

File No 02 01.033.001

21 June 2016

State Aid Audit Inspector

**Report on Services of General Economic Interest: Filoxenia International
Conference Centre**

In reply to your letter ref 25.02.001011 of 10 May 2016 on the above subject, please find attached a table showing the data on management of the Filoxenia International Conference Centre by the Cyprus Tourism Organisation (CTO). These are the operating costs for the years 2014 and 2015 which come out of the Organisation's budget and relate to the following categories of expenditure: food, technical support, rooms, cleaning, building insurance, consumables, and charges for electricity, water, telephone and garbage.

Management of the Filoxenia Conference Centre by the CTO has been extended by a decision of the Ministerial Council of 14 December 2015 until 31 December 2016. Please find attached a copy of the amended Contract assigning management of the International Conference Centre, for your information.

Please do not hesitate to contact for me for any further information or clarification.

Yours sincerely,

pp the Deputy Director-General

Report on Services of General Economic Interest:
Filoxenia International Conference Centre

Cost of operation of the Filoxenia International Conference Centre by the Cyprus Tourism Organisation		
	<u>2014</u>	<u>2015</u>
Operating expenses	386 898	390 520
Wages	95 289	119 163
Total	482 187	509 683

**AMENDMENT OF THE CONTRACT ASSIGNING MANAGEMENT OF THE
INTERNATIONAL CONFERENCE CENTRE**

Contract amending the Management Contract dated 31 July 2015, done this day 9 December 2015, BETWEEN:

- (a) the Government of the Republic of Cyprus, through the Minister for Energy, Commerce, Industry and Tourism (hereinafter ‘the Owner’ - a term which includes successors to the position or any person duly authorised to represent and commit the Owner for the purpose of this Contract), Nicosia T.T. 1421 of the one part,

AND

- (b) the Chairman of the Board of Directors of the Cyprus Tourism Organisation (CTO) (‘the Manager’ - a term which includes any person duly authorised by the Manager to represent and commit him for the purposes of this Contract), Nicosia, T.T. 2112 of the other part.

The Owner and the Manager shall be referred to as ‘the Parties’.

WHEREAS on 31 July 2015 an Amending Contract assigning management of the International Conference Centre (ICC) was signed between the Minister for Energy, Commerce, Industry and Tourism of the Republic of Cyprus and the Chairman of the Cyprus Tourism Organisation (CTO);

WHEREAS under the Amending Contract the duration of management was established as the period from 1 August 2015 to 31 December 2015.

WHEREAS on the basis of Ministerial Council Decision No 75.056 dated 8 May 2013 it was decided that:

- (a) after the expiry of the Contract assigning management of the ICC to the CTO on 31 January 2015, the wider area of the ICC shall be assigned to the Public Works Department (PWD), which shall act as the Contracting Authority, and
- (b) a Management Committee shall be set up, chaired by the Ministry of Communications and Works (MCW); the main role of the Committee shall be to prepare the documents for the tender notice by the PWD for use of land under a long-term lease agreement (‘land development agreement’);

WHEREAS in the meantime, the Ministry of Transport, Communications and Works (MTCW), in a letter dated 13 November 2010, stated that the procedure for calling for expressions of interest to find a strategic investor had not yet been started and that it would take at least nine months from the date of communication of interest until the strategic investor was able to manage the Conference Centre;

WHEREAS the Cyprus Tourism Organisation (CTO) welcomes the extension of the period of management for one more year;

AND WHEREAS at its meeting of 14 December 2015 the Ministerial Council agreed on an amendment to the existing Contract assigning management of the Conference Centre to the Cypriot Tourism Organisation to extend the duration for a further period of twelve (12) months, i.e. until 31 December 2016.

The Parties agree as follows:

1. Management shall be extended for twelve (12) months after expiry on 31 December 2015, i.e. from 1 January 2016 to 31 December 2016, both dates included.
2. For the rest, the terms and conditions set out in the Contract for Management of the Conference Centre of 31 January 2013 shall continue to apply.

Signed this day 21 December 2015 in Nicosia by the Parties, with witnesses present, in two originals, one given to each Party.

THE PARTIES,

The Owner

The Manager

Minister for Energy,
Commerce, Industry and
Tourism

Chairman of the Board of
Directors of the CTO

REPUBLIC OF CYPRUS
MINISTRY OF LABOUR, WELFARE
AND SOCIAL INSURANCE

SOCIAL WELFARE
SERVICES

1468 NICOSIA

Ref No : 13.32.01

URGENT

21 June 2016

State Aid Audit Inspector

**Services of General Economic Interest: report to be submitted in accordance with
the 2012 SGEI Decision and the 2012 SGEI Framework**

With regard to the above subject and your letter dated 10 May 2016, please find attached the information you requested.

Please do not hesitate to contact me for any further information you may require.

on behalf of the Director

SOCIAL WELFARE SERVICES
MINISTRY OF LABOUR, WELFARE AND SOCIAL INSURANCE

Ref No : 13.32.01

SERVICES OF GENERAL ECONOMIC INTEREST

State Aid Scheme of the Social Welfare Services under Decision 2012/21/EU for the provision of SGEI (Decision of the Commissioner No 359, 23 June 2015)

GENERAL INFORMATION

The Social Welfare Services provide state aid to NGOs and local authorities for the operation of social care programmes. Most of the bodies receive state aid under the Social Welfare Services' de minimis state aid scheme, which is in line with Commission Regulation (EU) No 360/2012 on de minimis aid granted to bodies providing SGEI. To qualify for a grant, applicants must operate programmes and specifically programmes that fall within the scope of social care, such as homes for the elderly, children's day nurseries, centres for child protection and employment, home care programmes/services for the elderly, adult centres and round-the-clock and day-care programmes for persons with disabilities. These programmes operate on the basis of laws and regulations for which the Social Welfare Services are responsible for checking minimum standards of quality.

Three agencies receive state aid under **DECISION 2012/21/EU**. To this end, the Social Welfare Services prepared a special State Aid Plan, which was adopted by the Ministerial Council on 29 May 2013, Decision No 75.154. The three agencies are:

- I. The Theotokos Foundation**
- II. The Agios Stefanos Foundation for People with Cognitive Disabilities**
- III. The Cyprus Association for People with Autism**

These three agencies provide services of general economic interest in the social care sector for people with disabilities on a daily and/or round-the-clock basis as part of separate structures/programmes. For this aid, the Commissioner for State Aid took Decision No 359 dated 23 June 2013. The Social Welfare Services have signed a contract with these agencies as follows:

Organisation	Date of signature of contract	State aid received 2014	State aid received 2015	Number of programmes	Number of persons served 2015
Theotokos Foundation	10/07/2015	€1 274 000	€1 240 000	4	192
Agios Stefanos Foundation for People with Cognitive	27/8/2015 (amendment 18/2/2016)	€394 000	€436 000	5	60

Disabilities					
The Cyprus Association for People with Autism	9/10/2015 (amendment 1/2/2016)	€192 000	€197 000	5	37

1. Overview of Expenditure

Compensation for provision of Services of General Economic Interest

	2014	2015
Based on the Decision	€1 860 000	€1 873 000

2. Description of application of the 2012 SGEI Decision

Social Services (social care programmes for people with disabilities, day care and round-the-clock care)

Clear and comprehensive description of how the respective services are organised in your Member State
Explanation of what kind of services in the respective sector have been defined as SGEI in your Member State. Please list the content of the services assigned as SGEI.
The Social Welfare Services may grant state aid for the establishment, operation or expansion of programmes of non-problematic agencies active in the areas controlled by the Republic of Cyprus and provide services of general economic interest in the field of social care that are considered to be necessary, in line with the socio-economic situation on the ground.
Explanation of the (typical) forms of assignment. If standardised templates for assignments are used for a certain sector [please attach them].
The Social Welfare Services used the same form of assignment contract for the three agencies, introducing special obligations tailored to the requirements of each agency.
Average duration of the assignment (in years) and the proportion (%) of assignments that are longer than 10 years, by sector.
The duration of assignments is three years.
Explanation whether (typically) exclusive rights are assigned to the undertakings.
No. The agencies have general and special obligations.
Which aid instruments have been used (direct subsidies, guarantees, etc.)?
The agencies receive annual state aid in two instalments. The amount of the state aid for each of the three years of the assignment is set by decision of the Director of Social Welfare Services in January each year, on presentation and approval of updated information from the beneficiary and depending on available appropriations in the approved annual budget of the relevant government authority. If the beneficiary has any debts or outstanding amounts vis-à-vis the Social Welfare Services or any other service of the state (for example the Social Insurance Services or the Inland Revenue Department), the approved grant will be offset by any such debt and/or outstanding amount and the beneficiary will receive what is left.
Typical compensation mechanism as regards the respective services and whether a

methodology based on cost allocation or the net avoided cost methodology is used.

In the event of any overcompensation by government subsidy granted the previous year, the approved subsidy will either be offset against the overcompensation and the beneficiary will be paid what is left, or it will be returned. Where the amount of overcompensation does not exceed 10 % of the amount of the average annual compensation, such overcompensation may be carried forward to the next period and deducted from the amount of compensation payable in respect of that period.

One of the main conditions for the approval of state aid is the presentation of the audited accounts for the previous year.