for modernizing the management and administration of hospitals, the application of quality control methods and quality safeguards in the private and public health sectors, promoting processes for the accreditation of public hospitals, prevention, the safety of food, water and the environment, the redistribution of resources among the providers of health services, the redistribution of contributions for the payment of health expenditure among the social partners, constitute challenges and define priorities.

The computerization of public health services, promoting the establishment of a Medical School in Cyprus, the continuing training of health professionals, the development of primary health care services, the development of home health care and promoting the implementation of illness prevention programs, as well as the promotion of health, also constitute priorities in implementing the policy of the Ministry of Health.

Long-term care

The foreseen increases in population ageing, the high age-dependency ratio and the intensity of the poverty risk for elderly persons are the main challenges for the development of an adequate and sustainable policy in the field of long-term care, which includes first and foremost institutional and home care. However, both institutional and home care conduce demands for safeguarding the quality of service provision and, at the same time, lead to the orientation of policy towards developing long-term care in the community. This central orientation forms the main priorities and objectives of long-term care which are the following:

- Promotion of the strategy of deinstitutionalisation and the development of community care.
- Ensuring quality in the provision of adequate and sustainable services of long-term care.
- Development and reinforcement of the human resources of long-term care services.
- Improving the coordination of health care and long-term care.

Long-term care is one of the fields which is expected to be given emphasis during the period 2008-2010. Apart from continuing the implementation of existing actions/policies, within 2009 a relevant study is planned to be conducted and its findings will

be utilised for the development of a spherical approach to the field of long-term care, taking into account matters relating to geriatric care.

4.2 Health Care

4.2.1 The health standard of the population and the present organization and financing of health services

It is today acknowledged that the present system has weaknesses and lacks the organization to enable it to carry out its mission and to confront the problems of Public Health facing the population of Cyprus. The present health system of Cyprus is a mixed one with the private sector having a big share in covering the medical and medicine needs of the population.

Total expenditure for health services in 2006 was estimated at €905.217m (£529,8m), of which €415,070 (£264m) were public sector expenses and €454,146m (£265,8m) private sector expenses. Health expenditure as a percentage of gross national product increased from 6,0% to 6,3% in 2006 (Annex 4.3).

Private health services are financed by the patients themselves or through health funds implemented by various employers for the benefit of their employees or through trade union health schemes, and also by private health insurance. Private health services are almost exclusively situated in big urban centres.

Despite the above weaknesses, the health standard of the Cypriot population is quite high and compares favourably with that of other EU member states. In 2006, the number of persons per hospital bed was 269 and 266 for 2005. The number of persons per doctor was 395 for 2006 and 484 for 2005 and the number of persons per nurse was 229 for the year 2006 and 228 for 2005.

The main causes of death stated for 2006 were diseases of the circulatory system, neoplasms, respiratory illnesses, diabetes mellitus as well as injuries and poisoning caused by external means.

4.2.2 Progress made in the period 2006-2008

Although actions were taken in improving the provision of health services for the citizens of the Republic of Cyprus, the health system remains the same with the contribution of the public and private sectors until the introduction of the GHS.

The public services continue to provide medical and medicinal treatment to health beneficiaries free of charge or at reduced fees, and to non-beneficiaries upon payment of fixed charges.

The financing of public health services almost entirely comes from general taxation through the state budget and in a small percentage from the fees of participating beneficiaries and those who pay to use such services.

The organization and provision of health care from public health services are provided by the state through the Ministry of Health, which operates a network of services in the areas controlled by the Republic of Cyprus and include hospitals and

health centers. Apart from the provision of health care, the responsibilities of the Ministry of Health include the formulation of a health policy, the coordination of private health services, the regulation of health standards and the promotion of health legislation.

To cope with the shortage of specialized medical staff, as well as nursing staff, the Ministry of Health is constantly searching for the required personnel. More specifically, the needs in medical and paramedic personnel to staff the existing health services and satisfy the needs of scheduled new units have been defined. There is continuous contact with the Cyprus embassies in EU countries, press publications and communication with professional associations in Cyprus and abroad, while scholarships are offered in fields where there is a shortage, both to existing personnel and to new graduates.

4.2.3 Policy priorities regarding the Common Objective (j) –Ensuring access for all to effective health care services

4.2.3.1 Coverage

The public health care system remains the same until the General Health System is implemented, that is it will provide free medical and medicine treatment to state employees and state officials, regardless of their financial status, as well as to other population groups for which income criteria apply. These groups are separated into beneficiaries of free care and to care beneficiaries at reduced fees. This distinction is made depending on the income and number of family members. Families with four or more children are entitled to care free of charge regardless of their income. Persons with chronic illnesses or serious disability are also entitled to free care. The population categories covered by the Public Health Services are shown in Annex 4.1.

The percentage of persons covered free of charge by the public health services is estimated at 65-70% of the total population. A population percentage of 5-10% has to pay 50% of charges for in-hospital treatment, depending on family income.

For patients who are not eligible for free treatment or reduced rates there is a ceiling charge for in-hospital treatment, which varies according to family income and the number of family members.

Subject to the General Regulations of Government Medical Institutions and Services, any treatment or service for incidents presented at the Casualty and Emergency department of the public hospitals and which are deemed by the competent Medical Officer to be of an urgent nature, are provided free of charge.

Beneficiary civil servants and officials contribute to the financing of health care by paying a fee of € 2,00 for every visit to the outpatients department and a daily fee of €6,50 to €20,50, depending on the place occupied, for in-hospital treatment. The free health care beneficiaries on the basis of income criteria pay only the €2,00 fee for outpatient consultation. Beneficiaries of 60 years and over and the recipients of public allowance do not have to pay any fee for outpatient consultation.

Following the accession of Cyprus to the EU, the Community Regulation 1408/71 applies for the coordination of Social Security systems, which includes amongst other

things, specific provisions for the medical and medicinal treatment of European citizens.

4.2.3.2 Geographical access

The small size of Cyprus facilitates the access of citizens to health services. In order to ensure access for all the inhabitants, apart from the private health services concentrated in urban centres, the Ministry of Health operates 6 urban hospitals, one for each district, and 24 rural health centres, as well as more than 230 sub-centres in an equal number of rural communities. In parallel to this, the extension of nursing care at home and the national network of mental health nursing provide support to chronic patients and the elderly living in the community.

4.2.3.3 Challenges

Although the existing system of public health care covers free of charge or at reduced rates the greatest part of the population, the public health services do not have the capability of providing care for all the beneficiaries. Consequently, many of them visit the private sector by paying privately for their treatment. The criteria for coverage by the public health services lead to discrimination, since a large group that of the civil servants, enjoy free health care without income criteria, while coverage for the rest of the population is connected to the level of income.

Locating the crucial organizational and financing problems in the provision of health care under the existing system, has led to the decision of introducing a General Health System for which a relevant act was passed in 2001. The main features of the GHS (Annex 4.2) are:

- Total population coverage.
- Financing by a tripartite proportional contribution assessed on all incomes.
- Free choice of doctor and provider from the services of the public and private sector.
- Separating the financing from the provision of health care.
- Management of the System by an independent public law organization.

The Ministry of Health in cooperation with experts and the Health Insurance Organization is promoting the procedures for the implementation of the GHS.

4.2.4 Policy priorities regarding the Common Objective (k)- Ensuring quality in health care

4.2.4.1 Ensuring quality

Quality in health care services is ensured through the standards specified in the legislation, which regulate health professions, the quality of medicine, medical equipment, the operation of hospitals, clinics, X-Ray laboratories and other health related services. However, an integrated quality control system has not yet been introduced. The introduction of a comprehensive quality control system and risk management is one of the priorities of the Ministry of Health. Since 2003 a Quality Control and Risk Management Central Committee was established, while hospital committees were set up to promote the implementation of the project. The Ministry of

Health aims at completing the introduction of this measure in all public medical institutions and expand it in the private health sector by 2010.

4.2.4.2 Primary health care

In the context of the current health system, the population needs for primary health care are covered to a great extent by the public sector. The contribution by the private sector is equally important. The lack of coordination and communication between the public and private health sector limits the capabilities for offering a total and qualitative primary health care.

The Medical Centres, which offer primary health care, have in recent years been reinforced in equipment and personnel in order to provide coverage to the population of rural areas on a 24 hours basis. Besides the treatment services, these centres provide prevention and health promotion services.

The introduction of the GHS will enhance the role of primary health care. All the doctors who will offer primary care services would join a single system of family doctors, which would constitute the patient's first contact point with the health services and has an increased role to play in the prevention of disease and health promotion.

4.2.4.3 Prevention of illness and promotion of health

The Ministry of Health implements a number of important measures for the prevention of illness and the promotion of health, which take into consideration the world epidemiological situation and more specifically in Cyprus. These measures are as follows:

- (i) The program for Breast Cancer Screening Test, which covers women in the 50-69 age group free of charge on a pancyprian basis.
- (ii) The establishment of an Awareness Committee for Diabetes Mellitus, for the coordination of activities for public awareness and the prevention of the complications of Diabetes Mellitus, with the participation of all those concerned.
- (iii) Public awareness for colon cancer prevention with the contribution of the Cyprus Association of Cancer Patients and Friends.
- (iv) Establishment of a Network of Surveillance and Control of Communicable Diseases, derived from relevant EU decisions and which came into full operation in January 2004. The network has contributed to the upgrading of services provided in the field of early detection and control of communicable diseases. In the framework of the network four independent systems have been created:
 - Report system for mandatory notified communicable diseases
 - Report system in the case of diseases the diagnosis of which is mainly laboratory work
 - Report system at the level of primary health care for diseases/syndromes the diagnosis of which is purely clinical

- Report system for sexually transmitted communicable diseases

Since 2004, a six-monthly bulletin of Surveillance and Control of Communicable Diseases is being published in the context of information feedback for Health Officers. The Network participates and provides information to corresponding networks of surveillance and control at the European level.

- (v) Prevention programs for dental diseases, especially among the child population.
- (vi) Programs of health instruction in schools:
 - Prevention of accidents involving children. In March 2002, an Advisory Committee was set up for the Prevention of Childhood Injuries and Poisoning. The Committee proceeded to develop a five-year Strategic Action Plan 2006-2010 for the prevention of accidents to children, which was adopted by the Council of Ministers in 2005. In the context of implementing the Action Plan a number of activities have taken place aiming at ensuring the safety of pre-school and school-age children, involving information and the development of relevant skills for the students through programs of the School Health Service. Moreover, it aims at the awareness of teachers through educational seminars and of the parents through Paediatricians and the publication of relevant information material.
 - Since 1995, Cyprus is a member of the European Network of Schools for Health Promotion. Initially, the Cyprus Network participated in the program as a pilot test with 16 schools on all levels of education. Since 2003, it has been at a stage of diffusion with successful programs being implemented and extended in other schools. In the school year 2007-2008, 178 schools participated in the Network. The aim of the program, which has been decided between the Ministry of Health and the Ministry of Education and Culture, is to improve the way of life and promote the health of both students and teachers, as well as of other members of school personnel and the society, by incorporating health promotion programs in all school activities. The programs being developed have a wide scope and a holistic approach to health. Examples of programs which have been developed in the framework of the European School Network for Health Promotion include “strengthening self-esteem”, “accepting diversity”, “interpersonal relations”, “addictive substances”, “School-leavers stress”, “conflict solving”, “nutrition”.
 - Programs for the promotion of Mediterranean Diet at Primary Schools in cooperation with the Ministry of Education and Culture, aiming to give the opportunity to children and parents to learn the values of the Mediterranean diet.
 - Provision of Healthy Breakfast and lectures to children at Elementary Schools regarding the importance of healthy breakfast, with the help of Dieticians and Health Visitors, in cooperation with the Ministry of Education and Culture and the Parents’ Associations.
 - Program “Five fruit a day keeps the doctor away”. This is a pilot program for children 6-9 years old, based on the initiative of the Cyprus Association of Cancer Patients and Friends. The children watch a small theatre performance and listen to a speech by a Dietician on the nutritional importance of fruit and cabbage; the children are then offered fruit and cabbage.

- (vii) Additional Health Education Programs
- Awareness events about women's health and safe motherhood in the framework of the European Program Interreg 3B Archimed (WHEALTH promoting women's health and safe motherhood).
 - Training women farmers in cooperation with the Ministry of Agriculture, Natural Resources and Environment, by undertaking educational programs about healthy food on a monthly basis for the promotion of the Mediterranean diet.
 - Organization of Mediterranean Fairs in cooperation with the local government authorities in towns and villages, where the inhabitants are invited to attend lectures on Healthy Mediterranean Diet followed by lunch where Mediterranean healthy food is served.
 - Organization of a nutrition week on the suggestion of the World Health Organization with the theme "Exercise for all," featuring events in the main streets of the capital.
 - Publishing National Diet and Exercise Guides addressed to various population groups. The publication of national guides for children, athletes and third age persons is under way.
- (viii) Smoking Cessation Programs, where smoking cessation clinics operate in all public hospitals.
- (ix) Prevention of Hospital Infection. The Ministry of Health through the Central Committee for the Control of Hospital Infections and the local committees for the control of hospital infection in hospitals undertakes various preventive actions such as coordination, supervision and prevention of infections in hospital areas, geriatric units and in all areas providing health services.
- (x) A number of non-governmental organizations are engaged in promoting various awareness campaigns in their field of interest, with the aim of preventing disease and promoting health (e.g. Cyprus Association of Cancer Patients and Friends, Cyprus Diabetic Association, Cyprus Anticancer Association, Cyprus Family Planning Association etc).

4.2.4.4 Patients' participation, selection and information

The participation of patients is being promoted through the organizations of the various patient groups, which are active both in promoting the demands of the patients and providing services to the patients. The Ministry of Health consults with these organizations on all issues concerning their members and supports their operation with annual special grants.

Patients express their opinion on matters concerning the operation of public hospitals through the Patients' Welfare Committees functioning in each hospital. An important asset for the rights of patients is the 2004 Law on the Protection of Patients' Rights, which safeguards amongst other things the right to health care and treatment, decent treatment, access to Health Services, the prohibition of negative discrimination, the right to information, the protection of the patient's private life, the keeping of medical records, the patient's right concerning medical records and the patient's right to be represented.

During 2008 the Charter of Citizen's Rights regarding Health Care in Public Medical Institutions based on the Government Medical Institutions and Services (General) Regulations, 2008, was prepared.

This Charter presents information for the public regarding the following:

- the main provisions of the Government Medical Institutions and Services Law,
- the procedure the citizens must follow for the issue of a health care card,
- the assessment procedure for the maximum amount payable by beneficiary internal patients of reduced fees or/and non-beneficiaries,
- the tables of patient categories who are entitled to free treatment, regardless of income, and of those who are eligible only for certain services free of charge.

A copy of the Charter is available at the Ministry of Health, Government Hospitals and Medical Centres, and it can be downloaded from the Ministry of Health website (www.moh.gov.cy).

4.2.5 Policy priorities concerning the Common Objective (I)-Ensuring effective and high quality health care which is economically viable

The management of the health care sector causes serious problems, arising from the organization of the public health services, both on the planning and operational level. These problems arise from the existence of two systems, public and private, without any coordination or communication between them.

4.2.5.1 Restructuring of the Ministry of Health

The restructuring of the Ministry of Health and the reform of public hospital administration constitutes one of the priorities of the National Health Care Strategy 2008-2010. In cooperation with the Public Administration and Personnel Department of the Ministry of Finance a relevant study is undertaken for the restructuring (organization and staffing) of the Ministry of Health, which is expected to be completed by the end of 2008. The aim is to revise operational activities for various services provided by the Ministry, so as to enable them to respond effectively for the current and future needs, which are set to arise especially after the introduction of the GHS.

At the same time, introduction of quality management systems for the existing health services is being promoted. The aim is to improve the quality of health care services and other services provided to patients of Primary and Secondary Care, as well as to reduce accidents in health care units.

A radical solution of the administration problems in the health sector will come with the introduction of the GHS. When the GHS is implemented, the responsibility for organizing the demand for health services will be assigned to the Health Insurance Organization, which will not be a provider of services, but the agency for unified financing through the purchase of services from providers, both of the public and private sector on an equal basis. The GHS will introduce new systems of paying service providers, such as the payment of family doctors with a per capita fee based on the list of registered patients, the payment of a consultation fee to specialists only upon referral from the family doctor, and the payment of hospital expenses for each

medical action or through the system of Diagnostic Related Groups or other agreed method.

4.2.5.2 Computerization of public health services

An important tool for the improvement of governance would be the computerization of public health services and the expansion of the private services through the introduction of the GHS. An Integrated Health Information System would support the medical, managerial and financial activities initially of the two new Hospitals in Nicosia and Famagusta, aiming at its gradual implementation in all public hospitals.

The development of the Health Monitoring System was completed in December 2007 and it is expected to contribute to the quality improvement of health indicators and to the strengthening of the administrative capability of the Health Monitoring System. In the immediate future it is expected to achieve full harmonization with the community information system and the full integration of Cyprus in all the European patients' monitoring systems.

4.2.5.3 Continuing professional training

The new social and economic conditions that are taking place in recent years, the advances of the scientific sector and the rapid technological development, make necessary the introduction of continuing professional education in the medical and other health professions.

Continuous professional training would enable all professionals in the health sector to become up to date with the latest developments concerning their field and in this way more protection would be provided to the public and greater satisfaction to the professionals. Some of the measures being promoted for the achievement of this objective are the following:

- The establishment of an Agency for the further education of health professionals.
- The organization of seminars and workshops on a permanent basis.
- Cooperation with university schools.
- The introduction of compulsory training as a requirement for maintaining the professional practicing license.

4.2.5.4 The establishment of a Medical School

On the basis of international standards, the population of Cyprus fully satisfies the requirements of a medical school. Because of its geopolitical position, Cyprus can become a centre of attraction both for the Middle East and the wider region regarding health education and provision of health services.

At the same time, the establishment of a Medical School in Cyprus would improve the quality of medical services for the Cypriot population and provide the opportunity for Cyprus to offer medical training on its own, thus strengthening the academic and research culture in the health sector.

Towards the achievement of this aim, the Ministry of Health will cooperate with other interested parties.

4.3 Long- term Care

The foreseen increases in population ageing, the high age-dependency ratio and the intensity of the poverty risk for elderly persons are the main challenges for the development of an adequate and sustainable policy in the field of long-term care, which includes first and foremost institutional and home care. However, both institutional and home care conduce demands for safeguarding the quality of service provision and, at the same time, lead to the orientation of policy towards developing long-term care in the community. This central orientation forms the main priorities and objectives of long-term care which are the following:

- Promotion of the strategy of deinstitutionalisation and the development of community care.
- Ensuring quality in the provision of adequate and sustainable services of long-term care.
- Development and reinforcement of the human resources of long-term care services.
- Improving the coordination of health care and long-term care.

Long-term care is one of the fields which is expected to be given emphasis during the period 2008-2010. Apart from continuing the implementation of existing actions/policies, within 2009 a relevant study is planned to be conducted and its findings will be utilised for the development of a spherical approach to the field of long-term care, taking into account matters relating to geriatric care.

4.3.1. Evaluation of progress

The evaluation of progress in relation to the Report 2006-2008 and the Joint Report 2007 is centred on four thematic axes, which include measures, actions and operations and mainly concern the above four priorities and objectives.

Axis 1. Reinforcement of long-term care recipients

Apart from services of institutional and open care, there are in operation financing Schemes for reinforcing recipients with the aim of encouraging families to keep their elderly members at home and provide care for them.

The Scheme for the Provision of Social Aid for Improving Housing Conditions provides a lump sum up to €11.960 to persons who are public assistance recipients or are just above the limits of Public Assistance scales, for building works, additions or alterations, with a view to improving their housing conditions. In the period 2003-2007, grants amounting to €2.530.900 were provided to 296 cases.

The Scheme for the Reinforcement of Families for the Care of their Elderly and/or Disabled Members aims at reinforcing families in order to enable them to keep their elderly and/or disabled members at home (with the addition of rooms and/or equipment and/or redesigning of areas) so that the need for institutionalisation will be avoided. The upper limit of the lump sum provision is €12.000. In the three year period 2005-2007, 41 cases benefitted with the total sum of €290.406.

Care Programmes for Drugs

On a pan-cyprian basis there are 7 separate units in operation offering programmes for prevention, timely intervention, treatment and social reintegration of drug users and persons who are dependent on drugs, as well as programmes for the reduction of harm through the use of substitute substances. An Action Plan for the period 2008-2010 is being promoted for the development of all the drug-dependency services of the Services of Mental Health. The Action Plan provides for the upgrading of services and the creation of a Therapeutic Continuum of drug-dependency services for the wide coverage of the needs of the population in aspects of geographical and age coverage starting from adolescence, but also for all kinds of dependence and degrees of dependence.

Care Programmes in Prisons

At the same time, there are 4 General Nursing Officers and 4 Mental Health Nursing Officers working in the Prison Department for the provision of comprehensive care, in cooperation with all the Health Officers. The quality of these services is based on the skills offered by the various professionals who play a significant role, each in their field of service, since health care in prison requires synergy in order to respond to the physical, psycho-social and learning needs of the patients in an environment which demands compliance with strict policies and protocols regarding security.

For convicted mental patients needing long-term therapy and care, it is planned to set up a Multi-purpose Centre in the Prison Department which will be completed by 2010.

Axis 2. Promotion of the strategy for deinstitutionalisation and development of community care

Creation of new structures in the community

For persons with disabilities, the Persons with Disabilities Laws of 2000 and 2004 safeguard the right to independent living, social inclusion and equal participation in social and economic life. Their rights also include the right to social services for securing a decent standard of living with the creation of Homes in the community.

Today there are in operation 8 state Homes in the Community for persons with Mental Retardation (6 in Nicosia, 1 in Limassol and 1 in Famagusta), which provided services to 32-33 persons with special needs in the period 2005-2007. Furthermore, through the Grants-in-Aid Scheme, the SWS subsidise voluntary social welfare organisations for the operation of another 14 Community Homes for Persons with Disabilities. The institution of Homes for Persons with Disabilities will be expanded to other towns with the aim of limiting institutionalisation and improving access to quality long-term care services.

Moreover, there are plans for the operation of a Rehabilitation Home for Young Girls in the District of Nicosia which will serve young girls aged 18 years and over, with diminished skills (e.g. psychiatric problems, mental retardation) who have no possibility of returning to their families and live in residential structures operated by the SWS.

Development of home care services

Home care is expressed with the provision of services in the family environment, thereby containing institutionalisation, which for the time being remains as the basic solution for those persons who cannot be offered long-term care in other structures in the community, besides Institutions. Home care is provided by state, community and private carers with government subsidy for public assistance recipients, which also covers members of the family of the person receiving care when the family member stops working in order to offer the care required at home.

During the period 2005-2007, home care provided by state carers showed a considerable decline, as the number of persons served fell from 908 in 2005 to 659 in 2007 (decline of 27,4%). Furthermore, the number of persons served by private carers declined by $\frac{1}{4}$ (decline of 23,6%) from 3.170 in 2005 to 2.420 in 2007, whereas the number served by community carers²⁶ showed an increase of about 50% (from 335 in 2005 to 517 in 2007, increase by 54,3%).

In total, the decline in the number of persons served with home care, for the three year period 2005-2007, is 18,5% (2005: 4413 - 2007: 3596). One of the reasons for this decline seems to be the reduction in the number of home carers, by about half, that is a percentage of 46,9% (from 3461 in 2005 to 1835 in 2007). On the basis of these data, the carers/persons served ratio was 1,27 in 2005, whereas in 2007 it was 1,96, that is in 2005 there was one carer for at least one person served, while in 2007 there was one carer to almost two persons served.

This observation leads us to the matter of the quality of the provided long-term care services and prioritises the need to establish specifications of home care service provision and, at the same time, to formulate a system for safeguarding quality. Furthermore, the improvement of the provision of home care for the elderly demands taking measures for increasing the number of carers so that the new available human resources will be in a position to cover the increasing demand for home care both quantitatively and qualitatively.

Reduction and integration of institutional care structures in the community

The institutional care provided by the 7 Government Homes for the Elderly and Disabled, a number that has remained constant for over 10 years (1994-2007), serves on average 170 residents per year and demonstrates a trend of a small decline (4,5%) in the three year period 2005-2007.

The Community/ Municipal Homes, in the three year period 2005-2007, increased by 3 Homes, from 33 in 2005 to 36 in 2007, while the population served declined from 1167 in 2005 to 1056 in 2007 (decline of 9,5%).

Conversely, Private Homes were reduced during the same period by 13% (from 100 in 2005 to 87 in 2007), while the number of persons served increased by 35,5% (2005: 1440, 2007: 1952)

In the total of institutional care structures (Government, Community/Municipal, Private Homes), whilst the number of persons served (whether as residents or on a day-care basis) shows an increase by 11,4% (2005: 2886, 2007: 3216) the number of structures declined by 5% (from 140 in 2005 to 133 Homes in 2007).

²⁶ Community Carers: working in structures operated by Local Authorities and/or Non-Governmental Organisations.

As shown by the above mentioned data, there is a declining trend of institutional care structures on the one hand and on the other an increasing trend of persons served. This development leads to the observed tendency to create larger structures instead of more but smaller structures, which may be integrated into the community more easily. This tendency seems to apply more to Private Homes, as opposed to Community/Municipal Homes which, on the whole, consist of small structures. Towards this end, that is the active participation of Local Authorities in the field of social care, priorities and policy measures will be developed in the period 2008-2010.

Axis 3. Development and strengthening of the human resources in long-term care

The SWS implement continuous training programmes for all their personnel, including home carers and officers and carers employed in long-term care structures and services. Actions and operations focus on attracting and maintaining adequate and qualitative long-term care personnel, on their continuing training and improvement of their skills. In particular, these actions aim at securing the provision of qualitative long-term care services, taking into account the educational and work profile of the long-term care personnel, the particularities and the needs of each carer. Within the framework of training programmes which will take place in the period 2008-2010, emphasis will be given to matters of prevention and combating violence/neglect towards old persons.

Axis 4. Improving coordination of health and social care

Within the framework of coordination of health care services and social care services, procedures and arrangements are being developed which aim at the complementarity of the services provided, securing synergy and interconnection between them, contributing substantially to the strategies for health and social care.

4.3.2. Priority policies concerning Common Objective (j):- securing access for all to qualitative long-term care services

The priority policies regarding the development of measures for securing equality of access to long-term care services concern the geographic coverage of the demand for long-term care with the regional decentralisation of the supply of services on a local level as well as the modernisation of long-term care services, which allows for accessibility in combination with the use of new technologies. The following policy measures support the above mentioned priorities relating to common objective (j):

Within the framework of decentralising the District Offices of the SWS, the creation of a network of Local Offices on a pancyprian basis is being promoted. In this way, there will be reinforced inspections of the care structures of the private sector with a view to safeguarding the quality of the services provided (see point 2.6).

With the Project "Expansion and Improvement of Care Services for Children, the Elderly, Disabled Persons and Other Dependants", the SWS are developing a network of social care structures and services on a pancyprian basis (see point 2.4). Within the framework of the implementation of this Project, 8 social care programmes for elderly persons and 2 social care programmes for persons with disabilities have commenced operation.

On the basis of the new Scheme for Subsidising Local Authorities, which will start in 2009, the SWS will provide technical and financial assistance, in the form of government grants, in order to develop actions in local societies, covering geographically all areas controlled by the Republic of Cyprus (see point 2.8.2).

With the Revised Grants-in-Aid Scheme, on the basis of which the SWS are subsidising 210 Voluntary Organisations of Social Welfare in 2008, for the operation of a total of 292 social care programmes on a local level, the majority of areas are covered geographically. From these 292 programmes, 96 concern long-term care programmes for elderly persons and 43 programmes for persons with special needs (see point 2.4).

The Project "Provision of Services for Covering Social Care within the framework of Family and Employment Reconciliation", which is planned to be implemented by the SWS during the programming period 2007-2013 (see point 2.4) provides, among other things, for the subsidisation of the use of new technologies for the care of dependent persons (elderly persons and persons with disabilities).

Also the National Strategy for Electronic Inclusion, provides for the development of electronic accessibility, the availability of the internet and the use of new technologies with a view to improving the quality of life for elderly persons, disabled persons and other dependent population groups who run the risk of exclusion, focusing also on the expansion of telecare provision for elderly and disabled persons who live alone (see point 2.8.4).

Furthermore, the provision of telecare to elderly and disabled recipients of public assistance is continuing. In 2007, 165 cases were covered with a total amount of approximately €42.500.

After the pilot implementation of home nursing care, it is planned to develop it gradually by 2010, in order to cover the needs for long-term health care of elderly and disabled persons and patients with chronic illnesses who live in the community.

In addition, the continuous development of Community Mental Health Nursing is being promoted, including specialised programmes for elderly persons with mental health problems, Alzheimer patients (or patients with other kinds of dementia) who live in the community, as well as for providing support to their families, by upgrading the following actions: (a) enhancing Community Nursing, with the recruitment of more nurses capable of developing skills beyond those demanded in in-patient nursing, (b) preparing an institutional framework for Community Nursing and out of hospital structures, (c) regulating cooperation between Community Nursing and Primary Health Care and Social Services, (d) legislation for the integration of patients with mental illnesses into the labour market (e.g. giving incentives to employers for employing these patients), (e) focusing on secondary prevention, (f) interconnecting work with the General Hospitals and (g) intervention programme for minorities with a different culture (foreigners) and/or couples in mixed marriages.

As regards, the long-term care of persons with severe mental health problems, this will be provided to chronic residual patients who require continuous outpatient or inpatient care due to the nature and severity of their condition.

For purposes of outpatient supervision and care patients will be supervised by the community psychiatric nurse of their area. The network of community psychiatric nursing is constantly being expanded and is expected to cover as many rural areas as possible, which are lagging behind at present. The community psychiatric nurse,

through regular home visits, supports the patient's relatives and immediate family, so that they will accept him/her and not criticize/reject him/her.

It is expected that the inpatient structures for long-term care will be upgraded. By 2013 the National Centre for Mental Health is expected to be built and it will include a special unit for persons needing long-term inpatient care. These are persons who suffer with frequent and severe relapses and sometimes demand constant supervision and care. The degree of social inclusion for these persons is in effect very limited and is directly connected to their inclusion in outpatient care programmes.

4.3.3 Priority policies concerning the Common Objective (k)- ensuring quality in long-term care

The priority policies concerning the development of measures for ensuring quality in provided long-term care services, taking into account the changing needs of elderly and disabled persons with regard to either prevention and safeguarding their health or rehabilitation, supporting their remaining at home and within the community, are mentioned in the following measures and actions:

Measures for ensuring the quality of long-term care services

The Homes for the Elderly and Disabled Law (L. 222/91) defines the models and prescribed standards for the operation of Private and Community Homes which provide long-term care services for the elderly and other dependent persons. This Law provides for their mandatory registration and regular inspection to ensure that they comply with the prescribed standards regarding sanitation and buildings in general, hygiene and safety of premises, staff qualifications, the staff to residents ratio etc.

Standards for Centres for Adults providing day-care and home-care services, as well as other services at home, are defined in the Centres for Adults Law (L.38(1)/1997), which provides for the compulsory registration and inspection of the Centres.

Furthermore, a new legal framework is being prepared, which will regulate the provision of home-care by voluntary organisations and private bodies, define models and standards of operation, at the same time taking into account suggestions for improvements in the provision of quality long-term care services, on the basis of the findings of a relevant study for open care services in Cyprus.

Measures for prevention and ensuring health

Public health services support long-term care by covering the health needs of persons residing in state and community homes and persons receiving home-care, through local Primary Health Care Centres.

As regards elderly persons, the Ministry of Health has already prepared a ten year plan for the development of geriatric services. These services will be integrated both in primary as well as secondary health care. The objective is timely diagnosis and treatment of illnesses which lead to dependency of the elderly, prolonging their ability to look after themselves for as long as possible and improving their quality of life.

The measures for the prevention of illness implemented by public health services encompass a network of programmes which include timely diagnosis and prevention of chronic illnesses, as well as promotion of healthy ways of living.

4.3.4 Priority Policies concerning Common Objective (I) - Ensuring the long-term sustainability of long-term care

The use of long-term care services is safeguarded by the Public Assistance and Services Law, which provides public assistance for every citizen whose income and other financial resources are insufficient to meet his/her basic and special needs. Targetting the subsidisation of long-term care to those who are unable to secure it with their own resources, as well as utilising the willingness of the family to care for its dependant members are significant factors for the sustainability of long-term care. Within the framework of mobilising economic and human resources with the participation of local society, the SWS co-finance the provision of long-term care services developed by voluntary bodies and Local Authorities, through the Grants-in-Aid Scheme. By July 2008 an amount of €7.816.885 was distributed, whilst by the end of 2008 it is expected that another €114.882 will be spent. By implementing measures for the monitoring and financial control of this policy, the SWS contribute, on the one hand, to the rational and productive use of available resources and, on the other, to enhancing the sustainability of long-term care.

The participation of persons receiving services in the financing of long-term care, according to their incomes, contributes to reducing the pressure on public financing, as well as the incentives for enhancing home-care and the mobilisation of voluntary resources (see heading 4.3.1). The financing of long-term care will be investigated within the framework of a relevant study which will be conducted within 2009.

The Ministry of Health has prepared a ten year programme for the development of geriatric services. These services will deal with matters concerning both primary and secondary care. Their aim is timely diagnosis and treatment of illnesses which lead to the dependence of elderly persons, in order to prolong their ability to look after themselves for as long as possible and to improve their quality of life. The implementation of the objectives of the National Plan for the Elderly is progressing within the framework of the approved budget. Specifically, it promotes the training of Health Officers in Geriatric Care, the expansion of home nursing care for elderly persons, the organisation of a conference for sensitizing Health Professionals on elderly persons, setting up a Central Committee for Geriatric Care at the Ministry of Health level and preparing protocols for Geriatric Care.

At present, the Ministry of Health is moving ahead with conducting a study for evaluating existing health services provided to elderly persons and defining the actions which must be followed for the creation of new geriatric care services.

As already mentioned, long-term care is one of the fields which is expected to be given emphasis during the period 2008-2010. For this reason, the SWS will promote the conduction of a relevant study within 2009, the findings of which will be utilised for the development of a spherical approach to the field of long-term care, taking into account matters concerning geriatric care.

PART 4 - NATIONAL STRATEGY FOR HEALTH AND LONG-TERM CARE - APPENDICES

Annex 4.1 - Population categories covered by the Public Health Services

PART 1 - Beneficiaries without income criteria

1. The President of the Republic, the President of the House of Representatives and the members of the Council of Ministers and of the House of Representatives.
2. The President and the members of the Public Service Committee and of the Educational Service Commission.
3. Civil servants whether serving or retired.
4. Serving or retired officers, superintendents and members of the Cyprus Police and officers and non-commissioned officers of the National Guard.
5. Serving or retired members of the Educational Service under the Ministry of Education and Culture.
6. Those who served in the posts mentioned in paragraphs 1 and 2 above for a period over twelve months.
7. Parents of at least four children.
8. The dependents of persons mentioned in paragraphs 1 to 7 and dependents of deceased while in office or retired civil servants.
9. Community chairmen and mayors.
10. Persons doing their military service in the National Guard.
11. Doctors undergoing specialization or internship at a medical institution with a view to obtaining the right to register in the Doctors Register and their dependents.
12. Persons studying full time for recognized courses in institutions of higher and university education in Cyprus and abroad.
13. Persons studying full time at tourism colleges maintained or sponsored by the Republic of Cyprus, and the Police Academy of Cyprus.
14. War disabled who receive allowances from the Relief Fund or other fund established by the laws and regulations in force for the time being.
15. The full dependents of missing persons, war disabled or killed in the line of duty.
16. The students of the School for the Blind and the School for the Deaf.
17. Trainees at the Professional Training Centre for the Disabled.
18. The enclaved persons and the members of their family.

19. Tenants of charity institutions which are maintained by benevolent trusts or voluntary donations.
20. The tenants of the Red Cross House.
21. Tenants of institutions for children with special needs.
22. Children entrusted to the care and watch of the Social Welfare Services Department.
23. Recipients of public allowance and their dependents.
24. Patients of Hansen's disease released on parole.
25. Detainees and convicts.
26. Persons suffering from certain serious or chronic diseases.

PART II Persons covered by income criteria

| Family composition* | Annual Income | |
|---------------------|-------------------------------------|------------------------------|
| | Maximum income for free health care | Health Care at reduced rates |
| One person | 15,377.41 | 15,377.41-20,503.22 |
| Two persons | 30,754.83 | 30,754.83-37,589.23 |
| Three persons | 32,463.43 | 32,463.43-39,297.83 |
| Four persons | 34,172.03 | 34,172.03-41,006.43 |
| Five persons | 35,880.63 | 41,006.43-42,715.04 |

*includes parents and children up to 18 years old.

Annex 4.2 - The General Health System

The Law introducing the General Health System (GHS) was approved by the House of Representatives on 20 April 2001. The main provisions of this Law are briefly the following:

Coverage

The GHS will cover:

- (a) every citizen of the Republic of Cyprus who resides legally in Cyprus and works or is self-employed in the government-controlled areas of the Cyprus Republic.
- (b) aliens legally residing or legally working in Cyprus and pay GHS contributions.
- (c) European Union citizens subject to the relevant legislation.

Financing

The GHS will be financed by contributions payable by:

- (a) The State
- (b) The Employers
- (c) The Employees
- (d) The self-employed
- (e) The pensioners
- (f) Persons with income not related to work.

The contribution percentage, as specified in the relevant Law, is as follows:

| Category Contributions | Personal Contribution (%) | Employers' Contribution (%) | State Contribution | Total Contribution (%) |
|--------------------------------------|---------------------------|-----------------------------|--------------------|------------------------|
| Employee | 2,00 | 2,55 | 4,55 | 9,10 |
| Self-employed | 3,55 | ----- | 4,55 | 8,10 |
| Pensioner | 2,00 | ----- | 4,55 | 6,55 |
| Persons with non-work related income | 2,00 | ----- | ----- | 2,00 |

The contribution will be assessed on the total receipts / total income without any ceiling.

Services provided

The services to be provided by the GHS will include:

- (a) Out-patient services by general practitioners and services by specialized doctors to out-patients and in-patients.
- (b) The necessary medication and medical technology products.
- (c) Diagnostic and paramedic tests.
- (d) In-hospital care
- (e) Preventive dental care for children up to 15 years old.

- (f) Medical restoration and provision of prosthetics as well as orthopedic devices.
- (g) Home consultation visits
- (h) Ambulance transport for patients when required.

Health Insurance Fund

The contributions payable for the financing of the GHS shall be paid into an independent Fund of the Health Insurance Organization, which will be set up in accordance with the relevant law. This Fund shall be responsible for all the expenses required (including administrative costs) for the procurement of the services provided by the GHS. The overall annual expenses shall be subject to the limitations of a global budget, to be agreed between the Health Insurance Organization and the service providers.

Administration

The administrative implementation of the GHS and the management of the Health Insurance Fund shall be the responsibility of the Health Insurance Organization (HIO), which will constitute an independent public law organization. The HIO is managed by an Administrative Council composed of representatives of the Government (Ministry of Health and Ministry of Finance), of the employers and of the workers (employees and self-employed).

Organizing the provision of services

The HIO will not be a provider of health services but will buy these services from providers both from the private and the public sector subject to contract. In this way, independence is secured among the health care provider and the financial provider. The patients shall have the right to choose the doctor and the hospital under the following conditions:

- (a) Registration with a family doctor according to the choice of every citizen for the provision of general medical services is a prerequisite to enter the system.
- (b) A referral from his family doctor is necessary for the use of specialists' services by a patient, who then may choose a specialized doctor among the doctors of the particular specialization, who have a contract with the HIO. There is a similar requirement for admittance to a hospital. The referral will not be required in the case of emergencies or in other cases that will be specified by the HIO.
- (c) Preventive dental care (only for children up to 15 years old) shall be provided by a dentist chosen by the parent or the guardian of the beneficiary from the list of Dentists who have a contract with the HIO.
- (d) For the provision of medicines, diagnostic and other paramedic services, the HIO shall enter into contract with chemists and other health service providers of the private and public sector. The medicines shall be compensated for by the HIO provided they are included on the list of medicines approved from time to time by the HIO.

Payment of the service providers

Family doctors shall be remunerated mainly by a per capita fee payable by the total number of persons registered with them. An additional payment shall be made taking

into consideration the years of medical service, the qualifications and performance, as well as the age composition of the registered beneficiaries for each doctor.

Specialist doctors shall be paid for the services they provide to out-patients, on the basis of charges agreed between the HIO and the Cyprus Medical Association. Similar agreements shall be made for the provision of medicine and other supplies, as well as for paramedic services.

The hospitals shall be paid per medical action or through the method of Diagnostic Related Groups (DRGs) or any other agreed method.

Incentives for joint ventures between family doctors

The HIO shall provide incentives encouraging family doctors to set up joint ventures for the provision of primary care services. Such incentives include a subsidy for the acquisition of self-owned premises and the purchase of equipment, as well as subsidized employment for nursing and paramedic staff.

Supervising Commissioner

The appointment of a Supervising Commissioner is endorsed, who would be answerable only to the Council of Ministers, with the responsibility of investigating complaints in relation to the services provided by the HIO.

Medical Control Commission

The Law includes the establishment of a Medical Control Commission, having as a responsibility to ensure quality of medical care by taking the appropriate measures in cases of non conformity to requirements on behalf of the health care provider.

Annex 4.3 – Health Indicators

4.3.1 Life expectancy

| | | | | |
|------------------|-------------|-------------|-------------|-------------|
| At birth | 2003 | 2004 | 2005 | 2006 |
| • Male | 77 | 77 | 77 | 77 |
| • Female | 81,4 | 81,4 | 81,7 | 81,7 |
| At age 45 | | | | |
| • Male | 34 | 34 | 34,1 | 34,1 |
| • Female | 37,6 | 37,6 | 37,8 | 37,8 |
| At age 65 | | | | |
| • Male | 16,6 | 16,6 | 16,7 | 16,7 |
| • Female | 19,2 | 19,2 | 19,3 | 19,3 |

4.3.2 Infant Mortality per 1000 live births

| 2003 | 2004 | 2005 | 2006 |
|------|------|------|------|
| 4,1 | 3,5 | 4,6 | 3,1 |

4.3.3 Percentage of people per doctor / nursing officer / hospital bed

| | 2003 | 2004 | 2005 | 2006 |
|--------------------------------------|------|------|------|------|
| No of people per hospital bed | 324 | 240 | 266 | 269 |
| No of people per doctor | 384 | 375 | 384 | 395 |
| Number of people per nursing officer | 235 | 227 | 228 | 229 |

4.3.4 Health Expenditures

| | 2003 | 2004 | 2005 |
|--------------------------------|------|------|------|
| Health expenditure as % of GDP | 6,4% | 6,2% | 6,3% |
| Public Expenditure | 3,2% | 2,9% | 3,0% |
| Private Expenditure | 3,2% | 3,3% | 3% |

4.3.5 Patients Discharged from public hospitals during 2006

| Male | Female | Total |
|-------------|---------------|--------------|
| 27,686 | 25,739 | 53,425 |

Source: Statistical Service – Health and Hospital Statistics (2003,2004,2005,2006)