



Council of the  
European Union

Brussels, 16 November 2023  
(OR. en)

15554/23

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**Interinstitutional File:**  
**2023/0416(NLE)**

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**ECOFIN 1193**  
**FIN 1172**  
**UEM 359**

**COVER NOTE**

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From:	Secretary-General of the European Commission, signed by Ms Martine DEPREZ, Director
date of receipt:	16 November 2023
To:	Ms Thérèse BLANCHET, Secretary-General of the Council of the European Union

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No. Cion doc.:	COM(2023) 735 final
Subject:	Proposal for a COUNCIL IMPLEMENTING DECISION amending Implementing Decision (EU) (ST 10686/21 INIT; ST 10686/21 ADD 1) of 20 July 2021 on the approval of the assessment of the recovery and resilience plan for Cyprus

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Delegations will find attached document COM(2023) 735 final.

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Encl.: COM(2023) 735 final



Brussels, 16.11.2023  
COM(2023) 735 final

2023/0416 (NLE)

Proposal for a

**COUNCIL IMPLEMENTING DECISION**

**amending Implementing Decision (EU) (ST 10686/21 INIT; ST 10686/21 ADD 1) of 20 July 2021 on the approval of the assessment of the recovery and resilience plan for Cyprus**

{SWD(2023) 377 final}

2023/0416 (NLE)

Proposal for a

**COUNCIL IMPLEMENTING DECISION**

**amending Implementing Decision (EU) (ST 10686/21 INIT; ST 10686/21 ADD 1) of 20 July 2021 on the approval of the assessment of the recovery and resilience plan for Cyprus**

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union,

Having regard to Regulation (EU) 2021/241 of the European Parliament and of the Council of 12 February 2021 establishing the Recovery and Resilience Facility<sup>1</sup>, and in particular Article 20(1) thereof,

Having regard to the proposal from the European Commission,

Whereas:

- (1) Following the submission of the national recovery and resilience plan ('RRP') by Cyprus on 17 May 2021, the Commission has proposed its positive assessment to the Council. The Council approved the positive assessment by means of the Council Implementing Decision of 20 July 2021<sup>2</sup>.
- (2) Pursuant to Article 11(2) of Regulation (EU) 2021/241, the maximum financial contribution for non-repayable financial support of each Member State should be updated by 30 June 2022 in accordance with the methodology provided therein. On 30 June 2022, the Commission presented the results of that update to the European Parliament and the Council.
- (3) On 1 September 2023, Cyprus submitted a modified national RRP, including a REPowerEU chapter in accordance with Article 21c of Regulation (EU) 2021/241, to the Commission.
- (4) The modified RRP also takes into account the updated maximum financial contribution in accordance with Article 18(2) of Regulation (EU) 2021/241 and includes a reasoned request to the Commission to propose to amend the Council Implementing Decision in accordance with Article 21(1) of Regulation (EU) 2021/241

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<sup>1</sup> OJ L 57, 18.2.2021, p. 17.

<sup>2</sup> ST 10686/21; ST 10686/21 ADD 1

considering the RRP to be partially no longer achievable due to objective circumstances. The modifications to the RRP submitted by Cyprus concern 78 measures.

- (5) On 14 July 2023, the Council addressed recommendations to Cyprus in the context of the European Semester. In particular, the Council recommended that Cyprus maintains a sound fiscal position while preserving nationally financed public investment and ensuring the effective absorption of RRF support and EU funds, in particular to foster the green and digital transition. The Council also recommended to reduce private debt, including by implementing an effective foreclosure framework, and to improve the governance of state-owned entities. To reduce its overall reliance on fossil fuels and exploit all untapped potential for renewable energy generation, Cyprus was recommended to make further investments into the electricity grid, speed up the development of electricity interconnections, boost energy efficiency, shift towards sustainable transport and address challenges with regards to green skills and competences.
- (6) The submission of the modified RRP followed a consultation process, conducted in accordance with the national legal framework, involving local and regional authorities, social partners, civil society organisations, youth organisations and other relevant stakeholders. The summary of the consultations was submitted together with the modified national RRP. Pursuant to Article 19 of Regulation (EU) 2021/241, the Commission assessed the relevance, effectiveness, efficiency and coherence of the modified RRP, in accordance with the assessment guidelines set out in Annex V to that Regulation.

#### ***Updates based on Article 18(2) of Regulation 2021/241***

- (7) The modified RRP submitted by Cyprus updates 10 measures to take into account the updated maximum financial contribution. Cyprus has explained that because the maximum financial contribution decreased from EUR 1 005 946 047<sup>3</sup> to EUR 915 758 509<sup>4</sup> it is no longer possible to finance all the measures of the original Cypriot RRP. Cyprus has explained that certain measures should be removed due to the decrease in the allocation and to reduce the level of required implementation in comparison to the original RRP of other measures.
- (8) The modified RRP no longer contains certain measures under components 2.3 - Smart and Sustainable Water Management, 3.1 - New Growth Model and diversification of the economy, 3.3 - Business support for competitiveness, 3.4 - Modernising Public and local authorities, making justice more efficient and fighting corruption and 4.1 - Upgrade infrastructure for connectivity. These measures concern Investment C2.3I7 - Eastern Nicosia infrastructure for the re-use of treated wastewater to increase the storage capacity of a Wastewater Treatment Plant in the area Vathia Gonia to enable the utilisation of the whole treated wastewater amount; an investment C3.1I4 Initiate

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<sup>3</sup> This amount corresponds to the financial allocation after deduction of Cyprus's proportional share of the expenses of Article 6(2) of Regulation (EU) 2021/241, calculated in accordance with the methodology of Article 11 of that Regulation.

<sup>4</sup> This amount corresponds to the financial allocation after deduction of Cyprus's proportional share of the expenses of Article 6(2) of Regulation (EU) 2021/241, calculated in accordance with the methodology of Article 11 of that Regulation.

the setup of an Eco-Industrial Science Park to set the framework to encourage the growth of greenfield direct investment and host a cluster of light manufacturing entities that focus on renewables (emphasis on solar), agri-tech solutions, and ICT; investment C3.3I3 - Consulting services for Small and Medium Enterprises (SMEs) to promote the development of SMEs in Cyprus and increase in their competitiveness, through tailor-made advisory services and other non-financial support tools; investment C3.3I5 - Support extroversion and openness of Cyprus firms to international trade to strengthen the extroversion of new and existing enterprises active in the fields of manufacturing and processing and marketing of agricultural and industrial products as well as service providers; investment C3.4I1 - Rationalisation of the shift system through the implementation of a Roster Planning System to optimise shift patterns and deliver productivity and efficiency gains in public sector organisations that provide services in different time shifts and investment C4.1I3 - Submarine link to Greece to create high-capacity resilient backbone internet connectivity for Cyprus through a new submarine link for data connectivity between Cyprus and Greece. The description of these measures and their associated milestones and targets should therefore be removed from the Council Implementing Decision.

- (9) Furthermore, the modified RRP submitted by Cyprus changes measures under components 2.1 - Climate neutrality, Energy efficiency and renewable energy penetration, 2.2 - Sustainable transport, 3.1 - New Growth Model and diversification of the economy and 5.2 - Labour Market, Social Protection and inclusion to reflect the updated maximum financial contribution. Notably, measure C2.1I4 Reduction of CO<sub>2</sub> emissions in industries, businesses and organisations under component 2.1 - Climate neutrality, Energy efficiency and renewable energy penetration; measure C2.2I3 Promote widespread use of Electric Vehicles (EVs) under component 2.2 - Sustainable transport; measure C3.1I12 Waste management towards circular economy under component 3.1 - New Growth Model and diversification of the economy; and measure C5.2I1 Improving the effectiveness of the Department of Labour and Public Employment Services and reinforcing support for young people under component 5.2 - Labour market, social protection, social welfare and inclusion are changed to decrease the level of required implementation compared to the original plan to reflect the decreased allocation. The Council Implementing Decision should be amended accordingly.
- (10) Cyprus has further requested to use the remaining resources freed up by the removal of measures under Article 21 of Regulation 2021/241 to include a measure. This concerns investment C3.1I1 - Construction of a collaborative marine aquaculture infrastructure (port and land facilities) in the Pentakomo coastal area with corresponding milestones 91 and 92 (Construction of the collaborative marine aquaculture and Operational collaborative marine aquaculture Infrastructure).

***Amendments based on Article 21 of Regulation 2021/241***

- (11) The amendments to the RRP submitted by Cyprus because of objective circumstances concern 48 measures.
- (12) Cyprus has explained that 12 measures are no longer totally achievable because high inflation has considerably increased the estimated costs of the measures. Following Russia's invasion of Ukraine, inflation remained high in 2022, at +8.1%, driven mainly by the stark rise in energy prices and in particular of imported fossil fuels on

which Cyprus depends heavily. In particular, the unexpected increase in the prices of raw materials, fuel and transportation affected the construction sector, leading to a significant increase in the price of domestic and imported construction materials as well as electromechanical products. The price increases also affected most of the equipment for upgrading the renewable energy and smart grids testing infrastructure. This concerns respectively Investment 5: Enhancement, modernization and upgrade of Cyprus State Hospitals under component 1.1 Resilient and Effective Health System, Enhanced Civil Protection; Reform 1: Green Taxation under component, 2.1 Climate neutrality, Energy efficiency and renewable energy penetration; Investment 2: Promoting renewables and individual energy efficiency measures in dwellings and tackling energy poverty in households with disabled people under component 2.1 - Climate neutrality, Energy efficiency and renewable energy penetration; Investment 3: Encouraging the use of renewables and energy savings by local/wider public authorities and facilitating the transition of local communities towards climate mitigation & adaptation under component 2.1 Climate neutrality, Energy efficiency and renewable energy penetration; Investment 6: Upgrading renewable energy and smart grids testing infrastructure at the University of Cyprus under component 2.1 Climate neutrality, Energy efficiency and renewable energy penetration; Investment 9: Forests fire protection under component 2.1 Climate neutrality, Energy efficiency and renewable energy penetration; Investment 6: Enhance water security for Nicosia and Larnaca regions under component 2.3 Smart and Sustainable Water Management; Investment 1: Implementation of Sustainable Urban Mobility Projects (SUMP) and accessibility enhancing measures under component 2.2 Sustainable transport; Investment 3: Promote widespread use of Electric Vehicles (EVs) under component 2.2 Sustainable transport; Investment 6: Regeneration and Revitalization of Nicosia Inner City under component 3.4 Modernizing public and local authorities, making justice more efficient and fighting corruption; Investment 1 Construction of one Model Technical Schools under component 5.1 Educational system modernization, upskilling and retraining and Investment 4 Child Centres in Municipalities under component 5.2 Labour market, social protection and inclusion. On this basis, Cyprus has requested to decrease the level of required implementation of the aforementioned measures by amending certain milestones or targets or removing certain sub-measures, and to extend the timeline of the milestones or targets associated to some of the aforementioned measures. The Council Implementing Decision should be amended accordingly.

- (13) Cyprus has explained that four measures are no longer totally achievable due to supply chain disruptions. In 2022, Russia's invasion of Ukraine led to a surge in energy and commodity prices in Cyprus and economic growth slowed (5.6% vs. 6.6% in 2021) amid supply chain disruptions and high energy and commodity prices. Cyprus explained that disruptions were particularly relevant for the import of new Electric Vehicles from abroad, and lead times on ICT equipment have increased to unprecedented levels, often exceeding 180 days. This concerns the following measures: Investment 2: Creation of electro-mobility infrastructure under component 2.2 Sustainable transport, as supply chain disruptions resulted in a shifted deadline by six month for one of the sub-measures in the measure (a grant scheme aiming to promote charging EVs from RES); Investment 8: Protection of the marine ecosystem from hazards and Improve the level of efficacy of oil spill preparedness, prevention and response mechanisms under component 2.3 Smart and Sustainable Water Management, as supply chain disruptions led to unforeseen developments in the procurement process, resulting in a longer manufacture and delivery time of the

vessels; Investment 1: Integrated Information system for the Registrar of Companies and Official Receiver under component 3.3 Business support for competitiveness, as supply chain disruptions led to a longer delivery time of the network systems which are required for the implementation of the system; and Investment 1: Digitalisation in various Central Government Ministries – Services under component 4.2 Promote e-government, as supply chain issues led to unexpected difficulties and delays in implementing the measure for the Ministry of Foreign Affairs, with reference to the upgrade of the systems of the embassies in Ukraine and Russia . On this basis, Cyprus has requested to decrease the level of required implementation of the aforementioned measures by amending certain milestones or targets or removing certain sub-measures, and extend the timeline of the milestones/targets associated to some of the aforementioned measures. The Council Implementing Decision should be amended accordingly.

- (14) Cyprus has explained that 14 measures have been modified to implement better alternatives in order to achieve the original ambition of the measure. This concerns the following measures: Investment 6 Deployment of generic cross border e-health services in Cyprus under component 1.1 Resilient and effective health system, enhanced civil protection, as the Open National Contact Point will have access to the automatic, unsupervised information gathering and data extraction through the eHealth Digital Service Infrastructure (eHDSI), to better reflect user requirements; Investment 1: Promoting energy efficiency investments in SMEs and non-profit organisations under component 2.1 Climate neutrality, Energy efficiency and renewable energy penetration, as the scope (SMEs and non-profit organisations only) was changed notably to avoid overlaps with another measure; Investment 4: Encourage the reduction of CO<sub>2</sub> emissions in businesses under component 2.1 Climate neutrality, Energy efficiency and renewable energy penetration, as a concrete target on the number of undertakings having developed GHG emission reduction plans has been added; Investment 11: Improvement and extension of the Cyprus Green Points Network and creation of a network of Collection Points and Recycling Corners under component 3.1 New Growth Model and diversification of the economy, as design issues in originally planned locations make alternative locations more cost- and time efficient; Reform 2: On-line platform for improving the trade and information symmetry in the fresh produce supply chain 3.1 New Growth Model and diversification of the economy, as the most cost-effective solution to achieve the same result appeared to use and adapt an existing IT tool rather than to develop a new one; Reform 1 National R&I Policy and policy tools under component 3.2 Enhanced Research and Innovation, as the Action Plan will be improved to also take into account the findings of the revised smart specialisation strategy and cover a longer timeframe. Investment 3 R&I funding program on green transition under component 3.2 Enhanced Research and Innovation, as following the first call, more technologies could be developed under the scheme including key clean-tech and low-carbon technologies; Reform 2: Enhancing Fast-Track Business Activation Mechanism under component 3.3 Business support for competitiveness, as following the adoption of a new strategy in 2021, the fast-track mechanism was enhanced and evolved into the business facilitation unit, providing advanced services through an advanced platform/digitised system; Reform 7: Urban land consolidation under component 3.4 Modernizing public and local authorities, making justice more efficient and fighting corruption, as the measure was strengthened by broadening the scope of the measure beyond residential areas, thereby providing a better alternative; Reform 4: New legal framework and system of exchange of data and credit bureau under component 3.5

Safeguarding Fiscal and Financial Stability, as it appeared that ARTEMIS, the entity that is the current mechanism of exchange of data, is the best placed organism to have the ownership of the credit registry; Reform 5: Action plan for the development of a liability monitoring register under component 3.5 Safeguarding Fiscal and Financial Stability, as the use and enhancement of the existing Government Information Warehouse appeared as the better alternative in view of the lack of usefulness and efficiency of originally envisioned outputs (the existence of two credit scores may render decision-making confusing and is costlier); Investment 2: Upgrade internet connection to be “Gigabit-ready” and promote connectivity take-up 4.1 Upgrade infrastructure for connectivity, as a service-oriented scheme was deemed to be a better alternative than the original scheme, given the lack of interest of the market; and Reform 1: Digital Services Factory under component 4.2 Promote e-government, as the Cypriot authorities identified a more citizen-centric and efficient organisational model to develop digital services; and Reform 3 Gradual extension of free compulsory pre-primary education from the age of four under component 5.1 Educational system modernization, upskilling and retraining, as the creation of additional capacity in public and communal kindergartens, combined with an accompanying temporary subsidy scheme, is expected to have a considerably more long-lasting and positive impact, despite a longer implementation timeframe. This approach aims to particularly benefit vulnerable groups. On this basis, Cyprus has requested to modify the content of some of the aforementioned measures and to extend the timeline of certain milestones/targetes associated to some of the aforementioned measures. The Council Implementing Decision should be amended accordingly.

- (15) Cyprus has explained that two measures are no longer totally achievable due to lack of offer. This concerns the following measures: Investment 8: Enhancing the added value of the tourism sector with emphasis on the country side, mountainous and remote areas under component 3.1 New Growth Model and diversification of the economy, because a too restricted definition of eligible businesses led to a low participation rate to the scheme; and Reform 8: Enhancing supervision of Insurance and Pension Funds under component 3.5 Safeguarding Fiscal and Financial Stability, because of a too small pool of candidates possessing professional actuarial qualifications. On this basis, Cyprus has requested to modify certain aspects of the aforementioned measures and to extend the timeline of certain targets. The Council Implementing Decision should be amended accordingly.
- (16) Cyprus has explained that five measures are no longer totally achievable due to lack of demand. This concerns the following measures: Investment 2: Cyprus Innovative Public Health ICT System (CIPHIS) under component 1.1 Resilient and Effective Health System, Enhanced Civil Protection, as not enough sentinel doctors were available to enter data in the Influenza Sentinel Surveillance (ISS) module of the Cyprus Innovative Public Health ICT System; Reform 3: Genetic improvement of the Cyprus sheep and goat population under component 3.1 New Growth Model and diversification of the economy, as despite extensions of the tender deadlines, less than 40 beneficiaries/farmers applied and were eligible; Investment 5: Smart cities under component 3.4 Modernizing public and local authorities, making justice more efficient and fighting corruption, as only 25 of the island’s municipalities expressed interest in being involved in the initiative; Investment 3 Establishment of Home structures for children, adolescent with conduct disorders and persons with disabilities and people in need of long term care (LTC) under component 5.2 Labour market, social protection, social welfare and inclusion, as no economic operator expressed interest; and

Investment 7 Scheme for the enhancement of large enterprises competitiveness in the manufacturing sector under component 3.1 New growth Model and diversification of the economy, as the postponement resulted from lack of sufficient demand and limited number of eligible projects, necessitating the postponement of the issuance of the call of tender by one year. On this basis, Cyprus has requested to modify certain aspects of the aforementioned measures and to extend the timeline or remove certain targets associated to the aforementioned measures. The Council Implementing Decision should be amended accordingly.

- (17) Cyprus has explained that one measure is no longer totally achievable due to unexpected technical and functional issues, following the completion of the design and development. This concerns the following measure: Reform 9: Digital transformation of courts under component 3.4 Modernizing public and local authorities, making justice more efficient and fighting corruption. Following the completion of the design and development phase, unexpected technical and functional issues emerged during the User acceptance testing of the system, which required the implementation of corrective actions which caused delays. On this basis, Cyprus has requested to extend the timeline of one milestone associated to the aforementioned measures. The Council Implementing Decision should be amended accordingly.
- (18) Cyprus has explained that one measure is no longer totally achievable within the initially planned timeline due to missing technical requirements and specifications, to be introduced when the relevant Union legislation in the field of the European Single Window Environment has entered into force, which would be necessary to proceed with a request for tender and consequently with the signing of the contract. This concerns the following measure: Investment 2: Digitalisation of the Cyprus Ports Authority under component 4.2 Promote e-government. On this basis, Cyprus has requested to delay the timeline of implementation of part of a milestone associated to the aforementioned measures to the subsequent milestone. The Council Implementing Decision should be amended accordingly.
- (19) Cyprus has explained that one measure is no longer totally achievable due to unexpected cyberattacks, which required a redesign of the cybersecurity strategy. This concerns the following measure: Reform 2: Definition and Implementation of a new cloud policy with regard to Government IT systems and services under component 4.2 Promote e-government. On this basis, Cyprus has requested to modify the content of one milestone associated to the aforementioned measure and to extend the timeline of one milestone associated to the aforementioned measures. The Council Implementing Decision should be amended accordingly.
- (20) Cyprus has explained that seven measures are no longer totally achievable due to unforeseen developments in the consultation or procurement processes. This concerns the following measures: Investment 4: Accreditation of public and private hospitals under component 1.1 Resilient and Effective Health System, Enhanced Civil Protection, as the duration for the completion of an accreditation process for a hospital cannot be less than two years, which only emerged during the stakeholder consultation; Investment 7: Mass installation and operation by the Distribution System Operator (DSO) of Smart Metering Infrastructure (Advanced Metering Infrastructure) under component 2.1 Climate neutrality, Energy efficiency and renewable energy penetration, as unexpected delays occurred due to three consecutive appeals and the contractor not being able to fulfil his obligations; Investment 13: Establishment of the

Orounda Livestock Waste and Animal-By-Product (ABP) Management Facilities under component 3.1 New Growth Model and diversification of the economy, as the results of the feasibility study showed that the facility had to be re-designed almost completely; Investment 2: Creation of a Regulatory Sandbox to enable FinTech under component 3.3 Business support for competitiveness, as procurement delays were caused by the need to address market developments that emerged during the stakeholders consultation; Investment 6: State funded equity fund under component 3.3 Business support for competitiveness, as unforeseen third party selection criteria led to the selection of a fund manager domiciled in Europe but outside Cyprus; Reform 3: Modernisation of the Companies Law under component 3.3 Business support for competitiveness, as an unforeseen obstacle in the tender process due to the unilateral material amendments to the bidder's offer after the award, which could not be accepted and a new procurement had to be published; and Reform 4 Digital transformation of school units with the aim of enhancing digital skills and skills related to STEM education under component 5.1 Educational system modernization, upskilling and retraining, given the delays caused by the appeal of the award of contract, combined with the specificities of this technology oriented project which made the technological equipment specified in the tender documents unavailable, causing a technical delay during the contract process. On this basis, Cyprus has requested to decrease the level of required implementation of some of the aforementioned measures and to extend the timeline of certain milestones and targets associated to some of the aforementioned measures. The Council Implementing Decision should be amended accordingly.

- (21) On the basis of freed up resources due to Article 21 amendments, Cyprus has proposed to increase the ambition of one measure, linked to higher than expected demand. This concerns Investment 10 Enrichment of the tourism product in rural, mountainous and remote areas under component 3.1 New growth model and diversification of the economy, as the interest towards the scheme was higher than foreseen. On this basis, Cyprus has requested to increase the level of required implementation of the aforementioned measure by increasing one of the related targets. The Council Implementing Decision should be amended accordingly.

#### *Corrections of clerical errors*

- (22) 17 clerical errors have been identified in the text of the Council Implementing Decision, affecting 7 milestones and 17 measures. The Council Implementing Decision should be amended to correct those clerical errors that do not reflect the content of the RRP submitted to the Commission on 17 May 2021, as agreed between the Commission and Cyprus. Those clerical errors relate to Reform 1 National Centre for Clinical Evidence and Quality Improvement, Reform 2 Design of an Electronic platform for the surveillance of Nosocomial Antibiotic Consumption and Healthcare – Associated Infections, Investment 1 New facilities for the Cyprus Blood Establishment and procurement of the latest technology attendant equipment under component 2.1 Climate neutrality, Energy efficiency and Renewable Energy; Investment 2 Water Treatment Plants: upgrade for water quality improvement, Investment 4 Smart Water and Sewerage Networks Management, Investment 5 Anti-flood and water collection measures under component 2.3 Smart and Sustainable Water Management; Reform 4 Enhancement of circular economy in the Industry under component 3.1 New Growth Model and diversification of the economy; Reform 2 Incentives for investments and human capital in R&I, Reform 3 Introduce policies and incentives to facilitate and

foster access to publicly funded research infrastructure and laboratories, Investment 1 Set up and operate a central knowledge transfer office under component 3.2 Enhanced Research and Innovation; Reform 4 Design and establish a National Promotional Agency, Investment 4 Scheme for the digital upgrade of enterprises under component 3.3 Business support for Competitiveness; Reform 3 Strategy for addressing inadequacies of the property transaction system (title deeds), Reform 9 Improving tax collection and effectiveness of the Tax Department under component 3.5 Safeguarding Fiscal and Financial Stability; Reform 3 Police Procedures Digitalization Digipol under component 4.2 Promote e-government; Reform 1 Addressing skills mismatch between education and labour market (Secondary and Higher Education) under component 5.1 Educational system modernisation, upskilling and retraining and Reform 1 Reform of the Social Insurance System and Restructuring of the Social Insurance Services under component 5.2 Labour market, social protection, social welfare and inclusion. Those corrections do not affect the implementation of the measures concerned.

### ***The REPowerEU chapter based on Article 21c of Regulation 2021/241***

- (23) The REPowerEU chapter includes two new reforms and two new investments. Reform 6.R1 on Regulating and facilitating the participation of Active Customers, Renewable Self-consumers, Citizen Energy Communities, Renewable Energy Communities and Demand Response through Cumulative Representation in the electricity market aims to enable the uptake of renewable energy projects in the country, thereby allowing a faster penetration of renewable energy in the economy. Reform 6.R2 on the introduction of a regulatory framework for the connection of EV recharging points to the distribution network focuses on the establishment of guidelines for the formulation of regulatory frameworks regarding the procurement of flexibility services by the Distribution System Operator (DSO) as well as the connection of electric vehicle charging points to the distribution network aims to facilitate the rollout of electric vehicles and enable final consumers to actively participate in the electricity market. Investment 6.I3 on Promoting extensive energy upgrading of the housing stock aims at reducing the primary and final energy consumption and the CO<sub>2</sub> emissions in existing households. In addition, the scheme will promote the installation of Renewable Energy Systems in these households. The renovation programme should lead to a 30% reduction on average in the Primary Energy Demand of the buildings renovated. Investment 6.I7 on thematic research in enterprises for energy production, storage, transmission and distribution solutions focuses on incentives for targeted R&I activities aiming to provide solutions to bottlenecks identified in energy production, storage, transmission and distribution (infrastructure, storage, grid etc.) that will enhance the national grid's infrastructure functionality and efficiency, accelerate Renewable Energy Sources integration and significantly reduce the country's energy needs.
- (24) The REPowerEU chapter also includes scaled-up measures affecting five measures under components 2.1. Climate neutrality, energy efficiency and renewable energy, 2.2. Sustainable transport, 3.1. New growth model and diversification of the economy and 3.2. Enhanced research and innovation. The scaled-up measures included in the REPowerEU chapter introduce a substantive improvement in the level of ambition of the measures already included in the national RRP.

### ***Balanced response contributing to the six pillars***

- (25) In accordance with Article 19(3), point (a), of and Annex V, criterion 2.1, to Regulation (EU) 2021/241, the modified RRP including the REPowerEU chapter represents to a large extent (Rating A) a comprehensive and adequately balanced response to the economic and social situation, thereby contributing appropriately to all of the six pillars referred to in Article 3 of that Regulation, taking into account the specific challenges faced by and the financial allocation for the Member State concerned.
- (26) According to the assessment of the initial plan, the RRP clearly explained how each policy axis (health and civil protection; transition to a green economy; resilience and competitiveness of the economy; digital transformation; and labour market, social protection, education and human capital) contributes to the six pillars referred to in Article 3 of Regulation (EU) 2021/241. It was notably underlined that the RRP aimed to contribute to addressing key challenges related to the green transition, including high greenhouse gas emissions, gaps in water and waste management. Also, according to the assessment of the initial plan, the RRP included measures aimed at contributing to the digital transformation, with emphasis on connectivity and e-government solutions, and integrating digitalisation concerns into measures in other areas. It was further underlined that smart, sustainable and inclusive growth was expected to be fostered by measures improving access to finance of companies, targeted research and innovation reforms and investments, and that the RRP contributed to enhancing the economic, social and territorial cohesion and convergence of Cyprus with the Union through measures in the health system and social infrastructure among others. Some of those measures also benefit health and economic, social and institutional resilience, and policies for the next generation, children and young people were also described to be prominent in the RRP, covering education and employment measures.
- (27) The Commission considers that the modification of the plan along with the REPowerEU chapter does not impact the assessment of the appropriate contribution of the RRP to the six pillars representing to a large extent a comprehensive and adequately balanced response to the economic and social situation as set out in the precedent paragraph.

***Addressing all or a significant subset of challenges identified in country-specific recommendations***

- (28) In accordance with Article 19(3), point (b), of and Annex V, criterion 2.2, to Regulation (EU) 2021/241, the modified RRP including the REPowerEU chapter is expected to contribute to effectively addressing all or a significant subset of challenges (Rating A) identified in the relevant country-specific recommendations addressed to Cyprus, including fiscal aspects thereof, and recommendations made pursuant to Article 6 of Regulation (EU) No 1176/2011, or challenges identified in other relevant documents officially adopted by the Commission in the context of the European Semester.
- (29) In particular, the modified RRP takes into account country-specific recommendations formally adopted by the Council prior to the assessment of the modified plan by the Commission. As the maximum financial contribution for Cyprus has been adjusted downwards, the 2022 and 2023 recommendations not related to energy challenges are not considered in the overall assessment.

- (30) Having assessed progress in the implementation of all relevant country-specific recommendations as part of the 2023 European Semester, the Commission finds that the recommendation on strengthening the supervision of credit-acquiring companies (2019.2.3) was fully implemented. Substantial progress has been achieved with respect to the recommendations on local governments (2019.1.3) and on operationalisation of the National Health System (2019.3.4).
- (31) The modified RRP includes an extensive set of mutually reinforcing reforms and investments that contribute to effectively addressing all or a significant subset of the economic and social challenges outlined in the country-specific recommendations addressed to Cyprus by the Council in the context of the European Semester, notably to enhance the efficiency of the public sector (CSRs 2019.1, 2020.4.3), including the judicial system (CSRs 2019.5, 2020.4) and the healthcare system (CSRs 2019.3.4, 2020.1.2), to address challenges regarding the labour market (CSRs 2019.3, 2020.2), to improve the business environment (CSRs 2019.4, 2020.3), to safeguard financial stability (CSRs 2019.2) and to boost the green transition (CSRs 2019.4, 2020.3, 2022.4, 2023.4), including increased deployment of renewable energy, energy efficiency and environmental policies.
- (32) The REPowerEU chapter is expected to reinforce the ambition of the plan with regard to the relevant CSRs in the field of energy and the green transition. Two scaled-up measures aim to expand public investment into research and innovation linked to the green transition and contribute to upgrading and modernising the electricity grid, including energy storage facilities, in line with the country-specific recommendation 4 of 2023. Cyprus aims to promote renewables in dwellings and their use by public authorities, encourages the transition of local communities towards climate mitigation and adaptation, and should introduce a regulatory framework for the operation of Energy Communities, further addressing the country-specific recommendation on the deployment of renewables and the reduction of reliance on fossil fuel (2022, 2023 CSR 4). Furthermore, Cyprus is extending and accelerating energy efficiency with the adoption of measures on energy efficiency in dwellings, local and public authorities, and through the energy upgrade of large enterprises and the existing housing stock (2022 CSR 4.5, 2023 CSR 4.4). Improving the energy performance for individual dwellings, notably targeted at vulnerable households, should help to reduce energy poverty in Cyprus (2023 CSR 4.5). Regarding the shift to sustainable transport, Cyprus increased its ambition with measures on the promotion of widespread use of Electric Vehicles and the establishment of the regulatory framework for the connection of EV charging points to the distribution network (2022, 2023 CSR 4.6).
- (33) Some measures on circular economy, water management and digitalisation have been modified, partially removed or removed, without significantly lowering the ambition of the RRP. The construction of Eastern Nicosia's infrastructure for wastewater treatment's effluent reuse and two Reuse and Repair Centres in addition to the distribution of composters in rural areas have been removed from the RRP due to the reduction of the financial contribution. The establishment of the Orounda livestock waste and animal-by-product management facilities was removed under Article 21 of Regulation (EU) 2021/241 due to unforeseen complexities and procurement delays. The investment on a submarine data cable to Greece (C4.1I3) has also been removed from the Plan due to the reduction of the financial contribution, also considering the private initiatives for other submarine cables that emerged since the original RRP. The remaining measures in the modified RRP, however, continue to significantly address

the country-specific recommendations regarding circular economy, waste management and frontloading investments into digitalisation (2019 CSR 4.2, 2020 CSR 3.5, 2020 CSR 3.7).

- (34) By addressing the aforementioned challenges, the modified RRP is expected to also contribute to correcting the imbalances, as identified in recommendations made pursuant to Article 6 of Regulation (EU) No 1176/2011 in 2019, 2020 and 2022, that Cyprus is experiencing, in particular with regard to high private, government and external debt, a large current account deficit and a high ratio of non-performing loans.

### ***Do no significant harm***

- (35) In accordance with Article 19(3), point (d), of and Annex V, criterion 2.4, to Regulation (EU) 2021/241, the modified RRP including the REPowerEU chapter is expected to ensure that no measure (Rating A) for the implementation of reforms and investments projects included in this RRP does significant harm to environmental objectives within the meaning of Article 17 of Regulation (EU) 2020/852 of the European Parliament and of the Council<sup>5</sup> (the principle of ‘do no significant harm’).
- (36) The changes introduced by the revision of the plan, with the modification of existing measures or the introduction of new measures, do not affect the positive assessment carried out for the original RPP regarding this assessment criterion.
- (37) For what concerns the new reforms and investments introduced in the REPowerEU chapter, Cyprus provided a systematic assessment of each measure against the principle of ‘do no significant harm’ in line with the Do No Significant Harm Technical Guidance (2021/C58/01). The information provided allows to conclude that the modified plan is expected to ensure that no measure does significant harm.

### ***Contribution to the REPowerEU objectives***

- (38) In accordance with Article 19(3), point (da), of and Annex V, criterion 2.12, to Regulation (EU) 2021/241, the REPowerEU chapter is expected to effectively contribute to a large extent (Rating A) to energy security, the diversification of the Union’s energy supply, an increase in the uptake of renewables and in energy efficiency, an increase of energy storage capacities or the necessary reduction of dependence on fossil fuels before 2030.
- (39) All the scaled-up and new measures in the field of energy efficiency, the upscaled scheme for the enhancement of the competitiveness and the energy efficiency of large enterprises in Cyprus and the reform on the introduction of a regulatory framework for the operation of Energy Communities are expected to directly contribute to REPowerEU objective under Article 21c(3), point (b) of Regulation (EU) 2021/241 regarding boosting energy efficiency in buildings, decarbonising industry, increasing the production and uptake of sustainable biomethane and renewable or fossil-free hydrogen and increasing the share of renewable energy. Notably, several of the

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<sup>5</sup> Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088 (OJ L 198, 22.6.2020, p. 13).

renovation programmes is expected to lead to a 30% reduction in the Primary Energy Demand of the buildings renovated.

- (40) The measures in the field of electric vehicles and the new investment on thematic research in enterprises for energy production, storage, transmission and distribution solutions will contribute to REPowerEU objective under Article 21c (3), point (e) of Regulation (EU) 2021/241 of addressing internal and cross-border energy transmission bottlenecks and supporting zero-emission transport and its infrastructure, including railways. Notably, the reform on the introduction of a regulatory framework for the connection of EV recharging points to the distribution network and the investment scaling up the measure on promoting widespread use of Electric Vehicles should facilitate the rollout of electric vehicles, leading to increased incentives to enterprises and individuals to shift to zero-emission vehicles and thus reduce consumption of fossil fuels for transports. The thematic research investment mentioned above will focus on incentives for targeted R&I activities aiming to provide solutions to bottlenecks identified in energy production, storage, transmission and distribution that will enhance the national grid's infrastructure functionality and efficiency, accelerate RES integration and significantly reduce the country's energy needs.
- (41) Finally, the scaled-up investment on a thematic research and innovation funding program on green transition will contribute to REPowerEU objective Article 21c(3), point (f) of Regulation (EU) 2021/241 on supporting the objectives above through an accelerated requalification of the workforce towards green skills, as well as support of the value chains in key materials and technologies linked to the green transition. All the above measures are expected to contribute to the REPowerEU objectives in coherence and complementarity with a number of other reforms and investments promoted under the RRP, mainly under Components 2.1 and 2.2, as well as under other national initiatives or EU funded programmes such as programmes co-funded by the Cohesion Policy and the Just Transition Funds (e.g. incentives for energy/storage of renewable energy systems). The measures reinforce those included in the original RRP on energy efficiency, by increasing the pace for energy renovation for both households and industry.
- (42) The REPowerEU chapter also addresses the need to diversify away from fossil fuels by accelerating the deployment of renewable energy and support research and innovation in the field of green transition and more particularly energy production, storage, transmission and distribution. This will contribute to enhancing the national grid's infrastructure functionality and efficiency, accelerate integration of Renewable Energy Systems, thus increasing Cyprus' energy security of supply.

***Measures having a cross-border or multi-country dimension or effect***

- (43) In accordance with Article 19(3), point (db), of and Annex V, criterion 2.13, to Regulation (EU) 2021/241, the measures included in the REPowerEU chapter are expected to a large extent (Rating A) to have a cross-border or multi-country dimension or effect.
- (44) Most of the measures do have a cross-border effect since they contribute to the reduction of the demand and dependency on fossil fuels, either by electrification, by promoting the production and integration of renewable energy sources into the network or through supporting energy efficiency and saving, hence reducing the

country's energy needs. This reduced dependence on fossil fuels should also be reflected in Cyprus' cross-border energy flows. The total costs of those measures account for an amount largely exceeding 30 % of the estimated costs of the REPowerEU chapter.

- (45) Nearly all measures contribute to the reduction of the demand and dependency of fossil fuels. Some encourage energy efficiency and saving in public and private buildings and enterprises, some promote the production and integration of renewable energy sources into the network, and others support electrification of vehicles. These measures all reduce dependence on fossil fuels also at the EU level, which justifies the assessment that the measures included in the REPowerEU chapter are expected to a large extent (Rating A) to have a cross-border or multi-country dimension or effect.

### ***Contribution to the green transition including biodiversity***

- (46) In accordance with Article 19(3), point (e), of and Annex V, criterion 2.5, to Regulation (EU) 2021/241, the modified RRP including the REPowerEU chapter, contains measures that contribute to a large extent (Rating A) to the green transition, including biodiversity, or to addressing the challenges resulting therefrom. The measures supporting climate objectives account for an amount which represents 45% of the RRP's total allocation and 95% of the total estimated costs of measures in the REPowerEU chapter calculated in accordance with the methodology set out in Annex VI to that Regulation. In accordance with Article 17 of Regulation (EU) 2021/241, the modified RRP including the REPowerEU chapter is consistent with the information included in the National Energy and Climate Plan 2021-2030.
- (47) The measures removed or reduced with respect to the level of required implementation do not impact the overall ambition of the plan regarding the green transition while the REPowerEU chapter brings a significant effort to supporting further the green transition of Cyprus, since all the reforms and investments contribute integrally to reducing the reliance on fossil fuels, increasing energy efficiency and improving the regulatory framework enabling the fight against climate change.
- (48) The modified RRP including the REPowerEU chapter continues to significantly contribute to the green transition, including biodiversity, as well as to the achievement of the Union 2030 climate targets while complying with the objective of EU climate neutrality by 2050. The REPowerEU measures are expected to contribute to the green transition by promoting the lasting use of renewables and energy efficiency measures in households, the public sector and companies, leading to a significant reduction of the primary energy consumption. Also, the reform on Regulating and facilitating the participation of Active Customers, Renewable Self-consumers, Citizen Energy Communities, Renewable Energy Communities and Demand Response through Cumulative Representation in the electricity market will enable the lasting uptake of renewable energy projects in the country, thereby allowing a faster penetration of renewable energy in the economy. The promotion of widespread use of Electric Vehicles (EVs) and the establishment of the regulatory framework for the connection of EV recharging points to the distribution network will increase incentives to enterprises and individuals to shift to zero-emission vehicles. Finally, the thematic research investments which will provide incentives for targeted research and innovation linked to new technologies in the field of green transition and energy will accelerate RES integration and reduce the country's energy needs.

### ***Contribution to the digital transition***

- (49) In accordance with Article 19(3), point (f), of and Annex V, criterion 2.6, to Regulation (EU) 2021/241, the modified RRP contains measures that contribute to a large extent to the digital transition or to addressing the challenges resulting from it. The measures supporting digital objectives account for an amount which represents 24.6% of the modified RRP's total allocation calculated in accordance with the methodology set out in Annex VII of that Regulation.
- (50) The positive assessment of the contribution to the digital transition provided in the Council Implementing Decision of 20 July 2021 remains valid. The modified RRP entails small modifications to nineteen measures regarding the digital transition, the removal of two measures regarding the digital transition, and does not include new measures that contribute to the digital transition.

### ***Costing***

- (51) In accordance with Article 19(3), point (i), of and Annex V, criterion 2.9, to Regulation (EU) 2021/241, the justification provided in the modified RRP including the REPowerEU chapter on the amount of the estimated total costs of the RRP is to a medium extent (Rating B) reasonable and plausible, is in line with the principle of cost efficiency and is commensurate to the expected national economic and social impact.
- (52) For the costing assessment of the original RRP in 2021, the costing information provided by Cyprus for the majority of the measures was rather detailed, the methodology was well explained with calculations easy to follow and supported by evidence. Only a small amount of the costs were assessed as reasonable and plausible only up to a medium or to a low extent. Overall, the justification provided in the original RRP on the amount of the estimated total costs of the RRP was to a medium extent reasonable and plausible, was in line with the principle of cost-efficiency and was commensurate to the expected national economic and social impact, obtaining a B rating at the time.
- (53) According to the information provided, the assessment of the cost estimates for the new REPowerEU measures and for the existing measures whose modifications entailed a new cost assessment show that most of the costs are reasonable and plausible. Only in a few cases, details on the methodology and assumptions used to make the cost estimates were limited, partly due to the novelty of the measures. This precludes an A rating for this assessment criterion. Furthermore, the changes in the cost estimates for the other modified measures were justified, proportional to the new revised targets and supported by detailed calculations and evidence, and as such the reasonability and plausibility of these cost estimates were not altered compared to the original RRP. Finally, the estimated total cost of the RRP is in line with the principle of cost-efficiency and commensurate to the expected national economic and social impact.

### ***Protection of the financial interests of the Union***

- (54) In accordance with Article 19(3), point (j), of and Annex V, criterion 2.10, to Regulation (EU) 2021/241, the arrangements proposed in the modified RRP including the REPowerEU chapter and the additional measures contained in this Decision are adequate (Rating A) to prevent, detect and correct corruption, fraud and conflicts of

interests when using the funds provided under that Regulation, and the arrangements are expected to effectively avoid double funding under that Regulation and other Union programmes. This is without prejudice to the application of other instruments and tools to promote and enforce compliance with Union law, including for preventing, detecting and correcting corruption, fraud and conflicts of interest, and for protecting the Union budget in line with Regulation (EU, Euratom) 2020/2092 of the European Parliament and of the Council<sup>6</sup>.

- (55) The original assessment of the RRP, in accordance with Article 19(3), point (j), of and Annex V, criterion 2.10, to Regulation (EU) 2021/241, concluded that the arrangements proposed in the original RRP were adequate (Rating A) to prevent, detect and correct corruption, fraud and conflicts of interest when using the funds provided under that Regulation, and that the arrangements were expected to effectively avoid double funding under that Regulation and other Union programmes.
- (56) Since the original assessment, the Commission has had access to information on the Cypriot audit and control system's actual implementation. This includes the preliminary findings of the audit on the protection of the financial interests of the Union (PFIU) performed by the Commission in Cyprus. In light of this information, the Commission considers that the internal control system of the Cypriot RRP is overall adequate, but it has some deficiencies that must be addressed through a dedicated audit and control milestone. These relate to a lack of appropriate PFIU measures at Implementing Bodies level and a lack of clear delimitation between control and implementation duties. The internal control system described in the modified Cypriot Recovery and Resilience Plan and the additional measures contained in this Decision, including for strengthened controls, are adequate with respect to preventing, detecting and correcting corruption, fraud, conflict of interest when using the funds under the RRF and to avoid double funding from the RRF and other Union programmes.
- (57) An additional milestone on audit and control should be introduced. It shall be fulfilled by the time of submission of the next payment request to the Commission following the adoption of this Implementing Decision and shall be a prerequisite for any future payment. To ensure an effective implementation of proportionate measures for the protection of the financial interests of the Union (PFIU) according to the Article 22 of Regulation (EU) 2021/241, mandatory guidelines, should be issued and circulated to all Implementing Bodies, addressing critical areas, including risk assessment for all verification types, double funding verifications and avoidance procedures, handling irregularities and whistleblowing for Union-funded interventions, audit trail requirements, a comprehensive fraud risk assessment for all contracting authorities, and establishing specific functions within PFIU to address fraud, corruption, and conflicts of interest, all while ensuring clear role demarcation and proper alignment of controls with these guidelines.

#### *Any other assessment criteria*

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<sup>6</sup> Regulation (EU, Euratom) 2020/2092 of the European Parliament and of the Council of 16 December 2020 on a general regime of conditionality for the protection of the Union budget (OJ L 433 I, 22.12.2020, p. 1).

- (58) The Commission considers that the modifications put forward by Cyprus do not affect the positive assessment of the RRP set out in the Council Implementing Decision 10686/21 of 20 July 2021 on the approval of the assessment of the RRP for Cyprus regarding the relevance, effectiveness, efficiency and coherence of the RRP against the assessment criteria laid down in Article 19(3), points (c), (g), (j) and (k) of Regulation (EU) 2021/241.

### ***Consultation process***

- (59) For the amendment of the RRP and the elaboration of the REPowerEU chapter the Coordinating Authority engaged in consultations with key institutional stakeholders, notably in order to identify reforms and investments to be incorporated in the new chapter. Some concerns raised with regards to measures proposed to be removed from RRP, on the basis of Article 18(2) of Regulation (EU) 2021/241, were addressed by the clarifications provided by the competent Authorities on the intention to continue with the implementation of these measures, through the national budget with the support of other EU funding, if possible.
- (60) To ensure ownership by the relevant actors, it is crucial to involve all local authorities and stakeholders concerned, including social partners, throughout the implementation of the investments and reforms included in the modified RRP, including the REPowerEU chapter.

### ***Equality***

- (61) The previous description of the implementation and monitoring aspects of the plan as well as gender equality remains valid. Also, under investment 2.1I2 on Promoting renewables and individual energy efficiency measures in dwellings and tackling energy poverty in households with vulnerable electricity consumers which is upscaled under the new REPowerEU chapter the definition of vulnerable electricity consumers that can benefit from the scheme is expanded, by adding eight new categories of vulnerable groups (differentiated notably by income and disability criteria), hence allowing for approximately 1 400 more households with vulnerable consumers to benefit from the scheme.

### ***Positive assessment***

- (62) Following the positive assessment of the Commission concerning the modified RRP including the REPowerEU chapter, with the finding that the plan satisfactorily complies with the criteria for assessment set out in Regulation (EU) 2021/241, in accordance with Article 20(2) of and Annex V to that Regulation, the reforms and investment projects necessary for the implementation of the modified RRP including the REPowerEU chapter, the relevant milestones, targets and indicators, and the amount made available from the Union for the implementation of the modified RRP including the REPowerEU chapter in the form of non-repayable financial and loan support should be set out.

### ***Financial contribution***

- (63) The estimated total costs of the modified RRP including the REPowerEU chapter of Cyprus is EUR 1 220 971 974. As the amount of the estimated total costs of the modified RRP is higher than the updated maximum financial contribution available for

Cyprus, the financial contribution calculated in accordance with Article 11 allocated for Cyprus' modified RRP including the REPowerEU chapter should be equal to the total amount of the financial contribution available for Cyprus' modified RRP including the REPowerEU chapter. This amount is equal to EUR 915 758 509.

- (64) Pursuant to Article 21a(5) of Regulation (EU) 2021/241, on 1 September 2023 Cyprus submitted a request for the allocation of the revenue referred to in Article 21a (1) of that Regulation, shared between Member States on the basis of the indicators set out in the methodology in Annex IVa to Regulation (EU) 2021/241. The estimated total costs of the measures referred to in Article 21c (3), points (b) to (f) of Regulation (EU) 2021/241 included in the REPowerEU chapter is EUR 104 580 000. As this amount is higher than the allocation share available for Cyprus, the additional non-repayable financial support available for Cyprus should be equal to the allocation share. This amount is equal to EUR 52 408 822.
- (65) Additionally, in accordance with Article 4a of Regulation (EU) 2021/1755<sup>7</sup>, on 21 February 2023 Cyprus submitted a reasoned request to transfer all its remaining provisional allocation from the resources of the Brexit Adjustment Reserve to the Facility, amounting to EUR 52 056 350. That amount should be made available to support the reforms and investments in the REPowerEU chapter as additional non-repayable financial support.
- (66) The total financial contribution available to Cyprus should be EUR 1 020 223 681.

#### ***REPowerEU Pre-financing***

- (67) Cyprus has requested the following funding for the implementation of its REPowerEU chapter: Transfer of EUR 52 056 350 from the provisional allocation from the resources of the Brexit Adjustment Reserve, and EUR 52 408 822 from the revenue from the Emissions Trading System under Directive 2003/87/EC of the European Parliament and of the Council.
- (68) For those amounts, pursuant to Article 21d of Regulation (EU) 2021/241, on 1 September 2023 Cyprus has requested pre-financing of 20% of the funding requested. Subject to available resources, that pre-financing should be made available to Cyprus subject to the entry into force of, and in accordance with an agreement to be concluded between the Commission and Cyprus pursuant to Article 23(1) of Regulation (EU) 2021/241 (the 'financing agreement').
- (69) Council Implementing Decision CM 4171/21 of 28 July 2021 on the approval of the assessment of the RRP for Cyprus should therefore be amended accordingly. For the sake of clarity, the Annex to that Implementing Decision should be replaced entirely,

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<sup>7</sup> Regulation (EU) 2021/1755 of the European Parliament and of the Council of 6 October 2021 establishing the Brexit Adjustment Reserve (OJ L 357 8.10.2021, p. 1).

HAS ADOPTED THIS DECISION:

*Article 1*

Implementing Decision (EU) [10686/2021] is amended as follows:

(1) Article 1 is replaced by the following:

*“Article 1*

*Approval of the assessment of the RRP*

The assessment of the modified RRP of Cyprus on the basis of the criteria provided for in Article 19(3) of Regulation (EU) 2021/241 is approved. The reforms and investment projects under the RRP, the arrangements and timetable for the monitoring and implementation of the RRP, including the relevant milestones and targets, the relevant indicators relating to the fulfilment of the envisaged milestones and targets, and the arrangements for providing full access by the Commission to the underlying relevant data are set out in the Annex to this Decision.”;

(2) In Article 2, paragraphs 1 and 2 are replaced by the following:

“1. The Union shall make available to Cyprus a financial contribution in the form of non-repayable support amounting to EUR 1,020,223,681.<sup>8</sup> That contribution includes:

- (a) an amount of EUR 818 213 837 –that shall be available to be legally committed by 31 December 2022;
- (b) an amount of EUR 97 544 672 that shall be available to be legally committed from 1 January 2023 until 31 December 2023;
- (c) an amount of EUR 52 408 822<sup>9</sup>, in accordance with Article 21a(6) of Regulation (EU) 2021/241, exclusively for measures referred to in Article 21c of that Regulation, with the exception of measures referred to in Article 21c (3), point (a) of that Regulation;
- (d) an amount of EUR 52 056 350, transferred from the Brexit Adjustment Reserve to the Facility.

The Union financial contribution shall be made available by the Commission to Cyprus in instalments in accordance with the Annex to this Decision. An amount of EUR 130 772 986 shall be made available as pre-financing in accordance with Article 13 of Regulation (EU) 2021/241.

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<sup>8</sup> This amount corresponds to the financial allocation after deduction of the CYPRUS’ proportional share of the expenses of Article 6(2) of Regulation (EU) 2021/241, calculated in accordance with the methodology of Article 11 of that Regulation.

<sup>9</sup> This amount corresponds to the financial allocation after deduction of the CYPRUS’ proportional share of the expenses of Article 6(2) of Regulation (EU) 2021/241, calculated in accordance with the methodology of Annex IVa to that Regulation.

An amount of EUR 20,893,034 shall be made available as pre-financing in accordance with Article 21d of Regulation (EU) 2021/241. That pre-financing may be disbursed by the Commission in up to two payments.

The pre-financing and instalments may be disbursed by the Commission in one or several tranches. The size of the tranches shall be subject to the availability of funding.”;

*Article 2*  
*Addressee*

This Decision is addressed to the Republic of Cyprus.

Done at Brussels,

*For the Council*  
*The President*