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Factsheet on 2014-2022 Rural Development Programme for Cyprus

The Rural Development Programme (RDP) for Cyprus, formally adopted by the European Commission on 3 December 2015, outlines the priorities of the Republic of Cyprus for using € 321 million of public money that is available for the 9 years period 2014-2022 [€ 196,5 million from the EU budget (including € 11.5 million from the EU financed Recovery Instrument (EURI)), and € 124,5 million of national co-funding]. The latest RDP amendment, adopted on 10 January 2023, introduced exceptional, temporary support to farmers particularly affected by the impact of Russia's invasion of Ukraine.

The RDP for Cyprus is putting particular emphasis on actions related to restoring, preserving, and enhancing ecosystems, economic development in rural areas, and competitiveness of the agri-food sector. For example, 36 742 hectares of agricultural land will be protected under agri-environment-climate contracts targeting preservation of biodiversity, improved water management and prevention of soil erosion. In addition, it is expected that 2 594 hectares (9.17%) of irrigated land will switch to more efficient irrigation systems. In order to improve the competitiveness of the agri-food sector 400 agricultural holdings will benefit from support to improve their economic performance and to restructure and modernise. In addition, 320 young farmers will be granted business start-up aid and 2 800 training places will be created to foster innovation, knowledge transfer, cooperation, more sustainable farming practices, and robust rural businesses. The RDP will also implement the European Innovation Partnership to help deliver innovative solutions to the farm and forestry sectors. Local development (Leader) will cover 11.55% of the rural population.

During 2020, in response to the COVID-19 pandemic, the Cypriot RDP introduced exceptional, temporary support to the fruit and vegetables sector, the wine sector and traditional permanent crops (olives, and fruit trees). Furthermore, the amendment adopted on 29 November 2021 introduced Measure 5.2 to provide emergency assistance to farmers for restoring the damages caused by the 2021 summer fires.

Support for Rural Development is the 2nd Pillar of the Common Agricultural Policy, providing Member States with an envelope of EU funding to manage nationally or regionally under multi-annual, co-funded programmes. In total, 118 programmes are foreseen in all 28 Member States¹. The RD Regulation for the period 2014-2022 addresses six economic, environmental, and social priorities, and programmes contain clear targets setting out what is to be achieved. Moreover, in order to coordinate actions

¹ The UK left the European Union on 31 January 2020; in accordance with the Withdrawal Agreement support under Rural Development continues to apply in the UK during the 2014-2020 programming period

better and maximise synergies with the other European Structural & Investment Funds (ESIF), a Partnership Agreement has been agreed with each Member State highlighting its broad strategy for EU-funded structural investment.

This document provides a brief overview of how the challenges and opportunities the Republic of Cyprus is facing are addressed by the RDP. In the annex, a table indicates the priorities and focus areas with their specific targets, and their allocated budgets.

1. SITUATION AND KEY CHALLENGES

The Republic of Cyprus will implement a single national rural development programme. The country covers an area of 9 251km² and constitutes a single region at NUTS2 level, categorised as a “more developed region”. All of the country’s territory is classified as “intermediate rural area”. Utilised agricultural land (UAA) covers 12.8% of the total area and forests/other wooded land 41.8%. The total population is 866 000 inhabitants (2013). For the purpose of the RDP, the entire population of Cyprus is considered rural.

Cyprus has a total of 38 860 farm holdings with an average size of 3 hectares (2010). 75% of all farms have a size of less than 2 hectares. The overall unemployment rate in the thinly populated (rural) areas has been rising steadily, reaching 15.9% in 2013, while youth unemployment has climbed to the unprecedented level of 38.8%. The lack of a skilled workforce is a barrier to growth for farms. Only 2.6% of the total number of farm managers is less than 35 years old and merely 5.7% have agricultural training. Farmers' income is 64.8% of the income of persons employed in other sectors of the economy (2013).

Agriculture contributes 3% to the Cypriot Gross Value Added (2011) and the agri-food sector accounts for 5.5% of total employment (2013). The economic importance of the sector is therefore significant and enhancing its competitiveness by overcoming its structural, environmental, and climatic limitations remains a key challenge.

The country faces major challenges regarding the environment, biodiversity, resource efficiency, and climate change. Low precipitation, high temperatures and increased periods of drought are putting extreme pressures on Cyprus’ scarce natural resources, such as water, agricultural land, forests, and soils, and threaten ecosystem biodiversity. Sustainable management and efficient use of Cyprus’ natural resources are vital necessities in order to preserve and restore the natural environment and biodiversity, mitigate climate change and maintain socio-economic growth.

Water supply and diffuse water and soil pollution from agriculture are major concerns for Cyprus. The majority of underground aquifers are “in less than good” status. Increasing efficiency of irrigation water (accounting for 70% of the total water consumption) and adopting agricultural practices that reduce soil and water pollution from agrochemicals, are essential in order to improve the status of water bodies and biodiversity.

Cyprus relies heavily on imported fuel for its energy needs. There is a need to increase energy efficiency through adoption of innovative technologies and the use of renewable energy (e.g., solar energy) and circular economy in farms and agri-food businesses. This will contribute to attaining EU 2020 targets for GHG emission reductions and increased use of renewable energy.

2. HOW CYPRUS' RDP WILL ADDRESS THESE CHALLENGES

In addressing these challenges, Cyprus' RDP will fund operations under all six Rural Development priorities, with particular emphasis on: Priority 4 (restoring, preserving and enhancing ecosystems related to agriculture and forestry), Priority 6 (social inclusion, poverty reduction and economic development in rural areas as), well as on Priority 2

(enhancing farm viability and competitiveness of all types of agriculture, and promoting innovative technologies). The focus of each priority is explained briefly below.

Knowledge transfer and innovation in agriculture, forestry, and rural areas

Under this cross-cutting priority the Cyprus RDP aims to support knowledge transfer through training on specific topics (notably production techniques, climate change, sustainable management of resources, marketing), demonstration activities and information actions, as well as short-term farm and forest management exchanges and visits. Particular emphasis will be paid to the training of young farmers. 2 800 training places will be made available for increasing knowledge and skills of agricultural entrepreneurs and foresters. In total, 30 cooperation projects are envisaged, mainly by establishing Operational Groups and pilot projects developing innovative products, practices and technologies under the European Innovation Partnership, or cooperation projects for the development of short-supply chains and local markets.

Enhancing farm viability and competitiveness of all types of agriculture

Through this priority, the RDP for Cyprus aims to improve the competitiveness of the agricultural sector, which is hampered by shortcomings such as small farm size, fragmented agricultural holdings, low labour productivity, ageing agricultural labour force and high production costs due to insularity. It is envisaged that 1.9% of the holdings will be supported to restructure and modernise in order to improve their economic performance. Particular emphasis is also placed on innovation and knowledge transfer as a means to increase competitiveness. Furthermore, considering the need for generational renewal of the agricultural labour force, the RDP will grant start-up aid to 300 young farmers to facilitate initial establishment of their farms and business.

In response to the COVID-19 crisis, the RDP provided exceptional, temporary support to 16 910 farmers and agricultural holdings in the fruit and vegetables, livestock production, wine and traditional permanent crops sectors.

Food chain organisation, including processing and marketing of agricultural products, animal welfare and risk management in agriculture

Under this priority, the aim is to improve the competitiveness of the primary producers by supporting new participations of farmers or groups of farmers in quality schemes and by promoting quality products by groups of producers in the internal market. The RDP will also encourage the setting-up of producer groups and organisations in sectors, which still lack such organisation (e.g., pig, goat & sheep and poultry farming as well in the production of vegetables and aromatic or medicinal plants). It will also support cooperation among supply chain actors for the establishment and development of short supply chains and local market. It is expected that 4.12% of all farms will participate in quality schemes, local markets & supply circuits, and producer groups/organisations. Moreover, 330 sheep and livestock holdings will receive support for improving animal welfare conditions.

Moreover, 2 200 farmers in the wheat, sheep and goat and viticulture sectors will receive exceptional financial aid to limit the economic impact caused by Russia's invasion of Ukraine.

Restoring, preserving and enhancing ecosystems related to agriculture and forestry

Under this priority, the RDP will focus on environment-friendly farming practices and management procedures, with particular emphasis on preserving and enhancing farm and forest biodiversity, preventing soil erosion and degradation of habitats, reducing agricultural inputs, and improving the quality of water. For example, 9.1% of agricultural and almost 8% of forestland are envisaged to enter under agri-environmental management contracts supporting biodiversity and better water management. Nearly

22% of the agricultural land is expected to be under contracts to improve soil management and/or to prevent soil erosion. 41% of the total public funding to the Cyprus RDP will be used for area-based payments to farmers for using environment/climate-friendly land management practices, including organic farming, and support to areas facing natural or other specific constraints.

Resource efficiency and a low carbon-climate resilient economy

Under this priority, the Cyprus RDP will focus on the efficient management and use of water and energy resources, on the production and use of renewable energy and on the reduction of Green House Gases and ammonia emissions through investments in the anaerobic treatment of livestock waste. A total of € 45 million (public and private funds) will be invested in the supply of renewable energy (mainly solar but also from, animal waste, and plant residues for the purposes of the bio-economy. Investments in livestock management aiming to reduce GHG and ammonia emissions are planned in 7.5 % of the LU. Emphasis will also be given to investments in infrastructures aiming at increased efficiency of water used for irrigation. These will include the development of a network to distribute recycled water for irrigation. 9.17% of irrigated land will switch to more efficient irrigation systems aiming at least 10% potential savings in water used for irrigation. The RDP will also foster carbon sequestration through afforestation and forest protection actions and by promoting agricultural practices enriching the soil with organic matter. Furthermore, 80 projects will be implemented aiming at the prevention and/or restoration of damages caused by forest fires.

Social inclusion, poverty reduction and local development in rural areas

Focus will be placed on investments in the diversification of farming activities, farm and business development and in the creation of jobs in rural areas. Supported projects facilitating diversification and development of rural enterprises are expected to create 100 new jobs. Moreover, 46% of the population will benefit from investments in improved local basic services, recreational/agro-tourism infrastructure and ICT & broadband infrastructure. In addition, 11.6% of Cyprus' population will benefit from local development strategies, which will be implemented by 4 LEADER Local Action Groups and are expected to create around 20 new jobs.

The **biggest RDP measures** in budgetary terms (total public funding) are:

- € 103.4 million allocated to measure 04 (Investments in physical assets)
- € 62.7 million allocated to measure 10 (Agri-environment-climate)
- € 53 million allocated to measure 13 (Payments to areas facing natural or other constraints)
- € 22.7 million allocated to measure 11 (Organic farming)
- € 22.3 million allocated to measure 07 (Basic services and village renewal in rural areas).

Annex 1: Indicative public support for the Rural Development Programme of Cyprus

Target	Measure	€ Total public	%
Priority 1: Knowledge transfer and innovation in agriculture, forestry and rural areas²			
1A: Fostering innovation, cooperation, knowledge base 1.26% of RDP expenditure	M01 - Knowledge		
	M16 - Cooperation		
1B: Strengthening links (with research etc.) 30 cooperation operations	M16 - Cooperation		
1C: Training 2 800 participants to be trained	M01 - Knowledge		
Priority 2: Farm viability, competitiveness and sustainable forest management		58 516 297	18.24
2A: Economic performance, restructuring & modernisation 1.88% of holdings with RDP support 37.3 million total investment €(Public and private) 400 holdings supported for investment (M4.1) 16 910 holdings supported for the COVID crisis	M01 - Knowledge	1 326 415	0.41
	M04 - Investments	19 570 000	6.10
	M16 - Cooperation	325 000	0.10
	M21 – COVID 19	4 414 882	1.38
2B: Generational renewal 48 360 000 total investment €(Public and private) 0.82 % of holdings with RDP support for young farmers 320 beneficiaries receiving start up aid for young farmers (6.1)	M01 - Knowledge	200 000	0.06
	M04 - Investments	23 725 000	7.39
	M06 - Farm and business development	8 955 000	2.79
Priority 3: Food chain organisation, including processing and marketing of agricultural products, animal welfare and risk management		20 926 445	6.52
3A: Improving competitiveness of primary producers 4.12 % of agricultural holdings receiving support for participating in quality schemes, local markets and short supply circuits, and producer groups/organisations 20.60% of Livestock Units of sheep & goats receiving support under M14	M01 - Knowledge	400 000	0.12
	M03 - Quality schemes	1 500 000	0.47
	M09 - Producer groups / organisations	2 387 208	0.74
	M14 - Animal welfare	8 391 349	2.62
	M16 - Cooperation	747 870	0.23
3B: Risk Management 185 participants under M05.2	M05 - Restoring agricultural potential	2 000 000	0.62
	M22 – Impact of Russia’s invasion in Ukraine	5 500 018	1.71

² No financial allocation shown for Priority 1 as the expenditure is distributed across other focus areas.

Priority 4: Restoring, preserving and enhancing ecosystems in agriculture and forestry³		131 443 767	40.96
4A Biodiversity 10.75% of agricultural land under contracts 7.76% of forest land under contracts	M01 - Knowledge	150 000	0.05
	M08 - Forest	3 000 000	0.93
4B Water management 10.69% of agricultural land under contracts 7.76% of forest land under contracts	M10 - AEC	52 571 247	17.94
	M11 - Organic Farming	16 831 940	5.25
4C Soil erosion and management 22.33 % of agricultural land under contracts 7.76% of forest land under contracts	M12 - NATURA 2000 and WFD	1 000 000	0.31
	M13 - ANC	52 640 580	16.41
	M16 - Cooperation	250 000	0.08
Priority 5: Resource efficiency and shift to low carbon and climate resilience economy in agriculture, food and forestry sectors		44 295 147	13.80
5A Water efficiency 9.17 % of irrigated land switching to more efficient irrigation system	M01 - Knowledge	300 000	0.09
	M04 - Investments	9 575 000	3.04
	M10 - AEC	5 937 543	1.89
	M16 - Cooperation	150 000	0.05
5B Energy efficiency 3 operations related to increasing efficiency in energy use	M01 - Knowledge	150 000	0.05
	M16 - Cooperation	99 181	0.03
5C Renewable energy € 45 million (public and private) investments in renewable energy production	M04 - Investments	26 961 014	8.40
5D Reducing GHG and NH3 7.47 % of LU concerned by investments in live-stock management in view of reducing GHG and/or ammonia emissions	M01 - Knowledge	50 000	0.02
	M04 - Investments	2 000 000	0.62
5E Carbon conservation / sequestration 0.60 % of agricultural and forest land under management contracts contributing to carbon sequestration and conservation 80 projects for forest fires prevention and restoration	M08 - Forest	3 500 000	1.09
	M10 - AEC	1 509 952	0.47

³ Expenditure under Priority 4 is programmed for the priority as a whole, not for individual focus areas

Priority 6: Social inclusion, poverty reduction and economic development in rural areas		51 625 696	16.09
6A Diversification, SMEs and job creation 100 jobs to be created in supported projects € 22.5 million total public and private investments	M04 - Investments	15 000 000	4.67
6B Fostering local development 46.19% of rural population benefiting from improved services/infrastructures 11.55 % of rural population covered by local development strategies 20 jobs to be created (via LEADER)	M07 - Basic services	22 300 000	6.95
	M19 - LEADER and CLLD	13 725 696	4.28
6C Information and communication technologies in rural areas 46.19 % of rural population benefiting from improved services/infrastructures(ICT)	M07 - Basic services	600 000	0.19
Measure 113 (in transition)		9 574 668	2.98
Measure 20: Technical Assistance		4 496 938	1.40
Total public expenditure €		320 878 958	100