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Public Private Partnerships in Cyprus

An overview



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Public Private Partnerships in Cyprus – an overview and outlook


Currently, Cyprus has no regulatory framework for Public Private Partnerships (PPPs). However, the Cypriot government is interested in expanding the use of PPPs in Cyprus and creating a more secure legal environment for private investors. It illustrated this by launching a tender process concerning the provision of services for the study and regulation of PPPs in 2007-08. This process, however, has been stopped due to legal proceedings over its legality. As a consequence, it is not clear if and when a legal framework for PPPs will be enacted in Cyprus.

Despite the legal uncertainty, Cyprus already operates a number of PPPs, mostly in the area of construction works. There are two major PPPs currently being implemented: the international airports of Larnaca and Pafos and the Pafos-Polis motorway. Apart from that, PPP projects have included road construction, schools and waste management.

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- International airports of Larnaca and Pafos: the project involves the modernisation and expansion of these airports in Cyprus. It includes a 25-year concession granted by the Cypriot government. The project has an overall budget of €550m. It was awarded to the international Hermes Airport consortium in 2004.
 - Motorway between Pafos and Polis: the project involves the design, construction, operation and maintenance of the new Pafos-Polis motorway, subject to a 30-year design-build-finance-operate (DBFO)-type contract. The project has a budget of more than €481m and is financed by European banks, namely the European Bank for Reconstruction and Development and the European Investment Bank.



So far, there have been no PPPs in the health sector in Cyprus. This seems to be because of limited expertise in handling PPPs in Cyprus. The health sector is a particularly sensitive one for the public, so the Cypriot government is expected to remain cautious about implementing PPPs in this area in the near future.



The outlook on PPPs in Cyprus is uncertain, but not overly pessimistic. The current government under the leadership of President Demetris Christofias of the Communist Party (AKEL) may not be as politically interested in promoting the co-operation of public and private partners as the old government was. But, on the other hand, the government does have PPP supporters, such as the Permanent Secretary of the Ministry of Commerce, Industry and Tourism, Mr Efstathios Hamboullas, who participated in many conferences and seminars for the design and construction of buildings and roads, contracts management, health and safety and, first and foremost, PPP projects. Furthermore, the integration of Cyprus into the EU will probably lead to substantial improvements in its legal and economic culture. We expect the government to renew its efforts to develop a legal framework

for PPPs and to promote further PPPs in various sectors of the economy. We will closely observe the governmental actions towards creating such a legal framework and regarding the announcement of new PPP projects.

One key issue for the success of PPP projects will be the continuation of Cyprus's efforts to prevent corruption, especially with regard to contract procurement and private sector investments. The country has already incorporated EU secondary legislation into its own legal order. This procurement law should help to make proceedings both more transparent and more efficient. Especially with regard to PPPs, Cyprus could follow the examples of the UK and the US and insert penalties into contracts to ensure compliance with safety and quality standards.



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