



REPUBLIC OF CYPRUS
MINISTRY OF FINANCE
Office of the Permanent Secretary

File No.: MoF 04.02.012.003.003

Nicosia, 15 November 2024

Mr Maarten Verwey
Director-General
Directorate for Economic and Financial Affairs
European Commission
Rue de la Loi 170/Wetstraat 170
1049 Bruxelles/Brussel
Belgium

Subject: Revised net expenditure growth path taking into account the statistical treatment and recording of the retroactive amount in relation to the new civil servants' pension scheme, after the submission of Cyprus' Medium-term Fiscal-Structural Plan 2025-2028

Dear Mr Verwey,

In relation to your letter of 11 November 2024, I would like to inform you that the Republic of Cyprus accepts the European Commission's proposal to adjust the growth rate of net primary expenditure, taking into account the revision of the statistical recording of the retroactive payments regarding the new civil servants' pension scheme, which took place after the submission of our Medium-term Fiscal-Structural Plan (the Plan), following the agreement between Eurostat and the Statistical Service of the Republic of Cyprus (CYSTAT).

2. With this amendment the Republic of Cyprus remains committed to the levels of the net primary expenditure that are envisaged to deliver the fiscal path to be pursued, as envisaged in the context of the Plan.

3. Following the abovementioned revised statistical treatment that had a negative net impact on the accounts of the general government of the order of €360 million in year 2023 (previously, as implicit in the Plan, the corresponding total amount had an impact in years 2024, 2025 and 2026, equally distributed), the net expenditure growth is adjusted to 2.7% in 2024 and to 5.2% on average for the period 2025-2028, as in the table below:

	2024	2025	2026	2027	2028
Net nationally financed primary expenditure (annual $\Delta\%$)	2.7%	6.0%	5.0%	5.4%	4.3%

4. Therefore, in procedural terms we would like this to be considered as an Addendum to the original Plan, which was submitted by the Republic of Cyprus to the Commission 15th October 2024, taking into consideration the decision of the Council of Ministers on 14th November 2024 for the acceptance of the revised net primary expenditure path, replacing the corresponding figures of Table 1 of the Plan with the ones presented above, as well as wherever these are mentioned in its context.

5. By accepting the revision in the growth rates of net primary expenditure, taking into account the change in the statistical treatment of the recent transaction related to the new pension fund of civil servants, we commit to the forecasted debt trajectory presented in the Plan, safeguarding the fiscal position of the Republic, as envisaged.

6. In closing, I would like to emphasize our commitment to closely work with the European Commission services, with a view to consistently implement our Plan and ensure debt reduction and fiscal stability in line with the EU regulations.

Yours sincerely,



Andreas Zachariades
Permanent Secretary
Ministry of Finance