

European Council's recommendation on the National Reform Programme 2011 and the Stability Programme 2011-2014 for Cyprus

The Council concluded on 12 July 2011 the first European Semester which has been implemented this year, for the first time, as part of a broader reform of the EU's economic governance. Based on the European Council's decision a recommendation has been adopted on the implementation of the Eurozone Member States' economic policies as well as a recommendation on its National Reform Programme 2011 and the Stability Programme 2011-2014 for each Member State.

The European Semester involves monitoring of the Member States economic, budgetary and employment policies for a six month period of every year. The National Reform Programmes enable to identify the setting of national targets under the "Europe 2020 Strategy", as well as growth strategy measures for development and social stability.

The Stability Programmes 2011-2014 aim to ensure financial stability in the EU providing measures to maintain price stability and sustainable growth. The specific recommendations adopted by the Council and addressed to each Member State will have to be taken into account in the planning of national budgets for 2012. According to the European Commission's financial forecast, the deficit in the EU should be reduced from 6.4% in 2010 to 4.7% in 2011 with further reductions to 3.4% in 2012 and 2.3% in 2013.

Moreover, the fiscal strategies planned by Member States are in line with the priorities for fiscal consolidation agreed by the Council; however, for a number of Member States additional fiscal efforts are required and new measures need to be specified and implemented in order to attain the EU's financial and budgetary expectations.

According to the Council's recommendation in the National Reform Programme 2011 for Cyprus and the Stability Programme of Cyprus 2011-2014, necessary measures need to be taken in Cyprus in order to achieve the budgetary target in 2011 and the correction of the excessive deficit by 2012. The full implementation of the above measures will be achieved by keeping tight control over expenditure and by using productive budgetary developments for faster deficit reduction.

In addition, the Council asks Cyprus to adopt further prudent measures for supervision of the banking sector and of the cooperative credit societies regarding public finances. The implementation of reform measures to control pension and health care expenditure need to be projected the implementation of the national health insurance system must be accelerated.

Furthermore, through reforms in the education and training system, education should be adapted to the labour market needs in order to increase the effectiveness of the vocational training system.

Finally, as Cyprus belongs to the insular island areas of the European Union, specific measures need to be introduced for the expansion of renewable energy sources and the

establishment of a water management plant, in order to ensure a more sustainable management of the water resources on the island.

The Cyprus Government must apply the above recommendations in the financial and budgetary perspectives and the national policy of the European Semester of 2012.

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