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Second Compliance Report

Third Evaluation Round

Second Compliance Report on Cyprus

"Incriminations (ETS 173 and 191, GPC 2)"

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"Transparency of Party Funding"

Adopted by GRECO
at its 67th Plenary Meeting
(Strasbourg, 23-27 March 2015)

I. INTRODUCTION

1. The Second Compliance Report assesses further measures taken by the authorities of Cyprus since the adoption of the Compliance Report in respect of the recommendations issued by GRECO in its Third Round Evaluation Report on Cyprus. It is recalled that the Third Evaluation Round covers two distinct themes, namely:
 - **Theme I – Incriminations:** Articles 1a and 1b, 2-12, 15-17, 19 paragraph 1 of the Criminal Law Convention on Corruption (ETS 173), Articles 1-6 of its Additional Protocol (ETS 191) and Guiding Principle 2 (criminalisation of corruption).
 - **Theme II – Transparency of party funding:** Articles 8, 11, 12, 13b, 14 and 16 of Recommendation Rec(2003)4 on Common Rules against Corruption in the Funding of Political Parties and Electoral Campaigns, and - more generally - Guiding Principle 15 (financing of political parties and election campaigns).
2. Evaluation Report was adopted at GRECO's 50th Plenary Meeting (1 April 2011) and made public on 4 April 2011, following authorisation by Cyprus (Greco Eval III Rep (2010) 9E, [Theme I](#) and [Theme II](#)). The subsequent Compliance Report was adopted at GRECO's 59th Plenary Meeting (22 March 2013) and was made public on 5 April 2013, following authorisation by Cyprus ([Greco RC-III \(2012\) 24E](#)).
3. As required by GRECO's Rules of Procedure, the authorities of Cyprus submitted their Second Situation Report with additional information regarding the actions taken to implement those recommendations that were partly implemented or not implemented according to the Compliance Report. This report was received on 30 September 2014 with subsequent updates of 6 March and served as a basis for the Second Compliance Report.
4. GRECO selected Croatia and Ireland to appoint rapporteurs for the compliance procedure. The Rapporteurs appointed were Mr Dražen JELENIĆ, on behalf of Croatia, and Mr Aidan MOORE, on behalf of Ireland. They were assisted by GRECO's Secretariat in drawing up the Compliance Report.

II. ANALYSIS

Theme I: Incriminations

5. It is recalled that GRECO in its evaluation report addressed two recommendations to Cyprus in respect of Theme I. In the subsequent Compliance Report, GRECO concluded that recommendation ii had been implemented satisfactorily and recommendation i had been partly implemented. Compliance with the latter is dealt with below.

Recommendation i.

6. *GRECO recommended (i) that firm measures be taken in order to ensure that the provisions concerning the criminalisation of corruption as provided for in the Laws 23(III)/2000 and 22(III)/2006 are applied in practice; (ii) to make these provisions accessible as part of the criminal legislation and (iii) for the sake of legal certainty, create a uniform legal framework for the criminalisation and sanctioning of corruption offences in accordance with the Criminal Law Convention on Corruption (ETS 173) and its Additional Protocol (ETS 191), notably by amending and/or abolishing current legislation.*

7. GRECO recalls that this recommendation had been assessed as partly implemented. Regarding the first part of the recommendation, GRECO had taken note of the measures reported such as calls to the national law enforcement bodies to familiarise themselves with these laws and circulars asking them to apply these laws when handling corruption-related cases, guidelines elaborated by the Attorney General for subordinate officers to consider the application of the aforementioned legal acts when dealing with corruption-related cases. GRECO considered that these remained insufficient. It was noted that Laws 23(III)/2000 and 22(III)/2006 which ratify the Criminal Law Convention on Corruption and its Additional Protocol had still not been invoked in a criminal case of corruption¹. GRECO was of the opinion that more efforts and determined steps are needed, for instance rigorous training and guidance material for law enforcement staff and the judiciary², facilitated awareness via targeted campaigns and web sites etc.
8. As concerns the second and third parts of the recommendation, GRECO recalls that *“instead of gathering all corruption crimes in a single legal instrument, the authorities have opted for the revision of the “new” legal acts (i.e. Laws 23(III)/2000 and 22(III)/2006), so as to ensure their compatibility with ETS No. 173 and No. 191 and modification of the Criminal Code and the Prevention of Corruption Law to make them compliant with the “new” legal acts. It would appear that amendments to the Criminal Code and the Prevention of Corruption Law have eliminated certain past inconsistencies. This concerns in particular, the insufficiently dissuasive pecuniary sanctions for corruption offences and the missing elements of some bribery offences. Yet, the full harmonisation has not been achieved. For example, it is unclear whether the offences of trading in influence and bribery of jurors and arbitrators have been properly covered by the revised Prevention of Corruption Law.”* GRECO accepted that *“since many of the provisions of Laws 23(III)/2000 and 22(III)/2006 have been integrated into the Criminal Code and the Prevention of Corruption Law, the former have in fact been made accessible as part of the criminal legislation. Yet the objective of coherence and legal certainty has not been achieved, due to the coexistence of laws with different material and personal scope. For example, despite the greater level of approximation, important divergences still persist between the two groups of laws as regards certain aspects of incriminations (as highlighted above), standard of evidence and regime for prosecution.”* It was nonetheless of the opinion that more determined steps are necessary in order to fully harmonise the existing legislation” (by gathering all corruption crimes in a single legal instrument, as it was indicated in the Evaluation Report).
9. The authorities of Cyprus indicate that shortly after the adoption of the First Compliance Report, further consideration was given to this recommendation at meetings of the Coordinating Body Against Corruption. Concerning the first part of the recommendation, they reiterate the existence of the circulars for law enforcement agencies and that the members of the Office of the Attorney General of the Republic have been given clear guidelines by the Attorney General to consider the application of the provisions of the aforementioned legislation when dealing with cases related to corruption offences. They also stress that the Police Academy organises five times per year special training seminars regarding the fight and protection against corruption. These seminars are particularly useful to members of the Police who are involved in operations against corruption and/or other crimes. In addition to the above, a series of training programs, which are taught in the Cyprus Police Academy, include modules related to the fight against corruption, e.g. the Training Program for Police Lieutenants, or the Training Program for Police Superior Lieutenants, or the Training Program for Financial Crime Investigators.

¹ Notwithstanding one pending investigation of corruption in the private sector reported by the authorities

² According to paragraph 123 of the Evaluation Report, none of the judges met on-site were familiar with the content of the Laws ratifying the Convention and its Additional Protocol.

10. Concerning the second part of the recommendation, the authorities reiterate their earlier comments namely that certain provisions of the relevant domestic legislation were amended – Law 23(III)/2000, Law 22(III)/2006, the Criminal Code (Cap. 154) and the Prevention of Corruption Law (Cap. 161), in order to be compatible with each other and with the provisions of ETS 173 and ETS 191. Many of the provisions contained in Laws 23(III)/2000 and 22(III)/2006, have been integrated through the aforementioned amendments into the Criminal Code and the Prevention of Corruption Law, thus making the new provisions accessible as part of the domestic criminal legislation.
11. On the last part of the recommendation, no further measures have been taken and the authorities are of the opinion that the existing legal framework for the criminalisation and sanctioning of corruption offences is comprehensive, uniform and effective enough and exempt of potential gaps and that it reflects the provisions of ETS 173 and ETS 191.
12. GRECO regrets that no additional measures have been taken to fully take into account the various concerns addressed in the three parts of the recommendation. The only new information supplied concerns police training but GRECO cannot conclude that it is fulfilling the objectives of the present recommendation. In any event, Cyprus does not provide data showing the increased effectiveness of the incriminations.
13. GRECO concludes that recommendation i remains partly implemented.

Theme II: Transparency of Party Funding

14. It is recalled that GRECO in its Evaluation Report addressed six recommendations to Cyprus in respect of Theme II. The Compliance Report concluded that recommendation iv has been implemented satisfactorily. Recommendations i and v have been partly implemented and recommendations ii, iii and vi have not been implemented. Compliance with those recommendations is dealt with below.
15. As a general introduction, the authorities of Cyprus point out that shortly after the First Compliance Report was adopted, the Coordinating Body against Corruption discussed ways to implement the outstanding recommendations and all the authorities involved were invited to submit suggestions and comments within a certain deadline. At the same time, the Parliament got involved and in a letter of 15 October 2013, the President of the House of Representatives indicated to the Minister of Interior and the Minister of Justice and Home Affairs the intention of the Parliament to amend the pertinent legislation and to decide on all other necessary measures. In a similar letter sent in July 2014, the President of the Parliamentary Committee on Institutions, Merit and the Commissioner for Administration (Ombudsman) confirmed the Parliament's intention to treat as a priority the discussion of legislation amending the Political Parties Law of 2012 (hereinafter referred to as "PPL").
16. After a series of meetings involving the above bodies, the Minister of Interior prepared three draft laws dealing, *inter alia*, with the pending matters of Theme II: a) the Law of 2015 amending the Political Parties Law; b) the Law amending the Law on the Election of Members of the House of Representatives (Law 72/79); and c) Law amending the Election (President and Vice-President) Law. On 4 February 2015, the draft law above amending the Political Parties Law was approved by the Council of Ministers and on 19 February, it was submitted to the Parliament for its discussion and adoption. On 11 March, the draft law amending Law 72/79 was also approved by the Council of Ministers and subsequently sent to Parliament. The third draft law above has not

been approved by the Government as yet. The Cypriot authorities explained that once this is done, it will be sent to Parliament as well. English translations of the three drafts were made available to the rapporteurs and the Secretariat.

Recommendation i.

17. *GRECO recommended (i) to ensure that all forms of income, expenditure, assets and debts are accounted for by political parties in a comprehensive manner and following a consistent format and that their accounts also include the finances of local branches of parties; (ii) to seek ways of increasing the transparency of the finances of other entities which are related directly or indirectly to political parties or under their control, and (iii) to ensure that the accounting information is made public in a timely and sufficiently comprehensive manner.*
18. GRECO recalls that this recommendation has been categorised as partly implemented. On 17 December 2012, the Political Parties Law (PPL)³ had been enacted. It includes a special provision mandating the parties' annual financial statements to consolidate financial data with those entities directly or indirectly related to them. A definition of such organisations is contained in the law. Thus, GRECO concluded that the second part of the recommendation had been implemented. As for the first part of the recommendation, Section 6(1) of the PPL has introduced an explicit obligation for political parties to keep comprehensive accounting books, in accordance with the International Financial Reporting Standards, which integrate information on income, expenditure, assets and debts of a political party, including its local branches. However, GRECO considered that to give an adequate understanding of party accounts, the financial reporting should better take into account the specificities of party financing which may include membership fees, state subsidies, revenue-generating activities (party press, public relations agencies, etc.), donations in kind, contributions from members, revenues from the organisation of events, etc. This part of the recommendation was thus categorised as partly implemented. As for the third part of the recommendation, besides the duty for the Auditor General to publish an annual audit report on the parties' financial situation, GRECO was concerned that Cyprus had not introduced a clear requirement to publish also the financial statements as such of the parties and consequently the last part of the recommendation was considered not implemented.
19. Finally, GRECO made the following comment: *"while acknowledging that this issue is beyond the scope of the recommendation, GRECO remains concerned by the continuous involvement of the Commissioner of the Political Parties' Register in the external monitoring of political financing. Under the new PPL, s/he still acts as a depository of the parties' financial statements, transmits them to the Auditor-General, and imposes fines on political parties based on the findings and orders of the Auditor-General. In paragraph 70 of the Evaluation Report, GRECO already stressed that the Commissioner appointed by the Minister of the Interior, could not be regarded as sufficiently removed from the Government to meet the requirements of independence as envisaged under Article 14 of Recommendation Rec(2003)4. For this reason, GRECO renews its calls to the authorities to set up a fully independent monitoring system of political financing in Cyprus".*
20. The Cypriot authorities indicate that the draft law amending the Political Parties Law (PPL) mentioned in paragraph 16 includes under Section 7, a provision extending the scope of section 6(1) PPL and requiring that "the financial statements of every party, associated organisations and the consolidated financial statements (...) shall also set out in detail the sources of income and the application of funds, such as the regular subscriptions of members, State funding, revenue

³ L.175(I)/2012.

from events, contributions in kind, contributions from members and friends, the pre-election campaigns and administrative costs, event promotion costs, fixed assets purchases, fixed assets purchases...". Section 7 also provides that the financial statements shall be prepared in accordance with the International Accounting Standards and audited in accordance with International Standards on Auditing as defined in the relevant legislation governing such standards (currently, the Auditors and Statutory Audits of Annual and Consolidated Accounts Laws 2009 to 2013). The authorities explain that accordingly, assets, debts and liabilities would also be included in those statements. According to the intended amendments, the time frame and deadlines for supervision and publication are modified along the following components of the process: a) the annual financial statements are subject to an independent internal audit and subsequently submitted to the Commissioner for Political Parties (herein after referred to as "the Commissioner") within four months after the end of the reference year concerned. S/he would in future be an independent official appointed by the President for a five-year term. The Commissioner shall be entitled to apply a fine in case of material or intentional inaccuracies; b) the statements are then submitted to the Auditor General within five months after the end of the year or within one month following receipt (the shortest of these terms being applicable). The Auditor shall prepare a report with his/her findings, to be published in the Official Gazette and on the Auditor's website no later than nine months after the financial statements (including additional particulars s/he may have requested) were submitted. The draft further states that "the Commissioner takes all the necessary action for compliance where infringements have been ascertained and for imposing the appropriate administrative penalty". Section 7 of the draft requires that "the political parties themselves are obliged to post their audited consolidated financial statements on their websites" and that the Commissioner publishes these in the Official Gazette. The PPL of 2012 currently provides that non-compliance with any requirement of the law is punishable with a fine of up to € 20,000 imposed by the Commissioner, with the concurrence of the Auditor General (it being understood that specific sanctions are provided for certain infringements, for instance a fine of up to the amount of the State subsidy in case no statement is submitted). It should be noted that similar specific draft arrangements are foreseen in accordance with a new Section 6A for the submission, supervision and publication of income and expenditure related to election campaign periods (see also recommendation iii hereinafter). These statements are to be submitted within two months after the election to the Commissioner who may apply a fine in case of material or intentional inaccuracies, then the statements are to be forwarded for inspection to the Auditor General within three months from the date of the election; c) finally, the findings and the full detailed financial statements are to be published on the website of the Audit Office within nine months from their submission for inspection. Parties themselves are required to post these statements on their websites.

21. GRECO takes note of the above information. As regards the first part of the recommendation, it would appear that the draft legislation amending the Political Parties Law (PPL) goes in the right direction since the list of financial information to be itemised in the books and financial statements would be expanded to better take into account the specificities of political parties. Cyprus will need to ensure that once legislation is adopted, a standardised and consistent format is provided in implementing rules or arrangements since the draft law provides for an open list of items of income and expenditure. Moreover, there may be a need to make it clear how the international accounting standards are to be applied when it comes to the parties' other financial elements (e.g. assets, debts, liabilities). Finally, Cyprus will need to confirm that separate and consolidated statements (incorporating the affiliated organisations' situation) have in fact been submitted by the political parties. As for the last part of the recommendation, the draft amendments to the PPL are clearly seeking to improve the situation as regards the publication of the parties' annual financial statements including those specifically related to the financing of election campaigns. However, the draft legislation is not entirely clear as to whether any information would be

publically available before the completion of the supervision process – i.e. 12 to 14 months depending on the case. In this respect, GRECO recalls that the recommendation also calls for the timely disclosure of such information. In any event, the legislation is still in the discussion stage.

22. As to the additional comments concerning the Commissioner involved in the supervision of political parties, GRECO notes with interest that the draft amendments to the PPL aim to improve the situation. GRECO understands that the *Commissioner of the Political Parties' Register* would be replaced by a *Commissioner for Political Parties*, designated as an independent official appointed for five years directly by, and answerable to the President of the Republic. The former would only retain registration functions. GRECO encourages Cyprus to proceed with those amendments. The draft legislation amending the PPL simply includes a definition that the Commissioner (for political parties) is independent and appointed by the President. Given that this Commissioner will retain important supervisory and enforcement functions, Cyprus may wish to ensure that the Commissioner's independence is supported by legislation underpinning the financial independence and resourcing of his/her office and to ensure the intended guarantees of independence would be enough in future also in respect of the supervision of campaign financing concerning the presidential election.
23. GRECO concludes that recommendation i remains partly implemented.

Recommendation ii.

24. *GRECO recommended to introduce a general requirement for political parties, elected representatives and election candidates to disclose all individual donations (including of a non-monetary nature and sponsoring) they receive above a certain value together with the identity of the donor.*
25. GRECO recalls that this recommendation was assessed as not implemented. As indicated in the First Compliance Report (paragraph 32): *“the disclosure of named private donations above a certain value, together with the identity of the donor, so far has not been achieved neither in respect of political parties nor in respect of election candidates. With regard to donations, there is only one disclosure requirement contained in the new Political Parties Law (PPL). This requirement is for a political party and its affiliated organisations to publish in the daily press the aggregate amount of anonymous donations received per year. Furthermore, GRECO expresses concern over the high threshold established for the identification of donations to political parties and their affiliates, which is set at EUR 1000 per each case”.*
26. Additionally, GRECO reiterated in paragraph 33 of the Compliance Report its concerns about the sponsorship regulations of Cyprus, i.e. *“the possibility for a political party to accept contributions of any kind from a public body as a sponsor of events organised by the party without any restrictions or reporting obligations. While Section 5(3) PPL has introduced some restriction on the amount of sponsorship which can be provided by a public body, GRECO notes with concern, that legal entities of public law over which the state exercises control, can in their capacity as sponsors in events, still provide donations to political parties and their affiliates up to the amount of EUR 20,000 per year for each legal entity”.*
27. The authorities of Cyprus report that the draft law (Section 6) amending the PPL is making a series of important changes to the current situation: a) by putting a ban on all forms of anonymous donations; the draft foresees that all political parties and their affiliated organisations shall keep a special registry where the identity number (in case of a natural person) or the registration number (in case of a legal person) of those persons whose donation is accepted

(donations referred to in section 5(1) PPL), are listed.; b) by introducing for certain specified cases, a ceiling on private donations to a political party and its components: these may not exceed annually the amalgamated amount of €5000 (for instance in case of donors who have a criminal record, foreign donors, donors who have a license to operate casinos and similar games and betting activities).; c) political parties and affiliated organisation shall, by 28 February each year, furnish to the Commissioner for political parties and make available online, the identity of natural or legal persons who have made a donation, as well as the amounts concerned where these exceed annually a € 500 threshold; failure to publish this information within the above deadline attracts criminal liability for the recipient (a pecuniary fine of up to three times the amount of donations which have not been published can be imposed by the criminal court). The Cypriot authorities have also confirmed that the concept of donations is to be understood broadly and includes any monetary and non-monetary (or benefit-in-kind) form of support.

28. The draft also provides that concerning political parties and affiliated organisations entered into the Registry (of political parties), all the information concerning donations above € 500 (amount, identity of donor) would be available at the Office of the Commissioner for Political Parties, for information of the public.
29. In respect of election campaigns specifically, the draft law amending the Election of Members of the House of Representatives Law (L. 72/79) provides that candidates running for election shall publish the election statement (provided in section 52(1) of Law 72/79) at least in one daily newspaper, before its submission to the General Returning Officer (Election Commissioner). The governmental draft amending the law on the presidential election (not yet in Parliament) will contain a cross reference to ensure the applicability of this provision of Law 72/79 to the context of the presidential election. As for the rules regulating elections to the European parliament, Law 10(I)/2004 already contains under Section 27 a general cross-reference to Law 72/79. Moreover, the Auditor-General of the Republic shall, after having audited the financial statements, prepare a report in relation to the audit findings and publish the same in the Official Gazette of the Republic.
30. Finally, to address GRECO's additional concerns on public sponsorship mentioned in paragraph 33 of the First Compliance Report, the draft Law amending the PPL foresees to repeal the exception currently contained in section 5(3) PPL which allows for derogations concerning the sponsorship of events. This would mean that any public sponsoring of parties or individual politicians will be prohibited in future.
31. GRECO takes note of the above and is pleased to see the ambitious amendments to the Political Parties Law proposed for adoption as regards political party financing, including a total ban on anonymous donations and a disclosure of the identity of donors above a certain threshold (€500). For the time being, these amendments which respond to the recommendation have not been adopted. As for election candidates, GRECO appreciates that the draft law amending the Election of Members of the House of Representatives Law (Law 72/79) would introduce – if adopted – a duty to publish financial statements for individual campaign participants. GRECO notes with satisfaction that cross references to Law 72/79 already exist in the law applicable to the European Parliament elections, or are being contemplated in the case of the law regulating presidential elections. Cyprus is encouraged to ensure utmost legal consistency across the various electoral laws (including for local elections) and for the various new requirements introduced in accordance with the present recommendation, for instance the disclosure of all individual donations received by candidates and elected representatives when they exceed a certain value. As the various proposed amendments are all at the stage of preparation or discussion/adoption, GRECO will need to re-examine the situation when the legislative process is more advanced and a more consolidated overview becomes available.

32. GRECO concludes that recommendation ii has been partly implemented.

Recommendation iii.

33. *GRECO recommended to introduce specific reporting of all income and expenditure relating to election campaigns by political parties and election candidates in respect of all types of elections, that such information should include non-monetary or benefit-in-kind contributions received by the party or the candidate and expenditure incurred on the party's or candidate's behalf and that such information should be disclosed to the wider public at appropriate intervals.*

34. GRECO recalls that this recommendation was categorised as not implemented.

35. The authorities of Cyprus report that the draft legislation amending the Political Parties Law (PPL) includes a new section 6A which obliges all political parties participating in any election taking place in the Republic, including the European Parliament election, to submit to the Commissioner for Political Parties financial statements listing all income and expenditure connected to the election campaign within two months from the date of the election (see also recommendation i in this respect). These statements shall then be forwarded to the financial control of the Auditor General of the Republic within three months after the election date. The Auditor General shall prepare a report with the findings of the audit, which shall be published within nine months from the submission for control, along with the analytical statements of income and expenditure incurred in relation to the election campaign of political parties, in the Official Gazette of the Republic and on the website of the Auditor General of the Republic. Moreover, administrative sanctions are provided in case of non-compliance with the aforementioned obligations or in case the statements mentioned above contain material or deliberate inaccuracies.

36. The authorities point out that the political parties' election statements must include, *inter alia* such items as election campaign donations and expenses as indicated earlier under recommendation i.

37. As to the submission of financial statements by the election candidates', according to the pertinent provisions of the draft law amending the Election of Members of the House of Representatives Law (L. 72/79), the General Returning Officer (Election Commissioner) shall submit for auditing to the Auditor General of the Republic the election statements of all candidates (which are provided in existing section 52 of Law 72/79) within fifteen days from the date of their receipt. The Auditor General, who is, by virtue of the Constitution, an independent authority, shall audit the aforementioned statements and prepare a report, which shall be published in the Official Gazette of the Republic. It is reminded that the existing section 52 of Law 72/79 provides for the obligation of every election candidate to submit to the Commissioner of Elections, within three weeks after the publication of the election result, a statement regarding all his/her income and expenditure incurred in relation to the election [section 52(1)]. As indicated in paragraph 16 above, legislation is also being prepared to amend the Law on the Election of the President and Vice-President and it is envisaged to make the provisions of Law 72/79 regarding the elected representatives and candidates' expenditure also applicable to the context of presidential elections (the ceiling on expenditures for the presidential campaign – €2.000.000 – would be specific though).

38. GRECO takes note of the above amendments currently under preparation in Cyprus. It would appear that the draft amendments to the Political Parties Law (PPL) referred above would address several objectives of the recommendation if they were adopted. This constitutes a partial progress but bearing in mind recommendation i, Cyprus is encouraged to ensure that a

standardised and more consistent accounting format for election income and expenditure will be provided. GRECO notes that Cyprus has opted for a general disclosure after the elections are held and financial statements have been checked, as opposed to disclosure at appropriate intervals during the campaign. The former may constitute a suitable alternative to the latter, provided the financial statements are published timely. From the information provided, GRECO cannot conclude that this is the case. Moreover, since political parties report separately about their own contribution to the funding of a campaign and this information becomes publicly available about one year after the date of the election, GRECO will need to re-examine the overall situation which will result from the intended changes once a more consolidated overview is available and the process is more advanced.

39. GRECO concludes that recommendation iii has been partly implemented.

Recommendation v.

40. *GRECO recommended (i) to clarify that the monitoring of political parties' annual accounts goes beyond the auditing of incomes and expenditure; (ii) to ensure that income funding an election campaign and all expenditure incurred in relation to the election are accounted for in the statement furnished to the Auditor General at election campaigns and to provide for clear rules for the submission of such statements to the Auditor General; and (iii) to provide an independent supervisory mechanism in respect of election candidates' income and expenditure.*
41. GRECO recalls that his recommendation was considered partly implemented. There was no pertinent follow-up from Cyprus to the second and third components of the recommendation, whilst in respect of the first component – which was fully implemented – the PPL had been amended in 2012 in particular so that also assets and debts form part of the political parties' annual financial statements.
42. The authorities of Cyprus reiterate the comments and information supplied in relation to recommendation iii in paragraphs 35-37 above. They also refer to other intended amendments to the Political Parties Law (PPL). In particular, it proposes a new paragraph 1A under Section 6 according to which the statements of political parties submitted to the Commissioner for Political Parties, shall include and detail all income and expenditure related to an election campaign. A new paragraph 1B entitles the Commissioner to impose a fine for any violation of the above requirements. Moreover, the draft amending the legislation on parliamentary elections (Law 72/79) provides for a new wording of Section 52(3) requiring from the General Returning Officer to submit to the audit of the Auditor General the financial statements of election candidates within 15 days from their receipt.
43. Regarding the second part of the recommendation, GRECO takes note of the intended draft legislation amending the Political Parties Law (PPL), which includes a new section requiring all political parties participating in any election taking place in the Republic to submit to the Commissioner for Political Parties ("the Commissioner") financial statements listing all income and expenditure connected to the election campaign within two months from the date of the election. The information provided by the Cypriot authorities shows clearly that the intention of the drafters at this stage is that all the information submitted would subsequently be available to the financial control of the Auditor General of the Republic. Moreover, the current draft amendments foresee a two months deadline (after the election date) for the transmission of the complete file. GRECO notes also with interest that similar arrangements are planned in connection with statements to be submitted by election candidates. The amendments concerned are in the adoption stage and it remains to be seen whether all major elections are covered in the same

way. In relation to candidates for presidential election, it is reminded (see paragraph 29 above) that the draft law concerned is making a cross-reference to the applicability of Law 72/79 on elections to the Parliament.

44. As to the third part of the recommendation, on the one hand, it would appear that the role of the Election Commissioner (General Returning Officer) and of the Commissioner for Political Parties is reviewed in the draft legislation under preparation since all financial statements both of the political parties and of election candidates would be forwarded to the Auditor General for financial supervision. The Commissioner for Political Parties, as already stressed in paragraph 20 above, would be an independent body in future, appointed for five years by the President. As already pointed out, this would be an improvement, provided sufficient guarantees of statutory and financial independence are included for him/her to be up to the task, including when it comes to supervising political funding linked to presidential election campaigns. Similar improvements concerning the independence of the Election Commissioner are not even contemplated. The involvement of the Election Commissioner acting as a depository of financial statements, responsible for identifying at the first control stage possible inaccuracies and for imposing fines – on political parties and on candidates remains problematic. The Election Commissioner is appointed by the Minister of the Interior and s/he cannot be regarded as sufficiently removed from the Government to meet the requirements of independence as envisaged under Article 14 of Recommendation Rec(2003)4. Overall, GRECO can only reiterate once again its calls to the authorities to set up a fully independent monitoring system of political financing in Cyprus.
45. Overall, it is equally important that the supervision is effective. The information provided sometimes suggests, as is the case in paragraph 35, that sanctions can only be applied in case of breaches of formal requirements or of obvious inaccuracies; Cyprus needs to review this situation and to ensure fully-fledged controls are in place which allow to also uncover and sanction omitted or hidden financial and other support.
46. GRECO concludes that recommendation v remains partly implemented.

Recommendation vi.

47. *GRECO recommended that flexible sanctions be introduced for violations of the legislation concerning the submission of election statements in respect of election candidates.*
48. GRECO recalls that this recommendation had been categorised as not implemented. Cyprus had reported about improvements made in 2012 to the PPL's regime of sanctions – which was not the subject of this recommendation – and indicated that the Parliamentary Committee on Internal Affairs was expected to examine this issue in due course as part of the possible revision of Law 72/79 on the Election of Members of the House of Representatives. GRECO also recalls its concerns that despite frequent infringements and obsolete ceilings on campaign expenditure for parliamentary elections⁴, Cyprus was not applying the existing criminal law sanctions i.e. a fine up to € 342 and/or imprisonment up to 6 months in case of over-spending above the permitted threshold or non-submission of statements on campaign expenditure.
49. The authorities of Cyprus report that the draft law on amendments to the Law on the Election of Members of the House of Representatives (Law 72/79) foresees to reformulate section 52(1) of Law 72/79 with the addition of a provision, according to which the General Returning Officer

⁴ As indicated in paragraph 67 of the Evaluation Report – Theme II, the expenditure limits have been adjusted to reasonable levels after the visit by Law 31(I)2011 which entered into force on 18 March 2011.

(Commissioner of Elections) can impose a pecuniary fine of €500 (plus an additional €50 per day of delay) upon a candidate for not submitting within the defined time limits his/her financial statement on income and expenditure pertaining to the campaign. It is also foreseen to insert a new paragraph which provides that where campaign expenditures exceed the permissible ceiling with respect to a candidate, the Auditor General shall forward the candidate's election statement to the Commissioner of Elections for the imposition of a pecuniary fine equal to the total amount of overspending (Section 7 of the draft law).

50. GRECO takes note of the intended amendments reported above. It would appear that Cyprus is planning to replace the existing and ineffective system of criminal sanctions by a new set of administrative penalties which are more easily applicable in relation to campaign financing for parliamentary elections. The main underlying concerns of this recommendation are thus being addressed as regards candidates for election to Parliament but for the time being, the amendments to the Law 72/79 on the Election of Members of the House of Representatives have yet to be considered by the Parliament. GRECO will also need to re-examine the overall situation under the various electoral laws once a more consolidated overview is available and the reform process is more advanced.
51. GRECO concludes that recommendation vi has been partly implemented.

III. CONCLUSIONS

52. **In view of the conclusions contained in the Third Round Compliance Report on Cyprus and in light of the above, GRECO concludes that Cyprus has still implemented satisfactorily or dealt with in a satisfactory manner only two of the eight recommendations contained in the Third Round Evaluation Report.** All six remaining recommendations are now partly implemented.
53. More specifically, with respect to Theme I – Incriminations, the situation remains unchanged: recommendation ii has been implemented satisfactorily and recommendation i remains partly implemented. With respect to Theme II – Transparency of Party Funding, recommendation iv has been implemented satisfactorily and recommendations i and v, and now recommendations ii, iii and vi have been partly implemented. Overall, the tangible progress made since the adoption of the First Compliance Report of March 2013 has been limited, considering that three additional recommendations are now categorised as partly implemented.
54. In so far as Theme I (Incriminations) is concerned, Cyprus has not used the extra time since the First Compliance Report to adopt new pertinent measures supporting the effective application in practice of its criminal law provisions on corruption-related offences, to make the legal framework more accessible and to improve its uniformity.
55. In relation to Theme II (transparency of party funding), progress has been slow even though Cyprus is visibly committed to pass a series of amendments to improve transparency and supervision of political financing. The country has prepared a new set of amendments to the Political Parties Law which still needs to be adopted by Parliament (and subsequently enforced). This draft foresees a series of important changes such as a ban on anonymous donations and public sponsorship of political parties, the systematic recording of all donations, the disclosure of donors above a certain amount of support provided in a year. GRECO is also pleased to see that specific information on campaign financing would be better accounted for and publicly disclosed if the PPL was amended as intended. Also, a more flexible system of sanctions is being considered, which is meant to facilitate the actual enforcement of legislation on political financing.

Cyprus needs to pursue more vigorously its efforts in a series of areas such as the supervision of political financing and to ensure an independent and effective control mechanism will be established for the future. The draft law carrying amendments to the legislation on the election of parliament has been approved by the Council of Ministers but still needs to be adopted in Parliament. The draft law carrying amendments to the legislation on the election of the President and Vice-President is still at an early stage and needs to be adopted by the Council of Ministers before it can be submitted to Parliament. The aim of these two drafts is *inter alia* to adjust the electoral legislation and the financing of election campaigns on the intended amendments to the PPL. GRECO will need to re-examine in greater detail the overall situation and the actual content of the various laws once the adoption process is more advanced or completed and English translations become available.

56. To sum up, Cyprus has not made sufficient or decisive progress in terms of recommendations fully implemented, since the First Compliance Report was adopted two years ago. The vast majority of recommendations remain partly implemented. Under these circumstances, GRECO has no choice but to consider the situation as “globally unsatisfactory” in the meaning of Rule 31, paragraph 8.3 of its Rules of Procedure. GRECO therefore decides to apply Rule 32 concerning members found not to be in compliance with the recommendations contained in the mutual evaluation report, and asks the Head of the Cypriot delegation to provide a report on the progress made in implementing recommendation i (Theme I – Incriminations) and recommendations i, ii, iii, v and vi (Theme II – Transparency of Party Funding), as soon as possible, however – at the latest – by 30 September 2015, pursuant to paragraph 2(i) of that Rule.
57. Finally, GRECO invites the authorities of Cyprus to authorise, as soon as possible, the publication of the report, to translate it into the national language and to make this translation public.