Spending on development up in new budget

· *The democratic process... The Cyprus House of Representatives discussing the Government's budget proposals for 2002.*

Development project spending is due to rise to C£348 million in 2002 under the state budget adopted by the House of Representatives on 25 January, largely in the form presented by the Government in October. It provides for overall expenditure of C£2.7 billion against revenue of C£2.1 billion, with a resultant fiscal deficit equivalent to 2.4 per cent of GDP.

Up from C£235 million in 2001, development expenditure will include C£53 million for road network improvements, C£26 million on education building, C£24 on rural development and C£23 million on public health. A further C£49 million has been allocated to the financing of European Union (EU) harmonization.

Of the 54 members present for the vote, 30 approved the budget, two voted against and 22 abstained. Those in favour were from the Democratic Rally (DISY), the Democratic Party (DIKO), the United Democrats (EDI) and the Fighting Democratic Movement (ADIK), whereas the left-wing AKEL and the Movement of Social Democrats (KISOS) abstained. The two votes against were cast by the deputies representing New Horizons (NEO) and the Greens.

During the debate DISY leader Nicos Anastasiades said that his party supported the budget because it promoted Cyprus' EU accession course and had a clear orientation towards development and social projects. DIKO leader Tassos Papadopoulos made it clear that his party's approval of the budget did not necessarily mean that it supported all aspects of the Government's economic and social policies.

For AKEL, Parliamentary Spokesman Andreas Christou said that his party supported the budget's allocations for defence and certain other expenditure, but would abstain on the overall package because it placed an unfair burden on lower income groups. He also contended that the budget lacked the vision to spur growth and to promote a progressive social policy.

●Revenue from tourism rose to C£1,277 million in 2001, representing an increase of some 7 per cent over 2000. Despite a sharp downturn following the 11 September terrorist attacks on the USA, tourist arrivals in 2001 as a whole reached 2,696,732, an increase of 0.4 per cent compared with 2000.❑

Public-Private finance set to increase

The award of contracts worth a total of some C£600 million is expected over the next five years under the Government's Public-Private Partnership (PPP) programme, as revealed by Finance Minister Takis Klerides on 16 January.

Representing a major departure from previous state financing practice, the PPP programme is aimed primarily at enabling rapid improvements in infrastructure and services, while ensuring that Cyprus remains within the European Union's Maastricht criteria for participation in the euro single currency.

· *Five-year plan... New road development is part of the Government's PPP strategy*

Speaking at a Nicosia seminar on the PPP method, Mr Klerides made particular mention of plans for the construction of five marinas to serve coastal resorts, as well as of new roads in rural areas, waste disposal plants and other infrastructural projects. Under PPP arrangements, finance for such projects will be provided by a combination of state funding and private sector capital, with the state recouping its outlay where appropriate by having a share in profits or revenues over a specified period.

Giving further details of PPP projects in Cyprus, Communications and Works Minister Averof Neophytou said that the first phase of the new Larnaca international airport, increasing its capacity to 7.5 million passengers a year, would be completed by 2005 at a projected cost of C£170 million. The first phase of the new Paphos airport is scheduled for completion in 2004 at a cost of C£30 million and will increase annual passenger capacity to 2 million. Second phase development of the two airports, to be completed by 2010, is expected to cost a further C£50 million.❑

Euro may come before accession

The euro single currency of the European Union (EU) may become legal tender in Cyprus in advance of accession, subject to the outcome of a study announced by Central Bank of Cyprus Governor Afxentis Afxentiou on 8 January. The Cyprus pound is currently pegged to the euro, which became the sole currency of 12 of the 15 EU member states on 1 January.

Mr Afxentiou said that the "careful" study by the Bank would focus on proposals that the euro should be permitted to operate as a parallel currency in the Cyprus tourist industry in particular. He warned, however, that the introduction of such a system would not be as simple as it might seem.

The Governor also announced that the Central Bank was embarking on the final phase of its three-stage programme for the lifting of exchange controls, as part of the process of harmonization with EU norms. New rules would allow Cypriots to invest up to C£20,000 overseas without restriction and to purchase a house abroad up to a value of C£200,000. Mr Afxentiou confirmed that there would be full liberalization of currency exchange rules prior to EU accession.❑

Link: www.centralbank.gov.cy
Central Bank of Cyprus